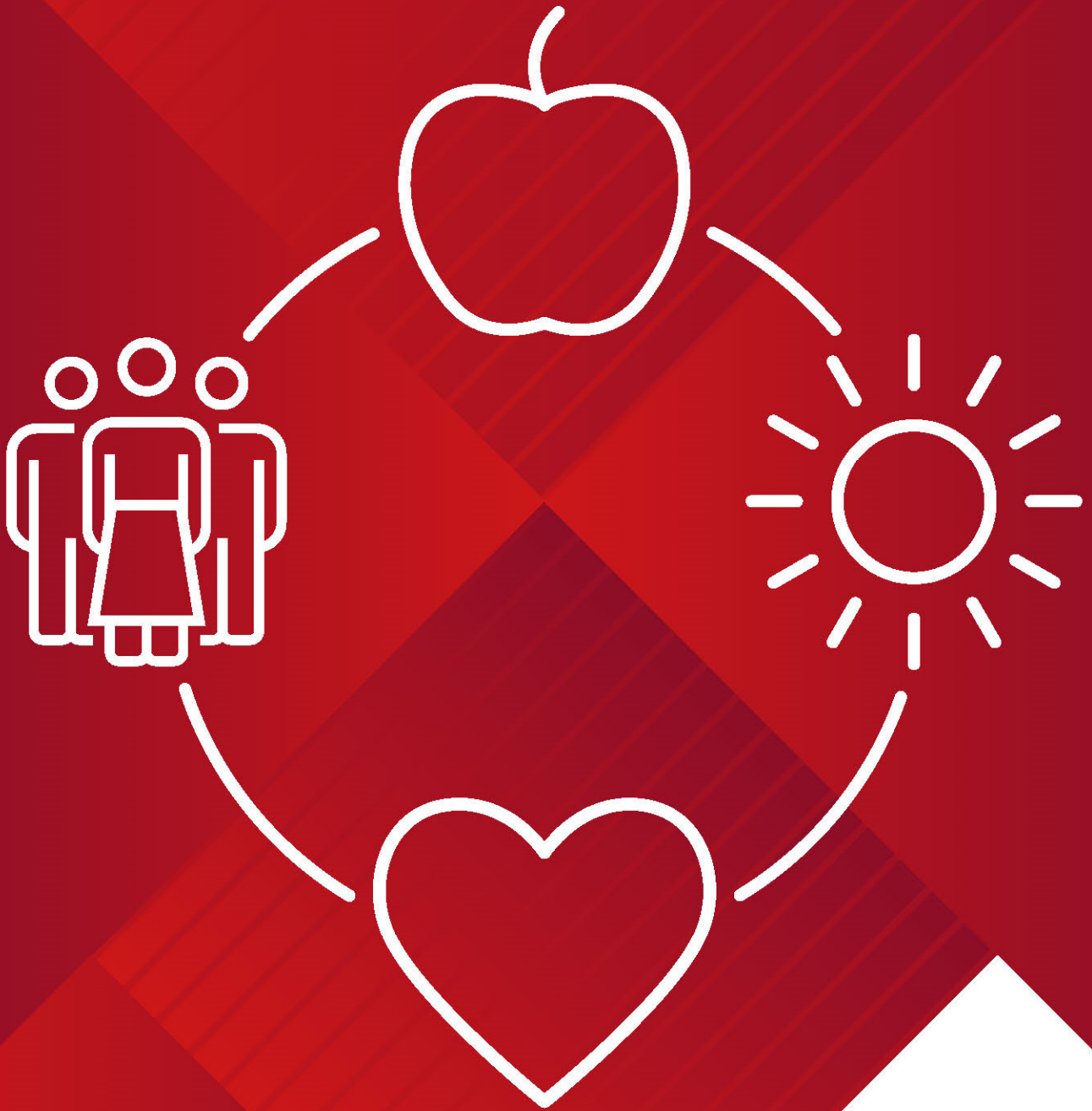


SUSTAINABILITY- Linked Bond Progress Report



July 2024

REWE 
GROUP

Sustainability-Linked Bond Progress Report

for the Base Year 1. January to 31. December 2021 and the Business Year 1. January to 31. December 2023

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1. Introduction

The consequences of climate change are becoming more noticeable every day. More than a third of global greenhouse gas emissions are attributable to the food system. As a food retailer, we want to ensure that safe, healthy nutrition and climate protection go hand in hand. As REWE Group, we are aware that greenhouse gas emissions occur along the entire supply chain in our business activities and have taken many measures to reduce them.

In July 2023, we joined the Science Based Targets Initiative (SBTi) with REWE and PENNY in Germany and committed to science-based reduction targets across the entire value chain. As Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs), these targets are an essential part of our Sustainability-Linked Bond Framework, which we published in August 2023. We are now reporting on the progress of target achievement for the first time in this publication. In March 2024, we also joined the SBTi as the entire REWE Group in order to further strengthen our climate strategy.

2. Emissions inventory

Our greenhouse gas emissions for 2021 and 2023 have been carefully recorded and calculated. An external auditor has performed an independent limited assurance engagement on the selected quantitative disclosures related to the actual KPIs for the period from 1. January to 31. December 2021 and 1. January to 31. December 2023 in connection with the actual KPI performance level against the targets (including the relevant Sustainability Performance Targets SPT(s)) marked with the symbol “(v)”.

Based on section “3.3.3 Fallback Mechanisms and Exceptional Events” in our Sustainability-Linked Bond Framework (published on the REWE Group website), our emissions inventory and GHG emissions for the base year from 1. January to 31. December 2021 were adjusted this year. The changes and reasons for the recalculation are listed below.

2.1. KPI 1: Absolute GHG emissions Scope 1 and 2

REWE & PENNY Scope 1&2	REWE & PENNY aim to reduce their Scope 1 & 2 GHG emissions by 42% by 2030, baseline: 2021.
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Absolute GHG emissions and percentage reduction SPT 1 REWE and PENNY Scope 1 & 2

	2021	2023	2028	2029	2030
GHG emission, k tons old*	202	n.a.	151	137	117
GHG emission k tons new	229 (v)	210 (v)	172	156	133
% reduction		-8%	-25%	-32%	-42%

*“Old” means published in our Sustainability-Linked Bond Framework in August 2023. In 2023, there was a change of service provider for the calculation of Scope 1 and 2 emissions which resulted in methodological optimization and Data correction that led to a change in the GHG baseline with an impact of more than five percent and thus to exceeding the significance threshold for recalculation

2.1.1. Progress evaluation SPT 1

The targets in Scope 1 and 2 are ambitious, as they require considerable investment in the transition to a more climate-friendly infrastructure. External factors influencing these targets may include regulatory requirements (e.g. CO2 pricing) or new energy efficiency standards, the availability and cost of alternative energy sources (e.g. the electrification of heating), but also, in a positive sense, innovations relating to energy-efficient cooling and lighting systems. A large proportion of the reduction targets will be achieved through measures that will probably only be technically and practically available and effective towards the end of the decade, such as battery or hydrogen drives in logistics.

From 2021 to 2023, Scope 1 & 2 GHG emissions were reduced by 8 percent. To reach SPT 1 we adhere to the following measures:

- Energy efficiency measures that lead to considerable energy savings in the area of heating.
- The switch to more climate-friendly refrigerants is progressing steadily.
- REWE and PENNY use green electricity (since 2008). Nevertheless, the SBUs are concentrating on further limiting consumption and costs for ecological and economic reasons.
- Test with trucks with alternative drives (hydrogen, battery).
- Energy efficiency measures in the relevant areas of lighting and refrigeration technology.
- Expansion of the fully or partially electrically powered car fleet (but currently still low absolute proportions).

2.2. KPI 2: Absolute GHG emission Scope 3 non-FLAG

REWE & PENNY Scope 3 non-FLAG	REWE & PENNY aim to reduce their non-FLAG Scope 3 GHG emissions by 42% by 2030, baseline: 2021.
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Absolute GHG emissions and percentage reduction SPT 2 REWE and PENNY Scope 3 non-FLAG**

	2021	2023	2028	2029	2030
GHG emission, k tons old*	12,658	n.a.	9,494	8,607	7,342
GHG emission, k tons new	10.984 (✓)	9.446 (✓)	8.238	7.469	6.371
% reduction		-14%	-25%	-32%	-42%

*"Old" means published in our Sustainability-Linked Bond Framework in August 2023. In Scope 3 non-FLAG, REWE Group relies on the establishment of GHG accounting in accordance with the principles of the GHG Protocol. In 2023, methodological optimization and Data correction were made that led to a change in the GHG baseline with an impact of more than five percent and thus to exceeding the significance threshold for recalculation. As part of this, the model was expanded to include additional automated test routines in order to enable more consistent statements.

** The target boundary includes land-related emissions and removals from bioenergy feedstocks.

2.2.1. Progress evaluation SPT 2

Our non-FLAG GHG emissions are primarily influenced by the processes of our direct and indirect suppliers and by transportation as well as by packaging. We are therefore dependent on technological progress and the efforts of our suppliers, among other things. We are stepping up our efforts and continuously pursuing the upscaling of efficient climate reduction measures in the non-FLAG sector. We plan to achieve visible GHG reductions here in the last third of our target period.

In view of the complexity of our supply chains, our targets for reducing Scope 3 non-FLAG GHG emissions on this scale are very ambitious for companies such as REWE and PENNY. As with the FLAG targets, we assume that a change in consumer behavior towards more sustainable or plant-based products, climate protection laws or market effects (more green electricity, electrification of heating and new technologies) can contribute as external factors.

For the non-FLAG targets for Scope 3, we see a 14 percent reduction in GHG emissions between 2021 and 2023. On the one hand, this was due to the reasons stated in the SPT 3 progress evaluation, and on the other hand, the following developments were observed:

- The multiple crises of recent years and their effects (increased cost of living, geo-political situation, economic development, effects of climate change) have led to significant changes in consumer behavior.
- We see increasing relevance in plant-based product ranges and consumer interest in our plant-based concepts (e.g. vegan assortments and a vegan supermarket opening in Berlin).
- The changes in the electricity mix on the market and average efficiency increases in production have had a positive impact on emission factors.
- In 2023, we developed the "Förderprogramm Klimaschutz" under the umbrella of the Competence Centre for Agriculture and presented it at the beginning of 2024. Several million euros will be used to co-finance projects by own-brand suppliers to reduce GHG emissions in the supply chain.
- By the end of 2030, we will make our sales and service packaging more environmentally friendly and therefore lower in emissions.

2.3. KPI 3: Absolute GHG emission Scope 3 FLAG

REWE & PENNY Scope 3 FLAG	REWE & PENNY aim to reduce their FLAG Scope 3 GHG emissions by 30.3% by 2030, baseline: 2021.
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Absolute GHG emissions and percentage reduction SPT 3 REWE and PENNY Scope 3 FLAG

	2021	2023	2028	2029	2030
GHG emission, k tons old*	16,936	n.a.	13,887	13,041	11,804
GHG emission, k tons new	14.540 (v)	13.472 (v)	11.923	11.196	10.134
% reduction		-7%	-18%	-23%	-30,3%

*"Old" means published in our Sustainability-Linked Bond Framework in August 2023. In Scope 3 FLAG, REWE Group relies on the establishment of GHG accounting in accordance with the principles of the GHG Protocol. In 2023, methodological optimization and Data correction were made that led to a change in the GHG baseline with an impact of more than five percent and thus to exceeding the significance threshold for recalculation. As part of this, the model was expanded to include additional automated test routines in order to enable more consistent statements.

2.3.1. Progress evaluation SPT 3

Our FLAG targets in Scope 3 are particularly ambitious because our supply chains are complex. We will therefore continue to involve all key stakeholders and create more transparency. In addition, achieving our targets will also depend on external factors such as increasing demand for more climate-friendly, plant-based products and a decreasing proportion of animal products. This trend in consumer behavior is already emerging. We are therefore continuing to expand our vegan range at REWE and PENNY. We expect further positive effects in the context of official climate protection requirements that apply to all companies.

We are continuously working to achieve our goals. However, the necessary measures are complex and time-consuming to implement. We therefore plan to achieve the major results of our significant GHG reductions in the last third of our target period. We are determined to overcome all challenges and, in this way, make a real contribution to greater sustainability and climate protection.

From 2021 to 2023, GHG emissions for the FLAG Scope 3 targets were reduced by 7 percent. This is due to the following factors:

- The multiple crises of recent years and their effects (increased cost of living, geopolitical situation, economic development, effects of climate change) have led to significant changes in consumer behavior.
- We see increasing relevance in plant-based product ranges and consumer interest in our plant-based concepts (e.g. vegan assortments and a vegan supermarket opening in Berlin).
- Supplier Engagement: With the "Gemeinsam für mehr Klimaschutz" initiative, we support private label suppliers in defining SBTi climate targets.

- In 2023, we developed the "Förderprogramm Klimaschutz" under the umbrella of the Competence Centre for Agriculture and presented it at the beginning of 2024. Several million euros will be used to co-finance projects by own-brand suppliers to reduce GHG emissions in the supply chain.
- By the end of 2025, we will make our supply chains deforestation- and conversion-free.
- By the end of 2030, we will make our sales and service packaging more environmentally friendly and therefore lower in emissions.

3. Methodology

By joining the Science Based Targets initiative (SBTi), REWE and PENNY in Germany are focusing on reducing greenhouse gas emissions along the entire value chain. All targets were developed with the help of an external SBTi consultant in the period from 2022 to 2023 in accordance with the SBTi methodology. The targets were submitted to the SBTi in fall 2023 and are currently in the process of being validated by the SBTi.

3.1. The SBTi-FLAG guideline on reducing emissions

REWE and PENNY in Germany follow the SBTi Corporate Net-Zero Standard when setting their GHG emission reduction targets and are also one of the first food retail companies to follow the SBTi Forest, Land and Agriculture Supplementary Guidance (FLAG) from April 2023. This world-first initiative supports companies in the forestry, land-intensive agriculture, food production and food retail sectors to set science-based targets that include the reduction and elimination of emissions from forestry and agriculture.

3.2. Scope of application

REWE and PENNY in Germany (referred to as REWE and PENNY) report on their progress. The emissions of these two companies account for the largest share within the REWE Group. The emissions from Scope 1 and 2 as well as Scope 3 (FLAG and non-FLAG) are considered.

3.3. Our accounting methodology

3.3.1. KPI 1: Absolute GHG emission Scope 1 and 2:

Emissions from the companies' business operations are calculated from the consumption of electricity, heat and fuel for trucks and cars as well as refrigerant losses.

Accounting methodology: REWE and PENNY account for their Scope 1 and 2 GHG emissions in accordance with the globally recognized Greenhouse Gas Protocol (GHG Protocol) standard. The targets for these emissions are based at least on a 1.5-degree scenario.

GHG emissions gas consumption markets

The Scope 1 input factor gas was calculated in accordance with the requirements of the GHG Protocol.

The calculation of GHG emissions from gas consumption at REWE and PENNY stores is partly based on individual actual gas consumption data and partly on estimation methods if no individual gas consumption for the individual REWE or PENNY store could be accessed. This mainly affected REWE and PENNY stores that were not supplied with gas by REWE's own energy supplier EHA.

The estimate was made using a calculated average consumption by region for stores for which gas consumption data was available and was multiplied by the number of stores for which no individual data was available without significant effort. Other factors, such as insulation, square meter size or store commissioning, were not taken into account when calculating the estimated values.

GHG emissions from gas consumption in administrative buildings and logistics locations

The calculation of GHG emissions from gas consumption at logistics locations and administrative buildings is based on actual gas consumption data. The allocation of total gas consumption to the units within the scope was based on metered consumption data and the use of distribution keys. The distribution keys were defined on the basis of advance payments, empirical values on proportional use or electricity consumption ratios.

GHG emissions from refrigerants

GHG emissions from refrigerants used in REWE and PENNY stores are calculated using actual data based on systematically recorded refrigerant refill quantities.

Refrigerant quantities used when transporting goods in trucks are subject to estimation. The estimate is essentially based on information obtained from manufacturers. The average filling quantity per truck is 4 kg. According to the manufacturer information, the leakage rate is between 0% and 5%. To determine the refrigerant emissions, an estimated value for the leakage rate of 5% was assumed.

Diesel fuel consumption REWE / PENNY and PENNY carrier truck fleet

The calculation of the Scope 1 input factors for truck fuel consumption is based on a two-stage model. For trucks operated by REWE carrier, the GHG emissions of fuel consumption are calculated using systemically recorded actual data of the refueling operations. The emissions for the additional fuel consumption from the operation of the refrigeration units in the trucks are in turn subject to an estimate. A surcharge of five liters per 100 km is applied for refrigeration based on based on own calculations at two warehouse sites with around 50 trucks.

For trucks that are assigned to the PENNY and REWE store fleet or the PENNY carrier and do not belong to the REWE carrier, diesel fuel consumption is estimated on the basis of data from the REWE carrier. This is based on the average fuel consumption per 100 km of the REWE carrier. This is multiplied by the total kilometers covered by the company's own fleet or the PENNY carrier. The KM traveled are based on the route planning for the respective location or store.

GHG emissions from cars

The calculation of Scope 1 GHG emissions for fuel consumption of passenger cars is calculated on the basis of systemically recorded actual data for refueling.

The input factors and the emissions calculation are allocated 100% to the Scope 1 emissions based on the control approach.

3.3.2. KPI 2: Absolute GHG emission Scope 3 non-FLAG:

Non-FLAG emissions are caused by process- and energy-related emissions from direct and indirect suppliers in the food and non-food supply chain as well as from transportation and packaging. The main product groups responsible for these emissions are beverages, dairy products and fruit and vegetables.

Accounting methodology:

REWE and PENNY account for their non-FLAG GHG emissions from Scope 3 in accordance with the GHG Protocol. The calculation is based on REWE and PENNY primary data on purchased products, their ingredients and countries of origin as well as information on suppliers. In cases where no data on ingredients and origin was available, the data was modeled on the basis of existing information and/or supplemented by production and import statistics. Carbon emissions were calculated using a hybrid model aligned with the SBTi methodology. The model uses mainly a cross-regional physical approach for agricultural commodities, transportation and packaging and downstream impacts and a cross-regional expenditure-based approach for the processing and extraction of mineral commodities. Scope 3 non-FLAG emissions include

- Scope 3.1 Purchased goods and services
- Scope 3.2 Capital goods
- Scope 3.4 Upstream transportation
- Scope 3.11 Use of products sold.

All other categories were quantified approximately on the basis of assumptions. This resulted in less than one percent of total emissions. The categories were therefore classified as not significant for REWE and PENNY.

3.3.3. KPI 3: Absolute GHG emission Scope 3 FLAG:

The greatest impact of FLAG emissions is caused by animal products such as milk, cheese, meat and eggs, which are mainly generated by enterogenic fermentation and manure processing as well as feed cultivation.

Accounting methodology:

REWE and PENNY account for their FLAG GHG emissions from Scope 3 in accordance with the GHG Protocol Land Sector and Removals Guideline (draft for pilot test phase and review, September 2022) and the SBTi FLAG Guideline. The calculation is based on the REWE and PENNY primary data on purchased products, their ingredients, and countries of origin as well as information on suppliers.

In cases where data on ingredients and origin was not available, the data was modelled based on existing information and/or supplemented by production and import statistics. Carbon emissions were calculated using a hybrid model aligned with the SBTi methodology. The model uses mainly a cross-regional physical approach for agricultural commodities, transportation and packaging and downstream impacts and a cross-regional expenditure-based approach for the processing and extraction of mineral commodities. FLAG emissions from Scope 3 include goods purchased for REWE and PENNY under Scope 3.1. The FLAG emissions from other Scope 3 categories were quantified approximately on the basis of assumptions. They were assessed as immaterial for REWE and PENNY or are to be considered optional for our business model in accordance with the GHG Protocol.

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