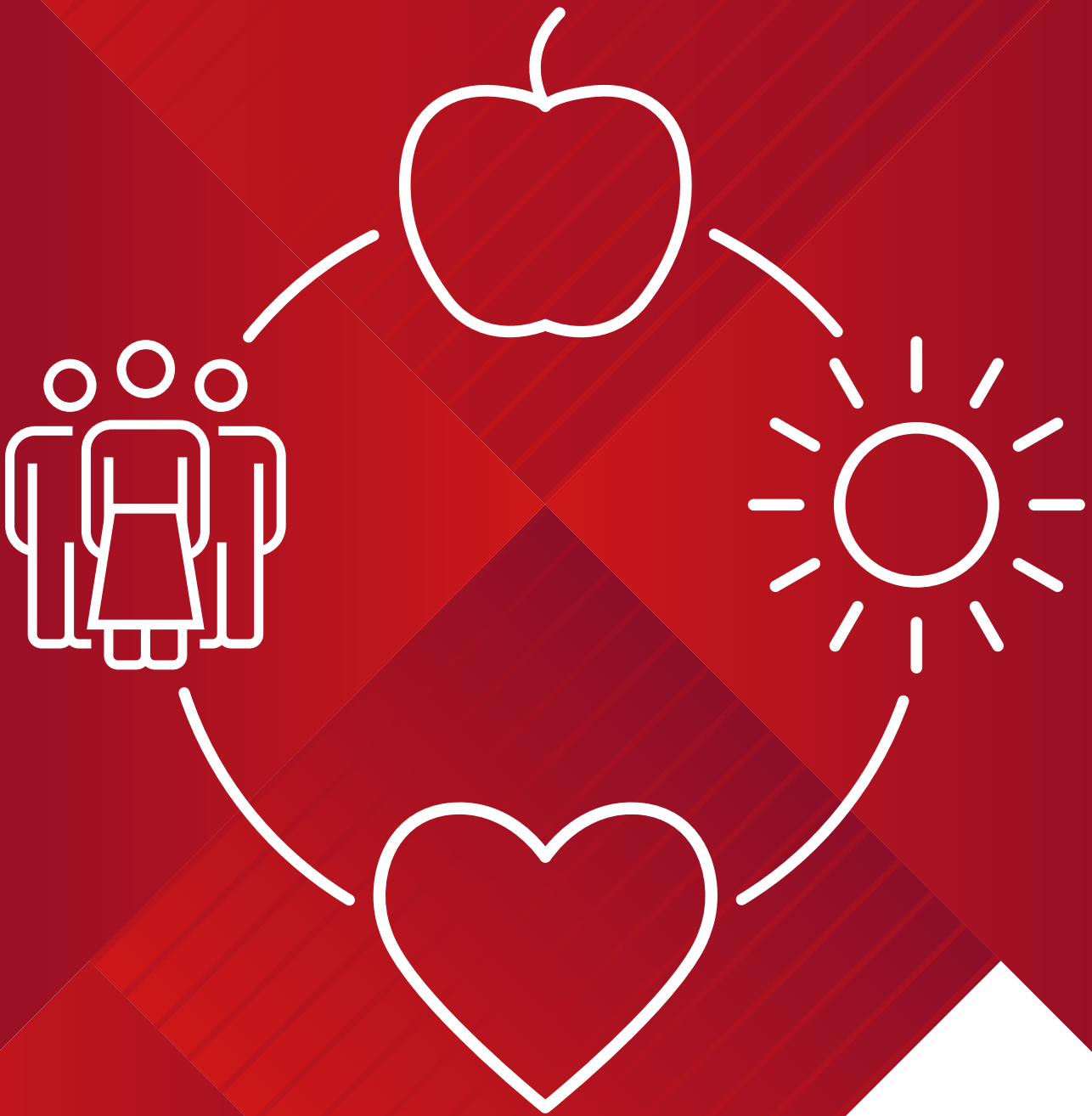


SUSTAINABILITY-

Linked Bond Framework





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◀ Dr. Daniela Büchel,
Chief People and
Sustainability Officer
REWE Group

▶ Telerik Schischmanow,
Chief Financial Officer
REWE Group



**Dear Ladies and Gentlemen,
Dear Partners of REWE Group,**

REWE Group has been based on the cooperative model since it was founded in 1927 as an amalgamation of 17 purchasing cooperatives. In Germany alone, REWE Group today supplies more than 8 million customers daily, making it one of the leading trade and tourism groups in Europe. We are a partner for tens of thousands of suppliers and responsible for over 380,000 employees, more than 280,000 of them in Germany.

For several generations, we have committed ourselves to the following basic principles with our cooperative values at REWE Group: We do business sustainably, we reinvest sustainably in the future, and we drive sustainable developments together with our partners.

Sustainability has always been firmly anchored in the DNA of REWE Group. It is part of our self-image and our corporate culture – shared by the Management Board, all managers, employees, and merchants. Sustainability is also an integral part of our business strategy and, as a pioneer and trailblazer, we defined concrete sustainability goals and measures more than 15 years ago. In 2009, we also started sharing our developments annually in our sustainability report.

We promote more sustainable product ranges and encourage regional structures and fair cooperation based on partnership. Our aim is to strengthen the

**Sustainable business.
Sustainable investing.
Sustainable financing.**

community, together with our suppliers and agricultural partners, and to contribute to protecting people, animals, and the environment. With our sustainable packaging strategy, we pursue the approach “avoid, reduce, improve”. We had already started to convert stores and warehouse locations throughout Germany to certified green electricity in 2008. Our investments in digitalization measures have made our infrastructure, production, and logistics significantly more resource efficient and environmentally friendly.

In 2023, we are taking the next steps by committing¹ our German brands, REWE & PENNY, to the Science Based Targets initiative (SBTi) for the food retail sector, not only for Scope 1 & 2 but also Scope 3 emissions – including FLAG and Non-FLAG. The Forest, Land and Agriculture Guidance (FLAG) is the first standard method for enabling forestry, land-intensive agricultural and food production, and food retail companies to set science-based targets. These targets include land-based emission reductions and removals. Our partnership with agriculture will be an important aspect of the way forward in this regard.

We are also linking our sustainable business strategy with our financing by creating this framework. Any securities issued under it will have a strong link to the ambitious science-based targets. Detailed information on this can be found on the following pages. With this framework, we invite investors to join REWE Group as we strive to transform the food industry to follow the science-based pathway and reach the Paris Agreement.

We wish you an informative and inspiring read!

¹ – Commitments demonstrate an organisation’s intention to develop targets and submit these for validation within 24 months. These organisations do not yet have validated science-based targets.



1. BUSINESS OVERVIEW

1927
founded

21
European countries

380.000
Employees



As one of Europe’s leading trade and tourism groups, REWE Group is a constant companion in life – whether you buy food in-store or online, plan your next holiday, snack on the go or buy DIY and garden products. We operate 15,640 stores and travel agencies in 21 European countries and employ around 380,000 people. In Germany alone, 280,000 people work in around 10,500 stores and in the headquarters locations. REWE Group generated total external revenue of 84.76 billion euros during the 2022 business year. With more than 58 billion euros, the company generated more than 69 per cent of its revenue in Germany.

REWE (Revisionsverband der Westkaufgenossenschaften) was established in 1927 by 17 purchasing co-operatives. The aim was to jointly organise the purchase of food. The result of this effort is a cooperative corporate group whose identity is shaped by the values of solidarity, collaboration, and alliance, as well as the principles of sustainability. We respond to the changing needs of our customers and work on providing them with the best shopping experience – in-store as well as online.

The formats of REWE Group are just as diverse as its customers’ wishes and needs. In the food retail sector,

REWE Group operates supermarkets with fresh foods and items customers need each day (REWE, nahkauf, BILLA, ADEG), large consumer stores with wide product ranges (REWE CENTER, BILLA PLUS), and discount stores (PENNY, PENNY Market) that are known for their inexpensive ranges. We also operate innovative convenience stores (REWE To Go) and engage in e-commerce activities. REWE Group’s expertise in trade is not limited to food retail. Specialist stores are also part of its format portfolio. In Germany, REWE Group operates service-focused DIY stores (toom Baumarkt) and DIY stores for price-conscious do-it-yourselfers (B1 Discount Baumarkt). In addition to food and DIY stores, the production businesses Glocken Bäckerei and the quality butcher Wilhelm Brandenburg belong to our portfolio. They produce high-quality store brand products for the REWE and PENNY stores. In 2020, Lekkerland Group became part of our group. Lekkerland supplies petrol stations, newsstands, convenience stores, bakeries, food retailers, and quick-service restaurants. Additionally, we have been active in travel and tourism since 1988. Today, one of the leading tourism groups in Europe operates under our umbrella: DER Touristik Group.

RETAIL GERMANY



RETAIL INTERNATIONAL



CONVENIENCE



DIY STORE



TRAVEL AND TOURISM



OTHER





2. SUSTAINABILITY STRATEGY

2.1 Sustainability Strategy

As a retail and tourism company, we act as a link between manufacturers and service providers on the one hand, and consumers on the other. From this position, we can play a significant role in promoting sustainable development. REWE Group became aware of this special responsibility early on. It published its first comprehensive sustainability strategy in its 2009 Sustainability Report. In this report, it also introduced its four pillars of sustainability for the purpose of implementing its sustainability strategy.

In 2010, REWE Group defined its Guidelines on Sustainable Business Practices and established a binding operational framework that forms the foundation for REWE Group's comprehensive commitment to sustainability. The Guidelines draw on the United Nations Universal Declaration of Human Rights, the conventions of the International Labour Organisation (ILO), the UN Global Compact and the United Nations Guiding Principles on Business and Human Rights.

At REWE Group, sustainability is one of the main priorities for the company's top managers. Since the sustainability strategy was introduced in 2008, it has been directed by the CEO. To reflect the increasing importance of sustainability, Dr. Daniela Büchel was appointed to the Management Board at the beginning of 2023. She is responsible for HR and sustainability as Chief People and Sustainability Officer.

Our goal since then has been to make our whole business more sustainable to promote sustainable consumption and tourism. We achieve this by continuously expanding our sustainable product range



and dealing fairly with our partner organisations and suppliers. We are actively committed to environmental and climate protection and take responsibility for our employees.

The topic of climate protection has been the focus of our sustainability strategy from the very beginning and has been managed through clear objectives. We use different approaches and measures in different areas of our value chain to reduce greenhouse gas emissions. For example, in 2008, we were the first food retailer in Germany to switch our stores, administrative locations, warehouses, and travel agencies to certified green electricity across the board. These and other measures enabled us to halve greenhouse gas emissions (CO₂ equivalents) per square metre of sales floor space for Germany and Austria at company level by 2022, compared to 2006. In July 2023, REWE Group again proved to be a leader in climate pro-

tection in food retailing by committing² to the Science Based Targets initiative (SBTi) and by setting Scope 1 & 2 as well as Scope 3 emissions targets, including FLAG and Non-FLAG targets, for REWE and PENNY³ (Germany).

REWE Group recognizes the significance of the SBTi in defining and promoting best practice in science-based target setting. One of the challenges for the forestry, land and agriculture sector is addressing both land-based emissions and removals when setting these targets. Since 2022, the SBTi's FLAG Guidance provides the world's first standard method for companies in land-intensive sectors to set science-based targets that include land-based emission reductions and removals. REWE Group is committed to these advanced and sophisticated targets and commitments as set out in SBTi's FLAG guidance.

→ Our Four Pillars of Sustainability



Green Products



Energy, Climate and the Environment



Employees



Social Commitment

² – Commitments demonstrate an organisation's intention to develop targets and submit these for validation within 24 months. These organisations do not yet have validated science-based targets.
³ – PENNY means PENNY Germany throughout the following parts of the document.



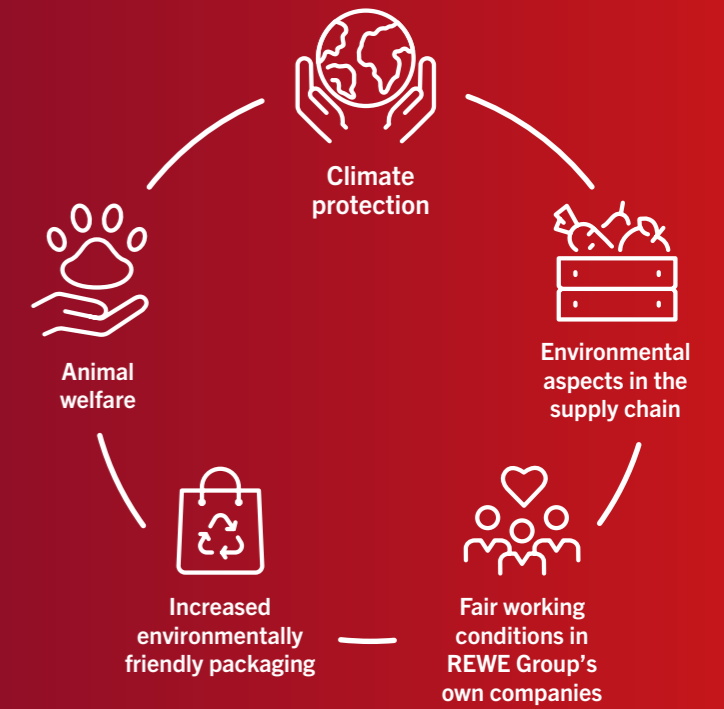
2. SUSTAINABILITY STRATEGY



2.2 Materiality Analysis

The sustainability strategy of REWE Group and its sales lines undergoes regular review processes. All relevant information, such as customer surveys, competitive analysis, and analysis of political discourse, are included in this process. In addition to these sources of information, materiality analysis is a method used by REWE Group to identify material issues and set priorities for developing measures. The last comprehensive materiality analysis was carried out in 2020: 6,150 participants from Germany and Austria took part and rated 19 topics according to their relevance.

The respondents considered the following five topics to be most relevant to REWE Group:



Since the last materiality analysis, the importance and urgency of the issue of climate protection has increased again among all stakeholder groups. Therefore, we have taken further pioneering measures in this area in recent years with the aim of capturing emissions throughout our value chain, making REWE Group a leader in the food retailer industry.



2. SUSTAINABILITY STRATEGY

2.3 The Four Pillars of Sustainability at REWE Group

The REWE Group sustainability strategy is based on four pillars: Green Products, Energy, Climate & Environment, Employees, and Social Commitment.

2.3.1 Green Products

Manufacture of products has an impact on humans, animals, and the environment. We are therefore working on offering a larger number of more sustainable product ranges. In the area of food, this includes organic and regional products and products for which REWE Group has achieved improvements in the supply chain. We always consider the entire supply chain and act where we believe that social and environmental standards are under threat. REWE Group uses a comprehensive supply chain management system to introduce and implement appropriate policies. In doing so, the company relies on internationally recognised certification standards, collaborates in sector-wide initiatives, launches projects and, in keeping with its guidelines, formulates its own requirements for selected raw materials and production facilities in high-risk countries.



Our Key Areas in the Green Products Pillar



Climate Protection in the Supply Chain:

According to the World Economic Forum, 25 per cent of all global greenhouse gas emissions are caused by the supply chains of the food industry. Around 99 per cent of the total greenhouse gas emissions from REWE and PENNY's food retail activities happen in the supply chain. We have therefore set ourselves targets for REWE and PENNY in 2023, in line with the requirements of and commitment to the Science Based Targets initiative, to reduce climate-relevant emissions along our supply chains. To this end, targeted measures are being taken to reduce the impact of our product range on the climate.



Packaging:

We want to reduce our use of packaging as much as possible – and make unavoidable packaging more environmentally friendly and recyclable. We have introduced a straightforward strategy: avoid, reduce, improve. To set an example for the reduction of plastic waste, REWE was the first food retailer in Germany to completely phase out plastic bags in the checkout area in 2016. Many other business units of REWE Group have followed this example and abolished plastic bags.



Biodiversity:

We want our actions to contribute to the preservation of biodiversity. We therefore purchase appropriately certified goods and implement biodiversity-promoting measures, together with nature conservation organisations and producers. With our PRO PLANET project in Germany, we have already

created or enhanced 13.5 million square metres (as of the end of 2022⁴) of annual and perennial flowering areas in Germany since the project started in 2010. With over 550 producers now involved (end of 2022), it is the oldest and largest biodiversity project in the German food retail sector.



Human Rights and Fairness:

In its declaration of principles on human rights, REWE Group commits to strengthening human rights and preventing human rights violations. To fulfil our responsibility for fair trade, we rely on a broad range of measures: training for employees and suppliers, audits, implementation of our own (aid) projects, and formulation of concrete requirements for suppliers and service providers. The German supply chain regulation has been integrated into REWE Group to meet the increased regulatory demands.



Organic Products:

Organic products have a positive effect on people, animals, and the environment because specific requirements apply in the supply chain, such as not using chemical pesticides or easily soluble mineral fertilisers. To place organic products on the market and steadily expand the product range, REWE Group offers organic private labels in its individual sales lines.



Nutrition:

In the case of private label products, REWE Group has the opportunity to contribute to a diverse and balanced diet by adapting recipes with regard to sugar, salt, fat, or saturated fatty acids. To support its customers in making conscious food choices, REWE Group started to introduce Nutri-Score labeling in 2020 and aims to label all REWE and PENNY private label products in Germany by mid-2023.



Animal Welfare:

REWE Group aims to embed animal welfare in its supply chains. For example, long transport routes should be eliminated in the supply chains and husbandry conditions should be adapted to the needs of the animals – through more space and run-out areas, more activities or through fewer interventions on the animal. Regional production, for instance, should also be expanded.

2.3.2 Energy, Climate, and the Environment

This pillar of our sustainability strategy focuses on REWE Group's own business processes and environmentally relevant activities. These include construction and operation of stores, warehouses, administration offices, production sites, logistics operations, as well as resources and materials needed for the company's own business operations. In the areas of action 'energy efficiency', 'climate-relevant emissions', and 'conservation of resources', we are developing effective measures to reduce the impact of our actions on the climate and the environment.

In June 2023, REWE Group took the next step towards its environmental targets by discontinuing the distribution of physical marketing materials, thereby avoiding 70,000t/CO₂ emissions annually. This is the first time that a German food retailer has taken such measures.





2. SUSTAINABILITY STRATEGY

Our Key Areas in the Energy, Climate, and the Environment Pillar



Climate Protection at Company Level:

Greenhouse gas emissions at company level are created through operation of stores, travel agencies and headquarters, transportation of goods, and business trips. Back in 2009, we defined the first climate target for REWE Group's business processes, and we now publish a carbon footprint every year. Since then, we have made a lot of progress, while steadily adjusting the climate targets to make them more ambitious. In 2021, REWE Group set a new absolute climate target: By 2030, it will reduce absolute greenhouse gas emissions at company level by 30 per cent compared to the base year of 2019.⁵ With effect from 2023 onwards, REWE Group has adopted climate targets for its REWE and PENNY companies in Germany for corporate processes that meet the requirements of the Science Based Targets initiative. To avoid and reduce greenhouse gas emissions here, REWE Group relies, e.g., on more climate-friendly refrigerants, green electricity, energy-efficient stores, and alternative drives.



Green Power:

At the beginning of 2008, the company shifted the source of the electricity used by its stores, warehouses, and travel agencies in Germany and Austria to certified green power. In addition, Energie-Handels-Gesellschaft (EHA), the central energy service provider of REWE Group, and Ørsted, signed a ten-year electricity supply contract for the Borkum Riffgrund 3 offshore wind farm (a "Corporate Power Purchase Agreement (CPPA)")

for REWE, PENNY and toom Baumarkt DIY store business units, as well as for its travel and tourism division, in 2021. REWE Group will purchase around 450,000 megawatts p.a. from 2025 onwards from the Borkum Riffgrund 3 wind farm in the North Sea, which covers 17% of REWE Group's total electricity consumption.



Energy Management:

An important part of our energy management is the Energie-Handels-Gesellschaft (EHA), which centrally purchases energy for REWE Group. The EHA systematically and efficiently applies a group-wide energy management system alongside our regional energy management departments. The central energy management system of REWE Group in Germany is certified in accordance with the current version of ISO 50001:2018.



Logistics and Mobility:

REWE Group logistics has an advanced transport and storage system to guarantee product quality and freshness, whilst keeping fuel consumption and GHG emissions to a minimum. To achieve this, REWE Group uses the following levers: strategic reduction of distances between stores and warehouses, high-capacity utilisation of vehicles, reduction of emissions per kilometre driven through differentiated logistics concepts, use of more efficient vehicle technology, and changes in driving behaviour.



Green Building:

Modern, energy-efficient stores play a significant role in the measures to achieve the climate protection objective. REWE Group's Green Building concept combines modern architecture with energy-efficient technologies and use of renewable energies. For

example, primary energy consumption was cut by up to 40 per cent compared with conventional stores. In 2013, REWE Group decided to apply the Green Building concept to all new construction projects and all new leases in Germany, as long as fundamental conditions permit its use.

2.3.3 Employees

Dedicated and qualified employees play a crucial role in the success of the company. It is therefore a central concern of REWE Group to promote employee satisfaction, performance, and productivity. To this end, REWE Group relies on strategic Human Resources management – with employee-oriented work concepts, safe working conditions, personalised training opportunities, and appreciation of each individual.



Our Key Areas in the Employees Pillar



Occupational Health and Safety Management:

REWE Group ensures a safe and healthy working environment. This includes avoiding workplace accidents and providing preventive health measures.



Training and Education:

REWE Group offers all employees and managers a comprehensive internal education and training programme geared towards development of both personal and professional skills.



Diversity and Equal Opportunity:

Commitment to discrimination-free formulation of company human resources policies is a fundamental part of the Guidelines on Sustainable Business Practices at REWE Group. It is also a fundamental component of the Code of Conduct that applies to all employees and managers. Additionally, at the beginning of 2017, REWE Group became a signatory to the Diversity Charter, a voluntary commitment by the German business community to diversity management.



Career and Stages of Life:

REWE Group creates an attractive and fair working environment for its employees. It provides this, e.g., by offering fair pay, extended company benefits beyond the level of negotiated wages, flexible working models that can be adapted to employees' personal needs, and individually tailored offers that make it easier for them to achieve a good work-life balance.



2. SUSTAINABILITY STRATEGY



2.3.4 Social Commitment

In its role as a reliable partner, REWE Group commits its resources to areas where it does business and to the world's more destitute regions. The company works with strong partner organisations who can draw on their local experience and provide effective support. Among other things, we are committed to the development of children and young people and pursue the goal of improving their educational opportunities.

Our Key Areas in the Social Commitment Pillar



“Tafel” Food Bank Support:
REWE Group has been one of the main supporters of the local food banks across Germany since 1996.



Food-Waste Prevention:
REWE Group strives to keep food waste to a minimum. Thanks to state-of-the-art forecasting systems and highly optimised logistics, both PENNY and REWE sell, on average, around 98 per cent of offered food throughout the year. Any goods which remain unsold despite our best efforts are donated free of charge to local food banks across Germany.



REWE and NABU establish NABU Climate Fund:
REWE and Naturschutzbund Deutschland e. V. (NABU) have been strategic partners since 2015. Since 2022, REWE has been the founding partner of the NABU Climate Fund and will provide at least 25 million euros over the next five years. The fund will be used to implement nature conservation projects with a positive biodiversity and climate impact. The launch of the NABU Climate Fund will finance revitalisation of peatlands in Germany.

2.4 UN Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs) address the most important challenges the world is facing regarding sustainable development on a global level. REWE Group intends to help the United Nations reach these goals by making its own special contribution to sustainability.

In collaboration with our key stakeholders, we have compared the company's Sustainability Strategy and business processes with the 17 SDGs and their 169 sub-goals. Through this procedure, we have identified and prioritised the SDGs that are most relevant to the company. The resulting list was discussed and validated during our regular dialogue with our stakeholders.

- SDG 2 – Zero Hunger
- SDG 5 – Gender Equality
- SDG 7 – Affordable and Clean Energy
- SDG 8 – Decent Work and Economic Growth
- SDG 12 – Responsible Consumption and Production
- SDG 13 – Climate Action
- SDG 14 – Life Below Water
- SDG 15 – Life on Land

In the process, the range of areas throughout the value chain where the company could have an impact is being considered – from purchasing, cultivation, production, warehousing, and logistics to stores, sales, and consumption.

Value chain in food retail

Purchasing



SDG 2, SDG 5, SDG 8, SDG 12, SDG 13, SDG 14, SDG 15

Cultivation and production



SDG 2, SDG 5, SDG 8, SDG 12, SDG 13, SDG 14, SDG 15

Warehousing and logistics



SDG 7, SDG 8, SDG 13, SDG 14

Stores and Sales



SDG 2, SDG 5, SDG 7, SDG 8, SDG 12, SDG 13, SDG 14

Consumption



SDG 12



3. SUSTAINABILITY-LINKED BOND FRAMEWORK



REWE Group is strictly organised in terms of financial management and pursues a centralised approach to finance and insurance. REWE Group has been involved in sustainability for many years.

To consistently continue the expansion of the sustainability strategy to the financial area, all future financing is to be designed with a sustainable finance component, wherever reasonably feasible. This approach was also made binding in the CFO-agenda in 2021. For this reason, through the issuance of Sustainability-Linked Bonds, we intend to align our funding strategy with our sustainability strategy. Furthermore, REWE Group's financial investors have been included as a new key stakeholder on the topic of sustainability since 2022.

This Sustainability-Linked Bond Framework has been developed in accordance with the Sustainability-Linked Bond Principles (SLBP), established by the International

Capital Markets Association (ICMA) in June 2023. REWE Group may issue different securities under this framework, including Bonds and Schuldscheine.

The Sustainability-Linked Bond Framework has been developed to be aligned with the five core components of the SLBP:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Security characteristics
4. Reporting
5. Verification

Sustainalytics provides a Second-Party Opinion on this Sustainability-Linked Bond Framework, which will be made publicly available on REWE Group's website.

3.1 Selection of Key Performance Indicators (KPIs)

The following KPIs have been included for the purpose of this Sustainability-Linked Bond Framework as they mirror the key sustainability challenges that REWE Group faces.

REWE Group has dedicated this framework to the reduction of the Group's greenhouse gas emissions. All KPIs and targets have been developed in line with SBTi methodology in order to be aligned with and validated by the Science Based Targets initiative (SBTi). The corresponding targets will be committed to the Science Based Targets initiative in 2023 with their expected approval in 2024.

REWE Group, as a food retailer, has further chosen to apply the latest market standards by committing REWE and PENNY⁶ to the FLAG initiative of the SBTi. The FLAG initiative is the first standard method for forestry, land-intensive, agricultural and food production, and food retailer companies to set science-based targets that include land-based emission reductions and removals. Although REWE Group has no direct emissions in land-intensive sectors as a food retailer, REWE Group addresses the Scope 3 FLAG emissions. Again, REWE Group is open to the possibility of addressing the FLAG and non-FLAG emissions of the Group entities that together make up the largest emissions, REWE and PENNY, to enable increased targeting of emissions reduction.

All KPIs and targets have been developed in accordance with the Science Based Targets initiative (SBTi) FLAG Guidance (2022), with the help of an external SBTi consultant. The corresponding targets will be submitted to the SBTi in 2023. The targets are expected to be validated in 2024. In doing so, REWE Group addresses the scope 1, 2 and 3 emissions of the Group entities that together make up the largest emissions: REWE and PENNY.

The following KPIs refer to the United Nations Sustainable Development Goal 13, "Climate action".

KPI 1: Absolute GHG emission Scope 1 & 2 for REWE and PENNY, SBTi aligned targets

KPI 1 is dedicated to reducing REWE and PENNY's Scope 1 & 2 greenhouse gas emissions, in alignment with SBTi methodology.

Scope 1 & 2 reflect the emissions from the company's operations. They are determined from the consumption of electricity, heat, and fuel for trucks and cars, as well as refrigerant losses.

KPI 1: Absolute GHG emission Scope 1 & 2

Scope 1&2

REWE & PENNY

KPI 2: Absolute GHG emission Scope 3 non-FLAG for REWE and PENNY, SBTi aligned targets

KPI 2 is dedicated to reducing REWE and PENNY's Scope 3 non-FLAG greenhouse gas emissions, in alignment with SBTi methodology.

Non-Flag emissions are driven by process and energy related emissions of direct and indirect suppliers in food and non-food supply chains, transport, and packaging. The main product groups causing emissions are beverages, dairy, and fruits & vegetables.

KPI 2: Absolute GHG emission Scope 3 non-FLAG

Scope 3 non-FLAG

REWE & PENNY

KPI 3: Absolute GHG emission Scope 3 FLAG for REWE and PENNY, SBTi aligned targets

KPI 3 is dedicated to reducing REWE and PENNY's Scope 3 FLAG greenhouse gas emissions, in alignment with SBTi methodology.

The main impacts of FLAG emissions are caused by animal related products, such as dairy, cheese meat, and eggs, dominated by enteric fermentation and manure management, as well as fodder crop production.

KPI 3: Absolute GHG emission Scope 3 FLAG

Scope 3 FLAG

REWE & PENNY





3. SUSTAINABILITY-LINKED BOND FRAMEWORK

KPI Calculation Methodology

KPI 1: Absolute GHG emission Scope 1 & 2

REWE & PENNY calculate their Scope 1 & 2 GHG emissions in accordance with the GHG Protocol. Targets for these emissions are set towards at least a 1.5-degree scenario.

KPI 2: Absolute GHG emission Scope 3 non-FLAG

REWE & PENNY calculate their Scope 3 non-FLAG GHG emissions in accordance with the GHG Protocol. The calculation is based on REWE and PENNY primary data on purchased products and their ingredients and country of origin, as well as information on suppliers' production sites. Whenever data regarding ingredients and origin was not available, data has been modelled based on existing information and/or enhanced by production and import statistics. Carbon emissions have been calculated using a hybrid model, aligned with the SBTi methodology. The model uses a multiregional physical approach for agricultural commodities, transport and packaging, and downstream effects, and a multiregional spend-based approach for processing and extraction of mineral raw materials. Scope 3 non-FLAG emissions cover Scope 3.1 purchased goods and services, 3.2 capital goods, 3.4 upstream transports, and 3.11 use of sold products. All other categories have been estimated and found not to be significant (below 1%) for REWE and PENNY.

KPI 3: Absolute GHG emission Scope 3 FLAG

REWE & PENNY calculate their Scope 3 FLAG emissions in accordance with the Greenhouse Gas Protocol Land Sector and Removals Guidance (Draft for Pilot Testing and Review, September 2022), as well as the SBTi FLAG Standard. The calculation is based on REWE and PENNY primary data on purchased products and their ingredients and country of origin, as well as information on suppliers' production sites. Whenever data regarding ingredients and origin was

not available, data has been modelled based on existing information and/or enhanced by production and import statistics. Carbon emissions have been calculated using a hybrid model, aligned with the SBTi methodology. The model uses a multiregional physical approach for agricultural commodities, transport and packaging, and downstream effects, and a multiregional spend based approach for processing and extraction of mineral raw materials. Scope 3 FLAG emissions cover Scope 3.1 purchased goods for REWE and PENNY. FLAG emissions from other scope 3 categories are not material for REWE and PENNY.

3.2 Calibration of Sustainability Performance Targets (SPTs)

An SPT is defined as a target linked to a Trigger Event (which is further described in section 3.3 Security Characteristics). All SPTs are set according to the latest SBTi standard including the FLAG-Guidance⁷.

SPT 1: GHG emission reduction Scope 1 & 2

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

The carbon reduction targets for Scope 1& 2 are set to be ambitious, considering the current state of our business operations. Achieving these targets would require significant investments in retrofitting and transitioning to more environmentally friendly cooling agents. Green electricity as a significant driver has already been implemented before 2021 and will not contribute to the fulfilment of Scope 1 & 2 targets. A significant amount of the reduction will only be achieved with measures that will be technically available and start to take effect towards the end of the decade. This includes, for example, measures in the field of logistics. REWE is currently running various pilot projects with battery- and hydrogen-powered trucks.

	2021	2028	2029	2030
GHG emission, k tons	202	151	137	117
% reduction	0.0%	-25.0%	-32.0%	-42.0%

SPT 2: GHG emission reduction 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.

Considering the complex nature of our supply chain and the limited control we have, carbon emission reduction targets of this scale in Scope 3 are very ambitious for companies such as REWE and PENNY. Our non-FLAG emissions are primarily influenced by the processes of our direct and indirect suppliers, as well as transportation. As a result, we will rely on technological advancements and the efforts undertaken by our diverse range of suppliers. Therefore, upscaling efficient climate reduction measures in the non-FLAG sector will take some time, so we expect to achieve a significant portion of our GHG reductions towards the end of the target period, even though we will intensify our efforts immediately.

	2021	2028	2029	2030
GHG emission, k tons	12,658	9,494	8,607	7,342
% reduction	0.0%	-25.0%	-32.0%	-42.0%

SPT 3: GHG emission reduction 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.

Considering the complex nature of our supply chain and the limited control we have, carbon emission reduction targets of this scale in Scope 3 are very ambitious for companies such as REWE and PENNY. We acknowledge that the initial step of gaining transparency in FLAG emissions, which are distributed among various stakeholders, will be demanding. We recognise that FLAG emissions occur upstream and involve multiple stakeholders, making it particularly challenging to gain transparency initially before taking tangible actions. Additionally, achieving emission reductions in FLAG will rely on consumers demanding more climate-friendly, plant-based products while reducing their consumption of animal-based alternatives. As REWE and PENNY, we aim to increase our offerings and support customers in making climate-conscious purchasing decisions. Therefore, upscaling efficient climate reduction measures in the FLAG sector will take some time, so we expect to

achieve a significant portion of our GHG reductions towards the end of the target period, even though we will intensify our efforts immediately.

	2021	2028	2029	2030
GHG emission, k tons	16,936	13,887	13,041	11,804
% reduction	0.0%	-18.0%	-23.0%	-30.3%



Benchmarks

REWE and PENNY are one of the first food retail companies to set their climate targets according to the latest SBTi standard including the FLAG guidance. As a food retailer that makes a significant contribution to food supply in Germany, we consider the absolute target for reducing emissions from Scope 3 to be extremely ambitious. Successful implementation of this target represents a large impact on Germany's food sector emissions.

Historical data for GHG emissions from Scope 1 & 2 of REWE Group are generally available for previous years. Due to the consideration of the entire REWE Group, the data cannot be completely delimited to the scope of REWE and PENNY considered here.

Historical data for REWE & PENNY Scope 3 non-FLAG and REWE & PENNY Scope 3 FLAG are not available, as a hybrid carbon accounting model has been set up for financial year 2021 for the first time. Scope 3 emissions have been estimated before but are not comparable with results from the newly set-up system for methodological reasons.



3. SUSTAINABILITY-LINKED BOND FRAMEWORK



Strategy to achieve SPT 1

The reduction of Scope 1 & 2 GHG emissions of REWE and PENNY can be achieved through measures in, e.g., heat, refrigerants, and vehicle fleet. There are basically four main actions that will support us in achieving SPT 1.

Measures driven by regulation and renewal:

- **Refrigerant**
Conversion of refrigeration technology and switch to more climate-friendly refrigerants, e.g., by accelerating the phase-out of R134a (legal requirement)
- **Retrofitting**
Measures to reduce emissions from heating / ventilation / air conditioning, e.g., through the use of heat pumps

Additional necessary measures:

- **Own fleet**
Conversion of company cars to alternative drive systems (electric vehicle and hybrid)
- **Logistics**
Conversion of own diesel truck fleet to alternative drive systems (electric vehicle and hybrid)

Since REWE and PENNY already use 100% green electricity, there is no reduction potential for this lever. However, cost advantages must be leveraged from this in the future.

Strategy to achieve SPT 2

Non-FLAG emissions must be addressed primarily through comprehensive measures in processing at suppliers, in transport and packaging. To achieve our ambitious SPT 2, we will have to actively implement extensive measures in various areas. In addition, we expect positive effects from behavioural changes and regulatory requirements in the area of climate protection that apply to all companies.

Each of the proposed strategies and examples will be subject to a thorough review of their impact and feasibility before they are implemented. In addition, the strategy and measures will be continuously monitored and adjusted if necessary.



3. SUSTAINABILITY-LINKED BOND FRAMEWORK

Behavioural changes and regulations:



- **Consumer trends** (e.g., decrease in milk and meat and increased shares of vegetarian and plant-based alternatives)
- **Market effects** (e.g., through more green electricity, electrification of heat, new technologies)
- **Packaging** (e.g., lighter packaging/no packaging; more reusable packaging)

Areas to be actively addressed:



- **Processing** (e.g., reduction of Scope 1 & 2 emissions of direct and indirect suppliers, e.g., by switching to green power and increasing energy efficiency. Climate targets in line with the Science Based Targets initiative are to be agreed with 100 per cent of strategic suppliers, who are responsible for a total of 75 per cent of product-related emissions, by the end of 2024.)
- **Transport** (e.g., reduce transport through regional and seasonal sourcing, fewer emissions through electrification)
- **Raw materials** (e.g., more climate-friendly plastics, metals, petroleum-based raw materials in Non-Food products (e.g., recycled, bio-based, green steel, green aluminium))
- **Packaging** (e.g., recycled materials and new raw materials, unpackaged, more reusable)
- **Further non-quantifiable levers** (e.g., especially changes in product assortments and product ranges, such as promotion of regional & seasonal or vegan products)

Strategy to achieve SPT 3

The reduction of Scope 3 FLAG GHG emissions in our SPT 3 needs to be addressed through small-scale measures further upstream in the supply chains, as well as through product range changes. In addition, we expect positive effects from both behavioural changes, as well as regulatory requirements

in the area of climate protection that apply to all companies. Each of the proposed strategies and examples will be subject to a thorough review of their impact and feasibility before they are implemented. In addition, the strategy and measures will be continuously monitored and adjusted if necessary.

Behavioural changes and regulations:



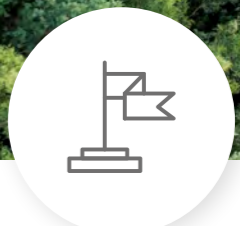
- **Consumer trends** (e.g., decrease in milk and meat and increase shares of vegetarian and plant-based alternatives)
- **Market effects:** (e.g., through more green electricity, electrification of heat, new technologies.)

- **Regulation EUDR (EU deforestation regulation):** Deforestation-free supply chains (e.g., reductions accruing through EUDR, specifically avoidance of deforestation in raw material cultivation & livestock farming, especially feedstuffs)

Areas to be actively addressed:



- **Agriculture** (e.g., optimisation of use and production of fertilisers, as well as pesticides, improved field management and technologies (e.g., sustainable greenhouses, precision farming))
- **Removals** (e.g., sequestering of CO₂ in agricultural processes in own supply chains (e.g., via agroforestry, intermediate crops, and further regenerative techniques))
- **Livestock farming** (e.g., reduction of methane emissions through feed additives, optimisation of manure storage, and animal health)
- **Food loss** (e.g., avoidance of food losses along the upstream value chain)
- **Additional conversion-free supply chains** (e.g., conversion-free supply chains that go beyond EUDR through e.g., certificates with cut-off date in 2016, increased scope of natural ecosystems as savannas)
- **Further non-quantifiable-levers** (e.g., especially changes in product assortments and product ranges, such as promotion of regional & seasonal or vegan products)



Level of ambition

Our climate goal sets a high level of ambition. We are committed to reducing the combined greenhouse gas emissions of REWE and PENNY by a staggering 10.5 million metric tons CO₂e across Scope 1, Scope 2, and Scope 3 (FLAG and non-FLAG) categories by 2030. These targets have been meticulously calculated and will undergo evaluation and validation by the Science Based Targets initiative (SBTi). Our dedication to meeting the latest SBTi standards, including the FLAG guidance, ensures that our goals align with scientifically supported claims.

This implies that our goal for REWE and PENNY is not only to achieve the 2030 targets, but also to strive for the ambitious goal of net zero emissions by 2050. This puts us in line with the urgent demand to limit global warming to below 1.5 degrees Celsius.

Our company, as proven in the past, follows a growth path. The emissions from this growth path must also be saved and provide an additional ambition level.

As a significant player in Germany's food supply, achieving these absolute emission reduction targets across Scope 1, 2, and 3 would have a large impact on Germany's emissions from the food sector.



3. SUSTAINABILITY-LINKED BOND FRAMEWORK



3.3 Security Characteristics

The financial and structural characteristics of any security issued under this Framework will be specified in its corresponding security documentation, including the potential changes to the financial and/or structural characteristics which may succeed any Trigger Event(s).

3.3.1 Trigger Events

The occurrence of any of the following events (Trigger Events) will trigger a change in the financial and/or structural characteristics of the relevant security as described below in 3.3.2 (Changes in Security Characteristics).

- (i) REWE and PENNY's KPI performance does not meet the SPT that the relevant securities documentation defines as applicable for the relevant Target Observation Date(s), as reported on or before the Reporting End Date following the applicable Reference Period, or
- (ii) REWE Group's reporting that the relevant securities documentation defines as applicable for the relevant Target Observation Date(s) does not meet the requirements set out in section 3.4 (Reporting) of this Framework, or
- (iii) the verification of the KPI performance that the relevant

securities documentation defines as applicable for the relevant Target Observation Date(s) in accordance with section 3.5 (Verification) of this Framework has not been provided and, when applicable, made public by the Reporting End Date.

The Target Observation Date is defined as any date when KPI performance is observed and, if applicable, measured against a relevant target or an SPT. The Reporting End Date for any given year shall be the date falling 210 days after the 31st of December of that year. The Reporting End Date results from the business activities of REWE and PENNY with its numerous stores and markets, which makes the collection of data a complex and time-consuming process. The Reporting End Date is therefore synchronised with the current reporting rhythm of the sustainability report.

3.3.2 Changes in Security Characteristics

The occurrence of a Trigger Event may result in changes to the financial and/or structural securities characteristics. Such changes will be described in the relevant securities documentation.

3.3.3 Fallback Mechanisms and Exceptional Events

The baselines, KPI(s) and/or SPT(s) may be recalculated by REWE Group to reflect:

any change in:

- (i) the 2030 SBTi targets, which are to be submitted to the SBTi in 2023, to then be validated and published by the SBTi (expected in 2024)⁸ and that are referred to as the 2030 SPTs under this Framework,
- any material change in:
 - (i) the calculation methodology of the KPIs,
 - (ii) a regulation that is relevant to the determination of the KPIs,
 - (iii) the data due to better data accessibility or discovery of data errors, or
 - (v) the structure of the Group as a result of any acquisition, amalgamation, demerger, merger, corporate reconstruction, divestiture, or disposal.

The threshold value for a material change is a change that impacts the SPT(s), individually or in aggregate, by 5 percent or more. Any recalculation shall be performed in good faith, provided that:

(a) an External Verifier has independently confirmed that the proposed revision:

- (i) is consistent with the Issuer's sustainable strategy; and
- (ii) is in line with, or greater than, the initial level of ambition and materiality of the Sustainability Performance Target(s),

all as described in the specific documentation of each Sustainability-Linked Financial Instrument and in the Framework.

Any such change will be communicated as soon as reasonably feasible by REWE Group in accordance with the conditions outlined in the specific documentation of each Sustainability-Linked Financial Instrument.

The KPIs and SPTs set out in this Framework will remain applicable regardless of any changes to REWE Group's sustainability strategy and ambitions.⁹ This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. Any new or updated Sustainability-Linked Bond Framework, in relation to any subsequent Sustainability-Linked Financing Instrument, shall not have any implications on the Sustainability-Linked Financing Instruments issued under this Framework.

8 – A recalculation will only occur if the targets finally validated by the SBTi are more ambitious than the SPTs set for 2030 in this Framework. SPTs set for 2028 and 2029 will be adjusted in proportion.

9 – With the exception of any changes in accordance with section 3.3.3 (i). However, other changes to REWE Group's strategy and ambitions, including future potential additions of group-wide science-based targets, will not result in changes to the baselines, KPIs or SPTs for securities issued under this framework.



3. SUSTAINABILITY-LINKED BOND FRAMEWORK



3.4 Reporting

In order to provide investors, lenders, and other stakeholders with adequate information about REWE Group's implementation of its sustainability strategy, REWE Group will provide relevant reporting on the progress made with respect to the KPIs and in relation to the achievement or non-achievement of the SPTs as set out in the security specific documentation. Such reporting shall be made publicly available on an annual basis in a Sustainability-Linked Bond Progress Report (SLB Progress Report). The SLB Progress Report shall be published on REWE Group's website no later than the Reporting End Date after the end of the year being reported on up to and including the year of the Target Observation Date(s).

The SLB Progress Report will form the basis for evaluating the impact on the characteristics of any securities issued under this Framework, as outlined in section 3.3 (Security characteristics).

If a change to the financial and/or structural characteristics of the security is triggered due to failure to report, the change will only occur after the reporting end date for the year of the relevant Target Observation Date(s).

The SLB Progress Report will contain all the relevant information needed to assess the progress towards the SPTs (including the relevant SPT(s) for the applicable Target Observation Date(s)), including but not limited to:

- The performance of the KPIs, as per the relevant reporting period and when applicable, as per the Target Observation Date, including the calculation methodology and baselines where relevant;
- Information about recalculations, if any, of the KPI levels;
- A verification report relative to the KPI performance, outlining the performance against the SPTs and the related impact, and timing of such impact, on the Security Characteristics and;
- Information on relevant updates to the company's emission reduction strategy and/or governance with an impact on the KPI and Target Trajectory.

Where feasible and possible, the SLB Progress Report will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities and changes to the organisation, behind the evolution of performance on the KPIs, on an annual basis;
- Illustration of the positive sustainability impacts of performance improvement;
- Updates on new or proposed regulations from regulatory bodies, such as, but not limited to, the EU, relevant to the KPIs.

The SLB Progress Report referred to above shall be verified by qualified external reviewer(s) with relevant expertise as described in section 3.5 (Verification).

3.5 Verification

In order to provide transparency to investors, lenders and other stakeholders, and in alignment with the Sustainability-Linked Bond Principles, REWE Group will ensure external and independent verification of its actual KPI performance level against the targets (including the relevant SPT(s)), by one or more qualified external reviewers with relevant expertise, as outlined in the ICMA's Guidelines for Green, Social, Sustainability, and Sustainability-Linked Bonds External Reviews. The verification shall be conducted with limited assurance by a qualified external reviewer with relevant expertise, such as an auditor or an environmental consultant. REWE Group has the discretion to change the external reviewer subject to fulfilling the requirements set out herein.

The verification shall be made public, together with REWE Group's annual SLB Progress Report, on the company's website, no later than the Reporting End Date and, in any case, for an SPT related Trigger Event, as outlined in section 3.3 (Security Characteristics).

In relation to any SPT, the verification, together with the SLB Progress Report, will form the basis for evaluating whether a Trigger Event has occurred with respect to any security issued under this Framework as described in section 3.3 (Security Characteristics) above.

If a change to the financial and/or structural characteristics of the security is triggered due to failure to provide verification, the change will only occur after the reporting end date for the year of the relevant Target Observation Date(s).

3.6 Second-Party Opinion

REWE Group has engaged Sustainalytics as an external reviewer to provide an independent, ex-ante Second-Party Opinion on REWE Group's Sustainability-Linked Bond Framework, in accordance with the Guidelines for Green, Social, Sustainability, and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles. The Second-Party Opinion will be made publicly available on the company's website.



DISCLAIMER

This Sustainability-Linked Bond Framework

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