

PROGRESS REPORT 2022

CLIMATE ACTION

ALDI SÜD Group

2023

INTRODUCTION

Addressing climate change is a business imperative - which is why Zero Carbon is one of the key focus areas of the global approach to sustainability of the ALDI SÜD Group (ASG), contributing to the overarching vision of "making sustainability affordable for our customers". ASG's climate goal is to minimise the ecological footprint of its business activities by lowering its greenhouse gas emissions (GHG) and ensuring that the products the ASG offers do not have a detrimental impact on the environment. ASG also seeks to work with its business partners to reduce their GHG emissions and promote climate protection projects in ASG supply chains.

INFO BOX

In May 2022, the ALDI SÜD Group announced to link a more than one billion euros credit facility to sustainability.

» More

Working hard towards ZERO CARBON

OUR ACTIONS

OVERVIEW

46 PERCENT
group-wide reduction of absolute operational emissions (since 2016)
Including outbound outsourced logistics ad leased assets

26 PERCENT
of product-related emissions are from suppliers whose targets meet the SBTi criteria

2,357 ASG buildings
with solar panels worldwide

11 COUNTRIES
purchase 100% green electricity:

93 PERCENT
of stores are using refrigerants with a Global Warming Potential (GWP) <2,200

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In July 2020, ASG became one of the first international food retailers with a company-wide approved "Science Based Targets" (SBTs) for climate protection. By 2025, ASG aims to reduce its overall operational emissions (Scope 1 and Scope 2) by 26% (compared to 2016). At the same time, ASG is partnering with its suppliers and supporting them to work towards setting science-based emissions targets by the end of 2024. ASG is focusing on strategic suppliers who are responsible for 75% of product-related emissions. With these measures, ASG is working towards its vision of "Zero Carbon".

CORPORATE CARBON FOOTPRINT

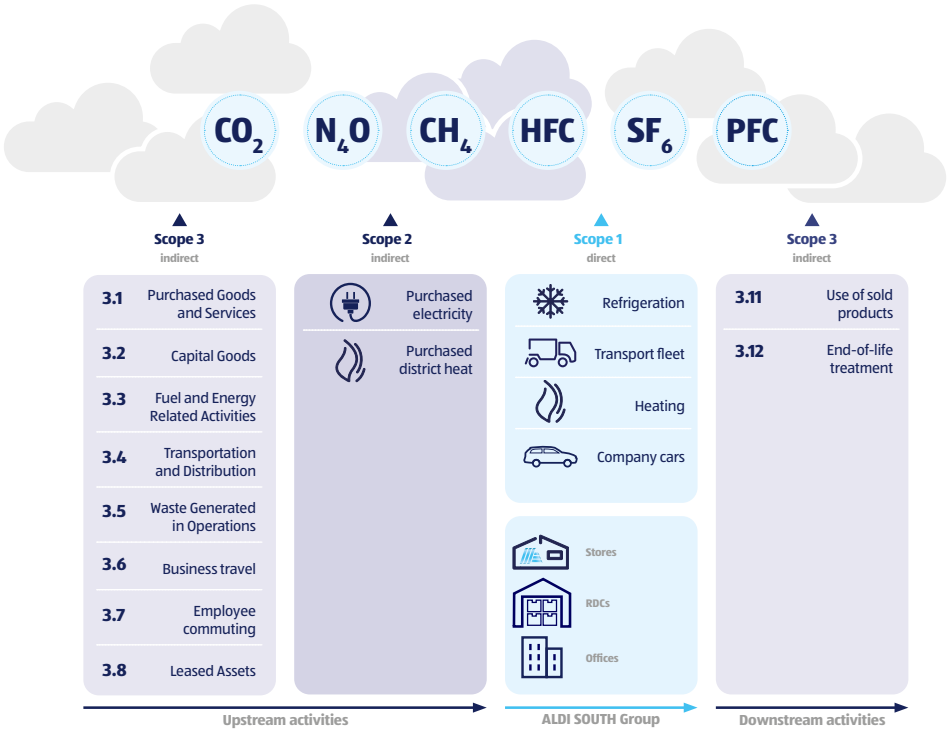
In accordance with the Greenhouse Gas Protocol, ASG has been monitoring its progress by calculating its Corporate Carbon Footprint for all its business processes and locations since 2012.

SCOPES ACCORDING TO THE GREENHOUSE GAS PROTOCOL

SCOPE 1 Direct emissions caused through the operation of ASG stores, regional distribution centres (RDCs) and offices, including energy and fuel consumption, and refrigerant refills.

SCOPE 2 Indirect emissions from purchased energy for operating ASG stores, regional distribution centres (RDCs) and offices.

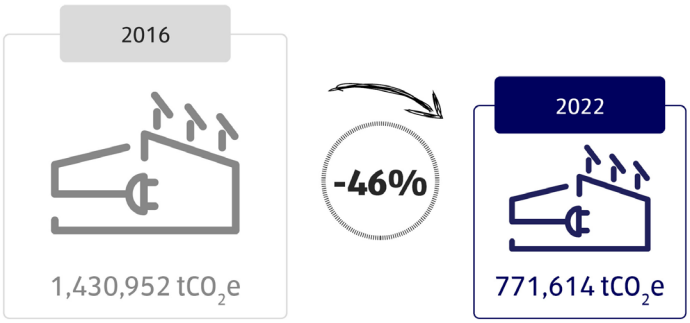
SCOPE 3 Indirect emissions due to the group's activities, covering the corporate value chain, including supplier and customer emissions.



CARBON EMISSIONS REDUCTION IN OUR OPERATIONS

Climate Strategy 2025: Achieving 26% absolute scope 1 & 2 reduction by 2025

In 2022, ASG overachieved its absolute target, by reducing its Scope 1 & 2 emissions by 63% (base year: 2016). When including external logistics providers, who share a significant portion of the transport between ASG's regional distribution centres (RDCs) and stores, the reduction of the total operational emissions is 46% overall.



Carbon emissions [in tCO_2e]	Scope 1	Scope 2[1]	TOTAL A (Scope 1 & Scope 2)	Scope 3 (only external logistics[2])	TOTAL B (Scope 1, Scope 2 & Scope 3)
2016	439,486	761,851	**1,201,337**	229,615	**1,430,952**
2022	436,421	3,451	**439,872**	331,742	**771,614**
Development [%]			**-63%** SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION		**-46%**



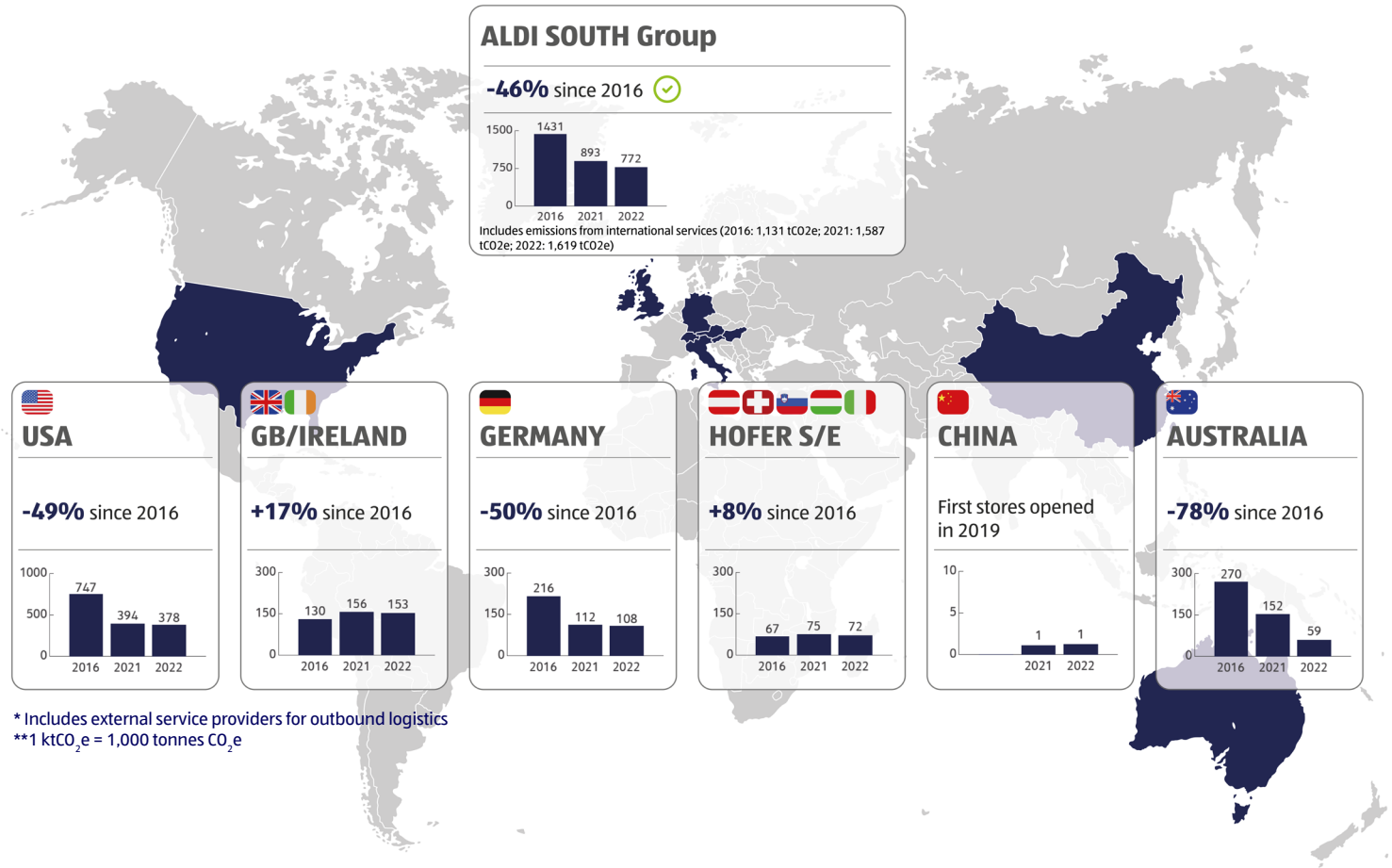
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[1] Scope 2 emissions are calculated on a market-based method according to the GHG Protocol standard.
[2] External logistics service providers operating between regional distribution centres and stores (outbound transport) and leased assets.

Reducing the relative greenhouse gas emissions in every country

Climate protection has been a major focus of ASG for many years. By the end of 2022, the majority of its countries show a decrease in absolute operational emissions despite business growth (compared to 2016). 2022 also marks the first year that ASG has generated less than 800 $ktCO_2e$ worldwide in its operational emissions, since the Corporate Carbon Footprint (CCF) reporting started in 2012.

2022 ALDI SÜD Group Absolute Carbon Emissions* by Group and by country (in $ktCO_2e$**)



* Includes external service providers for outbound logistics
**1 $ktCO_2e$ = 1,000 tonnes CO_2e

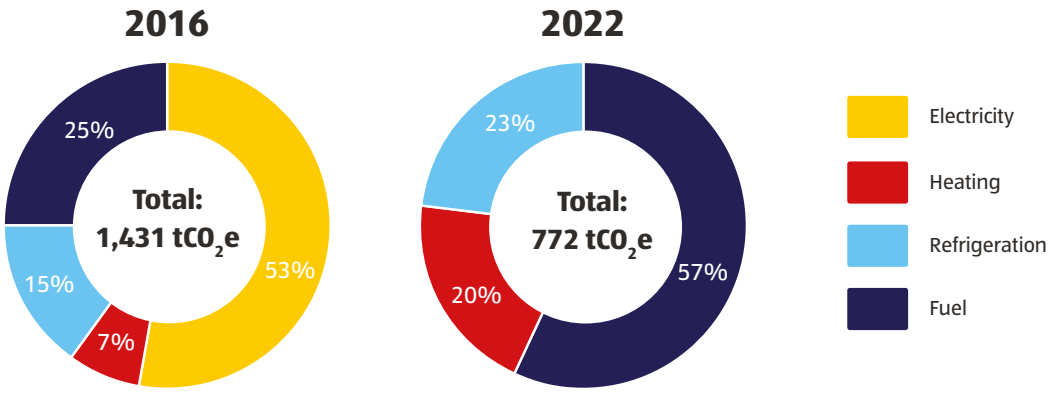
The breakdown by emission source shows that all countries reduced their electricity-related emissions by switching to green electricity. The main contributing factor for this year's reduction were changes implemented by ALDI Australia. In 2022, the procurement of green tariffs and renewable electricity certificates, as well as the fitting of 2,357 ASG buildings worldwide with solar panels resulted in only 0.16% of ASG emissions coming from electricity consumption. The remaining electricity emissions are derived from leased assets in Germany, Hungary and Slovenia. With this change, fuel-related emissions now make up the biggest share of operational emissions (57%), followed by emissions from heating (20%) and refrigeration (23%).

In 2022, 93% of refrigerants used in the stores of ASG had a Global Warming Potential (GWP) of less than 2,200. By 2025, the aim is to replace all refrigerants with a GWP of more than 2,200 with an alternative refrigerant with a lower GWP. To further reduce the refrigeration emissions, countries plan to switch to natural refrigeration with a max. GWP of 4 from 2024 onwards.

Transportation specifically between RDCs and stores of ASG is a key factor to reduce the corporate carbon footprint as it makes up 55% of the operational emissions primarily coming from the fuel type and the refrigerant type used for cooling in trucks. Changing the fuel mix as well as improving fuel efficiency are two approaches to help reduce transport emissions. Switching to alternative fuel types, such as HVO and electricity must be implemented in the future to lower transport-related emissions. Drivers are also provided with training to promote efficient driving practices and, since the beginning of 2022, ASG was the first grocery retailer to join the "Global Logistics Emissions Council (GLEC)", which will support the move towards a zero emissions global freight and logistics sector.

Furthermore, national ASG entities are undertaking other measures to increase energy efficiency, such as equipping the buildings with LED lighting, introducing energy management systems, using heat pumps and installing chiller doors.

Emissions by Source (in thousands)

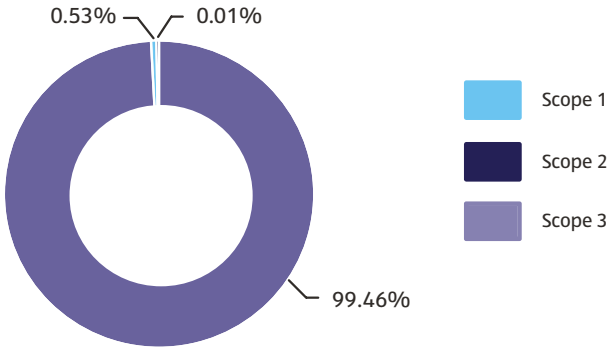


CARBON EMISSIONS REDUCTION IN OUR SUPPLY CHAINS

Carbon emissions resulting from the wider ASG corporate value chain are also referred to as Scope 3 emissions. Overall, about 99% of the total GHG emissions of ASG are attributable to its corporate value chain emissions. Most of the emissions come from the purchasing of products (79.80%). For product emissions, the entire upstream supply chain, from land use change and farming to processing and finishing of the product must be considered.

As these emissions are outside of the direct influence of ASG, ASG has set a supplier engagement target and has continued to work with its suppliers to encourage emission reduction across supply chains.

Carbon Emissions Distribution of the ALDI SOUTH Group[3]



When comparing the total Scope 3 emissions to previous years, a reduction of 1.7% has been identified vs 2021, though this is likely due to the significant improvements in data accuracy where previously conservative assumptions were made based on industry averages, instead of primary ASG data.[4]

Scope 3 carbon emissions [tCO_2e]

2021	2022	2021 vs 2022
82,593,874	81,178,620	-1.7%

Update for Scope 3 baseline

This year, ASG has carried out a Scope 3 emissions inventory once again. This will be the basis for developing the Zero Carbon roadmap in the future. For this updated baseline, ten Scope 3 categories under the Greenhouse Gas Protocol have been recognized as relevant for ASG. As ASG continues to drive Scope 3 emissions reductions, it can identify the most relevant and impactful areas of emissions to ensure effective reduction measures take place.

[3] Scope 1 and Scope 2 calculation is based on primary data. Scope 3 calculation is based on both primary data as well as assumptions and extrapolations.
[4] This year the Scope 3 baseline of ASG's emissions (which is the basis of the calculation) has been updated using more accurate data and calculation methods in comparison to the KPI used in 2020.

Scope 3 category	Total [tCO_2e]	Emission share of total emissions [%]
Total Scope 3 emissions	**81,178,620**	**99.46**
Scope 3.1 Purchased good and services	65,131,716	79.80
Scope 3.2 Capital goods	487,638	0.60
Scope 3.3 Fuel and energy related activities	630,640	0.77
Scope 3.4 Upstream transportation and distribution	6,513,321	7.98
Scope 3.5 Waste generated in operations	162,895	0.20
Scope 3.6 Business travel	26,600	0.03
Scope 3.7 Employee commuting	156,651	0.19
Scope 3.8 Upstream leased assets	481	<0.01
Scope 3.9 Downstream transportation and distribution	-	0.00
Scope 3.11[5] Use of sold products	7,047,481	8.63
Scope 3.12 End-of-life treatment of sold products	1,021,197	1.25

Climate Strategy 2024: Strategic suppliers set Science Based Targets

The existing SBTi-approved Scope 3 target of ASG is aimed at encouraging the strategic suppliers (responsible for 75% of product-related emissions) to set science-based emissions targets (by 2024). The annual ASG supplier survey on climate commitments tracks which ASG suppliers have already set climate targets and identifies which suppliers have yet to start the journey.

This year's results show that strategic suppliers, who are responsible for 26% of the product-related ASG emissions (2021: 22%), either have targets in line with the criteria of SBTi, or are committed to set science-based targets within the next two years.

Value chain emissions reduction projects

Another focus for the reduction of the corporate value chain emissions of ASG is the implementation of emission reduction projects. ASG will work with partners along its supply chain to benefit from scaled reductions in GHG emissions across different product categories. Close collaboration with suppliers and identification of best practices across the sector are key areas of focus to achieve supply chain emission reductions.

ASG will continue monitoring its suppliers' climate actions and targets via its annual climate survey. Besides keeping track of the progress, the survey results are used to develop further supplier engagement activities.

[5] This category voluntarily includes the emissions from the use phase of textiles which was estimated.

OUTLOOK

In conclusion, 2022 CCF results demonstrate that ASG has made good progress in reducing its carbon footprint. However, as a responsible global retailer, to comply with future regulatory demands, and to maintain its competitiveness in the market, ASG must continue to strengthen its commitment to combat its contribution to climate change by continuing to reduce its operational and supply chain GHG emissions by promoting innovative projects on product and store level.

EXTERNAL VALIDATION

The values of our Corporate Carbon Footprint and the methodology used to calculate it were externally reviewed by an independent third party.



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