

Progress Report of REWE Group

Reporting Period 04/2016 – 03/2018

On the Leadership Declaration of the 'Biodiversity in Good Company' Initiative

Acting responsibly and in line with the interests of the community is an integral part of the corporate culture of the cooperatively organised REWE Group. Within the framework of the Sustainability Strategy, four topics have been given top priority: the sustainable product range policy and the promotion of the consumption of more sustainable products; resource and climate protection; satisfaction and involvement of employees plus social responsibility. In this context, actively addressing the issue of biodiversity, especially in the course of more sustainable methods of production, has been an important strategic building block for REWE Group for years.

Therefore, REWE Group is a member of the 'Biodiversity in Good Company' Initiative, acknowledges the seven points of the Leadership Declaration and implements these as follows.

The Leadership Declaration:

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity":

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources

and commit themselves to:

1. analysing corporate activities with regard to their impacts on biological diversity;
2. including the protection of biological diversity within their environmental management system;
3. appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. exploring the potential for cooperation with scientific institutions, non-governmental organisations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

1. REWE Group analyses the impact of corporate activities on biological diversity.

REWE Group is aware that its business activity has an impact on biodiversity. The impact of business activities on greenhouse gas emissions can already be measured very precisely today, and REWE Group has already set reduction targets. However, this is not yet the case with biodiversity in all areas. REWE Group has already identified the most important areas of action regarding a comprehensive biodiversity management. It addresses the issue of preserving biodiversity in the production of store brand products. In REWE Group's own PRO PLANET process, the entire value chain of store brand products is checked by means of a hot spot analysis. In this context, both ecological and social aspects are considered. The topic of biodiversity is also part of every hot spot analysis. If hot spots are identified in the area of biodiversity, REWE Group will develop measures to reduce or remedy them. In addition, REWE Group is working on a biodiversity strategy and a biodiversity guideline that will initially address German agricultural production in order to establish a holistic biodiversity management within the company. In this area, REWE Group has a direct influence on the biodiversity performance of its supply chains, which it intends to continue to actively use and measure. Several biodiversity monitorings have already been carried out in various project regions and the results, which were very positive, have been published.

2. REWE Group incorporates the conservation of biological diversity and its sustainable implementation in the environmental management system.

Classic environmental management systems are often based on production. However, since trade has no direct influence on the production of goods, environmental management systems only have an indirect impact through cooperation with suppliers. REWE Group is well prepared to meet the challenges of nature conservation with NABU as a strong strategic partner in this field. In addition, it is actively working with its partners – NABU, cultural landscape foundations, suppliers and producers – to improve the biodiversity management of producers in German agriculture. In order to ensure transparency of the implemented environmental management systems and activities of the store brand suppliers, REWE Group focuses on close cooperation and open dialogue with its suppliers.

3. REWE Group establishes a department in the company responsible for managing all biological diversity activities and reporting to the management team.

Three departments in the company are responsible for the biodiversity issue which coordinate all activities in close cooperation: the Sustainability Department, the Strategic Quality Assurance Department and the Sustainability Goods Department, which is in charge of sustainability topics concerning the store brands. The Sustainable Goods Department initiates and controls product-related biodiversity projects and is also in exchange with Quality Assurance. The Sustainability Department enables internal and external communication regarding projects, e.g. as part of stakeholder dialogues, and reports on these topics to the management bodies.

4. REWE Group sets measurable and realistic objectives to improve the conservation of biological diversity and its sustainable use, which are to be reviewed and modified every two to three years.

The aim is to constantly expand the more sustainable ranges of REWE Group. The company is therefore committed to improving the products and services it offers in social and ecological terms and to positively influencing value chains. REWE Group thus contributes to the protection and more sustainable use of natural resources. Within this framework, REWE Group cooperates closely with its suppliers and continuously develops the ecological and social requirements for its product ranges. Thus, in addition to freshness, quality and price, sustainability has become an increasingly important decision criterion in the purchasing process. REWE Group focuses its activities on its store brands, where it has a particularly large lever in terms of product development.

The store brands include many products that also have a direct impact on biodiversity and meet various standards, e.g. Bio, PRO PLANET (over 900 products), FSC, Rainforest Alliance and MSC. Organic farming, for example, promotes the reduction of pesticides. The use of certified palm oil, cocoa or bananas also contributes to preserving biodiversity. The underlying standards each impose requirements which have a positive impact on biological diversity, e.g. the protection of valuable areas.

Between 2012 and 2017, REWE Group was able to increase the number of PRO PLANET products from 407 to over 900. The development of the organic product

ranges in the sales lines of REWE Group is also positive, both in terms of the number of articles and the share within the product range¹.

In 2017, the REWE-Bio organic range at REWE comprised 520 products (average over the year as a whole). This results in a share of REWE-Bio products in the sales value of around 4.2 per cent in 2017. Taking into account the organic products of the brand manufacturers, the share amounts to 5.8 per cent.

The PENNY brand Naturgut, which was introduced in 2014, combines regional, vegetarian and organic products under one brand. The share of Naturgut products in the sales value has risen from about 1.6 per cent in 2014 to 2.3 per cent in 2017, which corresponds to an increase of 40 per cent.

REWE Group is going to further promote these positive developments.

REWE Group is also involved in industry initiatives, some of which it initiates itself, with the aim of engaging as many players as possible along the value chain in order to jointly find approaches for lasting positive developments along the entire supply chain.

Additionally, **raw material guidelines** with specific targets have been developed and are updated on a regular basis for the following products:

- [Fish](#): The guideline defines standards for wild fish and aquaculture fish, including demanding transparency criteria.
- [Cocoa](#): The guideline defines requirements for the procurement of cocoa and sets out a timetable for switching to certified sources. As a founding member of the Forum for Sustainable Cocoa, REWE Group and other companies support the PRO-PLANTEURS project, a joint five-year cocoa project in Côte d'Ivoire. The aim of the project is to professionalise 20,000 cocoa-producing farmers and their families as well as producer organisations in order to improve the living conditions of families through increased income and better nutrition.
- [Palm oil](#): The guideline defines a demanding implementation schedule for the conversion to sustainable palm oil and defines requirements that go beyond established standards. REWE Group is an initiative partner of the Sustainable Palm Oil Forum (FONAP). REWE Group has been a member of the FONAP Management Board since the association was founded in November 2015 and is actively involved in a working group for monitoring and reviewing the voluntary commitment to communicating forum work and in a working group for developing

¹REWE Group Sustainability Report: GRI204 FP2, <http://rewe-group-nachhaltigkeitsbericht.de/2016/gri-bericht/produkte/gri-204-fp2-bio-und-pro-planet>,

and implementing a project in the producing countries. This is a cooperation project between FONAP and the Malaysian NGO WildAsia, which will be implemented in 2018 and will help partners in the producing countries to implement the additional criteria of FONAP.

- [Soy](#): In its guideline for soy as animal feed, REWE Group has defined, among other things, the GMO-free status of soy as a requirement for producers of store brand products and the examination of possibilities to substitute soy by domestic protein sources. This requirement is implemented individually for each livestock species. In Germany, GMO-free feeding can be certified by the seal of the Verband für Lebensmittel ohne Gentechnik e. V. (Association for Food without Genetic Engineering) (VLOG). In 2016, REWE Group's entire fresh egg range in Germany was awarded the VLOG seal; for fresh milk, the share could be increased from 20 per cent in 2015 to 99 per cent in 2017. At REWE Group in Austria, too, the entire range of fresh eggs comes from GMO-free feeding.
- [Ecological agriculture](#): The guideline defines standards for organic store brands, which in many points exceed the requirements of the EU organic label. The guiding principle [livestock farming of the future](#) specifies basic values and goals for the implementation of animal welfare; an internal guideline for wood is currently being developed.

The guidelines will be continuously expanded in the following years. Among others, a guideline for textiles will be published in 2018, which defines requirements for suppliers in the supply chain with regard to fairness, resource protection and animal welfare as well as goals for their implementation.

Data on the status and target attainment of the guidelines are reported in the annual [sustainability report](#) under GRI indicator FP1.

A [status report](#) provides regular information on chemical crop protection for fruit and vegetables. A revision is planned for 2018. The cultivation of tropical fruits such as bananas and pineapples can have negative ecological and social effects in the producing countries. These include poor working conditions on orchards, high use of pesticides and damage to ecosystems. REWE Group and its sales lines in Germany have completely converted the procurement of conventional pineapples and conventional bananas to Rainforest Alliance certified products in 2015 and 2016.

REWE Group is involved in numerous projects to continuously pursue and further develop these goals. Some examples:

REWE Group regularly organises sustainability weeks in its stores to promote more sustainable consumption. During the Sustainability Weeks, REWE Group's sales lines raise consumers' awareness in more than 6,200 stores and travel agencies and encourage them to more environmental and socially responsible consumption. With these campaigns, the sales lines address different age groups and interests. The focus of the Sustainability Weeks is on more sustainable products.

REWE Group also initiated and supported the project "Biodiversity Criteria in Standards and Quality Seals of the Food Industry" from 2013 to 2015. The project was realised by the Lake Constance Foundation and the Global Nature Fund and is promoted by the German Federal Agency for Nature Conservation (BfN) and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Since then, REWE Group has provided important content and expertise for the follow-up in order to make an active contribution to the results from a trading perspective. As part of the project, the publication "Recommendations for effective criteria for the protection of biodiversity in standards for the food industry and procurement guidelines of food companies" was published in February 2018 and jointly presented at the world's leading trade fair for organic food Biofach.

Another project is the REWE Group Central America Fund, which contributed a project volume of more than 2 million euros between 2014 and 2017 and is also continued in 2018. REWE Group uses the fund to finance numerous projects in Central America: For example, the project has supported the reforestation of some 160 hectares of former pastureland in the San Pond Sak nature reserve in Panama, provided numerous people with fresh drinking water and created leisure activities and childcare facilities. These measures are supplemented by strict production requirements. For example, all producers must be certified by Rainforest Alliance in order to guarantee both environmental and social standards and to reduce negative impacts on the environment and people in production.

Together with the Lake Constance Foundation and the German Nature and Biodiversity Conservation Union (NABU e.V.), REWE Group has been working together with apple and pear farmers since 2010 to protect flower pollinating insects: The project won the "German CSR Award" in 2016 in the category "Exemplary Cooperation of a Company with NGOs/NPOs".

In and around their orchards, farmers create flowering areas with various seed mixtures, plant flowering hedges and willow cuttings on field margins, develop their grassland management in an environmentally-sound way and provide nesting aids for wild bees. The positive effects of the project are manifold: In 2017, 810 (2016: 475) trees and shrubs were planted. 324 (2016: 268) old fruit trees could be preserved. Almost 100 hectares (2016: 30 hectares) flowering areas and various forms of structural enrichments such as dry stone walls or small waters were created. The results of the wild bee monitoring conducted in 2017 show a significant increase of about 100 per cent from 56 to 111 different wild bee species compared to 2010, including 17 (2010: 5) endangered species. The numerous nesting aids and species protection measures for birds, bats and insects are also having a positive effect, with a record number of 22 (2016: 16) breeding pairs of kestrels counted in the southern Rhineland.

In 2015, the Bonn University carried out a monitoring of the measures. These were evaluated according to their suitability for the promotion of biodiversity using a points system. Based on the evaluation, pilot projects in vegetable and potato cultivation were planned and implemented in 2016 and 2017 together with the NABU (vegetables) and the Cultural Landscape Foundations. The aim is to include further crops in biodiversity projects. The roll-out of the projects has already been initiated for the year 2018 (see also [here](#)).

In a project called "Blühendes Österreich" (Blooming Austria), REWE International AG began in 2014 to work with the environmental protection organisation BirdLife Österreich to create biodiverse habitats. The initiative finances the conservation and maintenance of endangered natural areas as well as projects for the development of natural areas and the promotion of sustainability and thus promotes local biodiversity. The aim is to protect a total of 1,000 hectares of natural areas by 2020. In 2016, 325 hectares of land were preserved and around 150,000 euros in premiums were paid to the 113 participating farms. In 2015, REWE International AG converted the initiative to a non-profit private foundation. As an independent organisation with its own staff and clearly regulated financing, the foundation stands for long-term commitment and credibility towards its clients. The financing of the foundation and the project activities was linked to certain products. For each product of the store brands "Da komm ich her" (available from BILLA, MERKUR, ADEG and AGM), "immer grün" (MERKUR), bigood (BIPA) and "Ich bin Österreich" (PENNY) sold, one cent goes to the foundation. The customers of the trading companies are thus actively integrated in

the support of the projects. In addition, a conscious purchase decision is encouraged. The foundation's budget amounts to approximately one million euros.

toom Baumarkt DIY stores also implemented a variety of measures supporting the conservation of biodiversity. For instance, the toom Baumarkt DIY store chain has set itself the goal of no longer offering peaty soils by 2023. This applies both to the store brands and brand products. In the course of the conversion, the peat content will be continuously reduced and replaced by renewable raw materials. In addition, the range of peat-free soil products will be increased every year. In spring 2017, for example, the range of peat-free toom Naturtalent potting soils was expanded to five articles, which also bear the PRO PLANET label. The REWE and PENNY sales lines have also added peat-free and peat-reduced alternatives to their seasonal soil range. Furthermore, toom has been visibly expanding its range of bee-friendly plants since 2016. To support this expansion, toom has developed its own plant labels and information materials, which draw attention to the plants and provide additional information.

5. REWE Group publishes all activities and achievements in the area of biological diversity in the company's annual, environmental or sustainability reports.

To date, REWE Group has published a Sustainability Report every two years. The 2017 report, which will be published in June 2018, will change the reporting cycle to annual reporting. The 2015/2016 Sustainability Report was prepared in accordance with the new GRI standards and is exclusively published online (<http://rewe-group-nachhaltigkeitsbericht.de>). The Sustainability Report was audited by PriceWaterhouseCoopers (PwC). The report comprises a section for strategic actions on [biodiversity](#).

Further information on biodiversity is available on the PRO PLANET website and the REWE Group website as well as on the websites of the individual sales lines and other media (flyers, in-store radio, etc.).

6. REWE Group informs suppliers about its biological diversity objectives and integrates them gradually in its work to achieve these objectives.

REWE Group has incorporated the conservation of biological diversity in its guidelines on [Sustainable Business Practices](#), which were published in 2011, and

explicitly commits itself to the goals of the UN Convention on Biological Diversity, (CBD). All store brand suppliers are provided with the Guideline for Sustainable Business Practices as REWE Group's code of values. In addition, the raw material guidelines as set out in Point 4 of the Leadership Declaration will be submitted to the respective store brand suppliers for implementation. Nature conservation organisations, the relevant suppliers and producers are involved in the various projects described above and work together with REWE Group on the implementation of biodiversity issues.

7. REWE Group is assessing its collaborative efforts with potential partners such as environmental protection organisations, scientific bodies and state institutions to expand expertise through dialogue and to further develop its management system.

REWE Group is in contact with all pertinent stakeholder groups on the biodiversity issue and implements projects together with competent partners. Especially in its sustainability dialogues, REWE Group focuses on different aspects of biological diversity.

The German Nature and Biodiversity Conservation Union (NABU e. V.) and REWE Group entered into a long-term strategic partnership in 2015. NABU and REWE Group have been working together very closely on a project basis since 2009. Now, the strategic partnership is to create an even broader platform. Concrete fields of action have been stipulated to promote biodiversity.

Another partner for the promotion of biodiversity was found for the PRO PLANET project on potatoes. The cultural landscape foundations have come together at state level to preserve the cultural landscapes in order to implement measures to promote biodiversity directly with land users. The cultural landscape foundations of Bavaria, Lower Saxony, Rhineland-Palatine, Saxony-Anhalt implement various measures under the motto "Conserving nature through use".

In addition to being a member of the 'Biodiversity in Good Company' Initiative, REWE Group is also represented in the following initiatives/associations regarding biodiversity: Aid by Trade Foundation, B.A.U.M. e. V., BÖLW, Cerrado Manifesto Initiative, Standard Committee Rainforest Alliance, European Business and Biodiversity Campaign, Forum for Sustainable Palm Oil and RSPO.