FREQUENTLY ASKED QUESTIONS

Kaufland

As part of our commitment to sustainability, we recognize the importance of reducing greenhouse gas emissions throughout the value chain. The FAQs provide an overview of the key components of developing a climate strategy and aims to support business partners in the collection, management and reduction of their emissions.

Frequently asked questions

1. General information

1.1 Why should you act now?

Taking responsibility

With the Paris Agreement of 2015, international countries committed to limiting global warming to 1.5°C. To achieve this target, global greenhouse gas emissions must be reduced to net zero by 2050. Otherwise, there is a risk of serious environmental consequences, species extinction, loss of inhabited land and, as a result, mass migration. As an essential part of society, companies have a responsibility to avoid this situation through active action, transparency and the willingness to find innovative solutions.

Cost reductions

By implementing energy efficiency measures and switching to cleaner energy sources, companies can reduce their energy, operating and maintenance costs in the long term. Previously neglected climate costs are coming more into focus, which means that investments in emissions reductions not only contribute to efficiency, but also influence future company valuations and capital costs.

Competitive advantage and access to new markets

The global transition to a low-carbon economy is creating new markets and opportunities. By adopting sustainable practices and offering environmentally friendly products or services, companies can tap into new markets and customer segments and create a competitive advantage.

Regulatory requirements

Higher regulatory standards, legislation such as the EU Taxonomy, the Corporate Sustainability Due Diligence Directive (CSDDD) and mandatory reporting under the Corporate Sustainability Reporting Directive (CSRD) require concrete climate protection measures and higher transparency standards. Early adaptation with a data-driven risk management approach is the key to a successful transition to sustainable supply chains.

Image

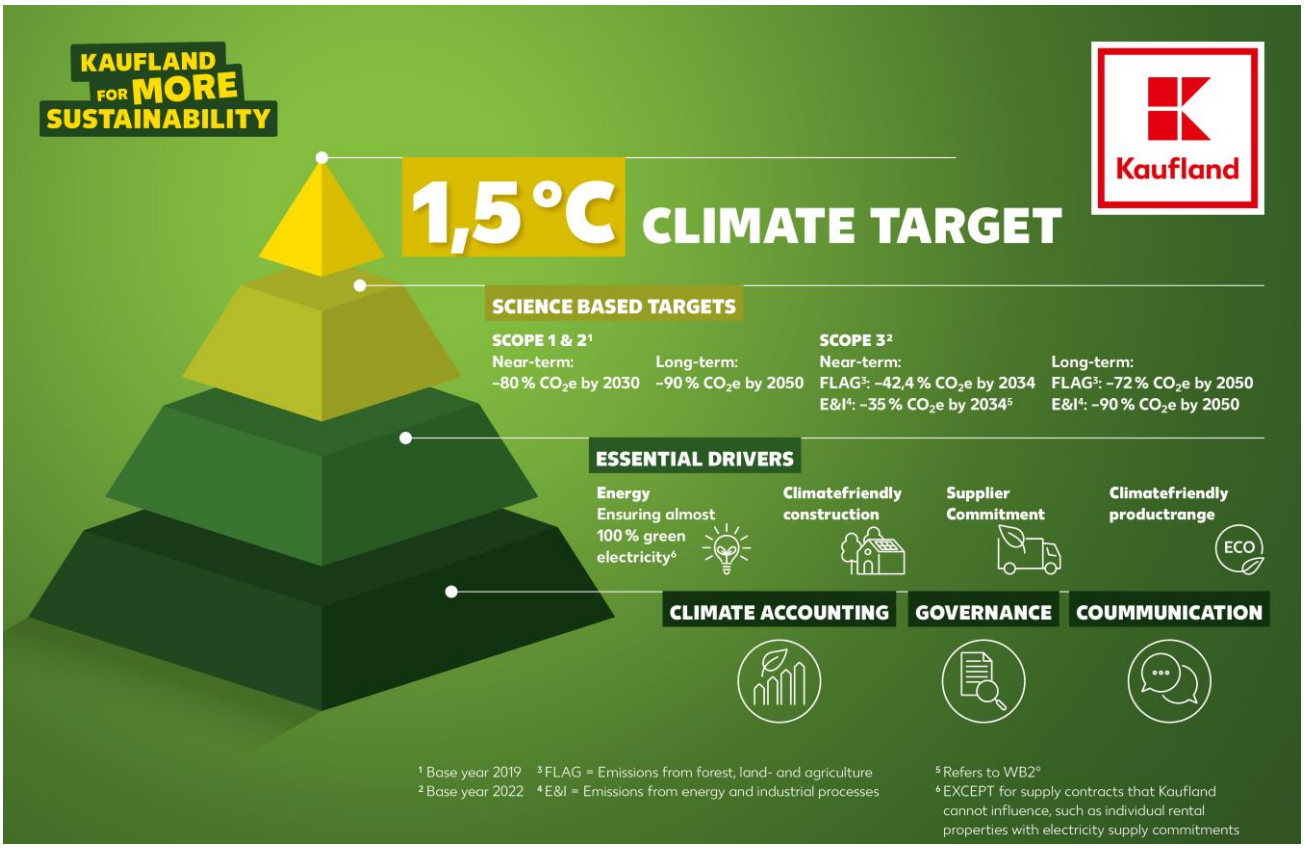
Employees, partners and customers are increasingly paying attention to the measures taken to minimize the company's own impact on climate change. The consistent alignment of business activities with sustainability principles will become significantly more important.

Access to capital

Investors are increasingly incorporating environmental, social and governance (ESG) factors into their decision-making process. By demonstrating their commitment to reducing emissions, companies can attract socially responsible investors, expand their investor base and potentially gain access to additional financing or capital.

1.2 What are the contents of Kaufland´s climate strategy?

A future worth living needs effective environmental protection. With ambitious goals and measures, we are committed to more climate protection and the preservation of our biodiversity. In doing so, we involve all players in our value chains. Our aim is to keep the effects of climate change to a minimum by helping to limit the rise in the global average temperature to 1.5°C and constantly minimizing greenhouse gas emissions in line with scientific findings.



As part of the Schwarz Group's accession to the Science Based Targets Initiative (SBTi) in 2020, Kaufland has set itself ambitious climate targets to limit global warming in line with the goals of the Paris Agreement.

Further information on our climate strategy and our commitment can be found on our website.

1.3 Why do we involve our business partners in our climate ambitions?

With the official validation by the SBTi, we have a clear and binding target. We are committed to comprehensive measures that effectively reduce our emissions and at the same time promote solutions for CO2e savings along the entire value chain. With over 90%, the majority of our emissions in the 2024 financial year were generated in the cultivation, production, processing and transportation of our products. One focus is therefore on working with our suppliers to reduce upstream and downstream emissions in the value chain (Scope 3). Cooperation with our business partners plays a central role in this. It is therefore particularly important to us that our partners join us on the path to a climate-friendly economy and set themselves climate targets in accordance with the SBTi criteria.

1.4 How do we support our business partners through our supplier initiative?

We would like to encourage you to actively work with us to reduce emissions. We know that topics such as developing climate targets and greenhouse gas accounting can seem complex – especially at the beginning. To provide you with the best possible support, we offer different services in our supplier initiative "Together for more climate protection":

Information materials
We provide compact and comprehensible information that makes it easier to get started with climate protection topics. These materials help you to better understand the context and plan your first steps

Training programs
We use interactive and digital climate training to help our suppliers build up specialist knowledge on climate targets and greenhouse gas accounting. The content is designed to give practical insights and is aimed at suppliers of different levels of maturity. If you are interested in further information or participation, please contact us: sustainable-supply-chains@kaufland.com

Co-financing
We are constantly looking for ways to reduce emissions together with our suppliers in the supply chain. Our goal is to jointly invest in impactful climate protection measures that make our supply chain more sustainable. If you have ideas or projects aimed at cutting emissions, please contact us and we can take first steps in shaping a climate friendly future together.

First steps

2.1 What are greenhouse gas emissions (GHG) and CO_2e?

GHG–emissions stands for greenhouse gas emissions, that means gases that store heat in the atmosphere and contribute to global warming and climate change. They are sometimes also referred to as "carbon emissions". In reality, carbon dioxide (CO_2) is the most commonly emitted greenhouse gas, but there are six other important greenhouse gases: Methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

The mentioned greenhouse gases have different values for their "global warming potential" (GWP). To add up the effects of these emissions, they are converted into a standard metric called "carbon dioxide equivalent" or CO2e for short.

2.2 What is the GHG–Protocol?

The GHG Protocol, also known as the Greenhouse Gas Protocol, provides a standardized framework for companies and organizations to measure and manage greenhouse gas (GHG) emissions. It provides comprehensive guidelines for conducting greenhouse gas inventories and reporting emissions in a consistent and transparent manner. By helping organizations identify and quantify their emissions sources, it enables them to track progress over time, set reduction targets and develop effective strategies.

2.3 What is the difference between PCF and CCF?

The Product Carbon Footprint (PCF) is the analysis and measurement of the greenhouse gas emissions associated with a product or product line. The Corporate Carbon Footprint (CCF) measures the emissions generated by the activities of an entire organization.

Depending on which carbon footprint is calculated, the emissions generated are categorized differently. Scope 3 emissions play a particularly important role for manufacturing companies, as most emissions are caused by the purchase of materials and/or energy consumption. Here, the PCF helps to precisely determine the largest sources of greenhouse gas emissions and how they can best be reduced. Ultimately, this also helps to determine the CCF as accurately as possible.

2.4 Why are supplier–specific data becoming increasingly important?

From 2025/26, suppliers will be confronted with new requirements resulting from the obligation of large corporate customers to disclose sustainability data in accordance with the CSRD. Particularly in sectors such as retail and manufacturing, supplier and product–specific information will increasingly be requested to comply with legal requirements. The focus here is on the exchange of emissions data, with product–specific information from suppliers with the greatest impact being of particular relevance due to the increased granularity of the data. Providing this detailed data is a challenging task but requires transparency and cooperation along the entire supply chain.

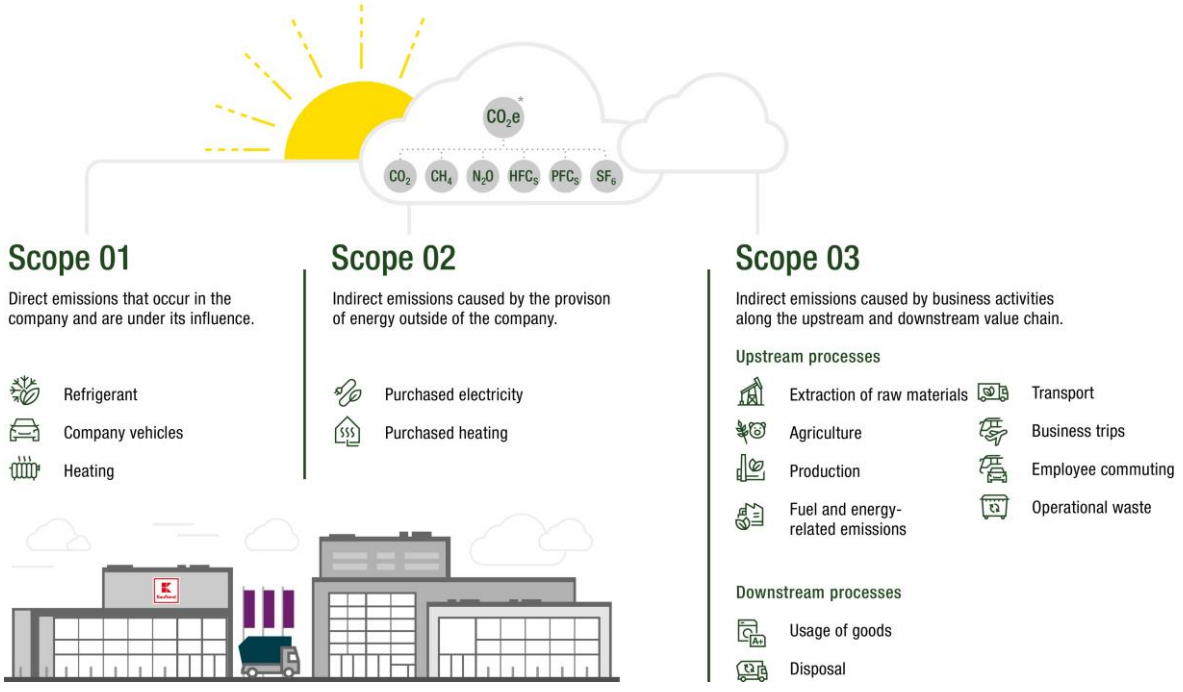
2.5 What are the different Scope 1, 2 und 3 emissions?

For calculation and reporting purposes, emissions are divided into three parts according to the Greenhouse Gas Protocol, depending on the origin and degree of control by an organization.

Scope 1 – All direct emissions from an organization's activities or under its control. Includes on–site combustion of fuels, such as gas boilers, vehicle fleet and air conditioning leakage.

Scope 2 – Includes indirect greenhouse gas emissions from electricity, steam and heat purchased and used by the organization.

Scope 3 – Also known as upstream and downstream emissions from the value chain. These are all other indirect emissions from the organization's activities that originate from sources not owned or controlled by the organization. These typically make up the largest part of the carbon footprint and include emissions related to business travel, procurement, waste and water.



Overview over the scopes of the GHGP and emissions along the value chain

Reporting

3.1 What do I need to start reporting?

The procedure for enabling (annual) emissions reporting for a company should be based on data collection, mapping and measurement. First of all, goals and a base year for emissions accounting should be defined. This applies to company-wide, site- and product-specific assessments in order to clearly define system boundaries. A base year is a defined historical reference point that serves as a starting point for the long-term monitoring and analysis of the emissions development of a company. It must be a year for which reliable and verifiable emissions data is available so that comparisons can be made over time.

Depending on the defined goals, all relevant activity data (e.g. fuel consumption, electricity meter readings) is collected as part of the data collection process. If no activity data is available, average values from recognized sources can be used. However, this reduces the accuracy of the results. Once the activity data has been collected, it is multiplied by defined emission factors. Emission factors are the amount of greenhouse gas (GHG) emissions generated per unit of activity. In the case of recurring reporting, it should be checked at regular intervals whether the quality and reliability of data collection can be improved.

3.2 Who should I contact within my company to receive information and collect relevant key figures?

Emissions data, or associated activity data, is often collected in silos across departments, regions, business units and decision makers and stored for other purposes such as reducing costs and increasing efficiency at sites. One of the biggest challenges in data collection is therefore finding and consolidating this data.

Depending on the company structure and the aim of the data collection, different departments are affected. However, the majority of resources can usually be found in

- Procurement and sales
- Financial accounting and controlling
- Production
- Logistics and fleet management
- Energy and environmental management
- Real estate management

For ongoing data collection, it makes sense to set up a process that clearly defines responsibilities, roles and procedures.

3.3 Where can I receive reliable emission factors?

When selecting emission factors (EF), a hierarchical prioritization should be made. If possible, primary data from own measurements should always be used for subsequent multiplication with an EF at consumption level. If measurement is not possible, EFs from reputable databases can be used. If no corresponding EFs can be found in the databases, literature values can be used. If no suitable values can be found here either, plausible estimates can be used for the calculation.

When selecting EFs from databases, care must always be taken to ensure that these data are obtained from verified data sets, that assumptions are fully documented and that the most up-to-date data sets are retrieved. For specific sectors in particular, it is often very decisive which industries, activities and geographies are covered, and which stages are included in the calculation of the EF. Generally, a distinction is made between EF with and without consideration of the upstream chain.

Here you will find a list of reputable databases (excerpt):

- International Energy Agency (IEA) (partly subject to charge, energy production data at country level)
- GEMIS (free of charge, data for energy, material and transport systems)
- ecoinvent (subject to charge, one of the best-known services)
- Intergovernmental Panel on Climate Change (IPCC) (free of charge, various fuels and processes)
- Greenhouse Gas Protocol (free of charge)

3.4 Is there an alternative to calculating the carbon footprint independently?

If calculating the CCF or PCF yourself is not an option, there are various service providers who can offer support. A number of aspects should be considered when selecting a tool.

There are various categories of sustainability tools, some of which are very industry-specific, but can be roughly divided into three groups:

1. Carbon Accounting Management, these tools focus on analyzing the GHG emissions of a company or product
2. ESG Reporting, which considers environmental, social and governance factors to ensure compliance with reporting standards
3. Combined solutions that offer a holistic platform for bringing together emissions data and other ESG indicators.

In addition to the respective tool focus, a service provider should comply with current standards, ideally have additional accreditation, have published a comprehensive methodology, have extensive knowledge of data management and be able to categorize data quality levels. To avoid increased resource expenditure in data gathering, raw data collection should be made possible through direct system integration.

Setting climate targets

4.1 Why should you set climate targets?

Just as companies measure their performance against sales or production targets, effective greenhouse gas management requires the setting of clear emission reduction targets and the monitoring of progress. By anchoring the development of climate targets in the CSRD, targets and reduction measures are increasingly coming to the fore. A GHG reduction target provides a framework for climate action and allows organizations to report quantified progress in reducing emissions and achieving targets. The development of company-specific targets can be effectively realized using Science-Based Targets due to their well-structured and ambitious guidelines.

4.2 What is the Science Based Targets Initiative (SBTi)?

The Science-Based Targets Initiative (SBTi) is a global initiative and an opportunity to formulate goals for reducing greenhouse gas emissions for companies and organizations. Science-based targets aim to limit emissions in line with the Paris Climate Agreement in order to not exceed a global temperature increase of 1.5°C. SBTi is a joint initiative of the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resources Institute (WRI) and the WWF. SBT targets are set on the basis of the scientifically calculated remaining carbon budget, taking into account the above-mentioned temperature thresholds. The science-based targets reflect the organization's share of the required global emissions reductions and define the scale and pace of emissions reductions required.

4.3 Why do we expect our business partners to set SBT targets?

Climate change is one of the greatest challenges of our time – it not only affects the business environment but also presents us all with major challenges. Joint and decisive action is needed to limit climate change. We see ourselves as part of the solution and firmly believe that we can only take effective action together with our business partners. SBTs ensure a scientifically sound reduction in greenhouse gas emissions and are the internationally established standard for corporate climate targets. They are in line with the goals of the Paris Climate Agreement and thus also create recognition with regard to regulatory requirements. SBTi's independence and multi-stakeholder approach also guarantee acceptance in civil society. This is why we want to take responsibility together with our business partners and work to limit climate change – as a joint commitment to a sustainable and livable future.

4.4 Is it sufficient to set a reduction target that is aligned with the criteria of the SBTi or does the target have to be officially validated by the SBTi?

The climate target must meet the SBTi criteria and has not to be officially validated, which is why registration with the initiative is not mandatory. However, you must be able to provide proof of the objective if requested.

A major advantage of having your own climate targets officially validated by the SBTi is the credible and transparent confirmation that the targets are scientifically sound and compatible with the Paris Climate Agreement. This creates trust among customers, investors and business partners, can secure competitive advantages and can be used in external communications.

4.5 Until when does my company have to set climate targets in accordance with the criteria of the SBTi?

We require our strategic suppliers from a climate perspective to set themselves comprehensible climate targets in accordance with the SBTi criteria by the end of 2026 at the latest and to communicate them publicly. On the way to more climate protection, we recommend that you involve your own suppliers. The price agreements and contracts entered into by you and Kaufland will not be affected by this during the agreed price term and will take precedence.

4.6 The SBTi has also developed an SME standard, when does this apply to my company?

The SBTi has developed an SME standard (Small and Medium-Sized Enterprises) that is specifically tailored to small and medium-sized enterprises. This standard offers a simplified way of setting science-based climate targets without having to meet the complex requirements of the corporate standard. Firstly, SMEs do not have to set short-term targets for Scope 3 emissions but instead are only required to measure and reduce them. This simplifies the process of otherwise time-consuming data collection. In addition to these decreased data granularity requirements, SMEs are also not required to follow the sector-specific requirements that apply to large companies. SMEs also benefit from lower validation fees.

Further information

4.7 Is evidence of climate target setting required?

We reserve the right to check whether the targets set have been achieved. At Kaufland's request, you must be able to provide evidence of the target, or the measures taken to reduce emissions within a period agreed on a case-by-case basis.

4.8 I would like to set myself a climate target but need support?

We won't leave you alone on your climate protection journey. As part of our "Together for more climate protection" initiative, we offer different materials and training courses to support you.

If you have any questions about our offering, please contact the following e-mail address: sustainable-supply-chains@kaufland.com

Kaufland Stiftung & Co.KG
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