



Objectives, Actions & Performance

# Factsheet Climate



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# 1 Introduction

Our business activities have a significant impact on the climate and the environment. They are dependent on and influenced by the natural surroundings and climate conditions in which we operate.

Climate change is already affecting us today with extreme weather events such as droughts, floods, or heavy storms becoming more frequent. In 2015, the Paris Agreement<sup>1</sup> was adopted, which sets the global goal of limiting global warming to 1.5°C to reduce the extent and magnitude of these extreme weather events on people, nature, and businesses alike. The science is clear: to achieve this goal and reduce negative impacts on people and the planet, deep and far-reaching cuts in emissions are required.

The ALDI SOUTH Group has already experienced the effects of global warming on its business partners and the global food systems. For instance, extreme weather events in South and Latin America have directly impacted the supply chains of fresh produce, Brazil nuts, and coffee, resulting in reduced availability and increased prices. With climate change, our entire value chain will be even more vulnerable to extreme weather conditions and changing environments. Limiting global warming is a business imperative for the ALDI SOUTH Group, so taking action is crucial.

We acknowledge our contribution to climate change and our responsibility to reduce our emissions. As a food retailer, we can promote sustainable industry practices and educate customers on sustainable products. Climate action is a central focus of our Global Sustainability Strategy.

We will contribute to limiting global warming to 1.5°C by achieving net-zero for our operational emissions by 2035 and net-zero for our supply chain emissions by 2050.

Our goal is to minimise the impact of our corporate activities by lowering our greenhouse gas emissions (GHG) and ensuring that our products have no negative impact on the environment. As part of our broader commitment, we will work with our business partners to reduce their greenhouse gas emissions and promote climate protection projects throughout our supply chains.

We define operational emissions (also called Scope 1+2 emissions) as the emissions directly related to our corporate activities. Our supply chain emissions, also known as Scope 3 emissions, cover all indirect emissions in our upstream and downstream supply chains. This fact sheet will focus on differentiating between these two types of emissions. For more information on the exact emissions per Scope and category, please refer to our [Climate Protection Progress report](#).

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<sup>1</sup> UNFCCC (2024) – The Paris Agreement, accessed from: [The Paris Agreement | UNFCCC](#) [13.02.2024]



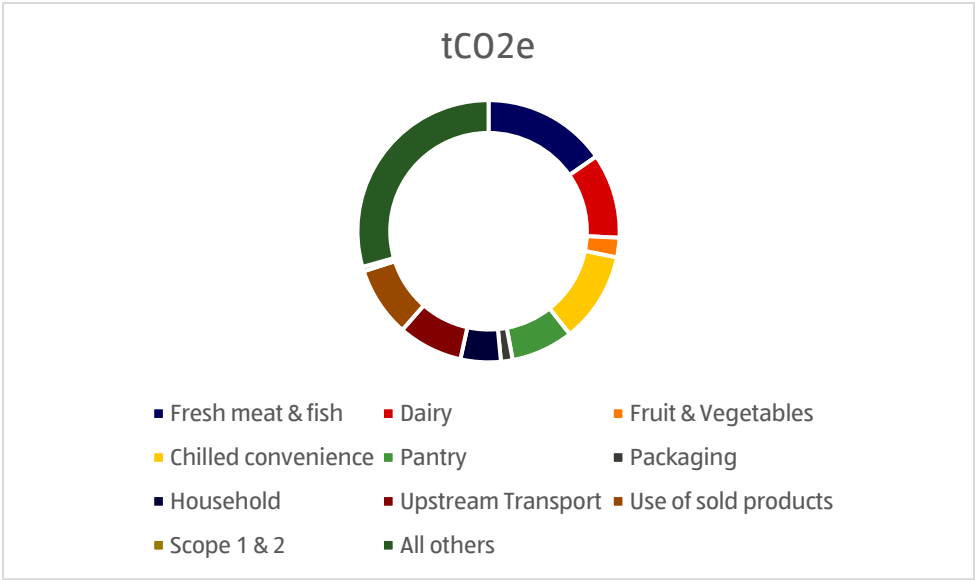
## 2 Facts & Figures

**Facts:**

- Scope 3 emissions account for over 99% of ALDI SOUTH Group’s emissions
- The majority of our Scope 3 emissions come from the products we buy

**Figures:**

The graph below shows the 2022 source of emissions for the ALDI SOUTH Group:





## 3 Our Climate Strategy

In July 2020, the ALDI SOUTH Group became one of the first international food retailers to have a company-wide approved [“Science Based Target” \(SBT\)](#). The validated near-term target is:

“The ALDI SOUTH Group has committed to reducing absolute Scope 1 and 2 GHG emissions by 26% by 2025 from a 2016 base year. The ALDI SOUTH Group also commits that by 2024, 75% of its suppliers will have science-based targets for emissions from purchased goods.”

As part of our climate strategy, we have strengthened our goals and committed to even more ambitious climate targets. These targets align with the pathway to limit global warming to 1.5°C and are subject to validation by the SBTi.

### 3.1 Our Climate Commitments

Through our commitment to the Science Based Targets initiative (SBTi), we aim to achieve science-based net-zero near emission reductions across our business in the short and long term. Our enhanced climate commitments and targets have been submitted to the SBTi and are pending validation.

These submitted targets cover our operational emissions (Scope 1+2), supply chain emissions (Scope 3), and emissions from the Forestry, Land and Agriculture sector (FLAG), in line with the latest requirements of the SBTi.

#### FLAG Emissions

Emissions from the Forestry, Land and Agriculture (FLAG) sector can result from change in land use and land management practices.

As a food retailer, we recognise that half of our product emissions come from FLAG. We acknowledge our responsibility to measure, manage, and reduce our land-related emissions. Therefore, we have set FLAG science-based targets with the SBTi to achieve this goal.

### 3.2 Areas of Climate Action

To meet our climate commitments and targets, we have identified two areas of climate action that we will pursue:

#### 1) Decarbonisation/Emission Reduction

We aim to reduce 90% of our company’s direct and indirect emissions

#### 2) Carbon Removal

Our goal is to remove the remaining 10% of our emissions by using high-quality carbon removal credits that align with the SBTi’s net-zero target requirements

Our targets cover our operational, supply chain and FLAG emissions, in line with the latest requirements of the SBTi.





We aim to remove the remaining 10% of our emissions using high quality carbon removal methods. Scientific research has demonstrated<sup>2</sup> that carbon dioxide removal (CDR) is necessary to attain net-zero emissions worldwide and limit global warming to 1.5°C. This has been acknowledged by target initiatives such as the SBTi, which recognise the removal of up to 10% of a company's emissions as a means of achieving its net-zero target.

Our climate strategy is aligned with this; by reducing emissions by 90% and removing the remaining 10% using carbon Removal methods, we will reach our net-zero target.

It is important to note that each of the two targets are considered as individual areas of action, each with their own Roadmaps and separate reporting streams in line with the Greenhouse Gas Protocol reporting principles.

### 3.3 Our Roadmap

We have defined a Climate Roadmap that outlines our long-term commitments and the measures that will support us in achieving them. It addresses the measures to reduce the emissions from the sources identified in our Corporate Carbon Footprint, including emissions from our products, real estate, and transportation. We have defined responsibilities for each reduction measure in global and national departments and set delivery timelines.

The Roadmap's progress is continuously tracked both globally and nationally, and discussed in internal working groups. The commitments and measures are regularly updated to ensure they are up to date and support us in delivering of our long-term goals.

## 4 Our Climate Action

### 4.1 Our Emission Sources

It is often said that you can only manage what you can measure. The Aldi SOUTH Group has been reporting its Corporate Carbon Footprint (CCF) since 2012, as climate protection has been a major focus for many years.

Our CCF has formed the basis for the climate commitments and activities outlined in our Global Sustainability Strategy. We have identified the main sources of emissions and addressed them through our strategic targets and corresponding Roadmap measures.

Our largest sources of **operational emissions** are:

- Electricity
- Refrigeration
- Heating sources
- Logistics

Our largest sources of **supply chains emissions** are:

- Purchased products
- Upstream transportation and distribution
- Use of sold products

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<sup>2</sup> For example, refer to the most recent report from the International Panel for Climate Change (IPCC) titled "Climate Change 2023: Synthesis Report"(IPCC\_AR6\_SYR\_FullVolume.pdf, p.85).



As a retailer, our products are responsible for most of our emissions, not only during production and delivery but also during their use phase and end-of-life cycle. Therefore, we consider the entire lifecycle of our products; from where they are sourced, to what happens after our customers take them home. This approach presents challenges as it requires greater transparency throughout the supply chain. Additionally, we have limited control over how our customers use our products. However, as a consumer-facing business, we have a responsibility to positively impact both ends of the supply chain.

We monitor our progress towards our climate strategy annually by calculating and reporting our emissions for all business processes and locations in accordance with the Greenhouse Gas Protocol. For further information, please refer to our [Climate Protection Progress Report 2022](#).

#### **4.1.1 Data quality and transparency**

As a fundamental principle of effective emission data management, we are constantly striving to improve our data quality. For our operational emissions, data quality is already considered good as we collect primary data for most of these emissions, i.e., from electricity meter readings. Data quality for emissions in our value chain varies, as primary data collection is more difficult and often limited to first tier suppliers. We acknowledge that good, transparent data is key to effective emissions reduction and are continually working to improve data quality. Our long-term vision is to obtain more primary product data from our suppliers and use it to calculate our product emissions.

## **4.2 Emission Reduction**

### **4.2.1 Operational Emissions – Measures & Results**

#### **Renewable Electricity**

In the past, electricity accounted for a large proportion of our emissions because most of the electricity we purchased was generated from burned fossil fuels, known as “grey electricity”. We set ourselves the target of reducing emissions from electricity by purchasing more “green electricity”, which is generated from renewable energy sources. As a result, we have gradually and significantly reduced emissions from electricity. Today, more than 99% of the electricity used in our stores, regional distribution centres (RDCs) and offices comes from renewable energy sources.

#### **Photovoltaic**

Our objective is to provide all stores and RDCs with photovoltaic systems wherever feasible. As of 2022, over 2,300 stores worldwide have been equipped with photovoltaic systems, and we plan to progressively increase this number. To accomplish this, we rely on local contractual agreements with providers. In Austria, for example, we have an agreement with a national utility company to install photovoltaic systems on every new store.

#### **Heating Systems**

Heating makes up 20% of our operational emissions in 2022. We have been consistently reducing heating-related emissions and plan to continue this trend by gradually switching to low-emission heating. All new stores and planned refurbishments will be equipped with a low-emission heating system, such as air-sourced heat pumps. We already use heat pumps in several stores and, where technologically feasible, utilise excess heat produced from cooling equipment to heat our stores.



## Refrigerants & Refrigeration Technology

The refrigeration technology utilised in our stores, regional distribution centres, and logistics vehicles plays a critical role in achieving our climate protection goals. Refrigeration systems account for a significant portion of our energy consumption and can have a substantial impact on global warming due to the chemicals required for cooling. Conventional chemicals used in refrigeration have a high Global Warming Potential (GWP), much higher than CO<sub>2</sub>, which ultimately accelerates global warming. It is essential to use modern, environmentally sound, and climate-friendly refrigerants, as well as to practice responsible use, and recycling, to reduce our greenhouse gas emissions.

In addition to reducing emissions related to refrigerants, we aim to phase out refrigerants with a GWP higher than 2,200 by 2025 and ultimately switch to using only natural refrigerants. By 2022, already 93% of refrigerants used in ALDI stores had a Global Warming Potential (GWP)<sup>3</sup> of less than 2,200. To further reduce refrigeration emissions, all ALDI SOUTH Group countries plan to switch to natural refrigerants with a maximum GWP of 4 from 2024 onwards. Exceptions may be necessary for refrigeration systems in RDCs that require specific refrigerants. In those cases, we will recycle and reuse refrigerants. We monitor exceptions closely and continuously analyse the possibility of a final phase-out that complies with legislative requirements and incorporates the latest technology.

To reduce the energy consumption and emissions related to refrigeration equipment, we will install refrigeration doors in all our stores worldwide starting in 2024.

## Car Fleet

Currently, our car fleet accounts for only 3% of our total emissions. Although this may seem small, it is still a significant contribution to our overall emissions. To address this issue, we have set a target to completely phase out these emissions by transitioning to an all-electric car fleet by 2027.

## Outbound Transportation

Efficient logistics guarantee that our customers have daily access to our full range of products and fresh items. Our outbound transport logistics are the largest source of our operational greenhouse gas emissions. To reduce our logistics emissions, we need to switch to alternative fuel types, such as HVO<sup>4</sup> in the short-term, and technologies like electric or hydrogen trucks. We have set corresponding targets for our logistics fleet. Our first step towards implementation has been conducting several trials in 2023 for HVO and e-trucks.



After carefully analysing the lessons learned and exchanging with business partners, our plan is to gradually scale these. The learnings from the trials are incorporated into a pathway to electrify our fleet.

Until the electrification process is underway, we aim to conserve fuel in our logistics operations by optimising trailer capacity utilisation, implementing highly economical route planning, and operating a modern fleet of vehicles that enable the use of alternative fuels. Additionally, our drivers receive training to promote efficient driving behaviour.

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<sup>3</sup> The Global Warming Potential (GWP) is an index used to measure the impact of greenhouse gas on global warming over a 100-year time frame. CO<sub>2</sub> has a GWP of 1. For further information, please refer to the [EPA \(2023\)](#).

<sup>4</sup> Hydrotreated vegetable oil (HVO) is biofuel made by the hydrocracking or hydrogenation of vegetable oil.





#### **4.2.2 Supply Chain Emissions**

As the majority of our emissions are located in our supply chain, we will increase our focus on collaborating with our suppliers to reduce emissions. We have already had initial meetings with suppliers from the dairy sector, which is our third highest emitting commodity group. As part of our climate strategy, we will establish reduction targets for our highest-emitting commodity groups. We will also carry out a climate risk assessment to identify which actions should be prioritised. Our goal is to increase the number of suppliers who set themselves climate targets in line with the SBTi, so that our partners adhere to the same standards as we do.

#### **Product Emissions**

ALDI SOUTH Group's main source of emissions often comes from the life cycle of our products, with fresh meat and dairy being significant contributors. The production and processing of animal-based products, from farm to shelf, involves resource-intensive activities such as feed production, transportation, and refrigeration. Livestock farming, especially for meat and dairy, is linked to high greenhouse gas emissions because of the methane released by animals and the energy-intensive nature of feed production. Furthermore, the need for cold storage and transportation to preserve the freshness of these perishable items adds to our carbon footprint. As the food industry becomes more aware of the environmental impact of its operations, we will investigate sustainable practices and alternative products to reduce emissions related to fresh meat and dairy, while balancing consumer demand with environmental responsibility.

#### **Inbound Transportation**

A significant portion of our supply chain emissions come from the transportation of products upstream. The process of transporting goods from farms and production facilities to distribution centres and ultimately to our stores involves extensive transportation networks that heavily rely on fossil fuels. The emissions from trucks, ships, and planes used in the transportation process contribute significantly to our carbon footprint. The reliance on long-distance shipping exacerbates the environmental impact. Similar to our outbound transportation, we are implementing sustainable transportation practices to reduce emissions and contribute to a more environmentally responsible supply chain. This includes optimising delivery routes, investing in fuel-efficient vehicles, and exploring alternative transportation modes.

#### **Use of sold products**

The use of sold products, especially electrical goods, has been shown to significantly contribute to our carbon footprint. Household appliances, refrigeration units, and other electrical items often consume energy throughout their lifecycle, from manufacturing to usage. This electricity consumption contributes to greenhouse gas emissions, particularly if derived from non-renewable sources. To address the environmental impact of our products, we must focus on promoting energy-efficient appliances and providing information on responsible usage. This will help to mitigate the carbon footprint associated with the consumption phase of our goods.



## 4.3 Carbon Removal

Carbon removal<sup>5</sup> is our second focus area for climate action. It is necessary to achieve global net-zero emissions.

The industry of Carbon Dioxide Removal is rapidly evolving and becoming more regulated by standards and legislation. However, stakeholder scrutiny remains high, due to past scandals involving carbon offsetting projects, specifically those aimed at carbon avoidance. Against this backdrop, the ALDI SOUTH Group is transitioning from its current carbon offsetting approach to a long-term carbon removal strategy that meets industry standards. This will help us to secure carbon removal credit volumes in line with our net-zero timeline. The objective is to develop a strategy that will facilitate long-term investment in high-quality and long-lasting carbon removals. As part of this strategy, we are establishing up a robust due diligence system to continuously assess and ensure the high quality of carbon removal projects.

While we acknowledge the potential benefits of high-quality carbon avoidance projects, our current focus is on developing a carbon removal strategy. We will analyse the feasibility of investing in such projects based on the lessons learned from carbon removal initiatives.

### What are Carbon Removals?

Due to the lack of one common terminology, the ALDI SOUTH Group defines carbon removal as follows:

*“Carbon Removals are anthropogenic<sup>1</sup> activities removing CO<sub>2</sub> from the atmosphere through biological, technical and/or hybrid methods, and durably storing it in geological, terrestrial, ocean reservoirs, or in long-lived products.”*

The ALDI SOUTH Group will continue to use the term “Carbon Removal”, which includes the removal of not only CO<sub>2</sub> but also other relevant greenhouse gases. In this context, carbon removal refers to the removal „from the atmosphere“.

This terminology was developed in collaboration with an external consultancy and is based on the IPCC, the SBTi Net-Zero Standard, and other relevant standards and legislation available at the time of definition. We acknowledge that carbon dioxide removal is a rapidly evolving field, and we regularly review our terminology and quality criteria to ensure they align with current industry

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<sup>5</sup> Two approaches to carbon offsets exist: carbon avoidance and carbon removal. Carbon avoidance reduces or avoids further CO<sub>2</sub> emissions, while carbon removal removes accumulated/historic CO<sub>2</sub> emissions from the atmosphere and stores them durably.



## 5 Stakeholder Dialogue

We believe the most effective way to safeguard both people and the environment is through collaborative initiatives and partnerships. Therefore, we work closely with our suppliers and participate in a range of multi-stakeholder initiatives.

### 5.1 Supplier Engagement

#### 5.1.1 SBTi Webinar with Suppliers

In 2023, we collaborated with ALDI Nord and the Science Based Targets initiative (SBTi) to hold a webinar for our suppliers. The goal of this webinar was to highlight the importance of establishing climate targets and to encourage participation in the ALDI SOUTH Group's effort to help heal the earth's climate. This event was significant because it allowed suppliers to ask questions about target setting. This is the initial step towards making actual emissions reductions within our supply chain. The SBTi has become the industry standard for corporate climate action. By setting science-based targets, we can ensure that our suppliers are aligned in making actual emission reductions.

#### 5.1.2 Supplier Survey

For the past four years, we have conducted an annual climate supplier survey targeting suppliers responsible for the top 75% of product-related emissions. This survey helps us to track our progress towards achieving our former Scope 3 target of 2020, which ends in 2024: The ALDI SOUTH Group commits that 75% of its suppliers by emissions covering purchased goods will have science-based targets by 2024.

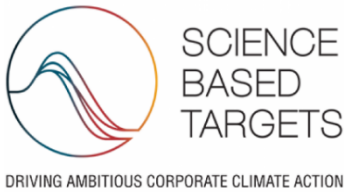
This survey provides us with a baseline for our suppliers' progress in their climate action journey and highlights their current initiatives.

#### 5.1.3 Supplier Visits

Our long-term goal is to establish closer collaboration with our suppliers to decrease our product emissions. Specifically, we aim to concentrate on fresh meat & fish, and dairy as these items are responsible most of our emissions. We have already held meetings with some of our strategic suppliers in these categories and visited their premises to assess the potential for collaboration. Collaborating with suppliers is crucial for obtaining primary data on product emissions and achieving a more accurate inventory. Working with more reliable primary data will provide valuable insights into areas where we can reduce emissions with the help of our suppliers.

## 5.2 Multi-Stakeholder Initiatives

### 5.2.1 Science Based Targets initiative (SBTi) (since 2020)



The [Science Based Targets initiative \(SBTi\)](#) is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). It defines and promotes best practices in science-based target setting and independently assesses companies' targets.

#### **In line with Industry, we will set Flag Targets**

As the SBTi has set new reporting standards for emissions attributed to Forestry, Land and Agriculture (FLAG), we will begin reporting in accordance with these standards. As a food retailer, many of our product emissions arise from land use, land management, and land use change. We recognise the need to protect these sectors and understand our role in protecting these resources.

### 5.2.2 Global Logistics Emissions Council (GLEC) (since 2022)

At the beginning of 2022, the ALDI SOUTH Group became a member of the “Global Logistics Emissions Council” (GLEC). This membership will help in overcoming significant business obstacles by participating in Council projects that promote the transition towards a freight and logistics sector with zero emissions.



We understand that our business activities have a significant impact on climate and the environment. Our goal is to minimise the ecological footprint of our corporate activities. Efficient logistics are key to ensuring that customers have access to our full range and fresh items every day. After our store operations, transport logistics is the largest source of greenhouse gas emissions and that's why the ALDI SOUTH Group has become the first grocery retailer to join the Smart Freight Centres “Global Logistics Emissions Council”.

The Smart Freight Centre (SFC) is a non-profit organisation that operates internationally with the aim of reducing greenhouse gas emissions from freight transportation. The SFC collaborates with businesses and other interested organisations to measure the impacts of freight, identify solutions, and support logistics decarbonisation strategies.



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