Resource efficiency and greenhouse gas reduction

We are continuing to increase our resource efficiency and reduce greenhouse gas emissions in areas over which we have control and influence. See discussion below in Metrics and Targets section.

Potential financial benefits include: reduced operating costs (e.g. through efficiency gains and cost reductions), increased production capacity, and benefits to the health and wellbeing of our team members, community and supply chain partners.

Influenced climate action

We are collaborating with industry and other stakeholders, as well as investing in knowledge and research, to identify decarbonisation pathways in support of the Paris Agreement’s goals. Our Chief Executive Officer is a founding member of the Australian Climate Leaders Coalition and Coles is a corporate member of the Carbon Market Institute, with representatives participating in working groups and other forums.

During FY22 we have:
• participated in a ‘deep dive’ working group, as part of the Australian Climate Leaders Coalition, focusing on mapping and reducing Scope 3 emissions with value chain partners;
• participated in the Australian Beef Sustainability Framework, an initiative of the Red Meat Advisory Council managed by Meat and Livestock Australia. We consider the framework the most appropriate way to address climate and environmental issues facing the beef industry (such as emissions reduction and deforestation) from a national and industry-wide perspective;
• partnered with the Great Barrier Reef Foundation. Through the 10-year, $10 million partnership, Coles will dedicate funds towards a number of innovative projects developing ‘blue carbon’ – the process of capturing and storing carbon in oceanic or coastal ecosystems such as mangroves, tidal marshes and seagrasses; and
• continued to partner with food rescue organisations SecondBite and Foodbank to divert edible, unsold food from landfill.

We subsequently proposed a Scope 3 target, which was approved by our Board in May 2022. We have submitted our target to the Science Based Targets Initiative (SBTI) for validation and at the time of publishing are awaiting the outcome. We will disclose the proposed Scope 3 target after it is validated.

When calculating our Scope 3 emissions, we gained deeper insights into our high emitting supply chain categories. During FY22 we continued to partner with Integrity Ag and Environment to complete a lifecycle assessment on fresh beef to improve our understanding of its emissions profile. We are also currently participating in two feed additive trials to reduce methane emissions associated with beef farming. In addition, we partnered with farmers in Victoria and New South Wales to produce our certified carbon neutral beef range.

The Coles Finest Carbon Neutral Beef was launched in Victoria in April 2022 with the aim of launching nationally over time.

In FY21, we announced targets to reduce greenhouse gas emissions including the following commitments:
• to deliver net zero greenhouse gas emissions by 20506;
• for the entire Coles Group to be powered by 100% renewable electricity by the end of FY25; and
• to reduce combined Scope 1 and 2 greenhouse gas emissions by more than 75% by the end of FY30 (from a FY20 baseline).

Our main sources of Scope 1 (direct) emissions include emissions from refrigerant gases, natural gas and transport fuel, with a minimal contribution from stationary LPG and diesel for onsite back-up generators. Scope 2 (indirect) emissions are those associated with our electricity use and make up the bulk of our combined Scope 1 and 2 emissions.

Scope 3 emissions

As an organisation with an extensive supply chain there are a range of challenges related to measuring and reducing Scope 3 emissions – namely, our reliance on supplier partners for relevant information, gaps in data, issues with data quality and our ability to influence suppliers’ operational and commercial practices. These are not challenges we can solve on our own and we recognise we will need to work together with our partners to reduce Scope 3 emissions.

During FY22 we calculated a FY20 and FY21 inventory for Scope 3 emissions covering the following Greenhouse Gas Protocol (GHG Protocol) categories:

- 1. Purchased goods & services
- 2. Capital goods
- 3. Fuel & energy-related activities
- 4. Upstream transportation & distribution
- 5. Waste generated in operations
- 6. Business travel
- 7. Employee commuting
- 12. End-of-life treatment of sold products
- 15. Investments & Joint Ventures

In FY23, we will continue to review our performance through analysis of the Lofco feed additive trials to reduce methane emissions associated with beef farming. In addition, we will partner with farmers in Victoria and New South Wales to produce our certified carbon neutral beef range.

We are continuing to increase our resource efficiency and reduce greenhouse gas emissions in areas over which we have control and influence.

With respect to refrigeration management, we are increasing the use of natural refrigerant gases which have close to no global warming potential (GWP) compared with older synthetic refrigerant gases with high GWP. To reduce gas losses we have continued to invest in leak detection technology and our refrigeration pipe replacement program. We also have a number of energy efficiency initiatives in place across our stores and distribution centres, including doors on fridges and optimised lighting.

During the year we signed the last of the power purchase agreements needed to meet our renewable electricity target. The new renewable electricity agreements for large-scale generation certificate (LGC) agreements are with Lal Wind Farms, Neson, Origin Energy, ACCiona Energía, and ENGIE and will be sourced from renewable electricity generated at wind and solar farms across Victoria, New South Wales, South Australia and Queensland. The portfolio of generation assets includes several wind and solar farms which are under construction as well as existing sites such as Willagolcha Wind Farm in South Australia and Mt Gellibrand Wind Farm in Victoria.

Coles became the first Australian retailer to announce a renewable power purchase agreement in 2019 with global renewable power generation company MYTFUNDS, previously known as METHA EDN. In June 2021, Coralie Solar Farm in New South Wales became the first of three solar plants included in the agreement to be fully operational, with Junee and Wagga Wagga North following in December 2021.

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