



Approach for Sustainable Sourcing of Agricultural Raw Material

1. Introduction to METRO's Approach for Sustainable Sourcing of Agricultural Raw Materials

We are a food company. Our vision is to deliver sustainable food solutions with superior added value for independent entrepreneurs. We have made it our goal to lift the food and hospitality sector to a next level. The core of our business is our trusting relationship with our gastronomy and trade customers globally.

We look ahead, systematically implementing what is required and translating it into sustainable business models. We embrace our environmental and social responsibility in order to ensure the long-term viability of METRO. We are fully committed to this, as well as to enabling our customers to meet high standards in matters of sustainability. As a platform, we are working jointly with various market players such as suppliers, customers, NGO's and governments to set tomorrow's standards.

When it comes to sustainable wholesale and food sourcing, METRO follows a clear vision:

"We will become sustainable in everything we do."

2. Policy for Sustainable Sourcing and Environmental Guidelines serve as umbrella

In 2013, METRO introduced a [Policy for Sustainable Sourcing](#) and in 2015, we introduced our [Environmental Guidelines](#). The purpose of these is to serve as an umbrella to cover topics related to sustainability, including agricultural raw material. The policy and guideline apply to all own brand and branded food and non-food products and cover all steps in our supply chain (Tier1, Tier2 and all prior process steps). Our ambition is to source products responsibly, i.e. in environmental, social and economic terms. These overall policies are elaborated by product and

commodity specific guidelines and standards and action plans.

Focus on categories

Within our overall Corporate Responsibility strategy, we prioritise certain categories of agricultural and raw materials, which are very important for our business and our supply chain. For each of these, we have dedicated actions in place:

1. Meat, poultry and eggs
2. Soy
3. Fish and seafood
4. Palm oil
5. Pulp and paper
6. Fruit & Vegetables
7. Cocoa
8. Textiles

3. Meat, poultry and eggs;

A. Meat and poultry

METRO strives to provide the greatest possible transparency and is constantly increasing the proportion of meat and eggs from ethical, ecological husbandry within our product range by implementing sustainable purchasing procedures. We have dedicated standards, for example on foie gras and live-plucking as well as a meat sourcing policy, including the topic Animal Welfare. The relevant commitments and positions of [METRO](#) are available online.

B. Eggs

METRO supports the improvement of farming conditions for laying hens by promoting alternative and more sustainable farming systems, e.g. floor and free-range systems.

4. Soy

As a global food company, METRO also trades products containing soy, and meat and fish from animals that are fed with soy. We want to make sure that none of the soy that is used for or in the products we trade, is contributing to deforestation,

conversion, or social problems. We have therefore taken actions regarding soy and will continue to do so.

In April 2019 we introduced our [Soy Procurement Policy](#), emphasizing our further pursuit of sourcing and trading soy containing products that do not contribute to deforestation or conversion. For this, we are currently establishing within our network of suppliers, which ones are already working with credited or sustainable soy, and in which way we can improve our supply chain on this topic.

Additional actions that we have already undertaken regarding sustainable soy are:

- We are an active member of the Consumer Goods Forum Forest Positive Coalition, working towards zero deforestation soy supply chains
- In September 2017, Brazilian and international NGOs, foundations and research institutes launched the 'Cerrado Manifesto, calling for immediate action on halting deforestation in the Brazilian Cerrado region. Global companies including METRO responded positively to that call for action – METRO AG is one of the founding signatories of the Statement of Support (SoS) for the Cerrado Manifesto, working together with industry partners and NGO's towards zero net

deforestation in the Cerrado region in Brazil

- METRO became member of the Roundtable on Responsible Soy (RTRS), enhancing our network on the topic of soy

5. Fish and seafood

METRO promotes the long-term protection of fish stocks. We have drawn up a group-wide purchasing [Policy for sustainable fish & seafood procurement](#) in 2012, which was updated in 2016 as well as in 2020.

To METRO, sustainability along the fish & seafood supply chain means showing regard for the sustainability of natural resources. The focus of METRO's actions is to:

- maintain and conserve fish stocks and their habitat
- Fulfilling the needs of current and future customers.
- complying with the highest quality and safety standards
- committed to socially and environmentally means.

The focus of METRO's actions is long range.

- protection of fish supplies
- Urging and promoting generally applicable and uniform, internationally recognized standards

To live up to this responsibility, METRO has pledged to breathe life into this procurement policy by undertaking specific activities and steps in dealings with suppliers and producers as well. As part of this

procurement policy, METRO has set the following long-range goals:

- Guaranteeing and expanding an environmentally sustainable range of fish that meets customer demand
- Developing and promoting uniform, internationally recognised and sustainable environmental and social standards and labels along the entire value chain of fish (e.g. MSC, ASC, Global G.A.P and BAP as well as SEDEX and amfori)
- Encouraging sustainable fisheries and aquacultures
- Optimising fishing methods
- Optimising the traceability and labelling of fish products
- Optimising procurement and logistics operations
- Working closely with suppliers and producers
- Conducting a regular dialogue with the scientific and political communities

Additional actions that we have already undertaken regarding sustainable fish & seafood are:

- METRO is a signatory of the 2020 Tuna Traceability Declaration convened by the World Economic Forum. By signing the declaration METRO's aim is that tuna ultimately meets the highest standards of environmental performance and social responsibility. This commitment was transformed

into a refreshed commitment, which is known as the 2025 Pledge towards Sustainable Tuna (25PST) which METRO signed.

- In addition METRO is active in various Fish & Seafood initiatives and organizations as the Global Sustainable Seafood Initiative, the Global Tuna Alliance and the Global Dialogue on Seafood Traceability.

6. Palm Oil

Palm oil has become one of the most important vegetable oils in the fast-moving consumer goods sector. Palm oil is used in many basic consumables – not only in foods, but also in cosmetics and cleaning agents. A cultivation of oil palms which is not sustainable can have negative effects on the environment and the climate. Deforestation and poor social conditions are two of the disastrous consequences. As part of our sustainability approach and through our membership in the Roundtable on Sustainable Palm oil (RSPO), METRO is committed to increase the use of sustainable palm oil along our value chain, whilst maintaining the highest quality and future availability.

Therefore, in 2013, we introduced our [Palm Oil Purchasing Policy](#). The policy aims at 100% sustainable palm oil on RSPO level Segregated or Identity Preserved until 2023 in METRO's own brand products, according to market availability.. This palm oil policy applies to all own

brand products containing palm oil delivered to METRO.

7. Pulp, Paper & Wood

In 2013, METRO issued the METRO Wholesale [Sustainable Purchasing of Paper and Wood Products](#), which applies to all METRO Wholesale operations and business support functions, across all locations, and to all products purchased and sold by these operations.

METRO Wholesale expects the commitment to Corporate Responsibility also from its partners during contractual agreement of business relations. In accordance with METRO Wholesale's understanding this means:

- A sustainable management system in place, which guarantees sustainable purchasing of timber and paper products, which is also acknowledged and accepted by company stakeholders: government, NGOs (Greenpeace, WWF) and business partners, for instance.
- Transparency along the entire supply chain, including all business units of the company, and the origin from sustainable or well-managed forests of the timber product can be traced back at each level. Economical needs shall be considered as well as ecological needs. These aspects have to be verified on

a reliable basis by business partners.

- Third party verification of implemented sustainable forest management system and sustainable purchasing management ensuring a closed chain of custody accepted by METRO Wholesale, such as:
 - The Forest Stewardship Council (FSC)
 - Program for the Endorsement of Forest Certification Schemes (PEFC)

8. Fruit & Vegetables

We apply the standards by the [Global Food Safety Initiative](#) (Global GAP standards) and have strict guidelines for the use of pesticides in fruit and vegetables production. We work with our fruit and vegetables suppliers to constantly improve sustainability of our offer.

9. Cocoa

METRO sees the challenges in the cocoa supply chains. These challenges are far-reaching over the social and environmental dimensions. The cocoa prices are not stable, which can lead to earnings below the living wage and hence poverty. Also, child labor and deforestation are further challenges in the cocoa supply chains.

Cocoa is a commodity that is not material for METRO, as we established in our Materiality Analysis

and in terms of sourcing volumes. We do however work actively on cocoa sustainability. To tackle the social aspects METRO has introduced the Policy for Social Compliance in the own brand/no-name supply chain in May 2019. This policy also includes Food products and is targeted to have full transparency of the food (including cocoa) supply chains of private label articles. Furthermore, the affected producers have to conduct social audits, latest by 2030.

METRO is also a member of the Retailer Cocoa Collaboration (RCC) since 2019. Together with other industry partners and the agency 3keel the RCC conducts regular cocoa trader analysis based on a trader scorecard. The continued collaboration with the traders leads to more sustainability in the whole cocoa sector. We also work closely together with one of our own brand suppliers, CEMOI, on sustainable and social cocoa.

ensure safe workplaces for workers in the Bangladeshi ready-made garment industry.

10. Textiles

Through the METRO policy on [Social Compliance](#) we ensure minimum social standards in our own brand textile supply chain. All our tier 2 producers (last value giving process step) have to be audited against an accepted social standard e.g., amfori BSCI or Sedex.

METRO is also member of the International Accord on Fire and Building Safety (Bangladesh Accord). Through our activities there we