

Policy under revision due to EU Deforestation Regulation



Palm Oil
Procurement
Policy



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1. Introduction

This document will replace the existing Palm Oil Procurement Policy of METRO that was set up in 2019. METRO has introduced its Palm Oil Procurement Policy in 2012. It will also provide a METRO Palm Oil Action Plan for initiatives on sustainable palm oil. In accordance to the [“Approach for sourcing of agricultural raw materials”](#) METRO is providing its customers with products, that comply with the highest quality and safety standards and which have been produced by socially and environmentally means.

Palm oil is the world’s most widely traded and versatile, edible vegetable oil. It is used in a wide range of packaged products, from confectionary to cosmetics. It is also an extremely efficient crop, producing between 4 to 10 times more oil than other crops per unit of cultivated land with low agro-inputs. However, it is also a major driver of deforestation. Every year 130,000 square kilometres of forest are cut down or burned. This is equivalent to the destruction of an area the size of a football field every 1.4 seconds. The clearing of tropical forests is a big contributor to global climate change and accounts for about 20% of the world’s greenhouse gas emissions.

METRO is committed to promoting sustainable palm oil production and continuously seeks to optimise the purchasing process in order to ensure that it only purchases products containing palm oil deriving from legal and more sustainable sources. METRO is committed to the sustainable use of palm oil resources in environmental, social and economic terms.

We have taken actions regarding palm oil and will continue to do so. This METRO Palm Oil Procurement Policy emphasizes our further pursuit of sourcing and trading products that do not contribute to deforestation.

This palm oil policy is related to METRO ‘s overall [“Policy for Sustainable Sourcing”](#) and our [“Approach for sourcing of agricultural raw materials”](#), both can be found on our website, together with our [“Position on Biodiversity”](#) and our [“Code of Conduct for Business Partners”](#).

METRO supports the Sustainable Development Goals and, with our commitment to sustainability, pays attention to achieving the global agenda. For this policy, particularly relevant are the goals:

- SDG 1 (no poverty)
- SDG 8 (decent work and economic growth)



- SDG 12 (responsible consumption and production)
- SDG 13 (climate action)
- SDG 15 (life on land)
- SDG 17 (partnerships)

This policy describes our palm oil strategy in objectives, scope, target and geography. The related METRO Palm Oil Action Plan puts the policy into implementation with actions. The action plan consists of three pillars:

1. Certifications
2. Partnerships
3. Projects

2. Objective

METRO's objective is to reduce deforestation in its value chain, contributing to the goal of zero net deforestation, by responsibly sourcing our palm oil products and products which contain palm oil, as this is one of the key commodities causing deforestation.

With this policy METRO wants to contribute to further improving the conditions within its palm oil value chain by requiring certification of products and establishing strong partnerships to work actively on palm oil. METRO promotes sustainable palm oil and aims to provide more transparency within the own palm oil supply chain.

In addition, METRO is aiming to actively manage forests and enhance reforestation by partnerships and support of dedicated projects.

Details on these measures will be included in the METRO Palm Oil Action Plan.

3. Scope

The METRO Palm Oil Procurement Policy applies to the following scopes.

Operational Scope:

All METRO operations and in all countries, including International Trading Offices and all Food Service Distribution (FSD) companies (for these operations and certain country operations, alternative timelines may apply).



Brand Scope:

Focus is on Own Brand (Private Label) and no-name brand palm oil products purchased and sold by METRO.

In addition, we will also work with Brand suppliers, industry partners and other stakeholders on systematic changes towards sustainable palm oil.

Definition

- Own Brand: An article/product that carries a registered METRO brand.
- No-name brand: Products not bearing a METRO brand but with METRO address. This also includes all in-house produced products and all products sold via counter and labelled with METRO address.
- Producer Brand: Any product labelled with a supplier brand.

Product Scope:

- All pure palm oil products.
- All products containing palm oil as an ingredient: with a focus on food, but also non-food¹ products, depending on market availability.
- The term 'palm oil' in this document refers to the oil from the palm fruit and also to palm kernel oil, and any substances or ingredients (such as derivatives) based on these, that are used in products purchased and sold by METRO.

4. Target

The previous target of 100% sustainable palm oil by 2020 was achieved. Building on this, we enhanced the uptake of physical certified sustainable palm oil and increase the share of Segregated or Identity Preserved certified palm oil.

We want to achieve that by end of Fiscal Year 2023, 100% of the palm oil is purchased with the system of the Roundtable on Sustainable Palm Oil (RSPO) on levels Segregated or Identity Preserved, according to market availability.

¹ Non-food here refers to all non-edible products containing palm oil, especially containing palm oil derivatives and fractions, eg. personal care products or detergents.

5. Reporting

METRO will make this policy publicly available and progress will be reported in the annual METRO AG Corporate Responsibility Report. The progress against the target will be measured on the basis of the following key performance indicator (KPI):

- The amount and percentage of products containing palm oil in accordance with the third party verified certification schemes of the RSPO
- The amount and percentage of products containing palm oil per RSPO system used: Book & Claim, Mass Balance, Segregated, Identity Preserved
- The volume of palm oil certified per RSPO system used: Book & Claim, Mass Balance, Segregated, Identity Preserved

6. Policy framework

METRO is committed to the environmentally, socially and economically sustainable use of palm oil. Additional to national and international legislation the policy covers the following core elements:

6.1 Biodiversity

METRO supports the goals of the [International Convention on Biological Diversity](#) and contributes to the protection of biodiversity. Therefore METRO has formulated the "[Position on Biodiversity](#)" and asks all suppliers to adhere to the principles mentioned in the document.

6.2 Quality and food safety requirements

METRO requests factories to have a valid [Global Food Safety Initiative](#) (GFSI) recognised certification and audit report to ensure quality standards and maintain food safety.

METRO requires its suppliers to comply with the latest version of the METRO Supplier Qualification and Management Standard (QA036)



6.3 Environmental / Science Based Targets

[METRO is committed to reducing absolute Scope-3-CO2 emissions \(supply chain\) by 15% by 2030 compared to 2018.](#) Scope-3 emissions account for more than 90% of our total carbon footprint.

6.4 Packaging

METRO works on the improvement of the packaging of products. Therefore, METRO expects from its suppliers to comply with the principles described in our Packaging ambition for 2030 as well as in the "[METRO own brand Packaging Policy](#)".

6.5 Value Declaration on Human Rights and Code of Conduct

To enhance our business impact and to benefit our customers, society and environment, METRO stated its respect for human rights as of fundamental value in its [Value Declaration on Human Rights](#) and formulated the "[METRO Code of Conduct for business partners](#)", which we expect all our suppliers to adhere to.

7. Action Plan

The METRO Palm Oil Policy is supported by the METRO Palm Oil Action Plan. In this plan we will outline timings and actions to come to our target. The plan will be defined for 18-24 months and then reviewed and updated accordingly. The action plan consists of three pillars (certifications, partnerships and projects) to ensure relevant actions with the right partners.

7.1 Certification

To achieve the targets of sustainable palm oil in its own brand products METRO refers to the Roundtable on Sustainable Palm Oil (RSPO). RSPO has the objective to promote the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders. Palm oil certified by the RSPO can be purchased through four supply chain systems: "Identity preserved", "Segregation", "Mass Balance" and "Book and Claim". Each of these systems comes with its own advantages, requirements and pre-approved consumer claim.



In the non-food² segment of our assortment, we will constantly increase the share of derivatives and fractions based on palm oil from physical supply chain systems, depending on the market availability.

Geographical Scope

METRO is working actively on transforming the markets for sustainable palm oil to become the norm. This means going far beyond the markets of Europe, to reach the major consumption markets in India. However, the market availability of sustainable palm oil in especially Asian countries is low compared to Europe where the uptake of certified sustainable palm oil is developed. Therefore, METRO aims for 100% sustainable Palm Oil on the level of “Segregated” or “Identity Preserved” within European countries by 2023. A longer transition time with certification on the level of RSPO “Mass Balance” is allowed for markets not as mature. For challenging countries especially in Asia or Eastern Europe, METRO is aiming for a collaborative approach with stakeholders inside and outside its own supply chain to promote sustainable palm oil.

7.2 Partnerships

METRO is working actively on the implementation of its Palm Oil Procurement Policy together with different stakeholders within the value chain. METRO also encourages its METRO Wholesale countrybased business operations to partner up with nationally relevant stakeholders.

Consumer Goods Forum Forest Positive Coalition

METRO is working on an overall sustainability strategy in relation to the topic of deforestation, taking action individually as a company and within collaborations such as Consumer Goods Forum Forest Positive Coalition, focusing on the main drivers of deforestation (palm, soy, paper & wood and cattle/beef), and taking actions for each of these four drivers to work towards zero deforestation. Within the CGF Forest Positive Coalition, METRO is active in the working groups soy (co-lead), palm, and paper/wood. With 16 other companies (incl. Unilever, Mars, Carrefour, P&G) we work on action plans / roadmaps to bring down deforestation in our supply chains. More information on this coalition can be found via <https://www.theconsumergoodsforum.com/environmental-sustainability/forest-positive/>

² Non-food here refers to all non-edible products containing palm oil, especially containing palm oil derivatives and fractions, eg. personal care products or detergents.



CGF Forest Positive Palm Oil Working Group of retailers and manufacturing brands

As a member of the Consumer Goods Forum Forest Positive Palm Oil Working Group, we collaborate with 16 other companies on bringing more sustainable palm oil in our supply chains, for which we have conducted a Roadmap with tangible actions and output, more information on the Consumer Goods Forum website.

Roundtable on Sustainable Palm Oil (RSPO)

In 2011, METRO became member of the RSPO and therefore is publishing its annual palm oil volumes and the share per respective RSPO certification level. METRO is also participating in the work of the RSPO such as reviewing the Principle & Criteria.

Palm Oil Transparency Coalition (POTC)

METRO joined the POTC to create more transparency within the palm oil supply chain. The POTC is formed of companies working together to remove deforestation and exploitation from palm oil supply chains. By annually assessing palm oil traders and importers, it aims to achieve greater transparency of the progress their supply chains are making towards zero deforestation and exploitation in palm oil production. Also by enabling individual retailers and product suppliers/manufacturers to make more informed sourcing/purchasing decisions.

Sustainable Palm Oil Coalition for India (SPOC)

METRO is in dialogue with the India-SPOC to facilitate industry collaboration across the value chain to promote the increased uptake of sustainable palm oil. SPOC – an initiative launched by RSPO, WWF India, Rainforest Alliance and Centre for Responsible Business – will work towards addressing barriers and challenges to sustainable palm oil by taking into consideration the unique characteristics of the palm oil sector in India. The initiative will include aspects like policy, best practices and creating consumer awareness.

Emerging Markets

In emerging markets like India or Pakistan the level of awareness and availability of sustainable palm oil is relatively low compared to European markets. Due to their consumption volume the countries named above do play a significant role in driving sustainable practices in the palm oil sector.

Therefore, METRO will work in the respective countries following these four steps towards promoting sustainable consumption and trade of palm oil:



- Dialogue – Establish roundtables with suppliers & smallholders to analyse current market situation
- Collaboration – Address topic to stakeholders like international manufacturing companies
- Timeframe – Define realistic timelines on individual country level
- Message – Create broader customer awareness on sustainability issues and support SMEs in their business

7.3 Projects

METRO is playing an active part within the supply chain of palm oil to increase the market availability of sustainable palm oil. We will select projects that will:

- Follow certifications and partnerships
- Engage along the entire supply chain (incl. traders)
- Support farmers

Together with our supplier for own brand frozen French fries Farm Frites METRO works closely together on making the product more sustainable. In this process, Farm Frites already switched to Segregated RSPO certified palm oil.

We will continue our partnership with CDP, focusing on forests in relation to palm oil, soy and cattle.

Further, we will seek collaborations with NGO's for insights and endorsements, and for them to challenge our policy and actions on sustainable palm oil. Examples are WWF and Mighty Earth.

The chapter 7, Action Plan is an explanation of the actual action plan, which will be an addition to the METRO Palm Oil Procurement Policy and which will be a dynamic document, reviewed every few months.