



# **Policy for Social Compliance**

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## 1. Introduction

Respect for human rights is one of the fundamental values of METRO, as formalised in our Value Declaration on Human Rights and Environmental Concerns. We pledge to respect and contribute to complying to human rights, as set out in national legislation, e.g. Supply Chain Due Diligence Act as per German Lieferkettensorgfaltspflichtengesetz (LkSG) and – amongst others – per United Nations Universal Declaration of Human Rights, the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). When conducting its business, METRO complies with respective legislation and strives to operate in accordance with the highest ethical and social business standards whilst recognizing the complexity of this topic given the complexity of supply chains as well as societal and political circumstances. Our own-brand (and “no-name”; in the following “own-brand”) products must be produced under humane conditions with respect and fairness towards workers, taking labour law, safety provisions and international trade regulations into account<sup>1</sup>.

To ensure compliance with fundamental social principles, METRO is engaging with various stakeholders and initiatives in order to meet the complex challenges of this topic. E.g. METRO was involved in founding the amfori Business Social Compliance Initiative (amfori BSCI) in 2004 and is a member ever since. Since 2012, METRO has endorsed and valued the UN Guiding Principles on Business and Human Rights, which have also been endorsed by amfori BSCI since 2014. To tackle the specific risks resulting from unsafe factory building conditions in Bangladesh, METRO joined the International Accord on Fire and Building Safety in Bangladesh between 2013 until its end in October 2023 to ensure adequate fire and building safety standards specifically in the Bangladesh apparel industry. To reinforce our principle of fighting against forced labour, METRO supports the Consumer Goods Forum (CGF) resolution against forced labour as well as the CGF’s Priority Industry Principles<sup>2</sup> since 2016 and is member of the CGF Sustainable Supply Chain Initiative (SSCI). Since 2019, METRO also is member of Sedex.

METRO supports the United Nations Sustainable Development Goals (SDGs) and its global agenda. By striving for compliance with social standards, METRO is working towards the following goals in particular:

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<sup>1</sup> METRO respectively is also obliged to comply with environmental standards as part of their overall corporate responsibility. This policy is dedicated to dealing with human rights particularly though.

<sup>2</sup> Every worker should have freedom of movement. No worker should pay for a job. No worker should be indebted or coerced to work.



- SDG 1 (No poverty)
- SDG 8 (Decent work and economic growth)
- SDG 12 (Responsible consumption and production)

In this respect, METRO also declares its ambition to work towards the paramount issue of ensuring a living income for those who manufacture goods for METRO's own-brand/no-name supply chains. Whilst various methodologies are acceptable when defining a living income, METRO gives preference to the Anker methodology where possible.

## **2. Objective**

Corporate responsibility is an integral part of the METRO strategy. In order to exercise our responsibility, transparency and compliance with social standards are absolutely essential to us.

Regarding social compliance matters, METRO's objective is to comply with legislation, e.g. LkSG and in this regard improve the working conditions in its direct supply chains. Going beyond with regards to its own-brand supply chain, METRO is committed to evaluating and improving also its indirect supply chain. METRO helps to introduce better working conditions with own-brand production sites by utilising social compliance minimum standards as per social standard schemes like the amfori BSCI process management scheme or equivalent systems.

This policy aims to describe the process for managing social standards in the own-brand non-food, food and near-food supply chain.

## **3. Scope**

The Policy for Social Compliance applies within the following scopes:

### Operational scope

All METRO operations in all countries, including International Trading Offices and FSD companies (for operations that are already part of METRO at time of first release of this policy but have not yet (fully) implemented the process of this policy and/or join METRO group after first release of this policy, an adequate introduction time is applied).



### Brand scope

All METRO non-food/food/near-food own-brand (private-label) and no-name products (together “own-brand” products) purchased and sold by METRO manufactured by those producers where METRO applies its social compliance ambition.

Definitions:

- 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)

### Social Compliance ambition scope

In the need of prioritization METRO applies its social compliance ambition as per a risk assessment approach to those producers that are either located in a risk country<sup>3</sup> or are producers of a particular group of products and commodities where METRO wants to apply dedicated diligent care<sup>4, 5</sup>.

In addition, we do not focus on but also work with producer brands, industry partners and other stakeholders on systematic changes towards social compliance in our supply chain.

### Product scope

All METRO non-food/food/near-food products.

## **4. Targets**

METROs social compliance program is in place for many years. The overall target in line with the SDGs **by 2030** is to provide for transparency in METRO’s own-brand supply chain, eventually including all tier n producers, conduct diligent care and provide evidence of socially compliant supply chains according to this policy. We recognize that this is an ever-ongoing cycle and take into consideration the complexity of tier n supply chain disclosure and the topic overall.

Gradually increasing disclosure and performance and as a continuous process: all suppliers and respective producers in scope must comply with the following targets:

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<sup>3</sup> Defined by amfori BSCI – see here: <https://responsibility.metroag.de/esg-priorities/ethics-and-trust/human-rights#own-brands>

<sup>4</sup> Definition risk assessment approach see here: <https://responsibility.metroag.de/esg-priorities/ethics-and-trust/human-rights#own-brands>

## 4.1 Non-food

- (1) full disclosure of suppliers and respective producers in scope (supply chain mapping, eventually all tier n producers);
- (2) all producers in scope falling under METROs social compliance ambition (=considered "risky") must be audited in accordance with the amfori BSCI or Sedex standard or another accepted standard<sup>6</sup> ("another accepted standard"); it should be strived for to include all tier n producers of the supply chain;
- (3) Since January 2019 only audit reports with at least a 'C' result (or equivalent) are accepted<sup>7</sup>. Suppliers/producers with audit results below 'C' will be suspended or cannot not listed until acceptable audit result can be proven.

## 4.2 Food/near-food

- (1) full disclosure of suppliers and respective producers in scope (supply chain mapping, eventually all tier n producers);
- (2) all producers in scope falling under METROs social compliance ambition (=considered "risky") must be audited in accordance with the amfori BSCI or Sedex standard or another accepted standard ("another accepted standard"); it should be strived for to include all tier n producers of the supply chain;

The roll-out of the own-brand food and near-food Social Compliance Process at METRO began in 2019. Based on a risk assessment and the maturity of METRO legal entities, the roll-out takes place gradually. Respective details and more specific timelines are outlined in section 7 (Action plan).

## 5. Principles

- (1) Each METRO legal entity is responsible for the achievement of the targets defined in this policy
- (2) In order to manage the process behind the objective of this policy, METRO legal entities shall use METRO's IT tool SSM (Social Standards Management) or METRO Sourcing's MBS or the successor of those tools with the support

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<sup>6</sup> For other accepted standards, see Annex 1.

<sup>7</sup> Referring to the amfori BSCI scoring and comparable scores of other audit standards.

of the METRO AG CR department. The on-boarding of the METRO legal entities users will be conducted by the METRO AG CR department.

- (3) METRO's legal entities must ensure that the latest version of the METRO own-brand contract is used for new business relationships and for each renegotiation with existing suppliers
- (4) Where applicable and suitable, the METRO legal entities are expected to include social compliance requirements in their processes – e.g. adding a paragraph regarding social compliance into all requirement profiles (RP) or process handbooks. This paragraph shall require the business partner to implement measures to ensure compliance with this policy for all producers in scope used.
- (5) The METRO legal entities endorse and promote the importance of social standards in their regular negotiations with suppliers and incorporate the requirements into their daily business.

## 6. Reporting

METRO makes this policy publicly available. The METRO legal entities can retrieve performance reports at any time via the IT tools used .

The progress in achieving the targets will be measured based on the following key performance indicators (KPIs):

- Number of active own-brand suppliers
- Number of risky producers to suppliers described in 4.1 and 4.2
- Number of audited producers described in 4.1 and 4.2 including audit result, i.e. 'passed' or 'failed'<sup>8</sup>

This will be reported in the annual METRO Corporate Responsibility Report and/or METRO Annual Report non-financial statement, sorted by product scope.

## 7. Action plan

METRO's Social Compliance Policy is supported by this action plan, which outlines more details in order to achieve this policy's objective and target. The action plan consists of 3 pillars (certifications, partnerships and projects) to ensure relevant actions with the right partners. Each METRO legal entity develops its country-specific

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<sup>8</sup> Definition of 'passed' refers to Annex 1: details of audit results. Any audit not 'passed' is considered 'failed'.



road map according to the details outlined in this policy and action plan, particularly in section 7.1 (Action plan: Process).

## **7.1 Process**

To achieve the objective and targets of this policy, METRO refers to various social compliance schemes. The list of accepted standards and certifications (see Annex 1) is a living document and will be updated according to new insights and benchmarks (e.g. SSCI benchmark).

METRO has established a general process for how to work with these social compliance schemes. In general, the social compliance process comprises the following steps:

1. Disclosure of relevant data<sup>9</sup>, to be checked and maintained at least on a quarterly basis
2. Risk assessment in order to define the gradual roll-out of this process
3. Training of producers within the scope of this policy – if necessary and suitable
4. Proof of social compliance through audit/certification
5. Documentation of 1. and 4. in the used IT tool

## **7.2 Roll-out plan**

METRO as a wholesale company offers a wide range of products and operates in various markets and complex supply chains. Not all commodities and tiers are equally critical though with regard to social standards challenges, and not all markets are at the same level of maturity when it comes to social compliance. METRO therefore follows a gradual roll-out plan in realising this policy's objective and target based on an individual road map developed by each METRO legal entity. The road map implementation should be completed within 3 years after the on-boarding of the respective METRO legal entity, targeting 100% social compliance of the respective supply chain by 2030 at the latest.

## **7.3 Partnerships**

METRO is working actively on the implementation of the Policy for Social Compliance together with different stakeholders in the value chain. Below is a sample of key partnerships.

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<sup>9</sup> Mainly company name, address, contact person of supplier/producer under the scope, responsible METRO employee and category as well as audit type.





#### amfori BSCI

METRO was one of the founding members of the Business Social Compliance Initiative (BSCI) in 2004. Since then, we have been actively working with amfori BSCI. We engage in local amfori networks.

#### Sedex

METRO has been a member of Sedex since June 2019 and actively works with this collaborative platform for sharing responsible sourcing data on supply chains.

#### Consumer Goods Forum (CGF)

METRO is involved in committee functions within the CGF in order to closely engage with this global platform of our core peers. We support the work of CGF's Social Supply Chain Initiative (SSCI) on benchmarking social compliance schemes. To reinforce its principle of fighting against forced labour, METRO joined the Consumer Goods Forum's resolution against forced labour in 2016 and support the CGF's Priority Industry Principles.

## **7.4 Projects**

METRO works on projects together with suppliers, NGOs, organisations and other wholesalers or retailers, which help ensuring the social compliance of workers in the supply chain. Our focus is on training sessions, where e.g.

METRO's trading offices METRO SOURCING Hong Kong and METRO Food Sourcing as well as local METRO entities work with local producers and support them through training sessions designed to help understand and comply with social standards.

## Annex 1 Status Jan 2024

### Acknowledged Social Standard Schemes:

The most up to date list of acknowledged social standards is to be found on [METRO AG website](#). Currently the status is as follows:

As amfori BSCI, Sedex and Consumer Goods Forum – Sustainable Supply Chain Initiative (SSCI) member, METRO prefers the amfori BSCI, Sedex SMETA and SSCI approved schemes, but also accepts the schemes listed below on condition that

1. the audit report / certificate is valid (not expired) and
2. the audit is passed as per the details listed below e.g. issued report with respective result and closed Corrective Action Plan (CAP).

Some of the listed standards are considered as acceptable as a steppingstone (marked with\*) for an interim period of time in order to facilitate the on-boarding of suppliers and producers into METROs social compliance process but may be removed from this list according to the maturity of the on-boarding process.

<b>Non-Food / Food / Near-Food</b>	<b>Audit Type</b>	<b>Scope and Requirements for the audit. "Passed" when audit result shows the following:</b>	<b>Report Validity<sup>10</sup></b>
All	<b>amfori BSCI</b> (amfori Business Social Compliance Initiative)	A + B	2 years
		C	1 year or until end of audit cycle
		D (only accepted for Food / Near-Food)	1 year or until end of audit cycle
		E (only accepted in exceptional cases <sup>11</sup> for Food / Near-Food)	1 year or until end of audit cycle
All	<b>SPA</b> – Small Producer / Holder Assessment (by amfori BSCI)	A + B	2 years
		C	1 year or until end of audit cycle
		D (only accepted for Food / Near-Food)	1 year or until end of audit cycle

<sup>10</sup> Report validity according to standard scheme. In case of changes the official timelines are valid.

<sup>11</sup> Exceptional cases means that audit is critical but still acceptable because findings do NOT accumulate to a level of severity e.g. comparable to a "Deal Breaker" finding.

		E (only accepted in exceptional cases <sup>2</sup> for Food / Near-Food)	1 year or until end of audit cycle
All	<b>EcoVadis</b>	All medal levels	1 year resp. according to date of receiving medal
All	<b>ETI / SMETA (Sedex)</b> – Sedex Members Ethical Trade Audit (4-Pillar Audit conducted by accredited third party auditor)	Non-Critical	2 years
		Critical	1 year
All	<b>FLA</b> – Fair Labour Association	Issued report and closed CAP Accepted standard for manufacturing sector	1 year
All	<b>FSSC 24000</b>	Issued Certificate (compliant)	3 years
All	<b>ICS</b> – Initiative Clause Sociale	Issued Report (A or B and no failing in critical areas)	3 years
All	<b>ISCC PLUS</b>	Issued Certificate	1 year
All	<b>SA8000</b> – Social Accountability International	Issued Certificate	3 years
Non-Food	<b>GOTS</b> (Global Organic Textile Standard)	Issued Certificate (compliant)	1 year
Non-Food	<b>Grüner Knopf</b>	Issued Certificate	3 years
Non-Food	<b>GRS</b> (Global Recycle Standard)	Issued Certificate (compliant)	1 year
Non-Food	<b>ICTI</b> (Ethical Toy Program (IETP))	Issued Certificate (compliant)	1 year
Non-Food	<b>ILO Better Work*</b>	Issued Assessment Report	1 year
Non-Food	<b>Oeko-Tex (Made in Green) STeP</b>	Issued Report (Level 1 accepted if it is 1 <sup>st</sup> audit (entry level) for producer, otherwise, only Level 2 and 3 accepted)	2 years
Non-Food	<b>WRAP</b> (Worldwide)	Issued Certificate - Gold	1 year
		Issued Certificate - Platinum	2 years

	Responsible Accredited Production)		
Food	<b>ASC</b> (Aquaculture Stewardship Council)	Issued Certificate and closed CAP	3 years
Food	<b>BAP</b> (Best Aquaculture Practices)	Issued Certificate and closed CAP	1 year (except salmon: 2 years)
Food	<b>FFL</b> (Fair for Life)	Issued Certificate 5, 4 and 3 "leaves" results	3 years (full assessment), annual follow up assessment;
Food	<b>Fair Trade</b>	Issued Certificate (pass)	3 years
Food	<b>Global G.A.P GRASP*</b>	Issued Certificate (compliant / Improvements needed / non-compliant but measures taken)	1 year
Food	<b>MPS-Socially Qualified</b> (social add on to MPS-ABC)	Accepted standard for horticulture products Issued Certificate (A+, A, B, C)	3 years
Food	<b>Naturland Fair*</b>	Issued Certificate (compliant)	1 year
Food	<b>RFVS</b> (Responsible Fishing Vessel Standard)	Issued Certificate	3 years
Food	<b>RSPO</b> (Roundtable for sustainable palm oil)	Issued Certificate (compliant) according to Mass Balance / Segregation / Identity Preserved	5 years
Food	<b>RTRS</b> (Roundtable for responsible soy)	Issued Certificate (compliant) according to Mass Balance / Segregation / Identity Preserved	5 years
Food	<b>Rainforest Alliance</b>	Issued Certificate (compliant)	1 year
Food	<b>SIZA</b>	Issued Certificate (all results accepted)	Platinum: 3 years
			Gold: 2 years
			Silver + Bronze: 1 year
Food	<b>WIETA</b>	Issued Certificate (A-D accepted)	A+B: 3 years



			C: 2 years
			D: 1 year
Food	Any CGF SSCI benchmark scheme	Depending on scheme	Depending on scheme

## Annex 2: METRO 'deal breakers'

As a risk mitigation tool, METRO has defined specific issues which serve as a precursor to labour violations and created a process to ensure that suppliers actively improve their producers' working conditions.

METRO requests immediate improvements for specific findings related to the following areas:

1. Child labour
2. Forced labour
3. Fire safety failings (leading to imminent and significant danger)
4. Serious unethical behaviour

Suppliers and/or producers are to be deactivated/suspended immediately from a supply chain for further own-brand orders until a corrective action plan and/or new audit report shows proof of improvements for the respective producer.

The described deal-breaker process shall also be applied in any equivalent deal-breaker case which comes to light involving any branded supplier and their respective producers.