

Policy under revision due to EU Deforestation Regulation



**Soy
Procurement
Policy**

&

Action Plan

04/2019

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1 Introduction

This document is the first version of the METRO Wholesale Soy Procurement Policy (“METRO Soy Policy”).

Soy is versatile, making it an ideal ingredient for food as well as non-food products. Soy products or derivate are being used in around 60% of processed foods, including cereals, biscuits, cheeses, cakes, noodles, pastries, soups and spreads. About 80% of the world’s soy production is used for feeding livestock (primarily cows, pork, salmon and chicken) for the meat producing industry. The growth in the use of soy is linked to deforestation and degradation of ecosystems such as the Amazon and Cerrado in South America. Soy is also a crop that has historically been associated with other environmental issues and social issues such as water pollution, land conflicts, human rights violation, endangerment of the local food suply and unsafe working conditions.

Soy is often identified as one of four major drivers of conversion and deforestation (along with palm oil, beef and wood). Forest conversion is the clearing of natural forests (deforestation) to use the land for another purpose, often agricultural (growing crops like soy, palm oil or creating pasture for cattle), but also for mines, infrastructure or urbanisation.

Definitions of the Accountability Framework Initiative:

Deforestation: the loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a plantation forest; or iii) severe and sustained degradation

- This definition pertains to deforestation-free supply chain commitments, which generally focus on preventing the conversion of natural forests
- Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for a non-forest land use
- Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal
- The AFi definition of deforestation signifies “gross deforestation” of natural forest where “gross” is used in the sense of “total; aggregate; without deduction for reforestation or other offset.”

Deforestation-free (synonym: no-deforestation): Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation of natural forests.

- The Accountability Framework specifies deforestation-free (i.e., no gross deforestation of natural forests) as the appropriate policy and goal for companies and supply chains.
- The term “deforestation-free” is used in favor of “zero deforestation” because “zero” can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal levels conversion/deforestation).

As member of the Consumer Goods Forum (CGF), METRO follows the CGF 2010 Deforestation Resolution and is committed to help achieve zero net deforestation by 2020, following the WWF definition of zero net deforestation. This soy policy is an extension of this earlier commitment.

In September 2017, almost 50 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 AG responded positively to that call for action – METRO is now part of the Statement of Support Group for the Cerrado Manifesto.

As a global food company, METRO Wholesale trades products containing soy. Further, we trade meat and fish products from animals that are fed with soy. With this policy, we want to achieve that none of the soy that is used for or in the products we trade, is contributing to deforestation.

We have taken actions regarding soy and will continue to do so. This METRO Soy Policy emphasizes our further pursuit of sourcing and trading products that do not contribute to deforestation.

This soy policy is related to METRO Wholesale'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 Bio Diversity 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 12 (responsible consumption and production)
- SDG 13 (climate action)
- SDG 14 (life below water)
- SDG 15 (life on land)
- SDG 17 (partnerships)

This policy describes our soy strategy in objectives, scope, target and geography. The related *METRO Soy Action Plan 2025* 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 eliminate deforestation from its (soy) value chain, contributing to the goal of zero deforestation, by responsibly sourcing our soy products and products which contain soy or soy derivatives, since this is one of the key commodities causing deforestation.

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

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

Details on these actions will be included in the "Soy Action Plan".

3 Scope and target groups

- This soy policy is valid for all METRO operations in all countries, including the METRO operations Rungis express, Classic Fine Foods and Pro á Pro (for these operations and certain country operations, alternative timelines will apply)
- Focus is on Own Brand (Private Label) products purchased and sold by METRO
 - Directly purchased soy and its derivate (Tier 1)
 - Soy used in feeds for meat and fish (Tier 2)
- We also work with A-brand suppliers of products containing soy
- In terms of region, the focus is on High priority (South America) soy volumes as defined by the Consumer Goods Forum Soy Sourcing Guidelines

We will start with poultry, pork and salmon and will define the relevant product portfolio further depending on the local market situation in our country operations. In a next phase, we will also include beef, shrimp and dairy products in our soy policy.

Focus will be on Own Brand (Private Label) suppliers, but we will also work with A-Brand suppliers, industry partners and other stakeholders on systematic changes towards sustainable soy. By making an inventory within the chain, starting with our suppliers, we will establish the level of certification already existing and the gap we need to fill.

4 Targets

By 2025, 100% of the soy Tier 1 (direct soy) and Tier 2 (soy used as animal feed) in our Own Brand (Common and Local Sourcing) and A-Brand supply chain is sourced from areas which are verified as zero deforestation, according to market availability.

We will require our A-Brand product suppliers (food and non-food) to act in the same spirit of this policy and provide data and proof of sustainable soy. We will also work in a collaborative approach on soy projects together with our suppliers as well as other stakeholders in the supply chain. The “Soy Action Plan” will provide more detail on this.

5 Reporting

METRO Wholesale 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 indicators (KPI's):

- Volume of RTRS certified soy within the supply chain
- Percentage of Own Brand products (Tier 1) containing certified sustainable soy
- Percentage of products fed with animal feed (Tier 2) containing certified sustainable soy
- Number of suppliers with a traceable Deforestation Conversion Free supply chain according to the [Accountability Framework Initiative](#) (AFI)

6 METRO Soy Action Plan 2025

The METRO Soy Policy will be supported by the METRO Soy Action Plan 2025. In this plan we will outline timings and actions to meet 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.

1. Certification:

We will work within the supply chain with producers/traders, suppliers and partners to achieve that soy from South America is sourced from verified zero deforestation areas by 2025.

We are in the process of contacting our suppliers and the whole value chain (traders) to establish what the current status is of certified soy as animal feed and in direct products.

When we have a clear understanding of the current status, we will work with our suppliers on 'filling the gaps'.

We will start with our direct suppliers to establish the level of certified soy in the value chain, and aiming to start with at least RTRS (or similar) Farm Incentives soy credits.

We start with the suppliers of our Rotterdam Trading Office and of 7 of our biggest meat sourcing countries (Germany, France, Austria, China, Turkey, Russia and Italy). Schemes to select from:

- [Round Table on Responsible Soy Association](#) (RTRS) - *preferred scheme*
- [FEFAC](#) approved schemes

Certification will be implemented in phases, suggested as such:

- *Phase 1:* transition to zero deforestation soy credits schemes, starting with Farm Incentives credits in 2019
- *Phase 2:* transition to credit system with region credits certified soy, by end of 2022
- *Phase 3:* transition to sourcing from verified zero deforestation areas, by end of 2025

By starting with (RTRS) certification level Farm Incentives credits, we can immediately make a difference on the ground by working together in the chain with selected farmers, traders and suppliers.

We will explore tools to monitor our suppliers in parallel with the certification process. We have started to map our (meat) supply chain, beginning with the biggest volume suppliers of meat for our Rotterdam Trading Office.

2. Partnerships:

METRO is working actively on the implementation of its Soy Procurement Policy together with various stakeholders within the value chain, such as suppliers (both Own Brand and A-brand), traders, and competitors in a pre-competitive space, NGO's, certification bodies and other stakeholders such as the Cerrado Manifesto Statement of Support Group. METRO also facilitates our country based business operations to partner with relevant national stakeholders.

Current partners we work with are:

Consumer Goods Forum

As member of the Consumer Goods Forum (CGF) we follow the CGF 2010 Deforestation Resolution and are committed to help achieve zero net deforestation by 2020, following the WWF definition of zero net deforestation. Within the CGF we are also committed to the 2016 Social Resolution on Forced Labour, striving to eradicate forced labour from our value chain. Further, METRO is member of the Consumer Goods Forum Soy Buyers Coalition.

Statement of Support Cerrado Manifesto

In September 2017, almost 50 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 AG responded positively to that call for action – METRO is now part of the Statement of Support Group for the Cerrado Manifesto.

Round Table on Responsible Soy Association (RTRS)

METRO AG became member of the Roundtable on Responsible Soy Association (RTRS) in May 2018.

With our country operations, we will select partners to work together with, such as suppliers (both Own Brand and A-Brand), local/global NGO.

METRO is working actively on transforming the markets for sustainable soy to become the norm. This means going beyond the markets of Europe, to also reach the major consumption markets in for instance China and India.

Therefore, METRO will work closely in the respective countries to follow these 4 steps towards promoting sustainable consumption and trade of soy:

1. Dialogue – Establish roundtables with suppliers & smallholders to analyze current market situation
2. Collaboration – Address topic to stakeholders such as international manufacturing companies
3. Timeframe – Define realistic timelines on individual country level
4. Message – Create broader customer awareness on sustainability issues and support SMEs in their business

3. Projects:

METRO is playing an active part within the soy supply chain to increase the market availability of sustainable soy. That is why we will be working with our country operations and aforementioned partners on tangible projects following certifications and partnerships, improving the development of sustainable soy in our own supply chain with credit schemes, influencing the chain and supporting farmers, and communicating these projects and collaborations. We will select and execute projects that will:

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

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

Further, we will seek collaborations with NGO's for insights and endorsements and for them to challenge and advice on our policy and actions on sustainable soy.

The chapter 6, Action Plan is an explanation of the actual action plan, which will be an addition to this METRO Soy Procurement Policy and which will be a living document, updated every few months.