



# Palm Oil Procurement Policy

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## 1. Introduction

This document replaces the existing Palm Oil Procurement Policy of METRO Wholesale that was set up in 2019. METRO introduced its first Palm Oil Procurement Policy in 2012. It will also provide a METRO Palm Oil Action Plan for initiatives on sustainable palm oil. In accordance with the [Approach for Sourcing of Agricultural Raw Materials](#), METRO provides its customers with products that comply with the highest quality and safety standards and have been produced by socially and environmentally responsible 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 confectionery 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 Wholesale (METRO) is committed to promoting sustainable palm oil production and continuously seeks to optimise the procurement process in order to ensure that it only purchases products containing palm oil derived 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 emphasises our further efforts to source and sell products that do not contribute to deforestation.

This Palm Oil Procurement Policy is related to METRO's overall [Policy for Sustainable Sourcing](#) and our [Approach for Sourcing of Agricultural Raw Materials](#), both of which can be found on our website, together with our [Position on Biodiversity](#) and our [Code of Conduct for Business Partners](#).

METRO Wholesale supports the United Nations Sustainable Development Goals (SDGs) and, with its commitment to sustainability, strives to achieve the global agenda. For this policy, the following goals are particularly relevant:

- 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 for the goals)

This policy describes our palm oil strategy in terms of its objectives, scope, target and geography. The related METRO Palm Oil Action Plan implements the policy with actions. The action plan consists of 3 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 its palm oil products and products which contain palm oil, as this is one of the key commodities causing deforestation.

With this policy, METRO also 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 its own palm oil supply chain.

In addition, METRO aims to actively manage forests and enhance reforestation by engaging in partnerships and supporting 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 within the following scopes:

### Operational scope

All METRO operations in all countries, including International Trading Offices, Rungis Express, Classic Fine Foods and Pro à Pro (for these operations and certain country operations, alternative timelines may apply).



### Brand scope

The focus is on own-brand (private-label) palm oil products purchased and sold by METRO.

We will also work with branded suppliers, industry partners and other stakeholders on systematic changes towards sustainable palm oil.

### Product scope

- All pure palm oil products
- All products containing palm oil as an ingredient with a focus on food, but also near-food and non-food products, depending on market availability
- The term 'palm oil' in this document refers to the oil of 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 has been achieved. Building on this, we now want to enhance the uptake of physically certified sustainable palm oil and increase the share of 'Segregated' or 'Identity Preserved' certified palm oil.

Our goal is for 100% of the palm oil we purchase to be designated as 'Segregated' or 'Identity Preserved' within the system of the Roundtable on Sustainable Palm Oil (RSPO) by 2023, depending on market availability.

## 5. Reporting

METRO will make this policy publicly available and will report on its progress in the annual METRO AG Corporate Responsibility Report. The progress in achieving the target will be measured on the basis of the following key performance indicators (KPIs):

- 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 and Claim, Mass Balance, Segregated, Identity Preserved



## 6. Policy framework

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

### 6.1 Biodiversity

METRO supports the goals of the [Convention on Biological Diversity](#) and contributes to the protection of biodiversity. Therefore, METRO has formulated its [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 that factories have a valid certification and audit report recognised by the [Global Food Safety Initiative](#) (GFSI) 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 CO<sub>2</sub> 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 is working on improving its product packaging. Therefore, METRO expects its suppliers to comply with the principles described in the [METRO Packaging Policy](#) as well as in the [METRO Cash & Carry Own-Brand Packaging Policy](#).

### 6.5 Human Rights Policy and Code of Conduct

To enhance its business impact and to benefit its customers, society and the environment, METRO has stated its respect for human rights as a fundamental value in its [Human Rights Policy](#) and formulated the [METRO Code of Conduct for Business Partners](#), which it expects all its suppliers to adhere to.



## 7. Action plan

The METRO Palm Oil Policy will be supported by the METRO Palm Oil Action Plan. In this plan, we will outline timelines and actions for meeting our target. The plan will be defined for 18 to 24 months, then reviewed and updated accordingly. The action plan consists of 3 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). The RSPO's objective is to promote the growth and use of sustainable palm oil products through credible global standards and the engagement of stakeholders. Palm oil certified by the RSPO can be purchased through 4 supply chain systems: 'Identity Preserved', 'Segregated', 'Mass Balance' and 'Book and Claim'. Each of these systems comes with its own advantages, requirements and pre-approved claims.

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

#### Geographical scope

METRO is working actively on transforming the markets to make sustainable palm oil the norm. This means going far beyond the markets of Europe to reach the major consumer markets in India. However, the market availability of sustainable palm oil, especially in Asian countries, is low compared to Europe, where the uptake of certified sustainable palm oil is well developed. Therefore, METRO aims for 100% sustainable palm oil certified as 'Segregated' or 'Identity Preserved' within European countries by 2023. A longer transition time for certification using the RSPO level of 'Mass Balance' will be allowed for markets that are not yet 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 country-based business operations to partner with nationally relevant stakeholders.



### The Consumer Goods Forum's Forest Positive Coalition of Action

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 the Consumer Goods Forum's Forest Positive Coalition of Action. These efforts focus on the main drivers of deforestation (palm oil, soy, paper/wood and cattle/beef) and on taking actions for each of these 4 drivers in order to work towards zero deforestation. Within the CGF Forest Positive Coalition of Action, METRO is active in the working groups for soy (co-lead), palm oil and paper/wood. With 16 other companies (including Unilever, Mars, Carrefour and P&G), we are working on action plans/roadmaps to bring down deforestation in our supply chains. More information on this coalition can be found at <https://www.theconsumergoodsforum.com/environmental-sustainability/forest-positive/>

### The CGF Forest Positive Palm Oil Coalition of Action consisting of retailers and manufacturing brands

As a member of the Consumer Goods Forum's Forest Positive Palm Oil Coalition of Action, we collaborate with 16 other companies on bringing more sustainable palm oil into our supply chains. To this end, we have developed a roadmap with tangible actions and output. More information is available on the Consumer Goods Forum website.

### Roundtable on Sustainable Palm Oil (RSPO)

METRO became a member of the RSPO in 2011 and, since then, has published 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 RSPO Principles and 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 assessing palm oil traders and importers annually, it aims to achieve greater transparency concerning the progress their supply chains are making towards zero deforestation and exploitation in palm oil production. It also enables individual retailers and product suppliers/manufacturers to make more informed sourcing/purchasing decisions.

### Sustainable Palm Oil Coalition for India (I-SPOC)



METRO is in dialogue with I-SPOC about facilitating industry collaboration throughout the value chain in order to promote the increased uptake of sustainable palm oil. I-SPOC – an initiative launched by the RSPO, WWF India, Rainforest Alliance and the 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 such as policy, best practices and creating consumer awareness.

## Emerging markets

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

Therefore, METRO will work in the respective countries following these 4 steps towards promoting the sustainable consumption and trading of palm oil:

- Dialogue: establishing round tables with suppliers and smallholders to analyse the current market situation
- Collaboration: addressing the topic with stakeholders such as international manufacturing companies
- Time frame: defining realistic timelines on the individual country level
- Message: creating broader customer awareness on sustainability issues and supporting SMEs in their business

## 7.3 Projects

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

- Follow certifications and partnerships
- Engage with players throughout the entire supply chain (including traders)
- Support farmers

METRO is working closely with Farm Frites, the supplier for our own-brand frozen French fries, on making the product more sustainable. In this process, Farm Frites has 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 NGOs – not only for insights and endorsements, but also for them to challenge our policy and actions on sustainable palm oil. Examples include WWF and Mighty Earth.

Section 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.