



Palm Oil Procurement Policy

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1 Introduction

This document will replace the two existing Palm Oil Procurement Policies on METRO Group and METRO Cash & Carry level that were set up in 2012 and 2013. It will also provide a newly established 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 Cash & Carry (MCC) 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. MCC 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 Bio Diversity and our Code of Conduct for Business Partners.

METRO Cash & Carry 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

MCC'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 MCC 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. MCC promotes sustainable palm oil and aims to provide more transparency within the own palm oil supply chain.

In addition, MCC 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 and target groups

- § All MCC operations in all countries, including operations Rungis, Classic Fine Foods and Pro á Pro (for these operations and certain country operations, alternative timelines apply)
- § All food and non-food own brand products purchased and sold by MCC
- § A brand products containing palm oil
- § Other brand products containing palm oil

4 METRO Cash & Carry targets

We want to achieve that by **2020**, 100% of the palm oil used in our Own Brand (Common and Local Sourcing) and A-Brand and Other Brand supply chain is purchased with the system of the Roundtable for Sustainable Palm Oil (RSPO) according to market availability.

We will require our branded product suppliers (food and non-food) to act in the same spirit of this policy and provide data and proof of sustainable palm oil. We will also work in a collaborative approach on palm oil projects together with our suppliers as well as other stakeholders in the supply chain. The METRO Palm Oil Action Plan will provide more detail on this.

5 Reporting

METRO Cash & Carry 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
- § Number of suppliers supplying above products

6 METRO Palm Oil Action Plan

The METRO Palm Oil Policy will be 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.

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.

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 China and 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 aiming for 100% "Mass Balance" certified palm oil in 2020. For challenging countries especially in Asia, METRO is aiming for a collaborative approach with stakeholders inside and outside its own supply chain to promote sustainable

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 Cash & Carry country based business operations to partner up with nationally relevant stakeholders.

Consumer Goods Forum CGF

As member of the Consumer Goods Forum (CGF) we are committed to help achieve zero net deforestation, 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.

CGF Palm Oil Working Group of retailers and manufacturing brands

Within the CGF, METRO is also actively involved in establishing a broad dialogue on sustainable palm oil throughout the value chain also discussing challenges and possibilities with stakeholders like NGOs.

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. It aims to achieve this by 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.

China Sustainable Palm Oil Alliance

METRO is in dialogue with the China Sustainable Palm Oil Alliance launched by the WWF as a pre-competitive platform to call for value chain players' concerted commitment and efforts towards the vision that sustainable palm oil can become a norm in China's market. China has been paying more attention on sustainability and playing bigger role in global sustainability such as its active role in SDG, climate change mitigation and adaptation with its vigorous efforts at global, regional and domestic level. Promoting sustainable palm oil in China is also highly aligned with these efforts.

Emerging Markets

In emerging markets like China, India and 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 4 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

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 and soy.

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.

Annex 1:

Following the Consumer Goods Forum Palm Oil Sourcing Guideline, sustainability here means that palm oil is sourced from plantations and farms that operate in compliance with all laws and regulations and additionally should ensure the following requirements are met:

- § Comply with existing RSPO Principles & Criteria, or equivalent standards;
- § Protect high conservation value (HCV) areas;
- § Involve no burning in the preparation of new plantings, re-plantings or any other developments, including the management of existing plantations;
- § Respect human rights, and endorse and support the Universal Declaration of Human Rights;
- § Engage in free prior and informed consent of indigenous and local communities concerning activities on their customary lands where plantations are planned for development; and
- § Operate an open, transparent and consultative process to resolve complaints and conflicts.