

**2023 TCFD REPORT
ON CLIMATE-RELATED
RISKS AND OPPORTUNITIES**

December 2023

metro

Forward Looking Statement

We might use, throughout this report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein that does not constitute a historical fact may be deemed a forward-looking statement. The use of the future tense as well as expressions such as "will", "may", "could", "plan", "expect" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food and pharmaceutical industries, the general economy, our annual budget, as well as our 2023 action plan and our [2022-2026 Corporate Responsibility Plan](#). These forward-looking statements do not provide any guarantees as to the future performance of METRO and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. We believe these statements to represent our current expectations and to be reasonable and pertinent as at the date of publishing this document. METRO does not intend to update any forward-looking statement contained herein, except as required by applicable law.

Introduction

As a food and pharmacy leader in Québec and Ontario, METRO takes risks related to climate change seriously, while also considering associated opportunities. Climate change may pose risks to current business models, however, it also creates opportunities for companies that act decisively in a competitive environment. METRO is stepping up to contribute to a sustainable future, while transparently reporting our progress. In 2022, METRO became the first Canadian food and pharmacy retailer to publicly support the [Task Force on Climate-related Financial Disclosures](#) (TCFD).

In an era of rapidly advancing climate change and its wide-ranging implications, METRO recognizes the critical importance of addressing climate-related risks and seizing opportunities for a sustainable future. As part of our commitment to transparency and responsible corporate stewardship, we present our climate strategy—a comprehensive framework that outlines our approach to managing climate-related risks and capitalizing on the opportunities arising from the global transition to a low-carbon economy.

Our climate strategy is based on mitigation and adaptation. A combined approach to climate change mitigation and resilience will create value for all of our stakeholders and for society in general.

This report describes how climate change may impact our business and how we can successfully transition to a lower-carbon economy. Our understanding of the challenges around climate change continues to evolve and we will update our mitigation plans accordingly.

By adopting the recommendations of the TCFD and using its framework, METRO's objective is to structure its approach to climate adaptation around each of the four (4) pillars: Governance, Strategy, Risk Management, and Metrics and Targets. This report sets out our current understanding of the strength and resilience of our strategy and business model under different climate scenarios.

Summary of our alignment with TCFD recommendations

TCFD pillars	Recommended disclosures	METRO's alignment
1. Governance	a) Describe the board's oversight of climate-related risks and opportunities	Section 1.1
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Section 1.2
2. Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long-term	Section 2.1
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Section 2.1
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Section 2.2
3. Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	Section 3.1
	b) Describe the organization's processes for managing climate-related risks	Section 3.2
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	Section 3.1
4. Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Section 4
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gases (GHG) emissions, and the related risks	Section 4
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Section 4

Section 1 : Governance

Governance of our public actions and commitments to act on climate change sits at the highest level of our company. Our governance of climate change is evolving in recognition of its growing significance in society and our increasing understanding of its impact on our business.

Figure 1 – Overview of climate governance



1.1 Board’s oversight of climate-related risks and opportunities

Board of Directors

The Board of Directors of Metro Inc. (the “Board”) responsibilities include the oversight of the Company’s activities with respect to the Company’s corporate purpose and corporate responsibility, which includes environmental, social and governance matters (ESG), and the approval of the Company’s Corporate Responsibility Plan and related disclosure.

Governance and Corporate Responsibility Committee

The primary objective of the Committee is to assist the Board in fulfilling its responsibilities by:

- Overseeing the Company’s activities with respect to the Company’s corporate purpose and corporate responsibility including climate change strategy; and
- Reviewing the Company’s disclosure on corporate responsibility and environmental, social and governance (“ESG”) matters, including on climate change; and
- Reviewing the Company’s corporate responsibility plans and reports, including those pertaining to climate change.

Audit Committee

One of the responsibilities of the Audit Committee is to review all material risks identified by management, including climate change risks, and to examine the effectiveness of the measures put in place to manage these risks. In order to do so, the Audit Committee regularly receives from the Internal Audit Department risk assessments with respect to various business units of the Company. These assessments contain a description of the material risks that could affect any given business unit, and the measures put in place to manage such risks.

1.2 Management's role in assessing and managing climate-related risks and opportunities

Senior Management

Senior management proactively identifies and assesses the primary risks that the Company faces, including climate risks, and develops appropriate measures to manage them effectively. Senior management also approves the corporate responsibility strategy, including climate change strategy, and ensures the priorities are in line with the Company's business strategy and that objectives have been achieved. In addition, senior management prepares and recommends to the Board policies pertaining to climate risks.

Internal Audit Department

Management identifies the main risks to which the Company is exposed and also determines adequate measures to manage these risks in a proactive way. The Internal Audit Department has the mandate of monitoring the identification and evaluation of corporate risks and ensuring mitigation measures are in place to reduce these risks, including climate risks, as well as all insurance activities that are carried out in connection with these risks. Every three (3) years, each major sector of activity is subject to a review or an audit to ensure that control measures have been put in place to address the business risks associated to such sector of activity. The Internal Audit Department is also responsible for reviewing the corporate responsibility data, including GHG emissions, before it is published.

Environment Committee

The Environment Committee has the mandate to oversee the implementation of the Company's Environmental Policy, which includes GHG emissions, and ensure progress on the three (3) environmental priorities that are part of the 2022-2026 CR plan, which includes climate change. Additionally, the Committee is responsible for reporting annually to the Governance and Corporate Responsibility Committee of the Board of Directors on the compliance with the Policy, any recommended changes to the Policy, and the Company's environmental performance. Pertaining to climate change, the GHG reduction performance and action plan progress is reported and presented to the Environment Committee members on a quarterly basis.

Climate Change Working Committee

The Climate Change Working Committee brings together multiple departments of the company to develop a common vision and robust roadmap to address climate change issues for the company by establishing an action plan to identify, quantify and manage the various climate-related risks and opportunities. This helps us improve our performance on an ongoing basis, and further integrates our commitment to climate action and corporate responsibility to our business activities. The Climate Change Committee reports back to METRO's Environment Committee. If they are assessed as material, climate-related issues are brought to the Board of Directors' attention by the Internal Audit Department or Management.

Greenhouse Gas Emissions Task Forces

METRO has created two (2) new task forces on GHG: one for energy and refrigerants, and the other for transportation. The task forces bring together groups of individuals from relevant departments of the company to prepare and implement action plans for greenhouse gas emission reductions. Guided by the overarching vision and roadmap of the Climate Change Working Committee, the task forces collaborate to integrate and manage new systems and projects in energy, refrigerants, and transportation to optimize our reduction strategy and realize reductions in emissions.

Section 2 : Strategy

At METRO, we acknowledge that climate change may present both transition and physical risks that can significantly impact our operations, value chain, and broader stakeholder interests. Transition risks arise from the evolving regulatory landscape, market shifts, and changing social expectations. Physical risks, on the other hand, stem from the direct and indirect consequences of climate change, including extreme weather events, sea-level rise, and disruptions to ecosystems. By addressing these risks head-on, our objectives are to enhance our resilience, protect shareholder value, and contribute to a sustainable and prosperous future.

A Climate Scenario analysis serves as a valuable tool for understanding the potential impact of climate change on our company, although it does not provide definitive predictions about the future. By employing scenario analysis, we can enhance our comprehension of how climate change may affect us, enabling better strategic planning, risk management, and evaluation of our strategic resilience. In 2022, we initiated a comprehensive qualitative climate modeling initiative across our value chain to evaluate the resilience of our assets under varying external conditions. The outcomes of this modelling exercise confirmed that, in the foreseeable future, METRO will need to take into consideration transition risks.

2.1 Climate scenario parameters

Physical risk parameters for analysis

The Shared Socioeconomic Pathways (SSPs) model shows how socioeconomic factors such as population, economic growth, education, urbanization and technological development may change over the next century. These scenarios were considered to evaluate physical risks for METRO.

Table 1 – Selected SSP scenarios

Time horizon	Short term	Medium term	Long term
	2030	2050	2090
Trajectories	SSP1-2.6 Low Climate Change Scenario Aggressive mitigation scenario in which total greenhouse gas emissions are reduced to net zero by 2050, resulting in global average temperatures rising by 1.3-2.4 °C by 2100, consistent with the goals of the Paris Agreement.	SSP2-4.5 Medium Climate Change Scenario Strong mitigation in which total greenhouse gas emissions stabilize at current levels until 2050 and then decline to 2100 and average temperatures rise by 2.1 -3.5°C by 2100	SSP3-8.5 High Climate Change Scenario Low mitigation scenario in which total greenhouse gas emissions triple by 2075 and global average temperatures rise by 3.3-5.7 °C by 2100.

Transition risk and opportunity parameters for analysis

The Bank of Canada (BoC) developed a set of scenarios to outline risk outcomes that would impact the Canadian economy and financial system. These scenarios were considered to evaluate transition risks and opportunities for METRO.

Table 2 – Selected policy scenarios

Time horizon	Short term	Medium term
	2030	2050
Trajectories	2019 Policies	1.5°C Policies
	Outcomes are defined based on current climate policies, which results in a rise in emissions and average global temperature in the range of 2.9–3.1°C by 2100. 2019 Policies scenario is aligned with SSP2-4.5.	Outcomes are defined based on cohesive global action to limit average global temperature by 1.5°C. Current net-zero commitments by countries are considered in the scenario. Net Zero (1.5°C) scenario is aligned with SSP1-1.9.








2.2 Climate-related risks and opportunities identification and impacts

Within this section, you will find a comprehensive summary of METRO's climate-related risks, pertaining to both physical and transition risks, extending until 2050.

The analysis considers three (3) SSP trajectories for physical risks and two (2) trajectories for transition risks. These insights have been derived from the Climate scenario analysis conducted by our consultants, encompassing potential benefits that may arise from climate changes.

Physical risks

















Table 3 – Climate-related operational risks (time horizon: 2050)

Risks assessed (short-listed)	SSP1-2.6	SSP2-4.5	SSP3-8.5	Results ¹	Impacts on METRO
 Sea level rise	●	●	●	Not significant to METRO overall. Scores indicates very low risk across all time horizons & scenarios	None expected
 Flooding	●	●	●	Risk heightens at 2050; 2090 time horizons for all RCP scenarios, most significantly for RCP4.5 and 8.5	<ul style="list-style-type: none"> • Potential damage to METRO assets • Potential interruption of operations in METRO assets
 Wildfire	●	●	●	Risk heightens at the 2050- and 2090-time horizons for all RCP scenarios.	<ul style="list-style-type: none"> • Health and safety implications for customers and METRO staff
 Tropical cyclone	●	●	●	Not significant to METRO overall. Very low risk for all assets across all-time horizons and RCP scenarios	None expected
 Extreme heat	●	●	●	Risk is heightened in an RCP4.5 and RCP8.5 scenario at the 2050 and 2090 horizons	Potential impact on refrigeration capacity
 Extreme cold	●	●	●	Low risk for METRO overall as extreme cold events are projected to decline	None expected
 Water stress	●	●	●	Not a significant risk for METRO overall. Unlikely to affect assets or business	None expected

LEGEND - Risk level: ● Very Low, ● Low, ● Medium, ● High, ● Very High

¹ Representative Concentration Pathways (RCPs) are GHG concentration trajectories describing different climate futures depending on the volume of GHGs emitted in the future and do not take socioeconomic narratives into consideration. The four (4) RCPs used by the IPCC for AR5 are: RCP 2.6, RCP 4.5, RCP 6.0, and RCP 8.5. The additional RCPs that have been developed for AR6 are RCP 1.9, RCP 3.4 and RCP 7.

















Table 4 – Climate risks in the supply chain (time horizon: 2050)

Risks assessed (short-listed)	Time horizon	Scenario	Suppliers' Exposure
 Sea level rise	2050	SSP3-8.5	 Low
 Flooding	2050	SSP3-8.5	 Low
 Wildfire	N/A	N/A	 Low to  High
 Tropical cyclone	N/A	N/A	 Low to  High
 Extreme heat	2050	SSP3-8.5	 Low to  High
 Water stress	2050	SSP3-8.5	 Low to  Medium

LEGEND - Risk level:  Very Low,  Low,  Medium,  High,  Very High

Transition risks

Table 5 – Climate risks in transition (horizon: 2050)

Risks assessed (short-listed)		2019 policies	Net-Zero (1.5)
 Policy & Legal	Carbon price		
	Refrigerant/Gas emerging regulation		
 Technological	Transition to lower emissions technology		
 Market	Price/supply shocks in the energy markets		
	Price/supply shocks to construction products & commodities		
 Reputational	Investor expectations		

LEGEND - Risk level:  Very Low,  Low,  Medium,  High,  Very High

Opportunities

Table 6 – Climate-related opportunities (horizon: 2050)

Opportunities assessed (short-listed)		2019 policies	Net-Zero (1.5)
 Products and Services	Creation/development of local initiatives		
	Creation/development of new sustainable products		
 Resilience	Procurement policy to support sustainable producers		
 Energy sources	Participation in carbon markets		

LEGEND - Opportunity level:  Very High,  High,  Medium,  Low,  Very Low

Section 3 : Risk management

3.1 Processes for identifying, assessing and integrating climate-related risks

Climate risks and opportunities are integrated into our comprehensive Enterprise Risk Management (ERM) Framework, encompassing all relevant processes and reporting. As the field of climate analysis continues to evolve at a rapid pace, we have conducted, in 2023, a climate scenario analysis to identify and understand the material risks associated with climate change.

By performing this analysis, we have gained insights into the specific risks our organization may face. Armed with this knowledge, our next step is to develop resilience plans that are tailored to effectively address these identified risks. These resilience plans will enable us to enhance our capacity to withstand and adapt to the challenges posed by climate change.

Management proactively identifies and assesses the primary risks that the Company faces, including climate risks, and develops appropriate measures to manage them effectively. The Internal Audit Department is responsible for monitoring the identification and evaluation of these risks, and ensuring mitigation measures are in place to reduce corporate risks, including climate risks, as well as overseeing insurance activities related to these risks. As part of their mandate, every three (3) years, each major sector of activity undergoes a thorough review or audit to verify the implementation of control measures designed to address the specific business risks associated with that sector. This ensures that the Company maintains robust risk management practices across its operations, including addressing climate-related risks in a comprehensive manner.

The Audit Committee reviews the material risks identified by the Company's management, including climate risks. It oversees the effectiveness of measures implemented to manage these risks by engaging in discussions with the Company's management to understand how the risks are being addressed. More specifically, the Committee examines reports on material risks, including climate risks, which provide a description of the material risks and the measures as well as action plans put in place to manage such risks. Additionally, the Committee seeks input from management regarding the robustness of the risk management systems and acceptable risk thresholds. It ensures that the Company's management provides reasonable assurance regarding compliance with such systems.

The Governance and Corporate Responsibility Committee periodically reviews the policies pertaining to climate risks, such as the Environment Policy, as recommended by the Company's management.

3.2 Processes for identifying and assessing climate-related risks

Business continuity and resilience

METRO recognizes the importance of its activities on which its customers rely for their daily life needs. Consequently, METRO has implemented and maintained for the last two (2) decades a business continuity management program to ensure an appropriate state of readiness for coordinated and effective response in case of emergencies and to continue its operations in the event of incidents that may impact them.

The program underwent a revamp in 2020, resulting in the consolidation of a unified governance applied to all its functions and operations, as well as the systematic development and implementation of a combination of continuity solutions, contingency plans, specialized plans, and emergency response plans.

In 2023, following METRO's support for the TCFD, the Business Continuity and Resilience team embarked on a project to strengthen our resilience to climate change, in order to mitigate future impacts on our operations and supply chain. For more details on climate risk management, please refer to p. 33-34 of [METRO's 2023 Annual Report](#).

Section 4 : Indicators and targets

We are committed to establishing meaningful and realistic metrics and targets, and to successfully meet our greenhouse gas reduction target. Reliable data will serve as a fundamental building block. We are therefore intensifying our efforts to enhance our calculation tool, ensuring its robustness and accuracy in quantifying emissions.

A significant milestone in our journey is the comprehensive calculation of our scope 3 emissions for the first time in 2023, based on the data from 2022. This assessment covers emissions associated with our value chain, including activities outside our direct operational control, such as those related to the production and transportation of raw materials, product use, and end-of-life disposal. By encompassing these scope 3 emissions, we gain a holistic understanding of our carbon footprint, enabling us to identify key areas for emissions reduction and develop targeted strategies to address them.

This comprehensive assessment of scope 3 emissions not only enhances our internal understanding of our environmental impact but also facilitates informed decision-making and engagement with our stakeholders. It will enable us to cooperate more effectively with our suppliers, customers, and other partners to implement emission reduction measures throughout our value chain.

Through the continual enhancement of our metrics and the expansion of our calculation capabilities, we are committed to ensuring transparency, accountability, and progress in achieving our GHG reduction target.

Please refer to [2023 Corporate Responsibility Report](#) and [GHG emissions infosheet](#) for details on METRO's GHG metrics and targets.