

RESPONSIBLE PROCUREMENT FRAMEWORK

February 2017

metro

Contents

- 2** Context
- 2** Objectives
- 3** Vision
- 3** Scope
- 3** Responsibilities
- 4** Responsible procurement principles and product prioritization criteria
- 5** Implementation
- 6** Commitments

Context

For Metro, as for retailers in other industries, the purchase of in-store products constitutes a strategic activity. On one hand, purchases represent Metro's main source of economic, environmental and social impacts. On the other hand, citizens are taking increasing interest in the products they consume in terms of their potential health impacts as well as the conditions under which they are produced.

Since the release of our first corporate responsibility (CR) roadmap in 2010, Metro has carried out a series of responsible procurement initiatives, including the development of purchasing policies (sustainable fisheries and local purchasing) and sector- and issue-based criteria (packaging, palm oil), in response to specific challenges and accounting for stakeholder expectations.

Committed to ongoing improvement and building on the experience of the past few years, Metro is establishing its Responsible Procurement Framework. The initiative is part of the 2016–2020 Corporate Responsibility Plan, which makes it a priority to provide customers with responsible products.

Objectives

The main objective of the initiative is to enable Metro to set out a comprehensive and strategic framework for its responsible procurement practices and guide its team and suppliers in the approach. The framework especially aims to:

- determine the specific issues related to its purchases
- provide a framework for all responsible procurement initiatives (current initiatives and those arising from the new guidelines)
- define relevant purchasing criteria according to priority products and issues
- optimize the implementation of all of the company's responsible procurement practices

The approach will benefit Metro in several ways, specifically by:

- providing a better understanding of its supply chain and its economic, environmental and social issues
- managing the potential risks related to Metro's reputation and procurement
- anticipating regulatory changes
- determining levers to implement responsible practices
- meeting the needs and expectations of customers and other stakeholders

Ultimately, Metro's objective is to maximize the positive benefits and minimize the negative impacts of its purchases.

Vision

Metro’s responsible procurement approach reflects the company’s aim to align its corporate responsibility initiatives and strategic vision, which is to provide the best customer experience in all of its banners. Metro considers responsible procurement to be a strategic lever to meet its business objectives and assert its leadership in sustainable development.

For Metro, responsible procurement is driven by these elements: legal compliance, business ethics, sound business relationships and collaboration with stakeholders and especially suppliers, whose commitment is vital to the success of the approach.

Metro views responsible procurement from the life cycle perspective—a comprehensive approach that takes into account all of the steps leading to the sale of the product in stores. When Metro purchases a product, it considers every issue pertaining to the product’s environmental, economic and social aspects, from the field to the consumers.

Metro has set out a series of initiatives to control product quality, ensure product safety, highlight attributes that support healthy eating, reduce losses through optimal purchasing and responsibly dispose of unsold foods at the end of their life.

The responsible procurement framework is focused on the practices implemented to produce the food products sold in stores and aims to control the environmental, social and economic impacts of these items, including their packaging.

METRO’S GLOBAL RESPONSIBLE PROCUREMENT APPROACH INCLUDES ALL PROCUREMENT-RELATED CORPORATE RESPONSIBILITY INITIATIVES

Responsible procurement framework	Product quality control program	Food safety program	Products that foster healthy eating	Organic waste reduction programs
-----------------------------------	---------------------------------	---------------------	-------------------------------------	----------------------------------

Responsible procurement initiatives throughout the value chain

Scope

Commercial activities covered

The framework applies to the products sold in our supermarkets, discount stores and neighbourhood stores in Québec and Ontario.

Period

The Responsible Procurement Framework will be implemented as of March 2017 and will be revised in 2021, the year following the end of the period covered by Metro’s 2016-2020 Corporate Responsibility Plan.

Responsibilities

A dedicated committee ensures the implementation of the framework and the ongoing improvement of the results.

The committee is led by the senior vice president, national procurement and corporate brands, the executive vice president and Quebec division head and the executive vice president and Ontario division head and also includes the vice presidents who manage purchasing, merchandising and marketing.

The senior director of corporate affairs is responsible for overseeing the approach, while the senior advisor, corporate responsibility, coordinates the initiative.

Responsible procurement principles and product prioritization criteria

Responsible procurement principles

Compliance with applicable laws and regulations is a fundamental requirement for Metro in its procurement practices. In addition, Metro will implement the following principles and criteria to respond to the economic, social and environmental issues that arise in its supply chain.

These principles will be specifically applied according to the particularities of each product class and their packaging.

1 Business ethics

- 1.1 Compliance with standards of ethics, integrity and equity
- 1.2 No corruption
- 1.3 No conflicts of interest

2 Contribution to socioeconomic development and respect for workers

- 2.1 Local purchasing whenever possible
- 2.2 Fair-trade purchasing whenever possible
- 2.3 Respect for labour rights including child labor and health and safety protection at work

3 Protection of the environment

- 3.1 Greenhouse gas (GHG) emissions reduction
- 3.2 Water preservation (consumption and water quality impacts)
- 3.3 Soil quality conservation
- 3.4 Biodiversity and ecosystems maintenance
- 3.5 Consideration of natural resource sustainability (specifically fish stocks and forests)

4 Respect for animal health and welfare

- 4.1 Consideration for the needs of livestock
- 4.2 Prevention of all forms of abuse
- 4.3 Compliance with scientifically-based standards

Note

The issues were identified according to the following methodology: analysis of Metro's current procurement practices, literature review of industry trends and practices, analysis of the recognized sustainability standard in agri-food (SAFA) and stakeholder consultations (i.e. employees, suppliers, interest groups).

Product prioritization criteria

Because of the wide range of products offered by the Metro network of stores, items were ranked to facilitate the operationalization of the guiding principles. Product classes were given priority in Metro's responsible purchasing program based on the following criteria:

- significance of the monetary value of the purchases
- products from Metro private brands

- Metro's current responsible procurement policies and commitments (e.g. Sustainable Fisheries Policy)
- importance of environmental and socioeconomic issues associated with products considering their intrinsic characteristics and origin
- stakeholder concerns towards Metro and the industry
- current improvement levers and alternatives for the purchase of more responsible products (e.g. certifications)

Implementation

The implementation of our responsible procurement framework will be governed by management principles and a range of operationalization tools.

Management principles

- Collaboration with suppliers in a perspective of ongoing improvement
- Reliance on practices, recognized certifications and corporate responsibility initiatives
- Consideration for the market's capacity to provide alternative product options at competitive prices and in sufficient amounts
- Follow up on and consideration for stakeholder expectations, best practices, trends and emerging issues
- Transparency and sharing our results and initiatives
- Follow up on results based on performance indicators and communication of these results in Metro's annual corporate responsibility report
- The commitment of all employees to support the Responsible Procurement Framework

Tools

A series of tools will serve to operationalize the responsible procurement principles set out in the framework.

- Responsible purchasing criteria grids: developed for purchasers and suppliers to define the attributes sought by Metro with regards to the environmental and socioeconomic aspects of priority product classes
- Supplier code of conduct: to guide the business practices Metro expects its suppliers to follow in order to ensure ethical and responsible procurement management
- Policies: outlining procurement criteria and commitments for priority product categories. Two policies are currently in effect at Metro, Sustainable Fisheries and Local Purchasing. A packaging and print optimization policy is currently under development.

Additional tools may be implemented based on emerging needs and issues.

Metro's responsible procurement commitments

In addition to the commitments it has made in its procurement programs and policies (food product quality and safety control, target nutritional attributes in its private brand products, fisheries, local products and packaging), **Metro has taken on the following undertakings related to production conditions and the impacts of the food products sold in its network of stores. The actions to meet these commitments will be deployed throughout the period of application of the Responsible Procurement Framework (i.e. until 2021) and the results will be communicated annually in Metro's Corporate Responsibility Report.**

Commitments on the means of implementation

- Ensure that Metro suppliers have acknowledged the code of conduct (updated in 2016)
- Train our employees on the application of the Responsible Procurement Framework
- Provide purchasers and suppliers with responsible procurement criteria for these priority product classes: meat, poultry, eggs, milk, dairy products, fruits, vegetables, coffee, tea, herbal tea, nuts and peanuts, palm oil and cane sugar
- Invite suppliers to raise all issues related to the framework and ensure follow up to support the continuous improvement of their practices whenever required
- Play an active role in organizations seeking to optimize practices in the agri-food industry
- Monitor the development of the environmental and social issues set out in our responsible procurement principles so as to eventually make any necessary changes to our purchasing criteria
- Inform our concerned stakeholders of our responsible procurement vision and commitments and pursue our collaborations and exchanges with them
- Communicate and report on Metro's responsible procurement practices

Commitments on the responsible product offer

- Ensure that all meat, poultry, egg, milk and dairy product suppliers at minimum apply the Codes of Practice for the care and handling of farm animals
- Develop a line of private brand meat products that are free of growth hormones
- Encourage meat, poultry, egg, milk and dairy product suppliers to refrain from using antibiotics used in humans as a preventive measure or growth factor
- Develop a line of private brand organic chicken products
- Ensure that 100% of *Irresistibles* private brand chicken is purchased in Québec and Ontario
- Expand the offer of certified fair-trade cacao, coffee, tea and herbal tea products
- Expand the organic product offer every year
- For aquaculture shrimp: ensure that 100% of private brand shrimp is BAP-certified (Best Aquaculture Practices)
- For aquaculture salmon: ensure that 100% of private brand fresh salmon is BAP-certified (Best Aquaculture Practices)
- Ensure that 100% of private brand canned tuna is from sustainable fishing