

CLIMATE CHANGE FREQUENTLY ASKED QUESTIONS (FAQ)

Update
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metro

Introduction

METRO has undergone many changes to our climate change strategy and ambitions as we work to evolve alongside the rapidly-evolving science and global best practices.

In 2023, we were pursuing our existing objective for greenhouse gas (GHG) emissions reduction target, as established in our [2022-2026 Corporate Responsibility Plan](#).

METRO's GHG Emissions Reduction Target - 2022-2026 Corporate Responsibility (CR) Plan
Objective Reduce GHG emissions by 37.5% by 2035 compared to 2020 for an average reduction of 2.5% per year.
Global Warming Pathway Our objective aligns with a well-below 2°C global warming pathway, which limits global warming to 2°C compared to pre-industrial temperatures.
Reporting and Target Boundary Annually, METRO reports its emissions reduction performance which includes the following: Activities in which we have direct operational control (Scope 1 and 2): <ul style="list-style-type: none">• Stationary combustion units• Refrigerant leakage• Operated transport• Electricity consumption Scope 3: <ul style="list-style-type: none">• Category 4 - Upstream transportation and distribution (merchandise transport)• Category 5 - Waste generated in operations• Category 6 - Business travel
Performance Indicators Our emission reduction performance is denoted in absolute emissions using tonnes CO ₂ e (tCO ₂ e). To compare our performance year over year, despite changes to our sales and activities, we also denote an intensity metric: kg CO ₂ e/sq. ft.

Following its commitment in October 2022 to rigorously evaluate the feasibility and costs of achieving the Science Based Targets initiative (SBTi) Net-Zero Standard, METRO reviewed and adjusted the scope of its existing objective by committing to set near-term company-wide greenhouse gas (GHG) emission reduction targets in line with the [SBTi Standard](#).

METRO's New GHG Emissions Reductions Target - [Public commitment](#)

Objectives

- Reducing absolute scope 1 and scope 2 GHG emissions by 42% by 2030;
- Having 45% of our suppliers by spend with science-based targets by 2028;
- Reducing absolute scope 3 GHG emissions from purchased of goods and services by 25% by 2030;
- Reducing absolute scope 3 GHG emissions from downstream transportation and distribution by 25% by 2030; and
- Reducing scope 3 FLAG GHG emissions by 30% by 2030.

Global Warming Pathway

The above science-based target, that have yet to be approved by SBTi, are consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures.

Reporting and Target Boundary

METRO intends to report annually its emissions reduction performance which includes the following:

Activities in which we have direct operational control (Scope 1 and 2):

- Stationary combustion units
- Refrigerant leakage
- Operated transport
- Electricity consumption

Scope 3*:

- Category 1 - Purchased Goods and Services
- Category 2 - Capital Goods
- Category 3 - Fuel- and Energy-Related Activities Not Included in Scope 1 or 2
- Category 4 - Upstream Transportation and Distribution (merchandise transport)
- Category 5 - Waste Generated in Operations
- Category 6 - Business Travel
- Category 7 - Employee Commuting
- Category 8 - Upstream Leased Assets
- Category 9 - Downstream Transportation and Distribution
- Category 11 - Use of Sold Products
- Category 12 - End-of-Life Treatment of Sold Products
- Category 13 - Downstream Leased Assets
- Category 14 - Franchises

**In line with GHG Land Sector and Removals Guidance, we assumed most of METRO's emissions in the supply chain stem from food purchases. Hence, only Category 1 accounts for both FLAG and non-FLAG emissions. Potential FLAG emissions from other categories are considered to negligible and have not been estimated in our assessment.*

Performance Indicators

Our emission reduction performance is denoted in absolute emissions using tonnes CO₂e (TCO₂e). To compare our performance year over year, despite changes to our sales and activities, we also denote an intensity metric: kg CO₂e/sq. ft.

As we embark on this transition, we have committed to set near-term company-wide emission reduction targets in line with the [SBTi Standard](#). To answer relevant stakeholder questions on what commitments we had this past year compared to what we committed to for future, this Frequently Asked Questions (FAQ) document has been separated into two parts:

Part 1: FAQs related to our target that was in effect in the past reporting year (2023) as established in our 2022-2026 Corporate Responsibility Plan.

Part 2: FAQs related to our new commitment which we aim to adopt in the upcoming reporting year (2024).

Part 1: FAQs related to our target that was in effect in 2023

1.1 What is your GHG emissions reduction target referenced in 2023?

In 2023, METRO referenced the GHG reduction target as set out in its [2022-2026 Corporate Responsibility Plan](#). This target aims to achieve a GHG emissions reduction of 37.5% by 2035 compared to a 2020 baseline.

1.2 How did you set the specific target of 37.5%?

The 37.5% target is the mathematical result of an average GHG emissions reduction of 2.5% per year over 15 years. We have established this target by referencing the 2°C pathway defined at the time by SBTi, which points to an average 2.5% reduction per year. METRO notes that the 2°C pathway is no longer ambitious enough based on the newest science, and as a result, has committed to a new GHG emission reduction target, as noted above and in Part 2 below.

1.3 Why did you set a 15-year period to reach your 37.5% reduction goal? Why such a long period?

At the time of our target setting, according to the SBTi, the recommended timeframe for GHG emissions target-setting could not be less than 5 years, nor more than 15 years, from the date the target is set.

At the time, this recognized practice encouraged us to develop a long-term strategy which would enable us to implement major system changes and take advantage of future innovative technologies, while also encouraging immediate actions.

1.4 Why have you chosen 2020 as your baseline year?

According to the SBTi, the reference year must be recent enough to ensure our targets are representative of our current operations.

To reflect this strategic approach, we wanted to take into consideration three important factors for us: the completion of the acquisition of Adonis in 2017, the acquisition of the Jean Coutu Group in 2018, as well as the improvements we made to our GHG emissions calculation methodology.

We consider that 2020 provides us with the most accurate baseline to work with for the 37.5% target.

1.5 What are the key actions of your strategy to reach your target?

Our strategy to reduce our GHG emissions by 37.5% between 2020 and 2035 is based on an understanding of the sources of our emissions and the technological advancements that will enable us to significantly reduce them in a way that is in line with our corporate objectives.

In addition to our ongoing optimization practices, we will focus our efforts on four key initiatives:

1- Transportation

Electrification of our fleet of cars and trucks, and our carriers' fleets, in order to limit the use of fossil fuels.

2- Refrigerants

Replacement of part of our refrigeration systems that use CFC/HCFC gases (ozone-depleting substances), with less damaging systems that rely on CO₂. We also anticipate closing older stores, which will put a certain number of CFC/HCFC systems out of service. And finally, CO₂ refrigeration systems are now the standard for our new constructions.

3- Energy efficiency

Pursuit of our energy-saving projects, such as LED lighting conversions in our buildings. It is important to note that these projects in Québec will not reduce our GHG emissions drastically because hydroelectricity used in Québec is low in GHG emissions.

4- Waste management

With our zero-waste program, we aim to increase our diversion rate as the use of landfill is the most GHG-intensive means of disposal. For example, food waste sent to landfill results in 4 times more emissions compared to food waste sent to composting.

Part 2: FAQs related to our new commitment which we aim to adopt in 2024

2.1 Why did METRO change its targets?

Following METRO's commitment in October 2022 to rigorously evaluate the feasibility and costs of achieving the Science Based Targets initiative (SBTi) Net-Zero Standard, we reviewed and adjusted the scope of its existing objective by committing to set near-term company-wide emission reduction targets in line with the SBTi Standard.

METRO becomes one of the first Canadian companies to commit to set targets to reduce GHG emissions originating from 'forest, land and agriculture' (FLAG). With our new commitment, we are not only tackling emissions related to energy and industry, but also our scope 3 FLAG emissions within our supply chain.

2.2 How did you set those targets?

The revision of our absolute GHG reduction target and its replacement by an assortment of more ambitious targets, now including all our scopes and FLAG emissions, was conducted using the SBTi methodology. Even though they have yet to be validated by SBTi, they are consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures.

2.3 Why did you set a 10-year period to reach your reduction goal? Why such a long period?

As per the globally-accepted leading guidance in this field, the [SBTi Target Setting Manual](#) notes that near-term targets cannot be less than 5 years, nor more than 10 years from the year of submission to the SBTi. By choosing to set a near-term target 10 years from our submission year, METRO is able to develop a long-term strategy to implement major system changes and take advantage of future innovative technologies, while also encouraging immediate actions.

2.4 Why have you chosen 2023 as your reference year (baseline)?

According to the SBTi, the reference year must be recent enough to ensure our targets are representative of our current operations, and they advise taking the most recent year in which data is complete and reflective of current operations as the baseline year.

METRO believes that using our most recent fiscal year represents the best foundation for our emissions reference year. It's a year marked by the advancement of our internal methodology, and one that shows clear stability in GHG emissions. It represents the best reference for measuring our progress in GHG reduction.

2.5 What are the key actions of your strategy to reach your targets?

METRO's strategy to achieve near-term science-based targets is based on an understanding of the sources of our emissions, the technological advancements and the cooperation with our value chain that will enable us to significantly reduce them in a way that is in line with our corporate objectives.

We will focus our efforts on 4 key aspects:

1- Reducing our Scope 1 & 2 emissions

Reduction will be achieved through electrification of our fleet of cars and trucks, and our carriers' fleets, in order to limit the use of fossil fuels. Tackling our refrigerants emissions by replacing higher global warming potential (GWP) gases in our refrigeration systems with low-GWP alternatives will reduce the emissions resulting from refrigeration leaks. But also, METRO recognize the need to invest in renewable energy sources, such as consuming renewable natural gas and the purchase of renewable energy credits.

2- Cooperation on our value chain

METRO believes that Scope 3 non-FLAG emissions can only be sustainably reduced by cooperating with all the stakeholders on our value chain. By engaging with our main suppliers and working with them to ensure that they pursue the same level of commitment to reducing GHG emissions as METRO, we will achieve effective Scope 3 reduction. Thus, METRO will support and guide its suppliers towards SBT objectives.

3- Addressing our land-based emissions (FLAG)

FLAG emissions represent a real challenge for METRO since the bulk of this specific type of emission occur on the value chain and namely from the products we purchase. This challenge is also one that can be overcome through effective and targeted collaboration with our suppliers. With greater communication and a more systematic assessment of the respect of our [Supplier Code of Conduct for responsible procurement](#), coupled with our current efforts in food waste reduction, we believe we can achieve significant FLAG emissions reduction.

4- Ensuring adequate charging infrastructure

To ensure that we are in a position to support and facilitate the transition to the electrification of transport, both at our clients level, as well as our service providers and our own fleet at our distribution centres, METRO is focusing on the installation of charging infrastructure. These infrastructures are designed to meet the current and future needs of electric vehicles. For instance, we aim to install a significant number of fast-charging stations at our stores. These efforts will help reduce the impact of transport on our value chain.

2.6 Why did METRO set an SBTi near-term target and not a long-term Net-zero target?

Following our commitment in October 2022 to rigorously evaluate the feasibility and costs of achieving the Science Based Targets Initiative (SBTi) Net-Zero Standard, METRO reviewed and adjusted the scope of its existing objective by committing to set near-term company-wide emission reduction targets in line with the SBTi Standard. Our strategic decision to commit to near-term targets reflects our conviction that pledges should be taken very seriously and be supported by a rigorous plan. In the case of long-term target-setting, METRO realized in its analysis that projecting technological opportunities and costs became more uncertain over increased timeframes, and so we have committed to a near-term target that enables us to align with the long-term Net-Zero target should we pursue it in future.

While developing its decarbonization plan, it was vital for METRO to develop its strategy in a way that enables adaptation to ensure emission reductions can be met. Our plan outlines six emission reduction priorities: commit to natural refrigerant, invest in renewable energies, electrify our fleet and improve fuel efficiency, engage with key suppliers to reduce their emissions, install EV chargers for customers, and reduce food waste in the value chain.

2.7 What are FLAG emissions?

FLAG refers to the forestry, land, and agriculture sector. FLAG emissions refer to emissions generated from agriculture, forestry, and other land use (AFOLU) activities, as well as any removals resulting from these AFOLU activities. In short, FLAG emissions look at a company's direct or indirect activities from a "net" perspective, including all emissions being released, as well as emissions being stored (removed from the atmosphere), as a result of FLAG activities.

FLAG emissions may occur as a result of a company's direct activities, or indirectly through its supply chain. According to the [SBTi FLAG Guidance](#), companies that directly control FLAG emissions and their removals in their direct activities are considered "supply" companies; in contrast, companies that procure services or products from these supply companies are called "demand" companies, and therefore have indirect control over their FLAG emissions.

METRO recognizes its role as a demand company, and therefore has a FLAG target and disclosure related to its Scope 3 Category 1, Purchased Goods and Services.

2.8 Who has to participate in FLAG target-setting? Is METRO obligated to set a FLAG target?

As per the SBTi FLAG Guidance, the SBTi requires companies that meet either of the following two criteria to set a FLAG target:

i) Companies from the following FLAG-designated sectors are required to set FLAG targets:

- Forest and Paper Products—Forestry, Timber, Pulp and Paper, Rubber
- Food Production—Agricultural Production
- Food Production—Animal Source
- Food and Beverage Processing
- Food and Staples Retailing
- Tobacco

ii) Companies with FLAG-related emissions that total 20% or more of overall emissions across scopes

METRO meets both criteria and notes that we are obligated to set a FLAG target for our Scope 3 emissions in order to align with the SBTi guidance, as our FLAG emissions arise from Scope 3 Category 1, Purchased Goods and Services. By this means, it is imperative for METRO to track and disclose our FLAG-related emissions to align with the SBTi best practices.

2.9 Why is it important that FLAG companies work to reduce emissions?

As noted by the [SBTi](#), the forest, land and agriculture (FLAG) sector is one of the industries at highest risk from the impact of climate change. As a food retailer, METRO recognizes its influence and reliance on the agricultural sector, specifically, to nourish the health and wellbeing of our communities. METRO recognizes that the FLAG sector is the second largest source of emissions, emitting nearly a quarter of global emissions.

Many companies with land-intensive operations have committed or set targets through the SBTi, and/or reporting publicly. However, SBTi noted that few companies account for land-based emissions or removals in their targets or disclosures. By committing to a FLAG target, METRO is actively tracking and disclosing on our FLAG-related emissions in our Scope 3 emissions.

2.10 What FLAG pathway for target-setting has METRO chosen to use?

As per the FLAG Guidance, METRO has chosen to disclose our FLAG emissions using the commodity-based approach. Therefore, we use the 11 commodity pathways: Beef, chicken, dairy, leather, maize, palm oil, pork, rice, soy, wheat, and timber & wood fiber to reflect our Category 1 Purchased Products and Services.