

CLIMATE CHANGE FREQUENTLY ASKED QUESTIONS (FAQ)

Update
December 2024

metro

Forward looking statement

We might use, throughout this document, 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 "aim", "intend", "project" 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 2025 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 this document. METRO does not intend to update any forward-looking statement contained herein, except as required by applicable law.

Introduction

Our climate change strategy and ambitions have undergone many changes over the last two years.

Back in 2023, we were pursuing the objective for greenhouse gas (GHG) emissions reduction target below, as established in our [2022-2026 Corporate Responsibility Plan](#). This target was replaced in November 2023 by science-based targets (SBT).

METRO's old GHG emissions reduction target - 2022-2026 Corporate Responsibility (CR) Plan
<p>Objective</p> <p>Reduce GHG emissions by 37.5% by 2035 compared to 2020 for an average reduction of 2.5% per year.</p>
<p>Global Warming Pathway</p> <p>Our objective aligns with a well-below 2°C global warming pathway, which limits global warming to 2°C compared to pre-industrial temperatures.</p>
<p>Reporting and Target Boundary</p> <p>Annually, METRO reports its emissions reduction performance which includes the following:</p> <p>Activities in which we have direct operational control (Scopes 1 and 2):</p> <ul style="list-style-type: none"> • Stationary combustion units • Refrigerant leakage • Operated transport • Electricity consumption <p>Scope 3:</p> <ul style="list-style-type: none"> • Category 4 - Upstream transportation and distribution (merchandise transport) • Category 5 - Waste generated in operations • Category 6 - Business travel
<p>Performance Indicators</p> <p>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.</p>

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 objective by committing to set near-term company-wide GHG emission reduction targets in line with the [SBTi Corporate Near-Term Criteria](#).

METRO's New GHG Emission Reduction Targets - Public commitment
<p>Objectives</p> <ul style="list-style-type: none"> • 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 targets, 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 (Scopes 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 be negligible and have not been estimated in our assessment.*

Performance Indicators

Our emission reduction performance is denoted in absolute emissions using tonnes CO_{2e} (TCO_{2e}). To compare our performance year over year, despite changes to our sales and activities, we also denote an intensity metric: kg CO_{2e}/sq. ft.

FAQ related to our new science-based objectives, to which we have committed ourselves

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 our then existing objective by committing to set near-term company-wide emission reduction targets in line with the SBTi standard.

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 more ambitious science-based targets, now including all our scopes and FLAG emissions, was conducted using the SBTi methodology. Even though our targets 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 Corporate Near-Term Criteria](#) 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 what was at the time our most recent fiscal year represented the best foundation for our emissions reference year. It's a year marked by the advancement of our internal methodology, and one that showed 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.

We will focus our efforts on 4 key aspects:

1- Reducing our Scopes 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 recognizes 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 in 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 does, we will achieve effective scope 3 reduction. Thus, METRO will support and guide its suppliers towards SBT objectives.

3- Addressing our land-base emissions (FLAG)

FLAG emissions represent a real challenge for METRO since the bulk of this specific type of emission occur in 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 compliance with our [Supplier Code of Conduct for responsible procurement](#), coupled with our current efforts in food waste reduction, we believe we can achieve 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 customer 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 key 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. This means that METRO has 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 being impacted by 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.

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

As per the FLAG Guidance, we have 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 Goods and Services.