

WASTE DIVERSION INFOSHEET

Update
December 2023

metro

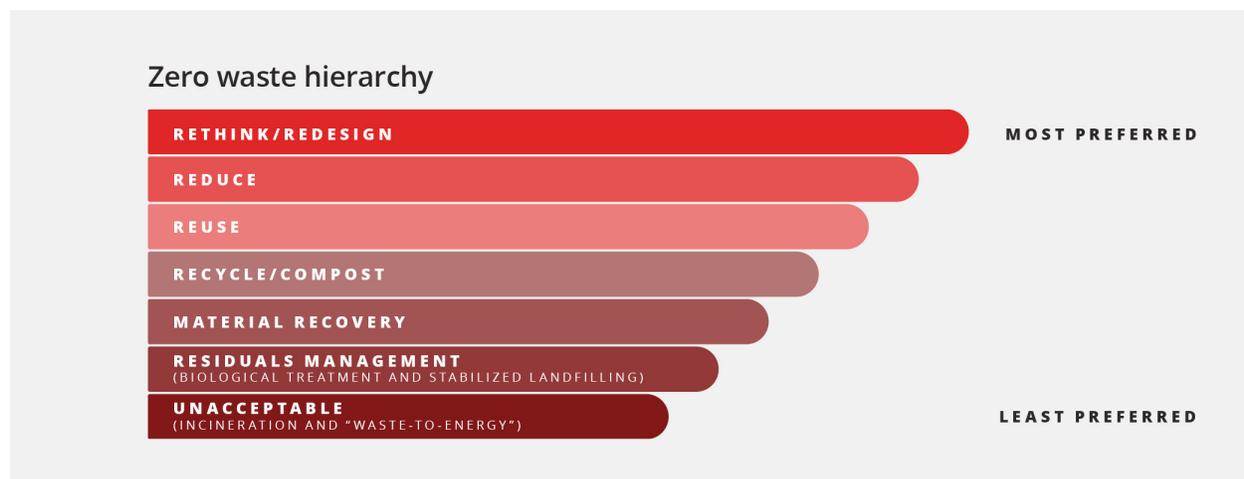
Forward Looking Statement

We might use, throughout this infosheet, 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 "expect", "aim to", "may", "could", 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 2024 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 recognizes its responsibility towards contributing to an improved recycling system and the circular economy. That's why METRO has established key performance objectives and metrics to reduce our waste generation and improve management within our own activities and our supply chain. We recognize the need to collaborate with supply chain partners to capture opportunities to rethink our waste.

Our approach to waste is guided by the [Zero Waste International Alliance](#) and the Zero Waste Hierarchy, shown below.



It is METRO's ambition to optimize the Zero Waste Hierarchy in our waste management activities, with particular focus on reducing, re-using, and recycling/composting.

Section 1: Our Target for Waste Diversion

Our ambition is to avoid residual materials generated by our activities going to landfill or incineration, with a view to achieving zero waste. Zero waste to landfill or incineration is defined by the [Zero Waste International Alliance \(ZWIA\)](#) as "[diverting] more than 90% of the solid wastes we generate from landfill from all our facilities. No more than 10% of our discards are landfilled. No solid wastes are processed in

facilities that operate above ambient biological temperatures (more than 200°F) to recover energy or materials.”¹

METRO strives towards zero waste within its store, and distribution and production centre (DCs) operations and has set the following objectives within its [2022-2026 Corporate Responsibility Plan](#): Improve the average diversion rate of all our establishments compared to 2020.

Corporate and franchise food stores objectives:

- Achieve zero waste in 25% of stores
- Achieve 80-89% diversion in 25% of stores
- Achieve at least 50% diversion in all stores

Distribution and production centres objective:

- Achieve zero waste

Section 2: Our Impacts

As a food and pharmacy retailer, METRO is committed to minimizing waste generation and mitigating the associated environmental and social impacts across our operations. METRO has multiple inputs, internal activities, and outputs that result in waste generation that requires waste management to mitigate our waste-related impacts.

2.1 Waste Generation

Inputs that generate waste and require waste management result from our purchasing activities, in which waste management occurs upstream and within METRO:

- **Purchasing our saleable products.** METRO purchases food, pharmaceutical, and general grocery products for sale in its stores and pharmacies, as well as raw ingredients for use in its production centres. Upstream food or product waste is generated where our products are grown, processed, and/or manufactured. In addition, the products we purchase may incur their own transport packaging waste through the upstream supply chain resulting in waste management practices upstream of our organization. Eventually, these products are delivered to METRO – either directly to stores or to our distribution and production centres – and must be handled and managed within our organization. In this manner, the products, their packaging, and any transportation packaging act as inputs into our business that require management by METRO.
- **Purchasing food packaging.** For our own private label products, METRO purchases food packaging to ensure our products are retail ready. Upstream waste results from the manufacturing and production of the purchased food packaging. Once the food packaging is delivered to METRO, it arrives with additional transportation packaging. This transportation packaging is considered an input into our business that requires management by METRO.

Our internal activities also generate waste and require waste management by our organization:

- **Receiving products.** Saleable products from our suppliers arrive at our METRO locations (either distribution centres or stores directly) and require the removal of transportation packaging so the products are ready for storage, further transport, or sale. On occasion, our locations receive products that are unsalable which must be managed responsibly by METRO.
- **Transporting products.** When products are shipped from our distribution or production centres to our retail store network, transportation packaging is added to product packaging to ensure safe

¹ [Zero Waste International Alliance](#)

transport in which the quality of the products is maintained. As above, once the products arrive at stores for the purpose of sale, the transportation and any additional product packaging must be removed so the product can be stored and sold at our store locations.

- **Storing products (inventory).** Despite inventory management efforts to reduce food loss and waste, food waste occurs when products become expired or damaged.
- **Producing products.** METRO has a network of three (3) production centres that produce food products for sale. METRO stores also prepare food in various departments. During food production processes, food waste occurs that requires effective reduction and management by METRO.

And lastly, the sale of our products generate waste and require waste management downstream of our organization:

- **Sale of our products.** Our outputs include that of food/grocery items, pharmaceutical products, and its packaging to our customers. Downstream of our business is where our customers, who are also the consumers of our products, may generate additional waste. Waste would occur from product packaging and any unconsumed food or pharmaceutical product.

2.2 Waste Management

Due to METRO's role within the food and pharmacy supply chain, METRO influences the generation of waste upstream, within our own operations, and downstream. As such, METRO plays a key role in ensuring the effective management of waste generated within our operations and through our supply chain. Here are some areas in which METRO is taking an active role in reducing and managing waste:

- **Single Use Plastics in our own Activities.** METRO is committed to decreasing the use of single-use plastics. For details regarding our efforts to decrease the use of single-use plastics in our activities, please refer to the Packaging section of our [Corporate Responsibility Report](#).
- **Packaging in our Upstream Supply Chain.** Packaging of our private brand products follows the principles of our [Packaging and Printed Materials Policy](#). For information regarding how METRO is improving packaging, please refer to the Packaging section of our CR report.
- **Reuse and Recycling.** METRO has reuse programs in place with vendors and in our own operations to support a circular economy. This includes but is not limited to reuse of pallets, metal racking for garden centre displays, and milk crates. We also use reusable containers to transport select products from distribution and production centres to stores. In 2023, we launched a pilot to expand the transport of products sent to stores in reusable containers to include select produce items.

Within our operations, we have implemented various recycling solutions to prevent recyclable materials from entering the garbage. These include recycling of cardboard, plastic film, mixed paper, light rigid plastics, metal cans, waxed cardboard, coroplast boxes, as well as Styrofoam sheets and boxes used in transport. In 2023, we began implementing a broken wood recovery program at select distribution centres that will eventually be rolled out across the entire distribution centre and production centre network. In addition, we commenced a fibre corner collection program at select distribution centres that produce this material. METRO continues to actively explore opportunities for reuse and recycling of our residual materials to support a circular economy.

- **Food Loss and Waste.** At METRO, we follow the food recovery hierarchy to ensure we first reduce the generation of food loss and waste in our operations, then either reuse, discount, or

donate to make sure food is consumed by people and finish off with recovery if food is no longer edible.

For information on initiatives METRO has introduced to prevent food loss and waste (including information regarding our Too Good To Go and FoodHero partnerships), please refer to the [Food Loss and Waste Infosheet](#).

2.3 Organics Recovery

With regards to food that is no longer edible for people, we strive to recover much through partnerships with local farms and organics recovery service providers. In 2023, we launched a pilot with wildlife rescue centres to recover unsold meat and seafood where it could not be donated to food banks for human consumption. In alignment with the food waste hierarchy, when we cannot donate for human consumption, we prioritize feeding animals, followed by rendering into raw materials to make products, and lastly nutrient recovery through composting and anaerobic digestion.

- **Residual Materials (General).** Non-hazardous waste generated in our activities is managed by third parties – METRO does not process its waste on-site. Contractual clauses require these third parties to comply with all applicable laws and regulations. In addition to establishing general compliance in its contracts, METRO also occasionally visits third party sites to observe processes, and requests documentation such as receiving facility tickets to ensure that waste was delivered to the intended facilities. This helps METRO ensure its service providers are managing our waste with prioritization to recycling and organics recovery wherever possible. Through this type of feedback and engagement, METRO better understands the waste we generate, and for which end destination processing it is eligible, which helps us optimize our recycling and recovery programs to ensure our materials can be captured within the circular economy.

Although METRO generates small quantities of hazardous waste through our activities, we consider this to be immaterial. Where hazardous waste is generated in our activities, it is managed by third parties in accordance with applicable laws and regulations.

- **Preventing downstream waste generation.** METRO participates in extended producer responsibility (EPR) programs in all provinces in which we operate. EPR programs include but are not limited to printed paper and packaging as well as batteries. METRO is a founding member of [Circular Materials](#), a producer responsibility organization established to support producers in building more efficient recycling systems across Canada. In addition, our Quebec stores participate in the province's bottle return program through providing customers access to bottle deposit return machines.

Section 3: How We Quantify Waste Diversion

To assess our progress towards our corporate objectives, METRO captures our waste diversion as a metric. The diversion rate is a calculation that determines the proportion of material diverted from landfill and incineration compared to total waste generated:

$$\text{Diversion rate} = \frac{\text{waste material diverted}}{\text{total waste generated}} \times 100$$

Weight data from service providers is used to calculate the diversion rates (with estimates applied when required). The weight data is collected using monthly, quarterly, or annual reports, as well as invoices. Once received, data is reviewed for quality assurance/quality control in which follow-ups are conducted as required to ensure data validity and accuracy. We collaborate with our service providers to understand their methodologies for calculating tonnages (and estimates if applicable). An internal audit is conducted annually prior to external data publication to ensure data integrity.

By tracking our data, METRO captures a holistic view of its waste operations and the disposal of materials via its respective waste streams. Waste streams are not applicable at all stores and distribution or production centres, but in general include:

- Organic material - edible by humans (food donations, food surplus programs)
- Organic material - inedible by humans (organics recovery programs, farm program, wildlife rescue program)
- Cardboard (for recycling)
- Plastic film (for recycling)
- Mixed recyclable materials (light rigid plastic, paper, metal, waxed cardboard, and cardboard)
- Broken wood (for upcycling)
- Garbage (waste going to landfill or incineration)

Section 4: How We Are Doing

4.1 Corporate and franchised stores

METRO's overall 2023 store diversion rate is 66%². Table 1 below shows our progress toward diversion rate range objectives.

Table 1 – Percentage of stores within diversion rate objective ranges

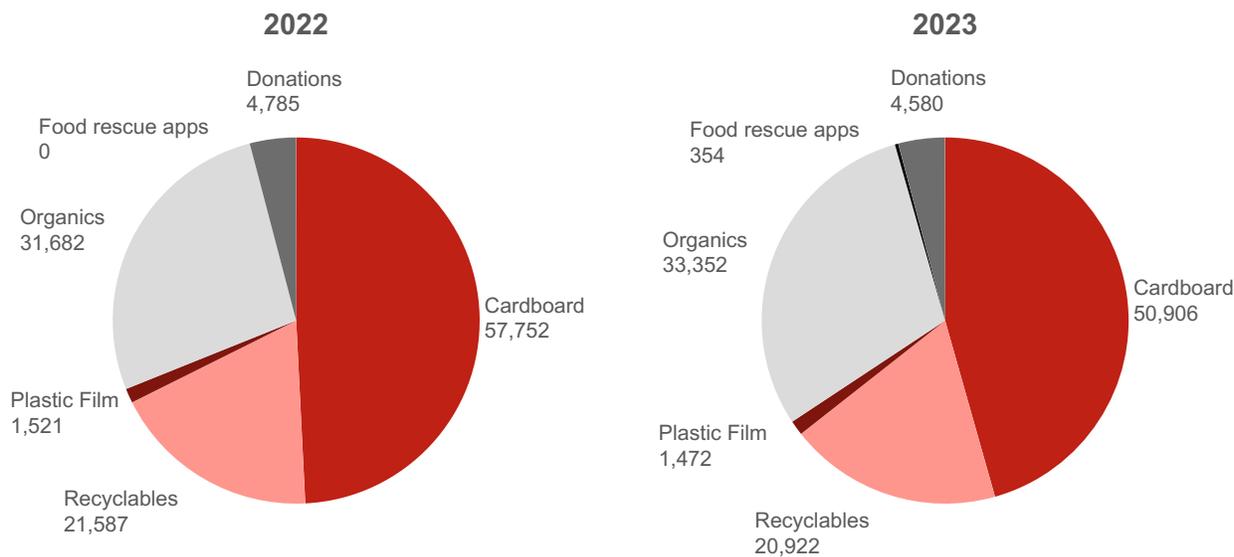
Objective	% of Stores (2023)	Objective Status
Achieve zero waste in 25% of stores	1%	 Progress with challenges
Achieve 80-89% diversion in 25% of stores	16%	 Progress with challenges
Achieve at least 50% diversion in all stores	89%	 Progress with challenges

Our total waste generated by stores for the reporting period comprised of 57,457 tonnes to landfill/incineration and 111,587 tonnes to diversion programs. Last reporting period the total comprised of 60,522 tonnes to landfill/incineration and 117,327 tonnes to diversion programs. Overall waste generated by our store activities has decreased relative to 2022 which demonstrates an overall reduction of waste materials arising from our activities.

Key to diversion are our recycling and recovery streams. Graphic 1 below shows weights of material recovered during our 2023 reporting year (in metric tonnes (t)).

² Reporting period 2023: July 2022 to June 2023

Graphic 1 – Corporate and franchised stores diversion stream quantities (t)



4.2 Distribution and production centres (DCs)

METRO's overall waste diversion for distribution and production centres was 71%. Graphic 2 below shows weights of material diverted during our 2023 reporting year (in metric tonnes).

Our total waste generated by distribution and production centers for the reporting period was 16,723 tonnes, which is comprised of 4,928 tonnes to landfill/incineration and 11,795 tonnes to diversion streams. This differs from last year, in which the total waste generated was 14,773 tonnes - a lower overall quantity - comprised of 4,960 tonnes to landfill/incineration and 9,813 tonnes to diversion programs. In general, we captured a significantly larger quantity of materials in our diversion programs compared to last year.

Last year, total diversion of donations was 2,130 tonnes, where this year, it was 3,648 tonnes, increasing almost two-fold. The main reason for this increase is improved data collection from our food donation partners.

Last year, plastic film was 1,039 tonnes and this year was 908 tonnes. This decrease was largely due to the market economics of plastic film as a commodity, in which our partners could not recover plastic film in Ontario due to market conditions.

Last year, cardboard was lower at 2,739 tonnes compared to this year at 3,964 tonnes. Overall increases were likely due to the increased training and awareness at our distribution centres resulting from educating DC leadership. As cardboard is an easily-captured recyclable material, the increase in employee awareness most represented this material's recovery.

Graphic 2 – Distribution and production centres diversion stream quantities (t)

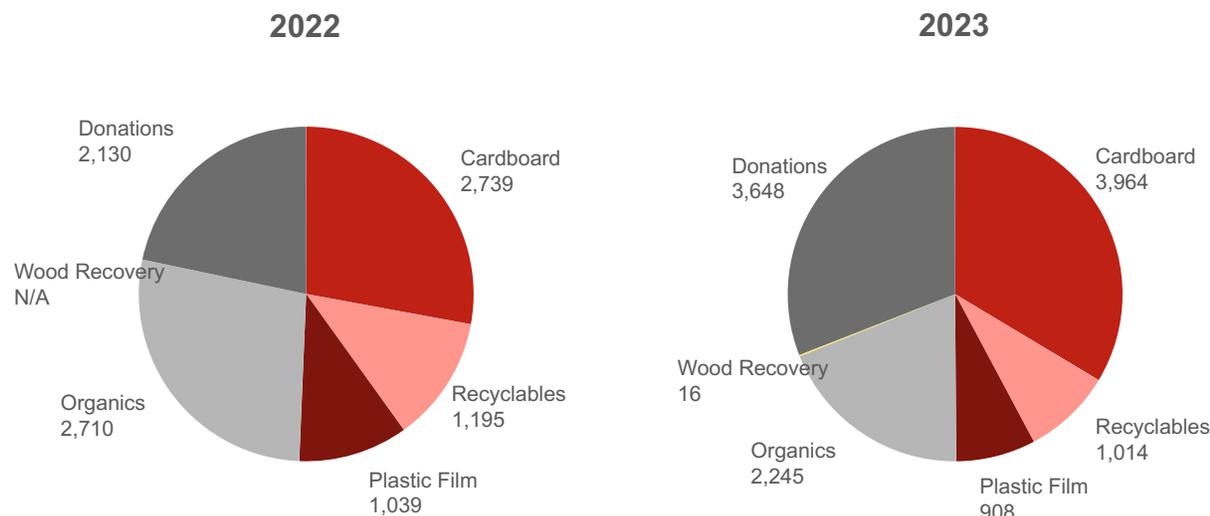


Table 2 – Waste diversion rates per province and DC type

Province	DC Type	Waste Diversion Rates 2022	Waste Diversion Rates 2023	Objective Status
ON	Food DC	33%	43%	● Progress with challenges
	Pharmacy DC	87%	87%	● Progress as planned
QC	Food DC	74%	78%	● Progress with challenges
	Pharmacy DC	88%	89%	● Progress as planned

Table 3 – Number of DCs reaching zero waste (90% diversion)

Province	DC Type	Zero Waste Attained	Not Attained
ON	Food DC	0	7
	Pharmacy DC	0	1
QC	Food DC	2	10
	Pharmacy DC	0	2

Section 5: Our Strategy in Action

5.1 Stores

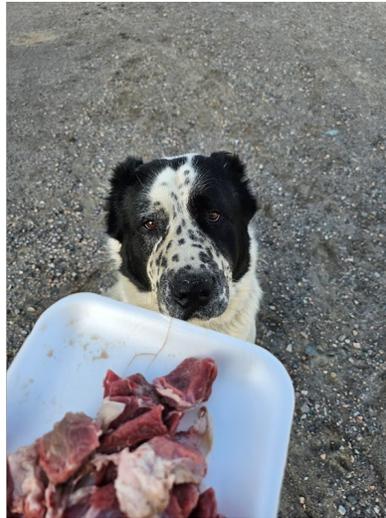
Increasing waste diversion continued to be a priority this year. One way in which we endeavoured to increase diversion was to build awareness around performance and programs. To do so, we developed and implemented store-specific Diversion Improvement Plans (DIPs) across Metro Quebec (corporate and franchise), Metro Ontario (corporate), Food Basics, Adonis, and Super C stores, prioritizing stores with diversion rates below 50%. This involved conducting a root cause analysis to understand reasons for low diversion rates and identifying and enacting store-specific measures to increase diversion.

Beyond building awareness, we engaged in extensive collaboration with various cross-functional departments and external service providers to strategically enhance existing programs and introduce new

initiatives. This year, we initiated pilot programs with the following partners: individual farmers, Loop Resource Ltd., and wildlife rescue centres.

Another innovative initiative included a pilot project whereby we installed artificial intelligence technology that was intended to provide us with insight into types of recoverable materials being disposed of in our garbage compactors. Unfortunately, due to technical challenges the pilot did not yield sufficient data insights to complete the pilot or expand to additional stores.

- **STORY: Nourishing the health and wellbeing of our “furry and farm” communities.** At METRO, we strive to keep food that is inedible to humans as a resource. This year, we launched new partnerships with wildlife rescue centres and additional farms to support this objective.
- **New direct-with-farm and Loop Resource Ltd. partnerships.** In 2023, we developed new direct-with-farm partnerships, as well as a partnership with Loop Resource Ltd. which connects grocery stores with local farms. These partnerships, which involve the collection of organics inedible to humans, have allowed us to expand our support to farms in the communities in which we operate, support a circular food system, and keep food out of landfill.



- **Wildlife rescue centre partnerships.** Wildlife rescue centres provide the care necessary to injured and orphaned animals in order to release them back into the wild. This year, we partnered four stores with four separate wildlife rescue rehabilitators authorized by the Ontario Ministry of Natural Resources. Food from our stores that is inedible for human consumption provided nourishment to animals on their journey back to good health.



5.2 Distribution and Production Centres

This past year, METRO put particular focus on two aspects of our centres' waste management: data optimization, and program implementation. Similar to last year, METRO continuously improves our data acquisition and data integrity by collaborating with our service providers to ensure our data is being captured and represented on our received invoices and/or reports. In particular, METRO is partnering with food donation centres to improve their data collection processes, building on our data integrity and ensuring data is representative of our activities. In addition to improving data collection itself, METRO has expanded its data collection to analyze its performance via waste characterization audits: analyses of what materials are entering our garbage stream.

By improving our data, METRO can more confidently identify gaps in its performance. For instance, we can see which programs and which locations are underperforming by analyzing their data. In doing so, METRO has created diversion improvement plans for multiple low-performing DCs to ensure their leadership team is aware of their current performance and how to improve.

In large part, improvement of our DCs' performance resulted from ensuring all DCs had the relevant diversion programs in place to optimize their waste diversion from landfill/incineration. Thinking outside the box, METRO was able to identify problematic materials such as wood waste from broken pallets, and in Ontario, is collaborating with our pallet partners to recover this material where it would previously have gone to landfill. This program is expected to be implemented in Quebec this upcoming reporting year.



In addition, METRO worked to develop a partnership with a service provider, to generate a new type of organics recovery program specially designed for our distribution and production centres. Through consultations with our distribution and production centres, METRO was able to identify the challenges of organics recovery at these centres, and the opportunity to develop a new organics collection program that caters to the needs of these centres without compromising efficiency. This program launched in October 2023.

- **STORY: Capitalizing on Synergies.** Starting with our leadership team noting an increase in shrink at our phase 1 of the Toronto fresh distribution centre, METRO underwent an internal analysis to further understand why this increase in shrink was occurring. A team of dedicated individuals took on this initiative, deep-diving the root causes behind the generation of food waste at our Fresh DC.
- Through their analysis, METRO uncovered a number of internal processes and behaviours that resulted in food waste generation, and therefore shrink. In particular, METRO identified three functional areas of our DC with individual root causes in their operational processes: DC Operations recovery of expired product, Quality Assurance and the on hold process, and Procurement purchasing.

- As a result of these findings, our DC has improved their waste identification and handling processes and is now able to better oversee our inventory. METRO is working to further synergize our different functional areas at this DC and across our DC network in Ontario and in Quebec. In particular, a new Distribution Centre Waste Task Force has been created to ensure all relevant stakeholders collaborate to innovate and implement creative solutions to address the root causes of food waste and capitalize on other diversion opportunities in our network.

Section 6: What is Next

6.1 Stores

Reducing waste and ensuring that waste generated goes to its highest and best use will continue to be a priority moving forward. During our next reporting period, in addition to expanding the Too Good To Go program (see [Food Loss and Waste Infosheet](#)), we will be launching a pilot of the Second Harvest Food Rescue App to increase surplus food rescued. For food unfit for human consumption, we will be converting the Loop Resource Ltd. pilot to a program and expanding to additional stores. Furthermore, we will be expanding our wildlife rescue organics diversion program by partnering additional stores with additional wildlife rescue centres.

Employee awareness is key to improving participation in diversion programs. In the next year, we will be preparing training modules for in-store team members. Furthermore, although we experienced delays this year, we will be rolling out revamped in-store diversion program signage to increase awareness at store level.

To gain further insight into types of divertible materials being disposed of in compactors, METRO will continue to leverage waste characterization audits. We will also continue to explore innovative services and technologies to prevent waste to landfill.

Furthermore, we will be exploring methods to quantify tonnage associated with our reuse and reduction efforts.

6.2 Distribution and production centres

Managing our residual materials at our distribution and production centres continues to be a key area of focus. Similar to stores, distribution and production centres will be investigating data accessibility associated with reuse and reduction efforts.

Building on our work from this past year, the majority of our centres have a breadth of recovery programs in place to provide the diversion opportunity for most materials handled. METRO aims to continue to use our waste characterization audits – an analysis of what materials are entering our garbage – to identify problematic materials that are not captured by our current diversion programs. By identifying these problematic materials, METRO can look for new partnerships and ways to divert materials that are currently destined for landfill/incineration, and further engage with suppliers to reduce our waste generated that is destined for landfill/incineration.

In addition, METRO aims to use our waste characterization audits to provide outreach and education to our distribution and production centre staff to ensure the programs that do exist are further optimized. We aim to create a more in-depth outreach and education program to ensure staff have the knowledge they need to use our programs effectively, with the greatest results for our diversion.

Embedding the Zero Waste Hierarchy into our DC activities is a main focus for the upcoming year. The DC Waste Task Force is a collaborative effort across DC departments and geographies to identify opportunities and innovate solutions to increase diversion while reducing waste generation. The DC Waste Task Force had its first meeting in October, and will function throughout the year as a catalyst to embed waste management practices and the Zero Waste Hierarchy into our systems and processes.

METRO is building its momentum in its waste management activities at its distribution and production centres and looks forward to the continued improvements to be made in the upcoming years to help meet our corporate objectives.