

***METHODOLOGY  
FOR REPORTING  
OUR GHG EMISSIONS***

January 25, 2022

***metro***

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## Methodology for reporting our GHG Emissions

Climate change is one of the biggest challenges facing the world today and METRO understands that we are not immune to its effects. We must all play our part to limit the consequences and METRO is committed to taking action to minimize our environmental impacts.

To understand our contributions to climate change, METRO calculates its greenhouse gas (GHG) emissions to determine the impact of our activities to support METRO’s annual public disclosures, METRO’s corporate responsibility report, internal GHG reporting, and GHG target setting. We use the results of the annual GHG emissions inventory to track and communicate progress against our short and long-term emissions targets and assess the impact of implemented reduction initiatives. In addition, a GHG inventory allows us to better manage our GHG related risks and identify further reduction opportunities for future action.

## Our Methodology

METRO’s approach to calculate its GHG inventory, including the calculations, boundaries, methodologies and assumptions are described below. Our GHG inventory is reported in carbon dioxide equivalents or CO<sub>2</sub>e. This methodology is based on the principles of the [GHG Protocol Corporate Standard](#) and associated guidance documents.

## Organizational Boundary

METRO uses the operational control approach to define our organizational boundary, where we are required to account for all of the GHG emissions from operations over which we have the authority to introduce and implement operating decisions and policies. Using this approach, we assessed each of our banners, subsidiaries, and operations to determine their inclusion within our scope of reporting.

**Table 1 – Summary of METRO’s Organizational Structure and Operational Control**

Category	Banner/Subsidiary/Operation	Applicable geographies	Ownership Type	Operational Control?
<b>Food – Retail Stores</b>				
Food	Metro, Super C, Food Basics, corporate stores	Québec & Ontario	Wholly owned	Yes
Food	Metro franchised stores	Québec	Store operated by a franchisee under a franchise agreement	Yes
Food	Metro and Marché Richelieu affiliated stores  Affiliated convenience stores (e.g. Ami, Gem)	Québec	Store operated by an affiliate retailer under an affiliate agreement	No

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Category	Banner/Subsidiary/Operation	Applicable geographies	Ownership Type	Operational Control?
Food	Metro franchised (affiliated) stores	Ontario	Store operated by a franchisee under a franchise agreement	No
Food	Adonis stores	Québec & Ontario	Wholly owned	Yes
Food	Première Moisson – METRO-owned retail bakeries	Québec	Wholly owned	Yes
Food	Première Moisson - affiliate retail bakeries	Québec	Partially owned and operated by an affiliate under an affiliate agreement	No
<b>Food – Distribution and production centers</b>				
Food	METRO-owned Distribution and production centers	Québec & Ontario	Wholly owned	Yes
Food	Production centers owned by third parties but dedicated to METRO	Ontario	Associated entity (consolidated in financial accounts)	No
Food	METRO-specific private brand product production facility, but not exclusively dedicated to them	Québec & Ontario	Not owned by METRO	No
<b>Pharmacy – Retail Stores</b>				
Pharmacy	Jean Coutu & Brunet franchised pharmacy stores	Québec, Ontario & New Brunswick	METRO subsidiaries Groupe Jean-Coutu Group and McMahon is franchisor and wholesaler of Jean Coutu and Brunet banner pharmacies (including other banners).  Pharmacies are owned by independant pharmacists,	No

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Category	Banner/Subsidiary/Operation	Applicable geographies	Ownership Type	Operational Control?
Pharmacy	Metro Pharmacy Food Basics Pharmacy	Ontario	Wholly owned	Yes
<b>Pharmacy – Distribution and production centers</b>				
Pharmacy	METRO-owned distribution and production centers	Québec & Ontario	Wholly owned	Yes
<b>Real Estate</b>				
Real Estate	METRO-owned shopping centres (common areas)	Québec & Ontario	Wholly owned	Yes
Real Estate	METRO-owned shopping centres (leased areas)	Québec & Ontario	Wholly owned but leased to tenants	No
Real Estate	METRO leased or owned office buildings/space	Québec & Ontario	Wholly owned or leased.	Yes

## Operational Boundaries

As per the GHG Protocol, GHG emissions are separated into three categories: Scope 1, Scope 2, and Scope 3.

The GHG Protocol requires the inclusion of all material Scope 1 and Scope 2 emissions in a GHG inventory.

Reporting on Scope 3 emissions is optional under the GHG Protocol, though it is best practice to include Scope 3 emissions sources that are material or significant to a company's operations.

The activities and sources of emissions which we currently report include:

- Scope 1 emissions:** Direct emissions from sources owned or controlled by METRO. Sources of Scope 1 emissions includes fuel combustion from both stationary and mobile sources, fugitive emissions from the leakage of refrigerants, and volatile organic compounds (VOCs). Note that although the GHG Protocol recommends disclosing non-Kyoto gases separately from emissions reporting, METRO decided to include non-Kyoto gas refrigerants (i.e. CFC/HCFC) in our emissions inventory as these gases represent a sizable portion of refrigerants used in our operations. METRO is phasing out non-Kyoto gases, and believes reporting on emissions from these gases enables greater transparency throughout our phase-out plan and continued emission reduction plan.
- Scope 2 emissions:** Indirect emissions from the consumption of purchased grid electricity and other similarly distributed energy types such as steam, hot water and chilled water. Sources of Scope 2 emissions from our operations only includes electricity consumption; METRO does not purchase heat, steam or chilled water.
- Scope 3 emissions:** Other indirect emissions within our value chain. Please see the list of Scope 3 categories reported on and their associated activities in Table 2 – **List of Scope 3 Categories Currently Being Reported**. Additional Scope 3 categories are currently being assessed and will be reported on in the future, if deemed relevant.

**Table 2 – List of Scope 3 Categories Currently Being Reported**

Scope 3 Category	Activities
Upstream Transportation and Distribution	Emissions from third-party transportation and distribution services purchased by METRO, including outbound distribution between METRO's own facilities (excluding storage of purchased products).
Waste Generated in Operations	Emissions from the disposal and treatment of waste from retail stores and distribution centres. Waste generated from offices is not included because it is deemed immaterial compared to waste generated throughout stores and distribution centres.
Business Travel	Emissions from the transport of employees for business-related activities in vehicles not owned or operated by the company. This includes transportation by air travel, rail travel, and business travel in personal vehicles and taxis.

## Our Target

METRO has committed to reduce our Scope 1, 2 and 3 emissions by 37.5% by 2035 from a base year of 2020. Activities for which we aim to reduce our emissions include the following:

- **Scope 1:**
  - Stationary Combustion
  - Mobile Combustion
  - Refrigerant Leakage
  - Volatile Organic Compounds (VOCs)
- **Scope 2:**
  - Electricity
- **Scope 3:**
  - Waste
  - Upstream Transportation
  - Business Travel

## Our Baseline Year Emissions

Our baseline year refers to the GHG emissions from our fiscal year 2020 operations (October 2019 to September 2020) for which our target will be measured against. Our baseline year GHG inventory can be found in the table below.

**Table 1 – Fiscal Year 2020 GHG Inventory**

Emissions Sources	GHG Emissions (Tonnes CO <sub>2</sub> e)	% of Total Emissions
<b>Scope 1</b>		
Stationary Combustion	83,304	20.622%
Mobile Combustion	19,918	4.931%
Refrigerant Leakage	170,163	42.123%
Volatile Organic Compounds	4	0.001%
<b>Scope 1 Total</b>	<b>273,389</b>	<b>67.677%</b>
<b>Scope 2</b>		
Electricity	19,053	4.716%
<b>Scope 2 Total</b>	<b>19,053</b>	<b>4.716%</b>
<b>Scope 3</b>		
Business Travel	1,045	0.258%
Waste	50,930	12.608%
Upstream Transportation and Distribution	59,549	14.741%
<b>Scope 3 Total</b>	<b>111,524</b>	<b>27.607%</b>
<b>TOTAL – All Scopes</b>	<b>403,966</b>	<b>100.000%</b>

## Exclusions

Due to data gaps and/or challenging data collection procedures, several minor emission sources/activities that are within METRO's organizational and operational boundaries have not been quantified in the current GHG inventory. As our reporting progresses, we will continue to improve the quality and coverage of our data and will work to obtain actual data for these sources in the future.

### 1.1 Exclusions from Scope 1

- The consumption of propane from the use of forklifts and floor scrubbing machines in warehouses is excluded from the inventory. Most forklifts are battery powered. Omissions of propane emissions from floor scrubbing machines are expected to be immaterial to the overall GHG inventory;
- Emissions of refrigerant leaks from transport trailers are also excluded due to data gaps; refrigerant leaks from HVAC (heating, ventilation, air-conditioning) equipment are also excluded as the leakage from these sources are deemed immaterial based on an internal assessment;
- Due to limitations in data collection for stationary combustion, the following sources are excluded from METRO's Scope 1 emissions calculations:
  - Any office that is not located in a warehouse and for which energy consumption is not monitored.
  - Any owned common spaces in shopping centres or office buildings for which energy consumption is not monitored.

### 1.2 Exclusions from Scope 2

- Due to limitations in data collection for electricity, the following sources are excluded from METRO's Scope 2 emissions calculations:
  - Any office that is not located in a warehouse and for which energy consumption is not monitored.
  - Any owned common spaces in shopping centres or office buildings for which energy consumption is not monitored.

### 1.3 Exclusions from Scope 3

- Due to limitations in data collection for upstream transportation, METRO does not currently include the following in its upstream transportation:
  - Transportation and distribution of products purchased between METRO and its tier 1 suppliers in third-party vehicles due to challenging data collection requirements.
  - Storage of purchased products predominantly occurs at METRO-owned distribution centres; where storage in third-party warehouses occurs, these spaces are typically shared with other retailers. For these reasons, emissions are considered negligible.
- The following Scope 3 categories in Table 4 – **Scope 3 Categories not Calculated** are *not* currently included in METRO's GHG inventory.



**Table 4 – Scope 3 Categories not Calculated**

Category	Description
Purchased Goods and Services	Relevant, not yet calculated
Capital Goods	Relevant, not yet calculated
Fuel- and Energy-Related Activities not included in Scope 1 or Scope 2	Relevant, not yet calculated
Employee commuting	Relevant, not yet calculated
Upstream leased assets	Not relevant; METRO incorporates upstream leased assets in Scope 1 and 2
Downstream transportation and distribution	Relevant, not yet calculated
Processing of sold products	Not relevant. We do not sell intermediate products as a part of our business strategy, although this may occur upon occasion to reduce food waste. Any processing of sold products is deemed immaterial.
Use of sold products	Not relevant. Since products sold are mainly food, there is no precise emissions associated with the use of the product itself. Any emissions from the consumption or use of our products is deemed immaterial.
End-of-life treatment of sold products	Relevant, not yet calculated
Downstream leased assets	Relevant, not yet calculated
Franchises	Relevant, not yet calculated
Investments	Not evaluated

## Data Collection

The input data used to calculate our GHG emissions, such as fuel consumption, is collected and managed by the relevant departments. During the reporting year, the Environment and Technical Risk Management Department liaises with internal data providers to gather and compile the required data to build the inventory. Once the data has been compiled, the inputs are entered into our GHG inventory calculation Excel spreadsheet by the Environment and Technical Risk Management Department to calculate our CO<sub>2</sub>e emissions.

## Data Gaps and Estimations

Although METRO can obtain data for a large portion of our operations, there are some operations that we do not yet have the resources in place to capture the necessary data and so require estimations. Where appropriate, we will estimate the emissions from these gaps using the most appropriate data and assumptions available (e.g. estimated fuel consumption based on available literature).

Emitting Activities Included in Target	Estimation Methodology Applied
Stationary combustion (for stores where quantifiable data is not available)	Based on average consumption intensity derived from an internal study of stores with similar operations and geographic locations
Propane (floor burnishers)	Based on average consumptions provided by subcontractors
Diesel stationary combustion (generators)	Based on data from an internal study
VOC consumption	Based on calculation from American Energy Alliance Energy and Environment (2007) and data inputs from internal operations and the Safety Data Sheet of the solvent
Refrigerant leaks (in stores)	10% leakage rate for stores based on data from an internal study
Electricity (for stores where quantifiable data is not available)	Based on average consumption intensity derived from an internal study of stores with similar operations and geographic locations
Waste (for stores where quantifiable data is not available)	Based on average waste intensity derived from an internal study of stores with similar operations and geographic locations

## Emissions Factors

Emissions factors used in the calculation of our GHG inventory are presented in Table 5 – Emissions Factors Sources below. Emissions factors are sourced from reputable third-party organizations, typically government reports. Emissions factors are updated on an annual basis.

**Table 5 – Emissions Factors Sources**

Emissions source	Emissions factor sources
Natural Gas	<a href="#">Canada National Inventory Report 1990-2019; Published in 2021</a> Part 2, Annex 6; Table A6.1-1 and A6.1-2
Propane/diesel	<a href="#">EPA Emission Factors</a> for Greenhouse Gas Inventories, April 2021, Table 1
Fleet/mobile combustion	<a href="#">Canada National Inventory Report 1990-2019; Published in 2021</a> Part 2, Annex 6; Table A6.1-14
Electricity	<a href="#">Canada National Inventory Report 1990-2019; Published in 2021</a> Part 3, Annex 13
Waste Generated in Operations	<a href="#">EPA Emission Factors</a> for Greenhouse Gas Inventories, April 2021, Table 9
Business Travel	<a href="#">EPA Emission Factors</a> for Greenhouse Gas Inventories, April 2021, Table 10
Upstream Transportation	<a href="#">Canada National Inventory Report 1990-2019; Published in 2021</a> Part 2, Annex 6; Table A6.1-14

## Approach for Baseline Restatements

METRO uses fiscal year 2020 as the base year for its emissions calculations and target setting. We will recalculate our baseline emissions when one or multiple events result in a significant change to GHG emissions. Significant events that may trigger a recalculation include structural changes, methodological changes, or errors.

A structural change involves the transfer of ownership or control of emissions-generating activities or operations from one company to another. While a single structural change might not have a significant impact on the base year emissions, the cumulative effect of multiple minor structural changes can result in a significant impact. Structural changes include:

- Mergers, acquisitions, and divestments
- Outsourcing and insourcing of emitting activities

In addition to structural changes, the GHG Protocol requires that significant methodological changes or error identification shall also trigger recalculation of base year emissions, such as:

- Changes in calculation methodology or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data
- Discovery of significant errors, or multiple cumulative errors, that are collectively significant.

METRO will assess our emissions relative to our base year at the end of each fiscal year. METRO will adjust our base year if structural changes, methodological changes, or errors result in a significant change in emissions, classified as changes equal or greater than 10%. Nevertheless, METRO may choose to adjust our base year because of any changes we deem material, even if those changes do not result in a +/- 10% change in emissions from our base year.

## Reporting and Next Steps

METRO will continue to report on our GHG inventory on an annual basis along with our progress against our commitments through our GHG Annual Report, Corporate Responsibility Report and other public disclosures (such as the CDP). METRO will also disclose progress against our GHG target annually through one or more of the aforementioned reports.

## Appendix

We underwent a large transition of our greenhouse gas inventory methodology in 2021 (reflecting fiscal year 2020 data). Working with a consultant, METRO has improved its methodology to conform more closely with international standards (e.g. GHG Protocol). This evolution was completed in three notable phases: our previously adopted methodology, our CDP submission methodology, and our base year methodology. The evolution in our methodology included the following changes:

- Expanded our reporting boundary to incorporate more of our operational activities
- Used improved and more localized emission factors
- Updated global warming potentials based on the Intergovernmental Panel on Climate Change Annual Report 5
- Re-categorized emission activities as per international standards (GHG Protocol)

## Expanded Reporting Boundary

Below is a table to explain the evolution of our boundaries from our previous methodology to the new base year methodology. The CDP 2021 submission from summer 2021 was filed according to intermediate boundaries.

**Table A1 - Expanded Reporting Boundary**

Banner	Previously Adopted Methodology	CDP 2021 Submission Methodology	Base Year Methodology
<b>Stores</b>			
Metro ON	Complete	Complete	Complete
Metro QC	Complete	Complete	Complete
Food Basics ON	Complete	Complete	Complete
Super C QC	Complete	Complete	Complete
Adonis ON	Partial (air travel only)	Partial (air travel only)	Complete
Adonis QC	Partial (air travel only)	Partial (air travel only)	Complete
Première Moisson ON	Excluded	Excluded	Complete
Première Moisson QC	Excluded	Excluded	Complete
Jean Coutu ON	Excluded	Excluded	Complete
Jean Coutu QC	Excluded	Excluded	Complete
Jean Coutu NB	Excluded	Excluded	Complete
Brunet QC	Excluded	Excluded	Complete

Banner	Previously Adopted Methodology	CDP 2021 Submission Methodology	Base Year Methodology
<b>Distribution Centres</b>			
Metro DCs ON and QC	Complete	Complete	Complete
Phoenicia DCs ON and QC	Partial (air travel only)	Partial (air travel only)	Complete
Cuisine Centrale QC	Excluded	Excluded	Complete
McMahon DCs QC	Excluded	Partial	Complete
Jean Coutu DCs ON and QC	Partial (business travel only)	Partial (business travel only)	Complete
Pro Doc QC	Excluded	Excluded	Complete

## Emissions and Scope Comparisons

Each evolution of our methodology is depicted below using fiscal year 2020 data.

Table A2 – Emissions and Scope Comparisons

Activity Type	Previously Adopted Methodology (TCO <sub>2e</sub> )	CDP 2021 Submission Methodology (TCO <sub>2e</sub> )	Base Year Methodology (TCO <sub>2e</sub> )
<b>Scope 1</b>			
Stationary Combustion	64,407	65,334	83,304
Mobile Combustion	14,755	17,938	19,918
Refrigerants (excluding non-Kyoto gases)	160,217	146,336	170,163
Volatile Organic Compounds (VOCs)	4	4	4
<b>Scope 2</b>			
Electricity	38,730	17,246	19,053
<b>Scope 3</b>			
Business Travel	2,547	911	1,045
Purchased Goods and Services (Paper Consumption)	0	203	0
Waste Generated in Operations	108,027	44,475	50,930
Upstream Transportation (Purchased 3 <sup>rd</sup> Party Transport) *Misnamed as “Downstream” 2019 and prior	58,860	59,153	59,549
<b>TOTALS</b>	<b>447,546</b>	<b>351,600</b>	<b>403,966</b>

We are confident that the base year methodology is the most accurate representation of our base year’s emissions. It will provide us the ideal foundation to identify emission changes in the upcoming years as we set out to reduce our emissions and do our part to fight climate change.