



Policy for Social Standards

**in the
own brand/no-name
supply chain**



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1. Introduction

METRO's fundamental principle when conducting its business is to operate in accordance with the highest ethical and social business standards: Our products must be produced under humane conditions with respect and fairness towards their workers, taking labour law, safety provisions and international trade regulations into account.

In many countries, human rights and basic labour and social standards as defined by the United Nations (UN) and the International Labour Organization (ILO) are not implemented or enforced consistently by the relevant national governments, despite their ratification.

To ensure the compliance with fundamental social principles, METRO was involved in the founding of the Business Social Compliance Initiative (BSCI)¹ in 2004. Furthermore the participation in the UN Global Compact since 2010 aims to further strengthen our goal to improve social standards in producing countries. Since 2012 METRO endorses and values the UN Guiding Principles on Business and Human Rights which are also endorsed by the amfori BSCI since 2014. To tackle the specific risks resulting from unsafe factory building conditions in Bangladesh, METRO joined the Accord on Fire and Building Safety in Bangladesh in 2013 and the Transition Accord 2.0 in 2018 to particularly ensure adequate fire and building safety standards in the Bangladesh apparel industry. To reinforce our principle to fight against forced labour, since 2016 METRO supports the Consumer Goods Forum (CGF) resolution against forced labour as well as the CGF's priority industry principles².

METRO supports the Sustainable Development Goals (SDGs) and, with our commitment to sustainability, pays attention to achieving the global agenda. By striving for compliance with social standards, METRO particularly works towards the goals:

- SDG 1 (no poverty)
- SDG 8 (decent work and economic growth)
- SDG 12 (responsible consumption and production)

In this respect METRO also declares its ambition to work towards the paramount issue of ensuring a living income of those, producing for METRO's own brand/no-

¹ Start of Membership in 2003. Change of name since January 2018 in amfori BSCI.

² Every worker should have freedom of movement. No worker should pay for a job. No worker should be indebted or coerced to work.



name supply chains. Whilst various methodologies are acceptable when defining a living income, METRO gives preference to the Anker Methodology where possible.

2. Objective

Corporate responsibility is an integral part of the METRO strategy. In order to take over our responsibility, transparency and compliance with social standards is critically essential to us.

METRO's objective is to improve the working conditions in our supply chains. METRO is committed to evaluating its suppliers and helping them to introduce better working conditions at their production sites by utilizing the amfori BSCI process management scheme or equivalent systems.

This policy aims to describe the process managing social standards in the Non-Food, Food and Near-Food supply chain.

3. Scope

Non-Food

All METRO Non-Food own brand and no-name³ producers manufacturing products for re-sale in risk countries⁴.

Food/Near-Food

All METRO Food/Near-Food own brand and no-name producers including ultra-fresh producers⁵ manufacturing products for resale in risk countries.

4. Targets

Non-Food

1. As of December 2015, full transparency on all producers under the scope.
2. As of August 2016, all producers under the scope must be audited against the amfori BSCI standard or another accepted standard⁶.
3. As of January 2017 with regards to amfori BSCI, only audit reports with at least "C" result are accepted for new to be listed suppliers. As of January 2019 this rule is valid for all new and existing suppliers. Suppliers/producers with audit results below "C" will be suspended or not listed.
4. As of June 2013, ready-made garment producers located in Bangladesh must not be used until checked and approved by the responsible department. The producing factory must e.g. show an acceptable⁷ remediation progress rate.

³ Product put on the market by a METRO company characterized in, that it is not branded with a METRO own brand or a third party brand, but is bearing on product and/or packaging a METRO company name and address.

⁴ Defined by amfori BSCI: <https://www.amfori.org/sites/default/files/amfori%20BSCI%20CRC%20V2019%20Final.pdf>

⁵ which have no brand and no packing

⁶ For other accepted standards see Annex 1.

⁷ Acceptable refers to the Accord announced average remediation rate at the time of listing request.

Food/Near-Food

The Social Standards Compliance Process is rolled out in METRO as of 2019. The overall target is to proof socially compliant supply chains according to this policy in line with the SDGs by 2030. Depending on risk assessment and maturity of Sales Lines/Country Organisations the roll out will take place step by step and in waves. Respective details and more specific timelines are outlined herewith under 7. Action Plan.

1. Full transparency on top 80% of suppliers with regards to turnover⁸ and their respective producers under the scope.
2. All producers under the scope must be audited against the amfori BSCI standard or another accepted standard.

5. Principles

1. Each Sales Line/Country Organisation is responsible for the achievement of the targets defined in this policy.
2. In order to manage the process behind the objective of this policy Sales Lines/Country Organisations with the support of METRO AG CR department shall use METRO's IT tool SSM (Social Standards Management Tool) or METRO Sourcing's MBS. The on-boarding of the Sales Lines/Country Organisations users will be conducted by METRO AG CR department.
3. METRO's Sales Lines/Country Organisations have to ensure that the newest version of the METRO own brand Contract is used for new business relationships and for each re-negotiation with existing suppliers.
4. Where applicable and suitable the Sales Lines/Country Organisations ensure that all requirement profiles (RP) must include a paragraph regarding social standards. This paragraph shall require the business partner to implement measures to ensure compliance with this policy for all used producers in risk countries.
5. The Sales Lines/Country Organisations endorse and promote the importance of social standards in their regular negotiations with suppliers and embed the requirements into their daily businesses.

6. Reporting

METRO will make this policy publicly available and report the progress in the annual METRO AG Corporate Responsibility Report according to (selected) Key Performance

⁸ As per each commodity/product group



Indicators (KPI's) stated below. The Sales Lines/Country Organisations can retrieve reports via SSM any time.

KPI's

Non-Food

1. Number of active Non-Food own brand/no-name suppliers producing in risk countries
2. Number of producers to suppliers under 1. producing in risk countries
3. Number of audited producers including audit result as per "passed or failed"⁹

Food/Near-Food

1. Number of active Food/Near-Food own brand/no-name suppliers making for 80% of the turnover producing in risk countries; by 2030 latest all suppliers
2. Number of producers to suppliers under 1. producing in risk countries
3. Number of audited producers including audit result as per "passed or failed"

7. Action Plan

METRO's Social Standards Policy is supported by this Action Plan which outlines more details in order to achieve this policy's objective and target. The Action Plan consists of three pillars (certifications, partnerships and projects) to ensure relevant actions with the right partners. Each Sales Lines/Country Organisation will involve in one of the by the METRO AG CR department introduced roll-out waves and develop their country specific road map according to the details outlines in this policy and action plan particularly under 7.1 Action Plan - Certifications.

1. Certifications

To achieve the objective and targets of this policy, METRO refers to various social compliance schemes. The list of accepted standards and certifications (see Annex 1) is a living document and will be updated according to new insights and benchmarks (e.g. SSCI benchmark).

METRO has established a general process how to work with these social compliance schemes. In general, the social compliance process foresees the following steps:

1. Disclosure of relevant data¹⁰
2. Risk assessment in order to define step wise roll-out of this process

⁹ Definition of „passed“ refers to Annex 1: details of audit results. Any not “passed” audit is considered as “failed”

¹⁰ Mainly company name, address, contact person of supplier / producer under scope and responsible METRO employee and category as well as audit type



3. Training of producers in scope of this policy – if necessary and suitable
4. Proof of social compliance through audit / certification.

Non-Food

The process of Non-Food own brands/no-name producers is in place since 2014. Therefore there is no need to define an action plan.

Food/ Near-Food

METRO as a wholesale company offers a wide range of food products and operates in various markets. Not all commodities are equally critical though with regards to social standards challenges and not all markets are at the same level of maturity when it comes to social compliance. METRO therefore follows a step wise roll-out plan in waves in realizing this policy's objective and target with regards to:

1. **Market:** starting with the International Trading Offices (ITO) and then on-boarding METRO Sales Lines/Country Organisations and
2. **Commodity/product group:** METRO developed a risk analysis for the main food commodities and products. Food products with high risks in terms of social standards in the supply chain are fish¹¹, palm oil¹², coffee and cocoa followed by soy, meat and fruit & vegetables. Subsequently also other food categories are to be involved into this policy's objective and targets and
3. **Commodity/product group as raw material** followed by commodity/product group as a processed product and/or as an ingredient, if the product contains >50% of the raw material as ingredient and
4. **Near-Food** products starting with paper and wood products¹³ as well as degradables. Subsequently other Near-Food categories are to be involved into this policy's objective and targets and
5. **Tier:** in order to support METRO's risk based approach in improving social standards in our supply chains, commodity/product group experts together with CR experts will identify the most critical tiers as in social standards hot spots along the commodity/product group specific supply chains. Whilst starting with the most critical tier may be suggested as the most veritable way it may not be the most efficient and/or practical. Hence, in order to facilitate a robust roll-out of this policy each METRO Sales Line/Country Organisation will define their step wise approach in going along the tiers in the supply chain for social compliance.

General timing as per starting point of each roll-out wave and the step wise roll-out plan described above:

¹¹ See Fish Policy

¹² See Palm Oil Policy

¹³ See Paper and Wood Policy



1. Full transparency on all suppliers under the scope (3 months from starting point)
2. Full transparency on all producers under the scope (6 months from starting point)
3. Identify social standards hot spots in the supply chain (e.g. farm level) (6 months from starting point)
4. Not obligatory: training of producers with no audit/certification (12 months after full transparency on producers)
5. Audits/Certifications of the producers that METRO Sales Line/Country Organisation define as their first target tier group (6 months after trainings and/or 18 months after full transparency on producers – depending on auditor availability)
6. Audits/Certifications of the other tiers (than herewith stated in number 5) down to agricultural level (36 months after full transparency)

2. Partnerships

METRO is working actively on the implementation of the Social Standards Policy together with different stakeholders in the value chain. Below is an exemplary selection of key partnerships.

amfori BSCI

METRO is one of the founding members of the Business Social Compliance Initiative (BSCI)¹⁴ in 2004. Since then we are actively working with amfori BSCI, are part of the amfori Board and engage e.g. in the German amfori network as well as the Project Group on “Capacity Building”.

Sedex

METRO became member of Sedex in June 2019 and actively works with this collaborative platform for sharing responsible sourcing data on supply chains.

Consumer Goods Forum (CGF)

METRO is involved in Board and/or Committee functions of CGF in order to closely engage with this global platform of our core peers. We support the work of CGF’s Social Supply Chain Initiative (SSCI) on introducing a benchmark for social compliance schemes. To reinforce our principle to fight against forced labour, METRO joined the Consumer Goods Forum resolution against forced labour in 2016. We support the CGF’s Priority Industry Principles.

Retailer Cocoa Coalition (RCC)

¹⁴ Start of Membership in 2003. Change of name since January 2018 in amfori BSCI.



METRO is member of the Retailer Cocoa Coalition (set up 2018), a group of retailers with a clear focus to work on the working conditions in the cocoa producing countries.

3. Projects

METRO focuses on projects together with suppliers, NGO's, organisations, other wholesalers or retailers which will help to ensure social compliance of workers in the supply chain. The below stated projects are exemplary. New projects may start or running project may conclude over time.

amfori BSCI – METRO due diligence training on forced labour

METRO employees training on the topic forced labour co-created and facilitated together with amfori BSCI.

Training sessions

METROs trading office METRO SOURCING works with local producers and accompanies them through training sessions designed to help understand and comply with social standards. Next to a focus on fire and occupational safety measures, also other targeted corporate responsibility training sessions are held with cooperation partners.



Annex 1

Acknowledged Social Standards:

The most up to date list of acknowledged social standards is to be found on [METRO AG website](#). Currently the status is as follows:

As amfori BSCI and Sedex member, METRO prefers the amfori BSCI and Sedex SMETA scheme, but also accepts the schemes listed below on condition that

1. the audit report / certificate is valid and
2. the result is equivalent to an amfori BSCI audit result of "A" or "B" (no negative findings to be improved and all corrective actions are closed) and/or a Sedex SMETA audit result that METRO evaluates as non-critical.

Some of the listed standards are considered as acceptable for an interim period of time in order to facilitate the roll-out in a practical manner but may be removed from this list according to the maturity of the process roll-out.

Non-Food / Food / Near-Food	Audit Type	Audit "passed" when audit result shows the following:	Report Validity
All	amfori BSCI* - amfori Business Social Compliance Initiative	A	24 months
		B	24 months
		C	12 months
		D (only accepted for Food/Near Food)	12 months
All	SPA – Small Producer Assessment (by amfori BSCI)	A	24 months
		B	24 months
		C	12 months
		D (only accepted for Food/Near Food)	12 months
All	ETI/SMETA - Sedex Members Ethical Trade Audit (4-Pillar Audit conducted by accredited third party auditor)	Full report proving all CAP findings are completed & settled	12 months
All	SA8000 - Social Accountability International	Issued Certificate	36 months
Non-Food	ICTI - International	Issued Certificate (Class A)	12 months

	Council of Toy Industry		
All	ICS - Initiative Clause Sociale	Issued report with Rating A or Rating B (no failing in critical areas)	12 months
Non-Food	RBA - Responsible Business Association (formerly EICC - Electronic Industry Citizenship Coalition)	Issued 'Validated Audit Process' (VAP) report with overall audit scoring in 'Green' colour with no 'Major' or 'Priority' findings. Also no major change occurs in audited site within validity of report	24 months
All	FLA - Fair Labour Association	Full report proving all CAP findings are completed & settled	12 months
Food	ASC (Aquaculture Stewardship Council)	Issued Certificate and CAP	12 months / Every 3 years main assessment
Food	BAP (Best Aquaculture Practices)	Issued Certificate and CAP Critical / Major / Minor Non-Conformities (All 4 stars accepted as a first step)	12 months (except salmon - 24 months)
Food	RSPO (Roundtable for sustainable palm oil)	Issued Certificate Book and Claim Mass Balance Segregation Identity Preserved	12 months / Every 5 years main assessment
Food	Global G.A.P. GRASP	Issued Certificate Compliant / Improvements needed / Non-compliant but steps taken / Non-compliant	12 months
Food	RTRS (Roundtable for responsible soy)	Issued Certificate Pass / Fail	5 years / annual checks
Food	Fair Trade	Issued Certificate Pass / Fail	4 years (renewal starts after 3 years)
Food	Rainforest Alliance / UTZ	Issued Certificate Compliant / Non-compliant	12 months
Food	And any CGF SSCI benchmarked schemes	Depending on scheme	Depending on scheme



Annex 2

METRO "Deal Breakers":

As a risk mitigation tool METRO defined specific issues as a pre-step towards labour violations and created a process to ensure that suppliers actively improve the working conditions of their producers.

METRO requests immediate improvements for specific findings related to the below mentioned areas:

- Child labour
- Forced labour
- Fire safety failings (leading to imminent and significant danger)
- Unethical Behaviour

Suppliers and/or producers are to be deactivated / suspended immediately from a supply chain for further own brand/no-name orders until Corrective Action Plan and/or new audit report shows proof of improvements for respective producer.