



**WHAT DOES
SUSTAINABILITY
MEAN ON THE
GROUND?**

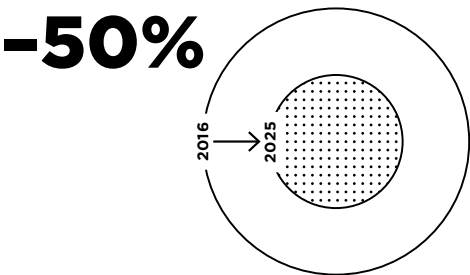
OUR REPORT

In this publication, METRO uses examples to illustrate how sustainability is embedded in our day-to-day business activities. Our key performance indicators and target progress, as well as our progress report on the United Nations Global Compact Principles, can be found online at:

 www.metroag.de/cr-progress-2016-17

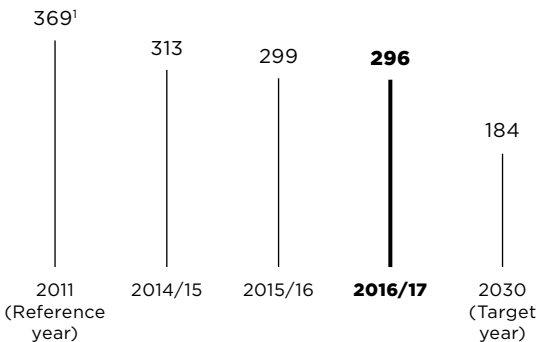
IMPORTANT TARGETS AND KEY PERFORMANCE INDICATORS

FOOD WASTE REDUCTION TARGET



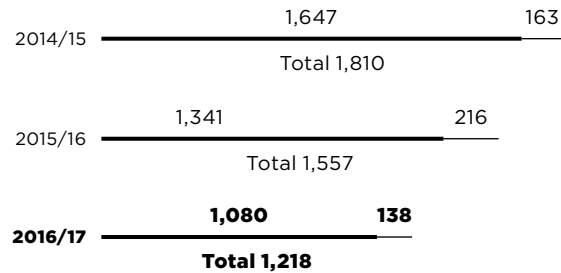
As part of the Consumer Goods Forum’s Resolution on Food Waste, METRO has committed to reducing the food waste arising in connection with its own business operations by 50% by 2025. The figure from 2016 serves as the baseline.

CLIMATE PROTECTION TARGET STATUS Greenhouse gas emissions in kg CO₂ (CO₂-equivalent) per m² sales floor

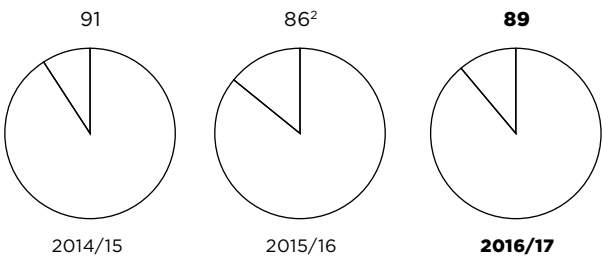


SOCIAL AUDITS RELATING TO OWN IMPORTS BY METRO SOURCING AND NON-FOOD OWN BRAND PRODUCTS OF THE METRO SALES LINES as of the closing date of 30/9

Factories with a valid audit (number)



Thereof with passed audit (in %)

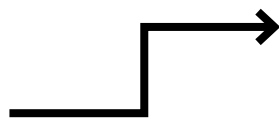


— thereof with passed audit
— thereof with failed audit

Factories that have passed the audit may prove the successful implementation of the BSCI system of social standards or an equivalent system by furnishing a certificate issued by an independent third party.

¹ Deviation from Annual Report due to new findings.
² Adjustment of the BSCI rating system from 3 rating levels (good / improvements needed / non-compliant) in 2015 to 5 levels (A/B/C/D/E). The result “improvements needed” has been counted as a “passed” result. Some of the results previously counted as “improvements needed” have been reassigned to either “C” (passed) or “D” (failed) under the new rating system. The adjustment resulted in a declining proportion of producers in financial year 2015/16 that passed the audit.

DEAR READERS,



METRO MADE A FRESH START IN JULY 2017. WE ARE NOW CONCENTRATING SOLELY ON THE FOOD BUSINESS.

However, a fresh start does not mean going back to square one with everything: when it comes to global challenges like climate protection, population growth, hunger and resource shortages, we do not have the luxury of a fresh start. Not just continuing but stepping up our sustainability activities is more pressing than ever. We openly support the 17 Sustainable Development Goals (SDGs) set out in the United Nations 2030 Agenda for Sustainable Development and the principles of the United Nations Global Compact, which define the framework for our actions.

We have both a responsibility and a huge opportunity to help achieve these goals with our company. However, we will only succeed if we make it clear that sustainability means more to us than concentrating on ecological and social issues. Sustainability influences every single aspect of our actions and is – and remains – firmly embedded in our corporate strategy. We look beyond tomorrow when we think and act. This is the only way that we and our 150,000+ employees, our 21 million customers and countless consumers can make a difference.

Our Corporate Responsibility Progress Report shows how our key performance indicators and targets are developing. It also shows that there is far more to sustainability than that: with short stories from our business, we report on how sustainability is becoming a daily part of our thoughts and actions. That is what we aspire to achieve. This is the only way to make a lasting difference and tackle today's global challenges.

We wish you sustainably inspiring reading,

THE MANAGEMENT BOARD OF METRO AG



Olaf Koch
Chairman of the
Management Board (top)

Christian Baier
Chief Financial Officer (left)

Heiko Hutmacher
Chief Human Resources Officer
and Labour Director (right)

Pieter C. Boone
Chief Operating Officer (bottom)

OUR SUSTAINABILITY APPROACH

OUR UNDERSTANDING OF SUSTAINABILITY

We believe that society is facing unprecedented economic, environmental, social and cultural challenges. But we are also convinced that sustainability is the key to transforming these challenges into opportunities.

Global framework

The 10 principles of the United Nations Global Compact as well as the 17 Sustainable Development Goals (SDGs) provide a global yet specific framework within which governments and businesses can achieve sustainable development at the economic, social and environmental levels. METRO sees itself as part of society. That is why we support the SDGs and do our bit towards achieving the global agenda through our sustainability commitment.

Our responsibility areas

In defining our responsibility areas and key topics, we take into account both the internal corporate perspective and an external view shaped by our collaboration with external stakeholders. The main responsibility areas for us are:

- Commitment to the employees
- Sustainable operations
- Sustainable procurement and assortment
- Sustainable consumption
- Social engagement

A question of attitude

We see these as both a responsibility and an opportunity to shape our business in harmony with society's requirements and those of our customers, employees, investors and partners. Sustainability for us is more than working on environmental and social projects. Sustainability is a question of attitude and a way of working. It encompasses every single aspect of what we do and is firmly embedded in our corporate strategy.

WE THINK AND ACT BEYOND TOMORROW.

Because we want to be more than an attractive employer with good future prospects for our employees over the long term. We also want, above all, to be a reliable, service-oriented partner for our customers and for our customers' customers – a partner that delivers knowledge, products and solutions. This is a way of making business and consumption more sustainable and successful over the long term. For our business activities, this means creating added value while also reducing detrimental effects. In this manner, we become sustainable in everything we do. This is our claim.

WE ACT SUSTAINABLY FOR ...



OUR SUSTAINABILITY MANAGEMENT

To live up to our claim, we have embedded sustainability in our core business – organisationally, systematically and structurally – so that we can adopt an efficient, solution-oriented approach that takes account of reciprocal effects between economic, environmental and social aspects. We do this through our METRO Sustainability Committee and its work groups. The METRO companies steer the operational implementation of sustainability through their sustainability officers. In addition, we embed sustainability aspects in relevant business and decision-making processes and involve our staff.

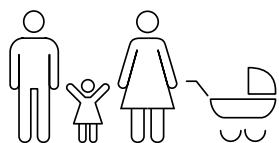
OUR GOAL IS FOR EVERY ONE OF THEM TO RECOGNISE THE SIGNIFICANCE OF SUSTAINABILITY FOR THEMSELVES AND FOR THEIR WORK ENVIRONMENT, AND TO BE GUIDED ACCORDINGLY IN THEIR INDIVIDUAL BEHAVIOUR.

METRO can drive the topic from the top, but every one of our more than 150,000 employees needs to internalise it, so that they can help us achieve an impact in the area of sustainability.

Transparent reporting

Our Corporate Responsibility reporting is also part of our sustainability self-image. We are convinced that transparent reporting is an important part of being able to manage our own business better and to meet the needs of various stakeholder groups. GRI G4 provides the framework and basis for our reporting.

... the benefit of society.



More information about our sustainability approach and management and our commitment to the UN Global Compact and the SDGs can be found on our website and in the chapter on sustainability management in the METRO Annual Report 2016/17 at:



WWW.METROAG.DE/MORE/SUSTAINABILITY
WWW.METROAG.DE/RESPONSIBILITY

SUSTAIN- ABILITY IN OUR BUSINESS

We strive to make **SUSTAINABILITY A TANGIBLE PART OF OUR DAY-TO-DAY BUSINESS ACTIVITIES.** Our assessment of sustainability goes beyond the challenge of making it measurable and verifiable; it recognises the overriding added value it brings. The following examples are METRO success stories and demonstrate how the company and its staff successfully put sustainability into practice in their day-to-day work.

SERBIA

Engage - No Excuses!

Raising awareness, triggering interest and calling for action regarding sustainability among employees and the community is METRO Cash & Carry Serbia's goal, especially when celebrating a Sustainability Week.

All activities implemented during the week represented a symbolic celebration of what we stand for:

- Don't waste anything: launch of an employee's food waste cook-book demonstrating a responsible way of cooking with food leftovers
- Cooperate with your colleagues: carpooling of co-workers strengthens the employees' network and reduces CO₂ emissions at the same time
- Save energy: handing out energy-saving cooking recipes to employees which aim at preparing dessert without using energy, for example without turning on the oven
- Make our own operations more sustainable: celebration of a day of planting trees and without using printers. Also, an idea competition for sustainable initiatives was launched for making our own business and stores more sustainable.

With our employees engaged in sustainable actions we will make a difference in securing a more sustainable future.



AUSTRIA

Commitment to forward-looking energy efficiency

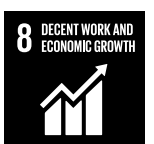
A prominent project in 2017 is our new METRO store in St Pölten, our first “zero-emission” store in timber construction. It employs regional, FSC®-certified wood, a renewable resource that not only is recyclable, but also creates a positive indoor climate for customers and employees. The building is designed for low energy consumption through its use of cooling technology, and by forgoing conventional ventilation as well as an air conditioning system in the main store space. The 9,000 m² photovoltaic system on the roof of the building produces around 1,100 MW of solar power per year, making METRO St Pölten self-sufficient in energy. Surplus solar energy is even made available at METRO charging stations to Top-Card customers at no cost for their electric vehicles. The store makes the shopping experience in a welcoming atmosphere a facet of responsible action. Regionality plays a major role, with some 700 regional articles included in the product range. The innovative shop design meets the highest professional gourmet standards and demonstrates our focus on ultra-freshness with the fish department as a highlight. In an inviting market atmosphere, with a bistro as the centrepiece, fresh products from the store are offered for tasting – making shopping at METRO a true experience.



BULGARIA

Nurtured with care

In 2017, METRO Cash & Carry Bulgaria developed its new fruit and vegetable assortment by locally sourcing 150 fruit and vegetables articles produced by small Bulgarian farmers, for example an old Bulgarian breed, the pink tomato. The project's name represents what it stands for: “Nurtured with care in Bulgaria”. More than 200 local farmers deliver directly to 11 METRO stores, enabling us to offer our customers fresh, authentic and quality food. We are supported by scientific organisations, helping farmers to meet METRO's quality and safety standards. We contribute to the sustainable development of local economy by eliminating middlemen from the grey sector along the supply chain and by offering fair prices to agricultural producers. Also, METRO has helped Bulgarian communities to rediscover authentic vegetables by organising info events and campaigns, such as the Pink Tomato Festival and Sofia Restaurant Week Festival in Bulgaria's capital Sofia.



KAZAKHSTAN

Sustainable partnership – Kazakh beefsteaks!

What is the recipe for sustainable success? A trustful partnership and sustainable products: the best steaks in Kazakhstan are made from beef raised in the pastures of Kazakh meat producer KazBeef. Healthy animals, the best feed and rearing the cattle under natural conditions on organic pastureland without the use of antibiotics or growth hormones are the answer to producing sustainable meat. KazBeef manages the entire value chain, from the arable land used to produce its own feed to the finished products in our METRO stores.

Since 2016, METRO Cash & Carry Kazakhstan supports KazBeef in making its sustainably produced, premium meat products available to a large clientele. In doing so, we promote Kazakhstan's local economy, provide the people of Kazakhstan with high-quality meat and support animal- and eco-friendly meat production.

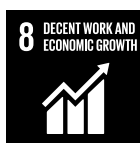
Together, sharing common values focusing on quality and sustainable growth, we supply the entire country with tasty meat. We are improving our future in Kazakhstan through successful partnerships like this.



CROATIA

Sustainable cultivation of regional Istrian cattle

Together with our partner, the Agency for the Rural Development of Istria, we stand up for the Boškarin, a cattle breed from the region of Istria in Croatia. For centuries, Boškarin were not just livestock but also a status symbol for the farmers. Within a span of just 40 years, the number of these cattle shrank from 50,000 to around just 100 – the breed was at risk of dying out. It was only possible to stop this trend once people recognised the culinary value of Boškarin beef. This new focus offered livestock farmers opportunities for sustainable development. The traditional Istrian cattle have been saved from extinction and found their way into haute cuisine. METRO Cash & Carry Croatia is the only wholesale company in the country that supplies the HoReCa (hotels, restaurants and catering) sector with Boškarin meat. The cattle is farmed exclusively in the pasture, there are no additives in their feed and the meat is matured in a controlled environment. 60% of our range consists of local products, and one of them is the Istrian Boškarin. Preserving tradition as well as supporting and promoting the local economy – we are committed to these principles.

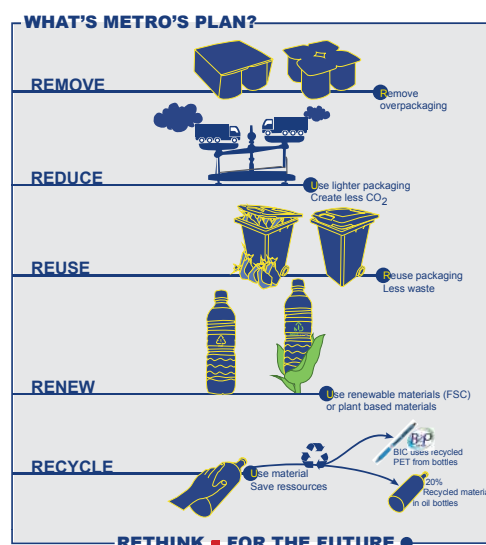


HUNGARY

Packaging optimisation

In 2015 METRO Cash & Carry Hungary joined the corporate packaging optimisation project. By 2018, the corporate target is to review 10,000 articles for optimisation potential following METRO's 5-R principle (remove, reduce, reuse, renew and recycle), to avoid polyvinyl chloride (PVC) packaging materials and to label 100% of SIG and Tetra Pak beverage cartons with FSC® (Forest Stewardship Council®) certification.

In Hungary, our main challenges in the evaluation of our packaging material and its sheer quantities could only be solved when we started cooperating with Óbuda University's faculty in packaging engineering. Since the start of the review in summer 2017, we have made changes to 200 articles. Building on a collaborative way of working together with an external partner improved not only our expertise but also our network and reputation. Realising the benefit of optimised packaging for our own-brand articles is a win-win solution for all 3 parties involved: our customers' businesses, our own operations and also the external partner. Additionally, we act responsibly towards nature.



GERMANY

Real Markthalle Krefeld

With the Markthalle Krefeld, Real has realised its long-held vision of a weekly market. It includes a variety of culinary highlights such as a master butcher's, an artisanal bakery, a confectioner's and a coffee roastery, as well as wine, cheese and fish dealers. Customers find a large selection of fresh products here, with special value placed on seasonal and regional ranges, as well as on ecological, sustainable production. In the food service area, too, the diverse, premium cuisine has a strong seasonal orientation and lives from the use of as many regional and sustainable products and foods as possible. We are one of the few large grocery stores certified to make organic meat and sausage products on-site. Our own coffee roastery, with 12 self-roasted house blends – 5 of them organic – rounds out the offerings.

When it comes to sustainability, we don't place importance on the products alone, but also on their packaging. Accordingly, all beverage cartons in our own-brand range are certified by the FSC® (Forest Stewardship Council®). We are also opening up new paths in the area of fruits and vegetables, where we provide reusable nets or paper shopping bags as an alternative to plastic bags. In addition, many products – for example, muesli, nuts, organically grown fruit and vegetables and various sweets – are already available to our customers unpackaged for self-filling.



MOLDOVA

Sustainable development of entrepreneurial skills

As a partner of Junior Achievement Moldova, for the second consecutive year we are supporting the organisation of the National Fair of school companies in our METRO stores. 6 large and 12 small school companies from different schools and regions of the country participated in the event in 2017. This is an opportunity for pupils aged 15–19 to promote and commercialise the products of the school company they represent and compete with other school companies in 2 prize categories: sustainability and innovation. Pupils who participated in the event were trained in the school economics educational programme. It is an economic and business “lab” that helps pupils to understand, through practice, theoretical business principles and market economy mechanisms. Within the partnership, METRO also provided financial support for printing books for the Applied Economics programme and organising Regional Economics Olympics. Investing in our children will strengthen our future.



PAKISTAN

Fighting hunger with the WFP

METRO AG and the United Nations World Food Programme (WFP) signed a 3-year partnership agreement in 2016. This globally signed but locally implemented cooperation will help to achieve “zero hunger”, Goal 2 of the United Nations Sustainable Development Goals. The aim of the partnership is to raise funds with the help of METRO organisations in order to support the work of the WFP in its role as a frontline organisation.

Considering Pakistan a food-deficient country, METRO Cash & Carry Pakistan collaborates with WFP Pakistan to fight hunger through different initiatives. We raised funds through contributions from our employees and cause-related marketing activities. In the first phase, over 100 employees participated in fundraising and over 4,000 METRO own-brand items were sold to customers with the additional value of a donation to the WFP. The first cheque was handed over to WFP representatives on 16 October, the United Nations World Food Day. Furthermore, it is planned that METRO Cash & Carry Pakistan will support WFP Pakistan in improving WFP’s supply chain for fortified foods in order to fight malnutrition in Pakistan. Ending hunger – this is what we strive for.



PORTUGAL

Joining the largest national volunteering initiative

Devastating wildfires burned 500,000 hectares of forest in Portugal in 2017. On 13 October, MAKRO Cash & Carry Portugal became part of the Group of Reflection and Support for Corporate Citizenship (GRACE) and another edition of GIRO – the largest national initiative of corporate volunteering. Our employees joined this initiative together with more than 850 volunteers nationwide and 63 other organisations. For 1 day, 10 of our employees helped with the reforestation and revitalisation in the 8 intervention zones most affected during the summer.

The core tasks of the initiative are:

- Reforestation and territorial management in arid and degraded areas
- Cleaning and requalification of housing areas and public spaces
- Awareness-raising for environmental citizenship

10 of us and many others exchanged their place of work to volunteer in the restoration of nature in Portugal and by doing so giving back to the communities. We are convinced that the union of all organisations involved in this initiative can make a difference. And making a difference is what we stand for.



JOIN IN THE DIALOGUE

DIALOGUE WITH YOU, DEAR READERS, IS IMPORTANT TO US because it shows us what you expect of our company and where we can make further improvements. We would therefore like to hear any questions or comments you may have about the METRO Corporate Responsibility Progress Report 2016/17 and our sustainability activities in general. To share your thoughts, use one of our online dialogue tools or send us an e-mail: CR@metro.de

**REPORT
PROFILE**

The report profile of this publication can be found at



WWW.METROAG.DE/CR-PROGRESS-2016-17

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