



SUSTAINABILITY
REPORT
2022



I am delighted to welcome you to our 2022 Sustainability Report, my first as Group CEO. This Report is our first standalone Sustainability Report and represents progress towards our aim of reporting in line with the Global Reporting Initiative in FY23.



Our Corporate Vision incorporates our aspiration of contributing to a sustainable future and I am committed to turning this into reality, both for Metcash and throughout the value chain, in partnership with our suppliers and network of independent retailers.

This year we, and many others, were again presented with considerable challenges as we continue to deal with COVID in our communities, pressures on supply chains and extreme weather events. These challenges tested the resilience of our network, however I am pleased to say it has served to further strengthen our resolve, to be there for our communities in times of need and focus more intently on addressing climate change, responsible sourcing and ensuring the health and safety of our teams and our retailer networks.

The year we expanded our sustainability agenda and deepened our commitment to topics we are already engaged with. This included our commitment to both a net-zero emissions target for 2040 and a 100% renewable energy target for 2025. We also committed to working towards Green Star certification for any newly constructed facilities, with our recently announced new distribution centre at Truganina, Victoria aiming for a 5-star certification.

Beyond our own organisational boundary, we undertook an investigation into Scope 3 emissions including both upstream and downstream, as a first step to addressing the indirect emissions of our supply chain and retailer network. To assess our broader climate risk exposure, we undertook a state-by-state analysis of climate impacts on business continuity and assessed the impacts of climate change on key commodities. We also continued to work with our suppliers on mitigating modern slavery in our supply chain.

The environmental footprint of our independent retail network benefits from local supply having a shorter supply chain and less travel required to shop at our local neighbourhood stores, yet there is much more to be done and we have again expanded our program of sustainability initiatives. This has included engaging with store owners to set their own emissions reduction goals and offering practical advice on energy efficiency measures and renewable energy. We have also worked with our network across the pillars to implement battery and soft-plastics in-store recycling for their customers.

We support the goals of the Australian Packaging Covenant Organisation, redesigning product artwork to include the Australasian Recycling Label (ARL) on pack and creating

a dedicated role to oversee the transition to recycled, recyclable and compostable packaging.

For our communities, we continue to support charities that have a meaningful local impact and have donated almost \$2.4m via ~1,600 individual donations through the Community Chest Program alone. Metcash and our independent retailers have also been there to support in times of hardship, including during the recent floods, in which additional funds were raised through our Rapid Response Plan and Emergency Assistance Fund (EAF). There are countless examples of local community support provided directly by our independent retailers, in terms of funds and in-kind support both during and following the recent flood emergencies, as communities rebuild.

For our teams, we continue to strive to be an employer of choice and again improved our overall employee engagement score. We established a Diversity, Equity and Inclusion Council and a Women in Leadership Program with an overarching goal of 40/40/20 gender representation by 2025.

We were pleased to once again be awarded the Workplace Gender Equality Agency Employer of Choice for Gender Equality (WGEA EOCGE) citation, for the fourth consecutive year.

Metcash remains committed to reporting in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) and awaits the release of the International Sustainability Standards Board (ISSB) standards. We plan to integrate the requirements of these standards while referencing the Global Reporting Initiative (GRI) in next year's sustainability report. Our adoption of GRI is expected to further increase the breadth and transparency of our ESG-related disclosures.

I hope you find this year's Report informative.

Doug Jones
Group CEO

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OUR
PLANET



Net Zero target

Net Zero
emissions
by 2040

Renewable energy target

100%
renewable energy by 2025

Scope 3 emissions

~860kt
estimated

OUR
PEOPLE



Female representation at Board/
Group Leadership Team level

43%

Metcash people engagement survey

62nd
percentile
of internationally
benchmarked companies

Awards

NSCA Safety Excellence Award
for best WHS training program
WGEA Employer of Choice
FlexCareers FlexReady
certification
Gold accreditation by
Mental Health Australia

OUR
CUSTOMERS



Australasian Recycling Label

Continued rollout of the
Australasian
Recycling Label
on private label food
and liquor products

Community Co private label range

Expanded range of
Healthier
choice options

Shopper support

Defibrillators
made available
to IGA store network

OUR PARTNERS
AND COMMUNITY



Donations to community
organisations

\$2.4m
IGA Community Chest

Food donated to food
rescue organisations

55%
equivalent to ~1.3m meals (647t)

Consumer education

Providing
education material
for families looking to
live healthier lifestyles

Metcash continually strives to improve the extent and quality of its external sustainability disclosures. In order to establish an appropriate, robust and widely accepted structure for reporting, we have committed to report with reference to the Global Reporting Initiative (GRI), the world's most widely adopted sustainability standard, commencing in the financial year to April 2023 (FY23).



As a first step in the GRI process, Metcash performed a materiality assessment. This is a formal process outlined by the GRI to determine the most significant environmental, social and governance (ESG) impacts on our business and includes the identification of ESG topics that the Company and its stakeholders believe are the most relevant.

This included seeking input from a wide range of internal and external stakeholders including investors, suppliers, retailers, team members, our Board and end consumers using a combination of one-to-one interviews, online surveys and group feedback sessions. We also conducted a peer review of ESG policies and a gap analysis with current Metcash policies.

The ESG topics assessed as most significant to Metcash were then shortlisted using GRI guidance parameters. These included:

- Scope
- Scale
- Irredeemable character (for negative impacts)
- Likelihood
- Actual or potential impact
- Time horizon
- Our role in relation to the topic (cause, contribute or directly linked)
- Human rights impact

The following table shows the resultant list of GRI-aligned ESG topics for Metcash, prioritised by Metcash's ESG Council according to the impact on our business. (Applicability to the Sustainable Development Goals is provided for ease of reference).

| | | <div><div>1</div><div>2</div><div>3</div><div>4</div><div>5</div><div>6</div><div>7</div><div>8</div><div>9</div><div>10</div><div>11</div><div>12</div><div>13</div><div>14</div><div>15</div><div>16</div></div> | | | | | | | | | | | | | | | | | |
|-----------------------------------|---|--|--|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| ESG Topic | | GRI Indicators | | Relevant Sustainable Development Goals (SDGs) | | | | | | | | | | | | | | | |
| High | GHG emissions reduction, energy and climate resilience | GRI 305: Emissions | | | | | | | | | | | | | | | | | |
| | Waste management, recycling and circular economy | GRI 306: Waste GRI 301: Materials | | | | | | | | | | | | | | | | | |
| | Human rights and modern slavery risk management | GRI 407: Freedom of Association and Collective Bargaining GRI 408: Child Labour GRI 409: Forced or Compulsory Labour GRI 411: Rights of Indigenous Peoples | | | | | | | | | | | | | | | | | |
| | Retailers' sustainability performance | To be reported across all other GRI Indicators | | | | | | | | | | | | | | | | | |
| | Transparency, ethics and integrity | GRI 205: Anti-corruption GRI 206: Anti-Competitive Behaviour GRI 415: Public Policy | | | | | | | | | | | | | | | | | |
| | Responsible procurement | GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment | | | | | | | | | | | | | | | | | |
| | Cyber security and data privacy | GRI 418: Customer Privacy | | | | | | | | | | | | | | | | | |
| | Diversity and inclusion | GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination | | | | | | | | | | | | | | | | | |
| | Responding to changing regulations and consumer preferences | GRI 417: Marketing and Labelling | | | | | | | | | | | | | | | | | |
| | Employee health, safety and wellbeing | GRI 403: Occupational Health and Safety | | | | | | | | | | | | | | | | | |
| | Community engagement and impact | GRI 413: Local Communities GRI 202: Market Presence GRI 203: Indirect Economic Impacts | | | | | | | | | | | | | | | | | |
| | Medium | Employee engagement, development and retention | GRI 404: Training and Education GRI 401: Employment GRI 402: Labour/Management Relations | | | | | | | | | | | | | | | | |
| Water stewardship | | GRI 303: Water and Effluents | | | | | | | | | | | | | | | | | |
| Consumer health and nutrition | | GRI 416: Customer Health and Safety | | | | | | | | | | | | | | | | | |
| Consumer engagement and education | | GRI 417: Marketing and Labelling | | | | | | | | | | | | | | | | | |

Next year's Sustainability Report will be prepared with reference to the GRI standard, which for Metcash, includes reporting against the above topics.



We acknowledge our role in minimising Metcash’s environmental and climate impacts as well as the impacts in our upstream and downstream value chain. Our corporate vision includes ‘creating a sustainable future’ and we remain focused, not only on Metcash, but also on working with our supplier and retailer partners and the communities in which we operate, to help achieve this. Our ambition is to be Australia’s most sustainable wholesaler.

CLIMATE RISK

We recognise the risks that climate change poses to our supply chain and our ability to service our customers.

We support the decarbonisation of our industry and building the resilience of our business to adapt to a changing economy and physical environment.

In support of the goals of the Paris Agreement to keep global warming well below 2°C above pre-industrial levels, we have set our own corporate targets and continue to improve our alignment with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.

We have committed to the following emissions-related targets:

- A 10% reduction in greenhouse gas (GHG) emissions by 2025 (against a 2020 emissions baseline)
- A 2030 Scope 1 and 2 Science-Based Target of 42% reduction in GHG emissions by 2030, using a 2020 baseline, aligned to the 1.5°C warming scenario of the Paris Agreement
- A 100% renewable energy target by 2025
- A net-zero emissions target by 2040

How we manage climate change

Governance

Establishing an appropriate governance structure is essential in the integration of environmental, social and governance (ESG) factors across the Metcash business. Our ESG Council, chaired by the Group CEO and containing members of the Group Leadership Team (GLT), meets quarterly with the purpose of overseeing the development, execution and effectiveness of our ESG approach and ensuring it is consistent with Company strategy. The Council has a TCFD workstream as well as a permanent standing agenda item on TCFD alignment and climate risks.

To ensure effective communication between the Metcash Board, the GLT and the ESG Council, an ESG dashboard was developed to provide bi-monthly presentations to the GLT on the progress of our initiatives. Twice yearly, the Board is provided with more comprehensive commentary and analysis on progress against our ESG initiatives and targets, including those related to climate risks and opportunities.



CLIMATE RISK CONTINUED

In FY22, we undertook capacity building activities with the Board to strengthen their knowledge, skills and expertise in climate risk. This included a dedicated climate change session with an external service provider to facilitate a knowledge sharing workshop. We identified owners of climate-related risks within the Board and ESG Council and are in the process of assigning KPIs to target and monitor the effectiveness of ongoing climate risk management.

We will seek to refine and update our risk ownership and tracking as part of our annual review of climate risks and opportunities. We have also expanded the ESG targets included in the balanced scorecards for key management personnel for determining short-term incentives. These now include a target related to progress against our 2030 emissions reduction target.

Our climate related governance structure is shown to the right.

In addition to members of the GLT, the ESG Council includes representation from our merchandise, network liaison, property, sustainability, marketing, finance, corporate affairs and people and culture functions. Responsibilities are shown below.

| Department | Responsibility | Pillar |
|--------------------|---|-----------|
| Sustainability | Advice, projects, reporting, communications, targets and strategy | Corporate |
| Merchandise | Sustainable sourcing, social compliance and health and nutrition | ALL |
| Marketing | Community and retailer working groups | ALL |
| Property | Energy management, GHG emissions and waste | Corporate |
| Finance | Metrics, disclosures and safety | Corporate |
| People and Culture | Our people, diversity and inclusion and Indigenous engagement | Corporate |

Strategy

We have developed a Climate Change Risk and Opportunity Register as a tool to help strengthen our ongoing management of climate risk. This has been developed in alignment with Metcash’s Enterprise Risk Management matrix. We have performed a qualitative analysis of the likelihood and consequence of climate risks and opportunities along our value chain, across the varying time horizons of short (1–3 years), medium (3–10 years) and long term (10–25 years). Inherent and physical transition climate risks and opportunities are classified on a scale ranging from very low to extreme. The ESG Council will review, adjust and validate the register on an annual basis.

Our analysis has identified the highest climate risk as the increase in frequency and severity of acute physical climate change events and the potential for higher insurance premiums and operating expenditures over the short and medium term. No transition risks have been assessed as high risk.

Climate related governance structure





CLIMATE RISK CONTINUED

Scenario analysis

To better inform our strategic decision making, three climate scenarios aligned to the IPCC Sixth Assessment Report (AR6) were developed and analysed in FY22. These helped determine our climate-related risk ratings in the climate change risk register. The three scenarios are shown below.

| Metcash scenario | Scenario type | IPCC Representative Concentration Pathway (RCP) | Related scenarios | Global warming scenario | Description |
|------------------|------------------------------|---|--|-------------------------|--|
| Low | Transition risk only | 2.6 | IEA Net-Zero Emissions Scenario; NGFS NZ 2050 | 1.5°C warming | Ambitious mitigation with a peak in emissions around 2020, followed by a rapid decline, reaching net-zero CO _{2e} emissions around 2050 |
| Medium | Physical and transition risk | 4.5 | IPCC SSP2-4.5; IEA Stated Policies Scenario; NGFS NDCs | 2–3°C warming | Power sector emissions reductions are offset by continued growth in emissions leaving annual emissions at around current levels |
| High | Physical risk only | 8.5 | IPCC SSP5-8.5 | >3°C warming | Minimal mitigation with a continuous rapid rise in emissions |

We are planning to undertake further quantitative scenario analysis and modelling for key climate risks, and integrating these into our financial and strategic planning processes. We have prepared climate scenario analysis guidance for use across the business by senior management, the ESG Council and Board, to ensure climate risk is considered in strategic decision making and to test business resilience.

Our analysis in FY20 and FY21 determined that we are most exposed to physical climate risks in our warehouses and in several key commodities in our supply chain. This year, we performed a more detailed assessment to better understand our physical climate risks and their impact on our business.

This assessment included, firstly, consideration of the physical climate risks impacting key distribution centres, including five food and liquor distribution centres and three hardware distribution centres across Australia. It also included an assessment of the potential impact on their ability to distribute stock to our retailers.

There was also an assessment of the medium and high emissions climate scenario projections on chronic physical climate hazards, such as average temperature increase and increased rainfall, as well as acute physical climate hazards such as flooding, bushfires, hailstorms and tropical cyclones. These risks were assessed over both 2030 (medium-term) and 2050 (long-term) time horizons.

The assessment took into account the useful life of the leased assets to help inform ongoing discussions and decision making on future leases, and the mitigating controls we will install to adapt and protect each site from physical climate-related hazards.

A second detailed assessment was then undertaken to understand the physical climate risks impacting the most strategic and financially material commodities in the products we sell.

We prioritised commodities that we have stronger leverage and influence over in the supply chain, such as those that frequently appear in our Community Co and Black & Gold private label brands. We determined the level of physical risk for each commodity on predicted and observed physical climate change impacts at various time horizons. For example, for some agricultural commodities there was significant evidence of temperature stress and changing rainfall patterns negatively impacting the growth and yield of crops in key regions that we and our suppliers source from.

Our Merchandising team will review opportunities to de-risk our supply chains by finding effective substitutes for those products that are most at risk, and we expect to start discussions with suppliers shortly. We will also be refreshing our due diligence and screening to help minimise the physical climate risks in our supply chain.

CASE STUDY
Forecasting hailstorm stock losses

In December 2007, Metcash’s Blacktown distribution centre was damaged by a severe hailstorm, resulting in significant financial losses from stock damage during the business’ busiest period. Hailstones punctured the warehouse roof in approximately 300 places and all stock inside was destroyed. While the warehouse was repaired and reopened six months later, the closure of the warehouse impacted the supply chain of over 350 IGAs, Foodworks and other independent retailers.

Similarly, in April 2015, Metcash’s largest distribution centre, the Huntingwood DC in Sydney, was damaged when 10–20cm-sized hail caused the warehouse roof to collapse. The Huntingwood warehouse is leased as part of the Goodman estate complex which covers 100,000 square metres. The costs associated with the incident were covered by insurance, however damage to stock and business closure resulted in a significant loss of sales and increased distribution costs.

In FY22 we quantified hailstorm risk projections to stock value to better understand how we will be financially impacted by climate-related events. We used our high emissions climate scenario and historical data on our Huntingwood warehouse damages to project the maximum foreseeable loss for hailstorm events in 2030 and 2050. We intend to use these forecast losses to inform site planning across Sydney, and in our discussions with our insurance providers.



CLIMATE RISK CONTINUED

Risk management

We acknowledge that Metcash is exposed to a degree of physical and transition climate risk across all areas of our operations, and in our supply chain.

Given our position in the value chain as a wholesale distributor, we have the flexibility to source products from a wide array of suppliers across a diverse product range, which limits the financially materiality of climate change impacts from any one product class. Within that context, and using the likelihood/consequence matrix, we determined there are seven moderate and one high risk areas. We are continuing to monitor these risks directly through the Climate Change Risk Register. Likewise, specific climate-related opportunities are also financially immaterial and, through our organisation-wide stakeholder engagement, were determined to be moderate to very low.

Our Group Risk and Assurance team facilitates the process for identifying and assessing Metcash's Group Risk Profile, focusing primarily on those strategic and operational risks that are most important to the Group. This team consults with our Pillar CEOs and CFOs and other relevant executives in updating the risk profile, evaluation and assessment.

Line managers are responsible for managing risks broadly, however we have assigned risk owners for climate-related risks in the Group Risk Profile, as well as in our Climate Change Risk and Opportunity Register. Strategic risks are typically considered over longer-time horizons, while operational risks are considered with shorter time horizons.

The majority of direct Group policy activities are owned by the Corporate Affairs and Corporate Responsibility group, which helps manage activities related to reducing our climate impact. In FY22 we sought to further integrate climate risk into our enterprise risk management. We did this by mapping the governance approach for financial and non-financial risks and reviewing climate-related responsibilities assigned to the Board, GLT, the ESG Council and climate-related risk owners.

Our Climate Change Risk and Opportunity Register was reviewed by the ESG Council, and we commenced the process of assigning risk owners and will soon determine residual risk scores for each risk, after determining risk treatment and mitigating controls. Climate change now appears as a material risk on the Group Risk Profile and in each of our pillars' risk registers.

We also established a Business Resilience Framework in FY22. This framework describes our integrated model to ensure effective anticipation, coping and adaptation to the impact of uncertainty, and serves to minimise the impact of a major disruption or emergency incident to the business.

Looking ahead, we are investigating managing, monitoring and reporting our climate-related risks using an enhanced company-wide governance, risk management and compliance system. This system will ensure integrated risk management at the Group, pillar and site levels.

Targets and metrics

Since 1960, Australia's climate has warmed by 1 degree Celsius, with shifting rainfall patterns, less cool days and more frequent hot weather¹. In FY22 we witnessed catastrophic floods on the eastern seaboard, following years of bushfires and drought. The Intergovernmental Panel on Climate Change states that global temperatures will stabilise when carbon dioxide emissions reach net-zero. For 1.5°C, this means achieving net-zero carbon dioxide emissions globally in the early 2050s; for 2°C, it is in the early 2070s.

Last year, following our support of the Paris Agreement, Metcash engaged a consultant to perform an analysis of both a 1.5°C and a below 2°C scenario for emissions reductions, referencing the Science-Based Target methodology. We adopted the more ambitious 1.5°C target to ensure our business is contributing our share to the global effort to reduce greenhouse gas emissions. In practice this has meant committing to a 42% emissions reduction trajectory to 2030 across our Scope 1 and 2 emissions based on the 2020 emissions baseline year. This target is being used to guide our programs for energy efficiency, renewable energy, site electrification and decarbonisation.

Pleasingly, we have continued to make good progress against both our pre-existing target of a 10% reduction in GHG emissions by 2025 and our Science-Based 2030 target. Our emissions pathway to 2030, including our historical emissions output by source from 2017, is shown on the next page.

1. <https://www.csiro.au/en/research/environmental-impacts/climate-change/climate-change-information>



CLIMATE RISK CONTINUED

This year we went further, looking beyond our 2030 SBT, and considered what would be required to achieve net-zero emissions by 2050, as well as an earlier 2040 target. In consideration of the leverage and importance of reducing emissions sooner rather than later, we adopted the target of net-zero emissions by 2040 for Scope 1 and 2. This will involve continuing to follow our existing emissions reduction path to 2030 as per our Science-Based Target, and then applying a new trajectory shown by the yellow line in the bottom right graph.

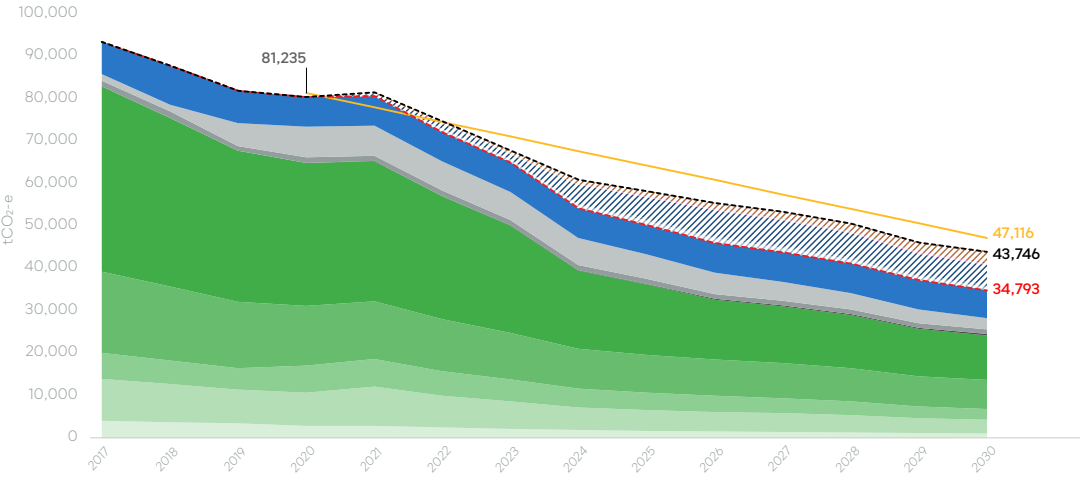
In addition to our steps to reach the 2030 target, the following steps will be required to reach our 2040 net-zero target.

- 100% renewable electricity across sites within our operational control
- Full site electrification
- Phase out of high-GWP (Global Warming Potential) refrigerant gas use
- Purchase of certified carbon offsets for any identified 'difficult-to-abate' emissions

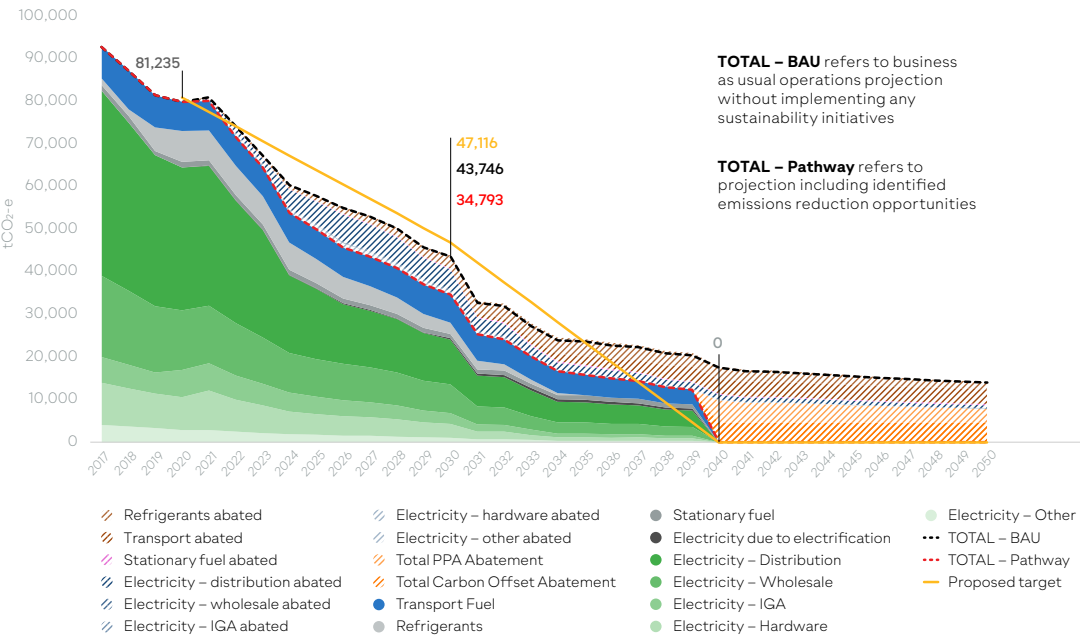
The achievability of the above identified opportunities was tested through diverse stakeholder engagement to collect and collate an accurate picture of energy efficiency measures and opportunities, with the results fed back to participants and sense-checked via a workshop. These opportunities (which refer to the current available technologies, not including any emerging technologies) are then factored into the emission modelling, timing of implementation and projected cost of implementation. It is estimated that the 2040 net-zero target has a positive net present value, incorporating ongoing operational costs associated with 100% renewable energy and carbon offsets.

We have also commenced modelling an internal carbon price to integrate into our financial forecasts, which is discussed in more detail later in this Report.

Science-Based Target to 2030



Net-Zero Pathway to 2040





CLIMATE RISK CONTINUED

Looking forward

Our roadmap for deepening the alignment with the TCFD and furthering our understanding and management of climate change impacts on, and by, our business is set out below.

| | Action | Pre-FY22 | FY22 | FY23 | FY24 |
|----------------------------|--|------------|-----------|-------------------|------|
| Governance | Align with internal stakeholders on level of climate ambition and the FY20 Climate Change Risk and Opportunities Register | | ● | | |
| | Board and management capacity building activities | | ● | | |
| | Clarify internal structure for climate-related accountabilities, including accountabilities and responsibilities for risk management at each level | | ● | | |
| Strategy | Undertake climate scenario analysis and develop Climate Change Risk and Opportunity Register | ● | | | |
| | Study substitutes for key commodity groups | | ● | | |
| | Physical asset deep-dive and development of climate risk mitigation plans for all physical assets | ● | ● | ● | |
| | Deep-dive analysis on extreme weather events, including modelling | | ● | | |
| | Continue use of scenario analysis in strategic decision making | ● | ● | ● | ● |
| Risk management | Integrate climate risk into the corporate risk register | | ● | ● | |
| | Document risk owners, control owners and actions in the corporate risk register | | ● | | |
| | Integrate climate risk management into existing enterprise risk management framework, systems and tools | | ● | ● | ● |
| | Treat and manage key risks | | | ● | |
| Metrics and targets | Calculate and monitor Scope 3 emissions | | ● | ● | |
| | Identify metrics for key risks | | | ● | |
| | Establish targets for key risks and align to pillar and enterprise strategies | | | ● | |
| | Monitor performance against targets and metrics | | | ● | ● |
| | Obtain third party verification over Scope 1 and 2 | ● | ● | | |
| KEY: | | ● Complete | ● Ongoing | ● Future activity | |

As our climate risk identification and management processes and systems mature, measuring our key climate risks will continue to be a complex and challenging task. In light of this, we have developed metrics associated with each moderate and high risk in the Climate Change Risk and Opportunity Register that become operational in FY23.

In addition to our continued focus on alignment with TCFD recommendations, we are also taking into consideration the draft International Sustainability Standards Board (ISSB) disclosure metrics for climate change. The climate-related disclosure above help address the disclosure guidelines from both of these standards. The ISSB standards are expected to be finalised in FY23 and we anticipate making appropriate references to the ISSB standards in that year's Sustainability Report.



ENERGY AND EMISSIONS

Metcash defines its operational boundary for the purposes of calculating Scope 1 and 2 emissions as being any entity in which Metcash or its subsidiaries have operational control, as defined by the operating policies test under the *National Greenhouse and Energy Reporting Act 2007*.

Metcash has 175 facilities over which it has operational control. These include:

- Distribution Centres (5)
- Independent Hardware Group (120)
- Metcash Food (32)
- Australian Liquor Marketers (17)
- Corporate (1)

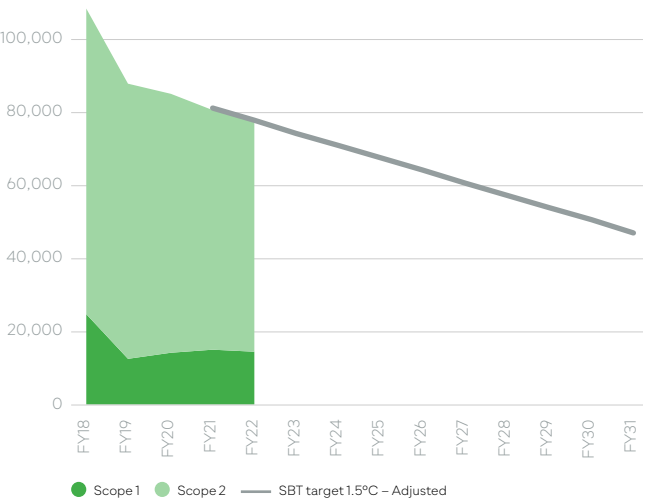
We calculate our GHG emissions using the Greenhouse Gas Protocol and annually submit an Emissions and Energy Report to the Clean Energy Regulator. Our total emissions, as reported under National Greenhouse and Energy Reporting System (NGERS) in FY22 were 77,706 tonnes of CO₂e, which represents a 3.64% reduction on the prior year (FY21: 80,648 tonnes of CO₂e). With the acquisition of Total Tools, adjusting the SBT (Science-Based Target) baseline has been necessary. The FY20 baseline was adjusted from 80,648 tCO₂e to 81,234 tCO₂e, a 586 tCO₂e increment, based on Total Tools electricity consumption. As a result, the adjusted 2021 SBT target is 77,823 tCO₂e. Compared to our latest NGERS report, we have achieved our interim SBT target by a reduction of 0.2%, which aligns with the emissions reduction trajectory.

This table shows the sustainability metrics based on our NGERS report.

| Year | Units | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|--------------------|------------|-------------|------------|------------|------------|
| Scope 1 | tCO ₂ e | 24,741 | 12,472 | 14,110 | 15,055 | 14,576 |
| Scope 2 (location-based method) | tCO ₂ e | 83,668 | 75,321 | 71,132 | 65,593 | 63,130 |
| Scope 1 and 2 (location-based method) | tCO ₂ e | 108,409 | 87,793 | 85,242 | 80,648 | 77,706 |
| Scope 2 (market-based method) | tCO ₂ e | 97,476 | 102,623 | 89,168 | 83,695 | 82,417 |
| Scope 1 and 2 (market-based method) | tCO ₂ e | 122,217 | 115,095 | 103,278 | 98,750 | 96,993 |
| % Coverage of Scope 1 and 2 by operations | % | 100 | 100 | 100 | 100 | 100 |
| Non-renewable energy | kWh | 94,756,118 | 101,276,262 | 89,356,066 | 83,739,892 | 82,095,780 |
| Renewable energy | kWh | – | – | – | – | 396,078 |

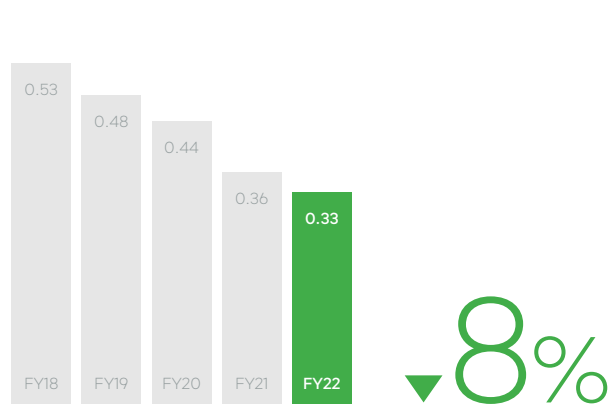
*Metcash Science-based Target (SBT) is based on a location-based method. *Year refers to the reporting year.

FY22 update on SBT



Total fuel consumption from non-renewable sources was 413,634 GJ. Grid electricity use, our largest source of emissions, reduced by ~2% to 82,095 MWh in FY22 from 83,739 MWh in FY21. This year we also reported our emissions and energy consumption on a 'per square metre of floorspace under operational control measure' basis.

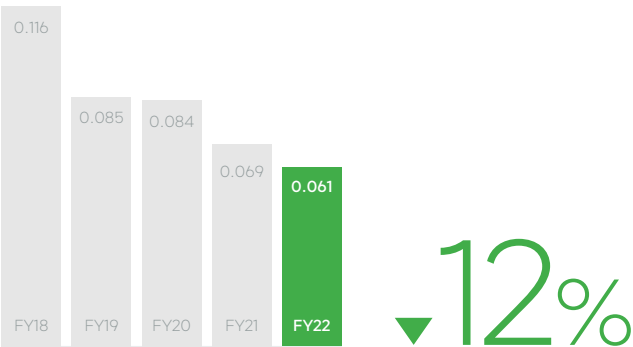
Year-on-year energy intensity by area (GJ/m²)



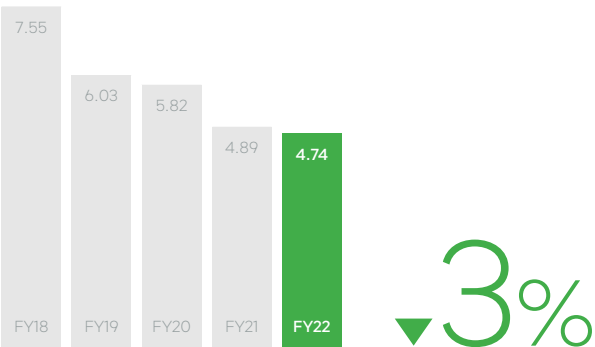


ENERGY AND EMISSIONS CONTINUED

Year-on-year carbon intensity by area (tCO₂e/m²)



Year-on-year carbon intensity by revenue (tCO₂e/\$m)



*The horizontal axis refers to the reporting year.

Carbon price

To assist with our target for emissions reductions, we internally modelled a carbon price both in terms of greenhouse gas intensity per unit of EBIT, and greenhouse gas intensity of capital spent on equipment known to have an impact on our Scope 1 and 2 emissions. Our carbon price modelling is now being further refined and considered for integration into our strategic decision-making process.

External verification of emissions

Our commitment outlined in last year’s TCFD roadmap was to seek third party verification of our emissions. As we prepared for the FY22 NGER (National Greenhouse and Energy Reporting) submission we noted some variances in relation to FY21, which indicated potential underreporting. As a result, we decided to engage a consultant to review our FY21 (Australian Financial Year FY20) NGER data collection and submission. This reporting year was also selected for greater oversight due to it being the baseline data year for our Science-Based Target.

While reviewing the data we determined that Method 3, under the ‘National Greenhouse and Energy Reporting Scheme Measurement Technical Guidelines’ for the estimation of emissions for refrigerant gas calculations, underrepresented the Group’s total emissions and therefore Metcash has chosen to adopt Method 1 for refrigerant gases, based on assumed leakage rates. We also discovered some minor discrepancies in fleet fuel data and electricity data. The following adjustments have been made to our baseline year emissions:

- 1. Refrigerant data was understated: 0.7 tCO₂e was reported to NGERs. The report should have been 7,088 tCO₂e. This is a positive variance of 7,088 tCO₂e.
- 2. Fleet Fuel data was understated: 6,153 tCO₂e was reported to NGERs. The report should have been 6,755 tCO₂e. This is a positive variance of 602 tCO₂e.
- 3. Electricity data was understated: 65,584 tCO₂e was reported to NGERs. The report should have been 65,593 tCO₂e. This is a positive variance of 9 tCO₂e.

Scope 3 emissions

Metcash has managed, reduced and reported its operational emissions for more than a decade. More broadly, we recognise that we also have an indirect impact on the emissions in our value chain. To commence our journey towards better understanding these indirect emissions, we investigated best-practice approaches and methodologies for estimating the extent of our Scope 3 emissions. We selected FY20 as the baseline year to align with our SBT 2030 emissions reduction target.

Obtaining comprehensive Scope 3 data is a significant challenge for any organisation. We sought guidance from the NSW Government’s Department of Planning, Industry and Environment to help determine a number of key factors including: where it was feasible to collect actual data; where sample data for extrapolation would be used; and which industry metrics would assist in establishing accurate estimates.



ENERGY AND EMISSIONS CONTINUED

A Scope 3 boundary was also set, using a relevance test endorsed by Climate Active Standard for Organisations and adapted from the Greenhouse Gas Protocol. Using the relevance test, Metcash’s Scope 3 boundary was determined as detailed below:

| Emissions type | Emissions source |
|--|---|
| Scope 3 emissions from facilities under the operational control of Metcash | <ul style="list-style-type: none">– Production and transport of liquid fuels other than petroleum oils or gases used for transport energy purposes– Production and transport of liquid fuels other than petroleum oils or gases used for stationary energy purposes– Transmission losses of electricity from main electricity grid within State or Territory,– Water consumption– Waste to landfill– Purchased goods and services<ul style="list-style-type: none">• Office supplies (inc. paper)• Postage and packaging• Professional services*• ICT services and equipment• Business travel (inc. flights, accommodation, taxis)– Staff commute– Staff working from home |
| Scope 3 emissions from upstream stakeholders | <ul style="list-style-type: none">– Production of traded goods (purchased goods and services) – operational emissions (Scope 1 and 2) of tier one suppliers of goods purchased by Metcash,– Transport of goods between suppliers and Metcash’s distribution centres. Emissions released from combustion of liquid fuels other than petroleum oils or gases – Transport energy purposes. |
| Scope 3 emissions from downstream stakeholders | <ul style="list-style-type: none">– Sale of traded goods (use of sold products) – operational emissions (Scope 1 and 2) of independent retail stores selling Metcash supply goods,– Transport of goods between Metcash’s distribution centres and retail stores (Metcash-operated and independently owned). Emissions released from combustion of liquid fuels other than petroleum oils or gases – Transport energy purposes. |

*Professional services include public administration and finance services, professional engineering services, rates and taxes, education and training, banking and investment, accounting and bookkeeping services, storage services, legal services, real estate services, cleaning services, security and personal safety, travel facilitation, insurance and retirement services, business services, accommodation and venue hire, advertising and promotion .

In our first year of Scope 3 data collection we focused on emissions where Metcash has an ability to directly influence. Our analysis to date does not include the following emissions sources:

| Emissions type | Emissions source |
|--|---|
| Emission excluded from Metcash Scope 3 emissions | <ul style="list-style-type: none">– The operational emissions from tier two suppliers to the very beginning of the supply chain– The embodied carbon of the traded goods– End-of-life of sold products– Upstream air and sea freight emissions– Hardware’s upstream and downstream freight emissions (some downstream Hardware emissions are included in Scope 1) |

Our estimated Scope 3 emissions have been allocated into three segments – organisational, upstream and downstream emissions.

Metcash’s Scope 3 organisational emissions are estimated at 7% of our overall corporate carbon footprint (when including Scope 1, 2 and 3). The organisational Scope 3 emissions are those that relate to our internal corporate activities such as procurement of non-trade goods and services. Organisational emissions for Scope 1, 2 and 3 have been estimated to account for 16% of Metcash’s total Scope 1, 2 and 3 emissions. The remaining 84% is derived from upstream and downstream emissions.



ENERGY AND EMISSIONS CONTINUED

The breakdown of emissions sources are shown below.

| CARBON EMISSIONS | 2020 |
|--|----------------|
| Scope 1 emissions (tCO₂e) | |
| Stationary energy – Natural gas, Diesel and LPG | 1,221 |
| Transport – Fleet vehicles | 6,756 |
| Refrigerants | 7,087 |
| Total Scope 1 emissions (tCO₂e) | 15,064 |
| Scope 2 emissions (tCO₂e) | |
| Purchased electricity | 65,590 |
| Total Scope 1 and 2 emissions (tCO₂e) | 80,654 |
| Scope 3 organisational emissions (tCO₂e) | |
| Professional services | 28,373 |
| Waste to landfill | 13,840 |
| Electricity transmission and distribution losses | 7,743 |
| Staff commute | 7,581 |
| Office supplies (inc. paper) | 5,853 |
| ICT services and equipment | 4,466 |
| Postage and packaging | 920 |
| Working from home | 618 |
| Water consumption | 615 |
| Business travel | 477 |
| Production and transport of liquid fuels for transport – Fleet vehicles | 346 |
| Production and transport of liquid fuels for stationary energy purpose – Natural gas, Diesel and LPG | 76 |
| Total Scope 3 organisational emissions (tCO₂e) | 70,909 |
| Total Scope 1, 2 and 3 organisational emissions (tCO₂e) | 151,563 |

| CARBON EMISSIONS | 2020 |
|--|----------------|
| Scope 3 upstream stakeholders emissions (tCO₂e) | |
| Suppliers operational emissions (tier one only) | 303,723 |
| Logistics between suppliers and Metcash distribution centres | 63,572 |
| Total Scope 3 upstream stakeholders emissions (tCO₂e) | 367,295 |
| Scope 3 downstream stakeholders emission (tCO₂e) | |
| Independent retail stores operational emissions | 369,291 |
| Logistics between Metcash distribution centres and retail stores (Metcash-operated and independently owned). | 55,625 |
| Total Scope 3 downstream stakeholders emissions (tCO₂e) | 424,916 |
| Total Scope 3 emissions (tCO₂e) | 863,120 |
| Total Scope 1, 2 and 3 emissions (tCO₂e) | 943,774 |

The following assumptions and factors were applied during the calculation of our Scope 3 data:

- Figures are reported using the location-based accounting method.
- Extrapolation is used to estimate incomplete data sets such as water consumption, waste to landfill, suppliers and independent retail stores operational emissions.
- The emissions factors of the top 10 suppliers have been calculated and used to extrapolate the emissions of the remaining suppliers in the same category, due to limited access to broader data sets.
- The emissions from upstream logistics are expected to be greater than downstream logistics. This is because:
 - For downstream freight, goods are mostly transported to the retail stores from the closest distribution centre. As such, the majority of the transport is happening locally or within a state. No air and water transport vehicles are used in downstream freight.
 - For upstream freight, some goods are transported via air and water transport from international suppliers to suppliers' local distribution centres and subsequently via land to Metcash's distribution centres. Additionally, some goods are transported interstate via land transport.

The emissions sources from upstream logistics share similar characteristics to the emissions sources from downstream logistics. These are:

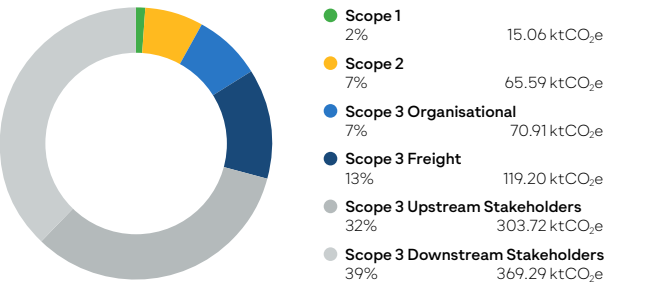
- The volume and weight of transported goods is the same for upstream and downstream freight. On an annual scale, the same amounts of traded goods enter and leave the Metcash-operated distribution centres.
- The number of Metcash-operated distribution centres is the same for upstream and downstream freight. These represent the destination for upstream freight and the origin of downstream freight.

Due to the lack of available data from upstream logistics, upstream emissions are considered to be equivalent to downstream logistics emissions, with an uplift factor of 20% applied.

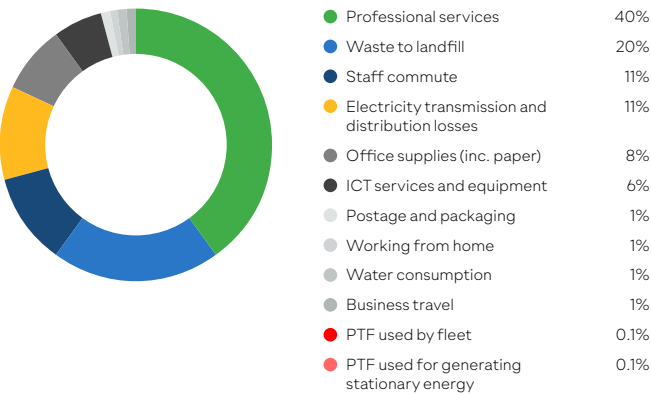


ENERGY AND EMISSIONS CONTINUED

Baseline year carbon footprint



Scope 3 baseline year Organisational



The boundary mapping and Scope 3 measurement exercise help us to better understand Metcash’s area of influence and opportunities. We are developing a roadmap to better understand the opportunities which include more extensive data collection, determining our sphere of influence over value chain emissions and creating a heatmap for interventions. In future years, with improving data accuracy and less reliance on extrapolation, we aim to disclose Scope 3 intensity metrics.

Emissions reduction activities

This year we commenced an extensive review of energy efficiency opportunities, enhanced our monitoring of interval data, continued to plan for additional on-site renewable energy and set up working groups to review and implement emissions reduction activities.

Our solar output at our new Gepps Cross, South Australia DC was 396,078 kWh. Metcash also has solar installed at several Mitre 10 locations including Capalaba and Nerang in Queensland and Launceston, Tasmania. We have plans to install solar at three additional sites in FY23.

This year we engaged energy specialists Schneider to provide energy management services to our assets including energy reduction consultation, metering and monitoring. Potential electricity savings of 3.1 mil kWh per year have already been identified. This is equivalent to 2.56 ktCO₂e savings per year as detailed in the next column.

| Pillar | Potential electricity savings per year (kWh/year) | Potential carbon savings per year (kg CO ₂ e/year) |
|----------------------|---|---|
| Food | 836,435 | 682,668 |
| Liquor | 384,352 | 347,411 |
| Hardware | 1,005,792 | 840,986 |
| Distribution Centres | 869,430 | 692,748 |
| Total | 3,096,009 | 2,563,813 |

Fleet

Although fleet emissions represent a small percentage of Metcash’s overall emissions, our internal fleet team and logistics teams have assessed our vehicle range and logistic operations with the view of reducing fuel use and improving the emissions intensity of transported goods. Initiatives conducted this year include:

- Committing to switching Company vehicles to hybrid-electric
- Upgrading half of our trucks on order to Euro 6 emissions rating
- Working with retailers and logistics providers to optimise routes, delivery windows and delivery frequency to reduce travel times
- Reviewing warehouse layout to reduce equipment travel time and energy consumption
- Proactively auditing and inspecting refrigeration plant to ensure optimal operation



ENERGY AND EMISSIONS CONTINUED

Green Star facilities

Metcash has committed to working towards Green Star for any newly constructed facilities. We recently announced that we have committed to a new DC in Truganina, Victoria with construction to align with a 5-Star Green Star sustainability rating which reflects Australian Excellence in sustainable building. Sustainability features of the new DC will include:

- 2.7MW solar PV
- Full LEDs throughout
- Metering and monitoring systems to provide consumption data
- Responsible material selection (prioritisation of materials with Environmental Product Declarations and other certifications)
- Healthy buildings (considering factors such as air, light, acoustics, toxins)
- Built with climate change resilience in mind
- Reduction of the heat island effect
- Reducing and offsetting upfront carbon emissions
- Full site electrification
- Reducing water use through efficient fixtures and using rainwater for irrigation
- Designing with people in mind (e.g. active transport options, inclusion)
- Reducing negative impacts to nature and improving biodiversity
- 90% of construction and demolition waste is diverted from landfill
- Energy use is at least 20% less than a reference building
- 30% reduction in life cycle impacts when compared to standard practice

National Australian Built Environment Rating System (NABERS)

Established in 1998, NABERS is a standardised rating system that measures the energy efficiency of a building. It provides simple, reliable, and comparable sustainability measurement across different building types and sectors including hotels, shopping centres, apartments, offices and data centres. It is a world-recognised and robust rating tool that has been adopted internationally in New Zealand and the United Kingdom.

Until recently, there was no specific rating tool available for warehouses, cold-stores and supermarket sites. As part of the Australian Government’s commitment to transition to net-zero emissions, NABERS is expanding to cover these property types. Metcash has agreed to be an early adopter through the NABERS Acceleration Program, and we are currently on the advisory panel to assist with the development of the new tool. This aligns with our aim to be a responsible business, reduce energy usage across our business operations and participate constructively in industry-wide sustainability initiatives.

We have nominated our Huntingwood, New South Wales and Gepps Cross, South Australia distribution centres to be part of the warehouse and cold-stores pilot rating. We are excited about the new tool’s development, as it will assist our business in benchmarking energy use, both internally and externally, and assist us to identify areas for future improved energy efficiency.

WATER

Changing rainfall patterns and environmental pressures on fresh water sources continue to be a global challenge.

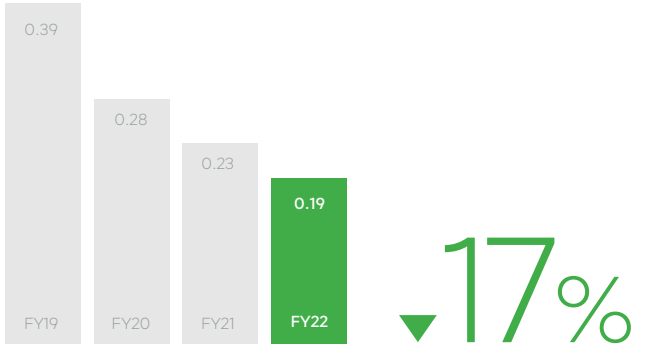
Our operations are not considered water-intensive or water-sensitive, however we are actively monitoring our water consumption and continue to work with our landlords to improve water efficiency at our distribution centres. Active management of digital water meters is helping us to better identify and rectify leakages early.

Metcash’s water intensity is shown below.

| | Units | FY19 | FY20 | FY21 | FY22 |
|------------------------------------|-------|------|------|------|------|
| Water Intensity | kL/m² | 0.39 | 0.28 | 0.23 | 0.19 |
| Data coverage* (as a % by area) | % | 27% | 28% | 24% | 37% |

*Refers to the availability of water data measured by the total portfolio area.

Year-on-year water intensity by area (kL/m²)



*The horizontal axis refers to the reporting year.

We will continue to expand our coverage of water data across more Metcash sites to help better understand and manage our water consumption and reduction opportunities.



WASTE AND RECYCLING

- In FY22 we engaged an external waste consultant to review our current waste practices at two Distribution Centres, a Mitre 10 and an IGA store, with the goal of determining both quick wins and a pathway to net-zero waste for our business operations.
- The review assisted in the following initiatives being implemented:
- Successful source separation of baled cardboard and plastic at warehouse
 - Diversion of some timber pallets from general waste bins to timber recyclers
 - Reuse of timber pallets
 - Implementation of ‘simply cups’ coffee cup recycling solution for disposable cups and lids
 - An increase in the diversion of food waste through donations collections by rescue partners OzHarvest, Foodbank, Food for Change, and other local charities
 - Introduction of food organics bins at distribution centre
 - Improvements to signage in warehouses, commercial kitchens, canteens and offices to encourage recycling and educate team members on the recyclability of items

- The year also included developing a Metcash Waste Avoidance and Resource Recovery Roadmap. This includes six key actions that are expected to help us achieve our aim of zero waste. These are:
- Improve waste management data capture and review
 - Optimise waste avoidance and resource recovery
 - Lead and support retailers to improve waste management
 - Engage third parties and contractors with waste reduction and resource recovery
 - Shift the culture around waste management
 - Maximise customer participation in a circular economy

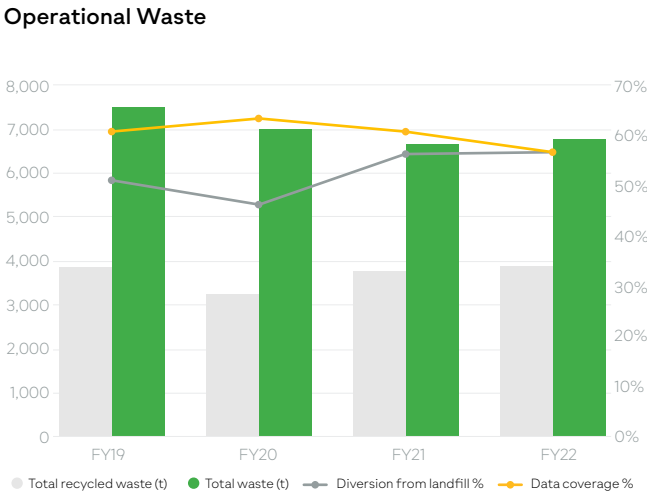
Determination of the roadmap timetable is underway.

The chart to the right shows recent history for our recycled and total waste. The grey line shows the increase in 2020 and 2021 of our diversion from landfill.

Polypropylene pot plant recycling

Metcash, through the Hardware pillar Independent Hardware Group (IHG), took part in an industry pilot conducted in conjunction with the Australian Packaging Covenant Organisation (APCO) to test the feasibility of an industry-wide circular recycling solution for pot plant materials. This included pots, planting bowls, racks, seed and punnet cell trays, signs, tags and labels.

Two of IHG’s Mitre 10 sites were selected for the pilot which included local stores working with the community to encourage the return of used pots and related items. In just a few months, more than 120kg of materials were returned across two sites. An extension of the pilot program is currently being investigated.



*Liquor and food business.
*The horizontal axis refers to the reporting year.



WASTE AND RECYCLING CONTINUED

Packaging

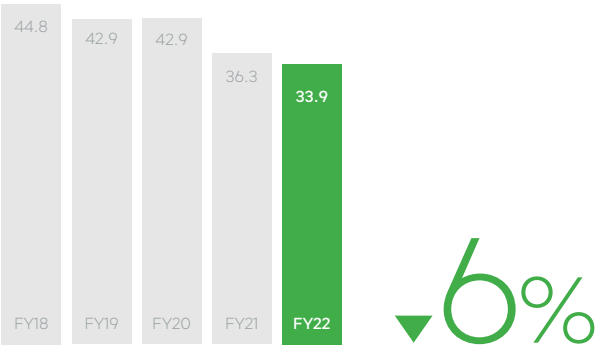
Metcash is a member of APCO and has adopted its 2025 national packaging targets of:

- 100% reusable, recyclable or compostable packaging
- 70% of plastic packaging being recycled or composted
- 50% of average recycled content included in packaging
- The phase out of problematic and unnecessary single-use plastics packaging

With wholesale distribution being at the core of our business we inevitably use a significant amount of plastic pallet wrap. We have an ongoing collaboration with our largest plastic wrap supplier (Signet) to improve our packaging efficiency, whilst at the same time, reducing overall plastic usage.

The reductions achieved in recent years are reflected in the chart below, with the weight of plastic purchased by revenue decreasing from 42.9 kg/\$m in FY20 to 33.9kg/\$m in FY22.

Year-on-year plastic wrap usage intensity by revenue (kg/\$m)



*The horizontal axis refers to the reporting year.
*Data is provided by Signet (our largest plastics wrap supplier).

Within our Food retail network, the Foodland group of retailers in South Australia, as part of its commitment to Better Packaging, has achieved significant progress in improving packaging outcomes. This includes:

- Switching to local (South Australian) sourced paper bags
- Offering compostable deli paper and containers
- Introducing meat trays made from recycled content
- Providing the community with soft-plastics recycling services at 52 store locations

Disposal of COVID Personal Protective Equipment (PPE)

Additional PPE such as masks and gloves, as well as on-site Rapid Antigen Testing kits have been necessary as part of our COVID-Safe initiatives to protect the health of our people and enable the business to remain operational. Metcash has worked with dedicated hygiene contractors to help segregate PPE items for disposal into clinical waste bags and bio-hazard bins at our distribution centre facilities, ensuring these used items were not placed in general waste.

Battery recycling

Our Hardware pillar has commenced the rollout of a national in-store battery recycling drop-off service across its network of Mitre 10 and Total Tools stores, with the initial focus being Victoria and New South Wales. We also plan to extend the program to the Food pillar’s IGA store network in FY23.

The initial trial of 40 stores within the IHG network collected approximately 1,600kg of batteries in a three-month period, resulting in the prevention of 250kg of CO₂e emissions. The success of the trial has led to an additional 25 units being installed across Mitre 10 sites, with another 100 units now installed at Total Tools sites. With these additional sites, a further 6,879kg of batteries have been collected, resulting in the prevention of 1,077kg of CO₂e emissions during December 2021 to April 2022. In addition to hardware sites, the IGA and Foodland groups added over 300 locations this year.

Paint Back

Through the Paint Back program, Australians have safely disposed of more than 36 million kilograms of paint since the program was established in 2016, diverting paint from landfill and our vital waterways. Recycled paint is converted into an alternative fuel source replacing coal, or the water is extracted and used by other industries, reducing the need to use mains water.

IHG is supportive of the Paint Back program and continues to promote the program through its in-store and online catalogues.

Australasian Recycling Label

Metcash supports the use of the Australasian Recycling Label (ARL) to assist customers to determine the best pathway for post-consumer packaging material recovery. All new artwork design on private label products in the Food pillar contains the ARL, with ~50% of our own-label products in the Liquor pillar now featuring the ARL on-pack.



RESPONSIBLE SOURCING

Metcash is committed to being a responsible member of the communities in which we work and live, and we expect the same of our suppliers.

We are on a continual journey to improve our policies, systems and targets associated with achieving this outcome. This year, through the GRI process, we had further engagement with our retailers, end customers, team members and sustainability consultants to determine which sustainability areas are most important for our Food network. Responsible sourcing continues to be an area of focus for Metcash, particularly with our own brand private label products, where we have the most control and influence on the lifecycle of the product, its ingredients and packaging.

Beyond private label we are working on integrating sustainability claims from branded products into the product catalogue provided to our retailers. This will assist our retailers in making decisions on product ranging, using a sustainability lens.

A differentiating factor for our independent store networks is that each store is able to source products from local suppliers and artisans within its regional area. For products sourced directly by our retailers Metcash is supporting retailers to work towards responsible sourcing goals with their local suppliers by delivering toolkits and training to store owners. These toolkits include guidance on supplier screening and circular economy opportunities. The stronger connection to local sourcing often means our retailers have greater knowledge of their immediate supply chain and the sustainability of that supply chain, with likely fewer emissions in transporting these goods from supplier to retailer.

To deliver on our existing and new commitments in relation to product and supplier sustainability, we have strengthened our sustainability team by hiring two subject matter experts to help drive implementation of our enhanced private label standards. We have also invested in a new product specification technology to enable the tracking of sustainability standards in our products to provide more granular level reporting, with our aim to report in reference to GRI in FY23.

Responsible practice and environment

We are aware that the products we source have impacts on the environment and within communities throughout our supply chain. We are committed to continuing to provide the best quality products to our customers, while also aiming to protect the ecosystems we rely upon and the livelihoods of those communities. Our current standards and goals for our private label range of products include:

Palm Oil

All palm (kernel) oil used in our private label food and drink products is to support the production of Roundtable on Sustainable Palm Oil (RSPO) sustainable palm (kernel) oil by 2025. All palm (kernel) oil and derivatives in non-food products and pet food is to support the production of RSPO sustainable palm (kernel) oil by 2028.

While Metcash has already achieved our stated goal, our aim next year is to provide a breakdown of the sourcing systems used (i.e. mass balance, segregated, identity preserved and book & claim).

Tea, coffee and cocoa

Single ingredient tea, coffee and cocoa, and cocoa used in solid chocolate blocks, is to be independently certified to either Rainforest Alliance, Fairtrade or Cocoa Horizons by 2025.

Timber, pulp and paper

Timber, pulp and paper products are to be sourced from plantations independently certified against sustainable forestry standards, such as the Programme for the Endorsement of Forest Certification (PEFC) or equivalent by 2025.

Australian first sourcing

All Community Co products to be sourced from Australian suppliers and farmers first, unless the Australian product quality, supply or innovation is insufficient to meet customers' needs, or there is a requirement for international provenance.

Animal welfare

Sourcing products in a responsible manner is essential to the long-term success of our business. We know our customers expect us to act responsibly when sourcing animal products.



RESPONSIBLE SOURCING CONTINUED

In 2022, we started rolling out a set of logos in our Private Label products to demonstrate they are sourced in accordance with specific animal welfare principles. Our logos show which animal protein is present in the product and it ensures that the following criteria are met for each protein type:

Pork:

Pork labelled as Sow Stall Free Pork is APIQ✓® certified to ensure that gilts and sows are kept in loose housing and have freedom of movement during their gestation period. The APIQ✓® Standards also ensure that health and welfare care standards are met and that pigs always have plenty of feed and water. Facilities are provided and maintained to protect pigs from weather extremes and injury and, if pigs are raised outdoors, they have appropriate access to shelter. The standards also ensure that pigs are cared for by competent stockpersons, and husbandry and animal welfare practices are done based on the *Model Code of Practice for the Welfare of Animals – Pigs*.

Chicken:

Chicken products labelled as Responsibly Sourced are sourced from animals farmed with higher welfare standards. Those standards ensure that chickens grow in a farm environment with:

- Enough space to move around and flap wings
- Lighting resembling day and night
- Access to perches, allowing for stronger bones and muscle
- Quality bedding, allowing birds to dustbathe and forage
- Other requirements set by third party standards that promote better welfare and natural behaviours.

Fish and seafood

Metcash understands that the supply of fish and seafood in our oceans is limited, and that we must use these resources in a sustainable manner. We are committed to providing our customers with quality fish and seafood products while ensuring future generations still have plenty of fish in the sea.

Every product that is compliant with our Seafood standards bares our responsibly sourced seafood logo. This means that the seafood is either:

- Marine Stewardship Council (MSC) certified for wild-caught seafood; or
- Certified to a third party Aquaculture standard: Aquaculture Stewardship Council (ASC), GLOBAL G.A.P., or Best Aquaculture Practices (BAP); or
- Assessed against Metcash Responsibly Sourced Seafood Requirements, which are currently being developed and will define minimum criteria for wild-caught seafood which is not MSC certified.

For products with farmed seafood, we require farms to comply with local legislation and follow third party standards which minimise the impact on the surrounding environment. Farms must also operate in a socially responsible manner, concerning the welfare of employees and local communities.





OUR PEOPLE



We recognise that our people are the most important element of our organisation, with safety, belonging, engagement and inclusion fundamental to our culture and our core values. This recognition underpins our purpose of Championing Successful Independents, and our focus on being 'A Favourite Place to Work'.

DIVERSITY, EQUITY AND INCLUSION

Metcash is committed to championing and achieving diversity awareness, gender equality and representation, gender pay equity, promotion and leadership support, flexible working and policies and initiatives that support all people across the organisation.

This ongoing commitment is reflected in being awarded the Workplace Gender Equality Agency Employer of Choice for Gender Equality (WGEA EOCGE) citation for the fourth consecutive year.

We recognise that each person has unique strengths, and that high performance is underpinned by developing those strengths. We maintain an unwavering focus on building and supporting a diverse and inclusive culture to better serve our communities and customers. We aim to promote and deliver an environment where our people feel safe, recognised and encouraged to bring their most authentic self to work.

We believe that everyone has a part to play in promoting diversity and belonging, supporting equal opportunity and respecting others. We have no tolerance for unlawful discrimination, bullying, harassment or victimisation. This includes having no tolerance of gender-based harassment and discrimination, sexual harassment and bullying. We regularly analyse and report gender pay statistics to the People and Culture Committee with a firm commitment from the Metcash Board to address like-for-like salary gaps. When determining commencement salaries, gender pay equity is a key consideration to ensure there are no pay gaps at the beginning of the employee life cycle, and we consciously consider promotion salary adjustments to mindfully manage pay equity. We also conduct a final review of pay equity as part of our annual remuneration review to avoid any unconscious bias in pay decisions.

DIVERSITY, EQUITY AND INCLUSION CONTINUED

Metcash is also committed to building a constructive, diverse culture, and to do so through investment in leadership development. Our aim is to develop leaders who role-model our Metcash expectations of behaviour in relation to a culture of inclusion. In addition, our talent reviews and career development processes are designed to mitigate bias and encourage diversity of thought. Our leadership and talent development programs are designed to strengthen the talent pipeline, engage and retain our people, and support great careers at Metcash for both genders.

Our programs to support diversity and enhance inclusion in our workplace include:

- Achieving a gender pay gap of ~1%
- Progressing towards our gender diversity target of 40/40/20 by 2025 (current female representation 46% at Board/Group Leadership Team level)
- Establishing an active Diversity, Equity and Inclusion Council which champions gender equality across the business
- Growing our employee network groups to support our LGBTQ+ community (MetPride) and our First Peoples Group (Jumbunna) representing our Aboriginal, Torres Strait Islander and Māori team members
- Tailoring parental leave policies for all genders to support births, stillbirths, surrogacy, miscarriages and adoption

- Advertising to attract females into traditionally male-dominated roles
- Refreshing the 'Employee Value Proposition' and branding to reflect the diversity of the communities we work in
- Developing an Inclusive Leadership Program, which builds on our current understanding of unconscious bias, to shift behaviours and habits to inclusive leadership across all levels of Metcash
- Continuing to promote flexible working – being awarded FlexReady certification by FlexCareers
- Launching a Women in Leadership Program, a key initiative to grow our female talent and accelerate their leadership and careers
- Supporting our gender balance strategy by enhancing our recruitment practices, overlaying a gender decoder across all our job advertisements to minimise the use of gendered language and attract more diverse candidates to roles
- Providing each team member a day's leave per year where they can participate in volunteer opportunities to support our communities

CULTURE AND ENGAGEMENT

At Metcash we measure organisational culture biennially, and employee engagement annually.

Our cultural measurement is a longer-term measurement of the shared beliefs, norms and expectations that govern the way people approach their work and interact with each other. Our employee engagement measurement reflects our team members' satisfaction, intention to stay and their motivation. This year, we measured our culture and engagement using the Organisational Culture Inventory (OCI) and Organisational Effectiveness Inventory (OEI) from Human Synergistics to align with the measurement tools we use to build leadership capability. Overall, 73% of invited team members participated, across all pillars and functions.

With the introduction of a new culture and engagement tool, the previous engagement questions were also included to ensure a like-for-like comparison could be provided whilst also establishing a new baseline. Pleasingly, a 3.5% increase on the 2021 results was achieved as well as a new baseline at the 62nd percentile. This indicates that Metcash's engagement level is greater than 62% of international organisations (including in Australia and New Zealand) that we are benchmarked against.

We believe there is much to be proud of in how Metcash has addressed and continues to commit to diversity, inclusion, gender equality, gender pay equity and balance for all team members, and also much to improve upon.





HEALTH AND SAFETY

We are committed to the prevention of all work-related injury and illness to team members, contractors, visitors and our communities.

This commitment is reflected in our ongoing focus on providing safe and healthy working conditions, as well as compliance with applicable safety, health and environment legislation. Our commitment includes reinforcing a culture where our people always act safely and look to embrace new initiatives and technologies as we strive to achieve ‘Zero Harm’.

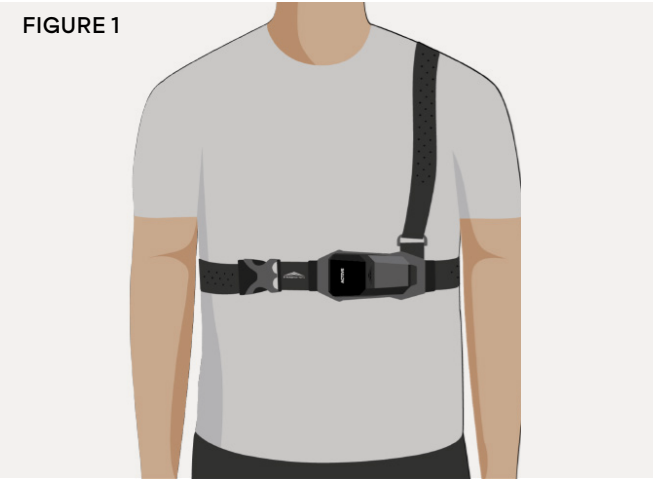
This year we achieved a 50% reduction against the prior year in high potential incidents and a small overall improvement in our primary lag safety score, as measured by Total Recordable Injury Frequency Rate (TRIFR). As part of our focus on driving further improvement through exploring new health and safety technologies, this year we are investing in a new online safety platform (DoneSafe) which is expected to provide benefits in FY23.

Safety culture

We continue to build on our safety leadership capabilities by including safety in the new leader induction forums, conducting safety alliance training for our current people leaders, and promoting ongoing awareness of safe behaviours for all team members through monthly Toolbox Talks. Safety is also a meaningful determinant of our Group Leadership Team’s variable pay.

Our leaders are encouraged to implement strong safety leadership behaviours. This is being delivered through the creation of an open and supportive environment for incident reporting, investigation and sharing learnings, as well as daily safety conversations with teams and a focus on proactive hazard reporting and rectification.

FIGURE 1



Information from Fuse technology is driving change in the future design and layout of our distribution centres to reduce injury risk. Analysing location-specific data in consultation with team members is being used to look at localised ways of improving the way we work.

Lead indicators

Pleasingly, positive results were achieved in the year against the team’s lead safety indicators which include: engagement conversations (19% above target), safety communications (51% above target), safety workplace inspections (65% above target) and hazard reporting and rectification (20% above target).

Wearable technologies

Metcash was honoured to win the NSCA Safety Excellence Award for best WHS Training Program for our Fuse Wearable Technology Manual Handling Training. We were also a finalist for the best WHS Solution for a WHS Risk award for improvements made to the racking and layout of our Distribution Centre in Laverton, Victoria. These improvements were a direct result of the data collected from our wearable technology program.

We have now moved to full implementation of the wearable technology following the completion of successful trials in FY22. The technology monitors ergonomic injury and proximity detection in real time. The derived data is being used to improve our understanding of manual handling risk, leading to improved warehouse practices and warehouse design.

The wearable technology is available to DC and regional branch trainees and those undergoing refresher training. All those undergoing the training receive individual feedback and coaching to help them be safer in their roles. The outcomes from adopting the wearable technology have led to us extending it to include ‘exotechnology skeletons’ that assist in building functional movement capacity and maximising clinical rehabilitation for return-to-lifting activities.



HEALTH AND SAFETY CONTINUED

Mobile materials handling equipment

We continue to focus on reducing and eliminating pedestrian and mobile plant interaction risk in our workplace. In collaboration with our materials handling equipment provider in our Crestmead, Queensland DC, we have been testing new transponder technology that warns pedestrians and drivers of the risk of collision, while also automatically slowing the mobile plant if a collision is imminent. The trial recently concluded, and we expect the learnings to be applied in future trials and application of the technology.

Safety and environmental benefits were delivered through the recent replacement of gas forklifts by electric units in our Queensland wholesale business. The change led to elimination of the risk of gas-related injuries while also reducing the direct use of fossil fuels in our operations.

Promoting responsible driving

Metcash undertook to improve the visibility of fleet vehicle safety across the organisation, raising awareness of fleet safety performance, implementing a fleet safety corporate standard and gaining commitment through driver declarations. An outcome of this program is that we achieved an 11% reduction in at-fault incidents and our fleet claims costs reduced by 49% in FY22 against the previous year.

Chain of responsibility

Following the refreshing of our chain of responsibility procedures and rolling out of new awareness training in FY21, this year focused on implementation of the procedures and testing of our new transport management system. This included an AMCAS (Australian Logistics Council Master Code Auditing Service) audit of a wholesale business site in New South Wales. The outcome was 100% compliance with the procedures, which reflects the successful implementation of the transport management system and compliance with relevant regulatory requirements.

Plans are in place to implement collision warning, lane departure and speed detection in all vehicles, as well as investigating other technology options for fatigue detection in all heavy vehicles.

Total Reportable Injury Frequency Rate (TRIFR)

Our TRIFR safety performance indicator improved slightly to 27.00 (FY21: 27.11). While there is much more to do, it was pleasing to deliver an improvement in the context of unpredictable demand surges, supply chain and COVID-related challenges and a tight labour market. Compared to the prior year, an additional 250,000 hours were worked in our large DCs to ensure our retailers' shelves remained stocked and able to continue serving their local communities.

COVID-Safe

Our COVID-Safe plans focused on keeping our people safe and sites operational have been positively acknowledged by state regulators. Our plans included:

- COVID-Safe pre-shift checklists and procedures
- Ongoing regular cleaning of high-touch surfaces
- Hand sanitiser stations in our workplaces and stores
- Physical distancing measures in our indoor areas such as meeting rooms, offices and canteens
- Creation of shift bubbles to reduce exposure
- Face mask protocols
- Installation of smart devices in DCs to measure interactions and assist with contact tracing
- Development and use of an app for team members to complete pre-work declarations
- Temperature checking

COVID-Safe practices have been implemented at all Metcash sites, and we continue to support our independent retailers with business continuity including the safety of their customers and team members so they can continue supplying essential goods to their local communities.

HEALTH AND WELLBEING

Mental health

Metcash again received Gold Accreditation by Mental Health First Aid Australia. Our mental health first aid network has grown to now include ~220 team members, all accredited by Mental Health First Aid Australia at Gold level.

The risk of mental health issues has increased as a result of the many challenges and changes associated with the COVID pandemic. To help address this risk we have expanded our support programs to include mindfulness and stress support sessions to team members and their families and now offer clinician-led 'Mental Health in Practice' sessions and offer our 2021 Learn-X Award-winning 'Grow and Thrive Program' to team members. Metcash also provides a number of these resources to our retail network via e-learning modules and workshops.

In our Hardware pillar, IHG partnered with 'The Oranges Tool Kit' to promote positive mental health, wellbeing and resilience among our people. The 'Oranges Tool Kit' is a social enterprise established by Camp Quality in 2017. It focuses on building mental and emotional agility to equip team members to adapt positively to complexity, change and adversity through practical skills, collaboration and innovation. This support is provided through online modules, webinars and videos as well as face-to-face sessions.



OUR CUSTOMERS



Metcash is committed to the promotion of living healthier and happier lifestyles, and inspiring shoppers to take positive action for their health and the health of their community. With our store network reaching ~95% of all Australians, including far and wide into regional and remote locations, we play a vital role in servicing the nutritional and dietary requirements of Australians.

PRODUCT QUALITY, AND HEALTH AND NUTRITION

We aim to make it easier for shoppers to make good food choices and are focused on eliminating the following from our private label range of food and drink:

- Artificial flavours and colours
- Added MSG
- Genetically modified ingredients
- Irradiation unless permitted by law or when it delivers scientific benefit, by exemption only
- Mechanically separated, de-boned and recovered meat as well as advanced meat recovery or extruded bone meat
- Mechanically desinewed meat



Health Star

Metcash has adopted and is committed to labelling our private label products with a Health Star rating, in line with Australian Government guidelines. As part of our product development we have taken the additional step of ensuring that all products that feature the Health Star rating are benchmarked against similar competing brands within the range, and that the Health Star rating for those products is equal to or better than the rest of the range.

We added more healthy eating options during the year through the expansion of our Community Co private label range. This included adding new healthy snacking options, as well as salads and conveniently packaged fresh vegetables. We are also developing our policy and targets for reduction of salt and sugar and we have already worked on reformulating and launching new products with lower salt content, following the Healthy Food Partnership guidelines, including our Italian ready meal range, soups, and our healthy meal range, encompassing more than 20 products.



Together with our independent retailers, we believe being a good local extends to supporting grassroots community groups. Together, we support a wide range of local organisations across Australia in areas such as helping local sporting clubs purchase equipment for kids’ sport, to responding to the needs of locals through crisis events such as floods and bushfires.

COMMUNITY AND CHARITIES

Through the IGA Community Chest program, when locals purchase certain products from their IGA store, a portion of the sale price is set aside in a fund that can be used by the store.




This enables the store to allocate available funds at a localised level, based on their community’s needs. In 2021, there were ~1,600 individual donations to local communities and charities. The combined total of these donations was almost ~\$2.4m.

We also continued to partner with our long-standing national charities of the Special Olympics Australia, the McGrath Foundation and St Vincent’s (Vinnies). These are charities that have a national presence yet offer grassroots localised support across Australia:

- Special Olympics Australia; a charity we have supported for 30 years to help empower people with disabilities to participate in sport. In the last 10 years we have provided \$1.48m of support, including ~\$199k in FY22.
- McGrath Foundation; a partnership that has been in place for 13 years to fund breast cancer care nurses in the community. In the last 10 years we have provided \$2.19m of support, including ~\$256k in FY22.

- St Vincent’s (Vinnies); our 11 year partnership helps provide support for those struggling to pay for basic necessities like food, rent and bills. In the last 10 years we have provided \$3.49m of financial support, including \$356k in FY22.

In addition to the community support provided through the Community Chest program and our specific partnerships mentioned above, separate disaster relief was also provided to our local communities.

| | | |
|---|---|--|
|  | <p>\$199k</p> <p>Contributed in FY22</p> | <p>\$1.48m</p> <p>Contributed over 10 years</p> |
|  | <p>\$256k</p> <p>Contributed in FY22</p> | <p>\$2.19m</p> <p>Contributed over 10 years</p> |
|  | <p>\$356k</p> <p>Contributed in FY22</p> | <p>\$3.49m</p> <p>Contributed over 10 years</p> |



COMMUNITY AND CHARITIES CONTINUED

Disaster relief

Flood appeal

This year's floods across Australia's east coast have been unprecedented in terms of total rainfall and the extent of their impact. In line with our mission to support communities where it matters, IGA raised a total of ~\$360k through our Rapid Response Plan, token sales and internal fundraising. Funds were then provided to Vinnies to support flood-impacted families. Vinnies operated six recovery centres in impacted areas offering face-to-face support and immediate disaster relief payments. Of the applicants for support, a quarter had lost their entire home, and the vast majority (about three-quarters) had no insurance.

IHG emergency relief fund

In our Hardware pillar, IHG established an Emergency Assistance Fund (EAF) in 2020 to help support communities impacted by natural disasters. Under the EAF, IHG matches its members' fundraising contributions dollar for dollar. This year our retailer National Advisory Council directed \$50k of funds from the EAF to partner Drought Angels to support the flood recovery effort in New South Wales, Queensland and South Australia. In addition, a further ~\$28k of product was donated to our local communities via the NSW Government program to support the immediate clean-up effort for flood-affected communities.

Beyond the above financial support, our retailers volunteered in the initial clean-up and subsequent recovery and rebuild phases of communities affected by natural disasters.

IGA Locals Matter community program

The IGA Locals Matter community program is all about thriving in the local community. In its third year, the program continues to provide educational material for members, including relevant content based on insights and trends in relation to healthy living, environment and the community. Content provided to our ~68,000 members includes information on community initiatives, promotions, tips and tricks on how to reduce food waste, how to live better lives (both physically and mentally), healthy recipe inspiration from

leftovers and a 'Food Waste Calculator' designed to provide an understanding of the true cost of food waste, using a life cycle assessment tool.

The program has also run promotions and competitions to help communities thrive. During Heart Health Month in February, the program held a competition to give away a defibrillator, allowing members to nominate local businesses for their chance to win.

This year we partnered with nutritionists from The Biting Truth to provide factual and helpful content for shoppers on how to lead healthy lifestyles through meal planning for adults and kids, nutrition FAQs and recipes tailored to health considerations such as heart health, immunity and low glycaemic-index.

Through partnering with our suppliers and third parties, we connect with members to promote healthy living and healthy environments. This year under our Locals Matter Pet Corner, together with Purina, we provided education and inspiration to pet owners on how to keep their furry friends happy and healthy.

Support for Indigenous business

Metcash, through various interactions, has been involved in supporting First Nation communities since 1986 and has supported key groups across Northern Territory, Queensland, and Western Australia primarily through our supply of goods to remote areas in support of local community stores.

One of the leading organisations we work with in this regard is The Arnhem Land Progress Aboriginal Corporation (ALPA), which recently celebrated its 50th anniversary. ALPA currently runs 27 stores across the Northern Territory. In addition to providing essential goods into remote communities, ALPA promotes economic independence for the community, through training, development and employment. As part of our engagement, Metcash also hosts students from ALPA communities into our facilities for work experience.

The ALPA Board reflects the communities of Arnhem Land, where it was formed, with Board members from Elcho Island, Ramingining, Croker Island, Mililingimbi and Gapuwiyak.

Food rescue

Our long-standing national donor relationship with Foodbank includes providing meals through food and grocery waste redirection, as well as much needed free freight support via our extensive distribution network.

The COVID pandemic has resulted in food charities reporting sharp increases in the number of people seeking emergency food relief. In addition to Foodbank, we also partner with OzHarvest and Food for Change to help provide meals for those in need. The demand for support increased again this year, and we were pleased to have been able to expand the food support provided by our wholesale and retail network. This year the combined support to the above charity partners increased 55%, to a total of 647 tonnes. This is the equivalent of providing more than 1.3m meals to those in need.

Metcash also partners with the FareShare program which focuses on providing food relief in regional and remote communities. In addition to food support, we utilise our logistical expertise and extensive network of independent retailers to facilitate the free transport of meals into regional and rural areas in Queensland. We also worked with our multi-site supermarkets retailer in Queensland, Cornetts, which generously agreed to play a key role in providing food support to local charities and community organisations located close to their stores.

Metcash's involvement with the FareShare program has helped to distribute ~11,000kg of pre-prepared nutritionally balanced meals to communities in need.



LABOUR STANDARDS IN THE SUPPLY CHAIN (MODERN SLAVERY)

Protection of vulnerable workers, upholding human rights and mitigating modern slavery remains a priority for Metcash and we reaffirm our commitment to address the risk of modern slavery practices both in our supply chain and our operations.

We continue to drive continuous improvement in the implementation of our anti-slavery program through internal collaboration across different teams who play a critical role in supplier management, updating and embedding supplier governance practices in our day-to-day business activities, ongoing supplier engagement, and analysis of our supply chains.

Metcash responsible sourcing

Our expanded responsible sourcing program has now been in place for three years and underpins our human rights approach towards managing supply chain worker risks. The Metcash Environmental, Social and Governance (ESG) Council, chaired by the Group CEO, is the primary governance mechanism for modern slavery and ESG risks. ESG risks are also overseen by the Audit, Risk and Compliance Committee, integrating modern slavery into our broader enterprise risk framework. [Our most recent modern slavery statement](#), published in 2021, provides additional detail on our program, actions and outcomes achieved in FY21. Further evaluation of our progress, including the effectiveness of our actions, will be included in our third Modern Slavery Statement that is due for submission by 31 October 2022.

Key achievements in FY22 include:

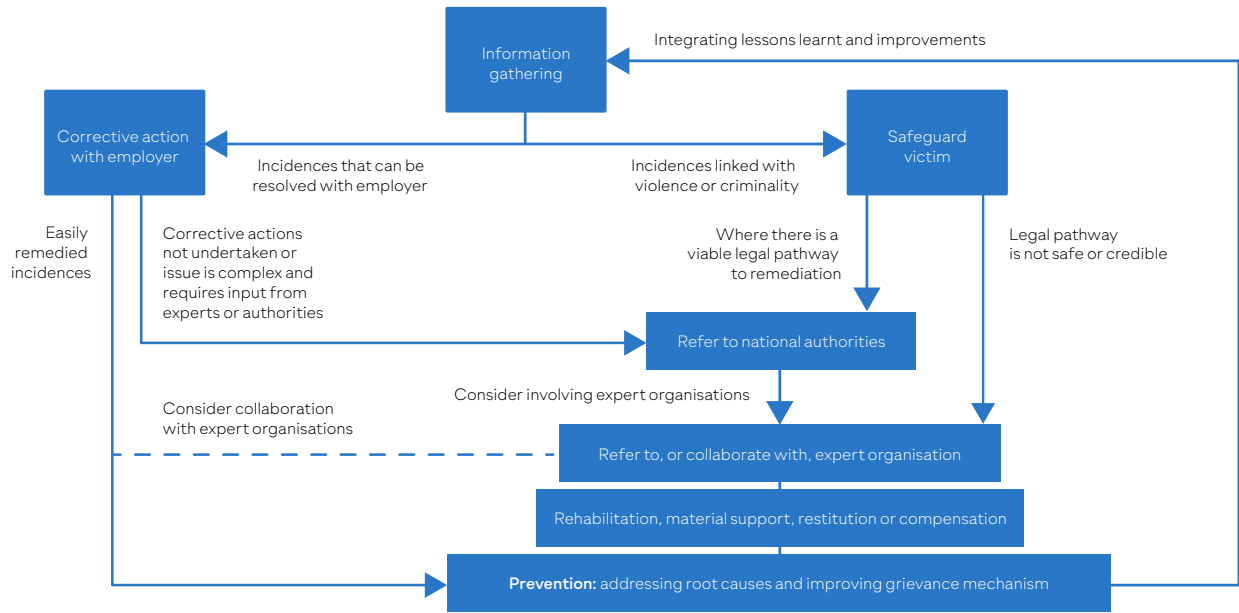
- Updates to category and supplier risk allocations
- Updates to the Metcash due diligence process through:
 - Defined approaches for low, medium and high category and industry risk-identified suppliers
 - Identification of five priority industries for increased scrutiny and the development of enhanced and tailored engagement plans
 - Risk screening and supplier self-assessment questionnaires of existing suppliers and through the new supplier on-boarding process
 - Development of supplier action plans based on the efficacy of supplier risk management controls in place

- Integration of the due diligence process in core technology platforms to support the management of anti-slavery actions
- 100% of active private label suppliers to Metcash Food are part of Business for Social Compliance Initiative (BSCI), FairFarms Initiative or have completed their SEDEX Self-Assessment Questionnaire (SAQ)
- A review of ethical employment verification initiatives within the Australian horticultural industry as an alternative to SEDEX
- Supplier roundtable consultations and engagement
- The promotion of the Metcash Speak Up Policy for accessibility and availability to suppliers
- Identification of an independent grievance mechanism to provide specialist support to victims if required

- Metcash modern slavery online training made available to all independent retailers, all Metcash team members and all high-risk suppliers
- Targeted remediation training provided to appropriate team members
- Continued industry collaboration through participation in the National Retailer Association Modern Slavery Committee
- Extended and strengthened modern slavery risk management framework and activities

Enhancing supplier governance

Fundamental to our approach of identifying modern slavery risks within our supply chains are our due diligence and remediation frameworks, and the ongoing integration of these frameworks into our business-as-usual processes. These were strengthened during the year as shown in the diagrams below.





LABOUR STANDARDS IN THE SUPPLY CHAIN (MODERN SLAVERY) CONTINUED

Product category and supplier risk management

To strengthen our risk management we conducted a review of our processes, focusing on three specific areas: category risk, supplier risk and ongoing risk mitigation. The updates to these focus areas are shown in the table below:

| Process focus area | Updates |
|-------------------------|--|
| Category risk | Dairy, Fruits, and Vegetables have been upgraded to the high-risk allocation due to known modern slavery issues. This expanded the cohort of suppliers participating in an enhanced due diligence assessment |
| Supplier risk | Engaged an additional 83 suppliers and increased self-assessment questionnaire response rate to 41% (FY21: 28%) |
| Ongoing risk mitigation | Increased the number of engaged suppliers by inviting participation in the Metcash online modern slavery training program. Identified 77 high risk suppliers that were required to complete the training |

A further tailoring of due diligence actions into low, medium and high risk levels increased the number of suppliers that are now required to complete our self-assessment questionnaire (SAQ), and participate in the supplier audit program. Our revised supplier risk and action grouping is shown below.

| Risk and action grouping | Number of suppliers |
|--|---------------------|
| High industry risk suppliers and high priority for further action | 25 |
| High industry risk suppliers and acceptable risk management practices | 33 |
| Lower industry risk suppliers and high priority for further action | 86 |
| Lower industry risk suppliers and acceptable risk management practices | 120 |

The following actions have been determined based on our supplier risk ratings, supplier responses to our SAQ and the results of SEDEX supplier audits. The actions are currently underway and expected to be completed in FY23.

| Action | Description |
|--|---|
| 1. Documentation and policy verification | Verification of evidence of claims made in the SAQ |
| 2. Clarification of responses and documentation verification | Suppliers with unclear, or contradictory, responses are sent the extended version of the SAQ to clarify the response and capture more information on existing practices |
| 3. Time-bound action plans | Where opportunities to improve existing practices are identified, suppliers will be asked to take action within an agreed period of time |
| 4. Modern Slavery awareness and training | All suppliers are offered Metcash awareness and training. High-risk suppliers are requested to participate as a part of the corrective action plan |

Supplier audit program

There were 127 independent social audits conducted on Metcash suppliers during the year.

The audits and other actions led to a change in the SEDEX rating platform to increase the number of Metcash suppliers with open and overdue issues or non-conformance findings to 56 (FY21: 43). These issues or non-conformances have been rated by SEDEX as shown below.

| Category issue | Critical | Major | Minor | Total |
|----------------|----------|-------|-------|-------|
| Total | 3 | 21 | 32 | 56 |

All suppliers with critical and major non-compliances are upgraded to high-risk suppliers and required to undertake a more stringent due diligence assessment, as well as be subject to follow-up audit actions.

An aware and capable workforce and supply chain

We aim to ensure that our employees, retailers and suppliers understand the risks of modern slavery, and can identify possible cases. We also strive to ensure they are aware of our processes for reporting and remediating cases.

In addition to rolling out online modern slavery training across Metcash, we provide additional tailored training for our teams with supplier management responsibility. This includes workshops across our Food, Hardware and Liquor pillars as well as corporate functions. We also extend modern slavery awareness and upskilling opportunities to our retailer and supplier partners.

Metcash has also assisted our Food pillar's National Retail Council's Social Responsibility Working Group to identify opportunities for shared support across the independent retail network to identify and minimise the risk of modern slavery.

Industry collaboration

This year Metcash became a founding member of the National Retail Council Modern Slavery Committee alongside a number of other Australian companies in the FMCG and consumer durables industries. The Committee's charter includes:

- Providing feedback to the Commonwealth Government as part of its review of the *Modern Slavery Act* (Cth)
- Consider emerging issues and high-risk categories
- Promote collaboration and the sharing of best practice among industry peers
- Improve our collective response to modern slavery due diligence, remediation, traceability and supply chain transparency

The Committee also considers emerging issues, changes to legislation, discusses trends and is seeking to lessen the compliance obligations of shared suppliers by adopting consistent standards, databases and requirements, all within a neutral and non-competitive environment.

The Metcash Food team, in collaboration with the IGA National Retail Council (NRC), have co-defined the IGA Network Social Responsibility vision and focus areas. While the network is independently owned and operated, the NRC strives to achieve common goals and sharing best practice for consistency across the network.

FOOD NETWORK ESG PROGRAM

The IGA Social Responsibility vision has been defined as:

“Together we are a force for good in our local communities. We will continue to actively address our environmental, social and community impact and inspire our shoppers to make informed choices.”

This vision translates into the three pillars of Our Planet, Our People and Our Community which include nine key focus areas for the IGA network as shown in the graphic to the right.

Metcash’s instrumental role in this collaborative partnership with the IGA NRC has included sharing internal ESG resources; coordinating and consulting with the NRC and State Boards to share outcomes; and providing sustainability awareness and education.

Work is currently focused on how Metcash can support the IGA retail network to achieve the vision. This has included establishing tailored state and store format based implementation roadmaps tiered to bronze, silver and gold standards that correlate to the level of ESG ambition a retailer has. For example in relation to energy usage, a bronze level of ambition in 2023 includes conducting a store energy audit, a silver entails acting on recommended energy efficiency upgrades, and gold would require 100% renewable energy through on-site solar or purchasing green electricity.



FOOD NETWORK ESG PROGRAM CONTINUED

The Metcash team has built assets and toolkits to assist with these roadmaps, and they currently include:

- IGA Food Rescue Program
- Sustainable sourcing framework
- Modern Slavery training
- National single-use plastics ban calendar
- EcoBatt battery recycling program
- Soft-plastics recycling trial program
- Access to and encouragement of defibrillator uptake
- Food waste self-assessment

Further toolkit items are now being developed, including a sustainable range guide for the retailer catalogue. This is intended to make it easier to identify products with sustainable credentials, as well as provide guidance on renewable energy sourcing and circular economy opportunities.

Some highlights in FY22 have included over 300 stores signed up to the EcoBatt battery recycling initiative, and more than 170 stores now donating to food rescue organisations.

Ritchies ‘Greener Future’ Store – IGA Taren Point

After many months of meticulous planning, research and investment, Ritchies launched its flagship ‘Greener Future’ IGA store at Taren Point, New South Wales in March 2022. The store showcases a range of initiatives that align with the IGA network sustainability goals.

Ritchies partnered with a number of recyclers to provide customers with the opportunity to drop off a variety of items for recycling and/or reuse, using a range of custom bins placed at the front of the store. These partners include RedCycle (soft plastics), Simply Cups (coffee cups and lids), EcoBatt (batteries and other household electronics), Food for Change (food donation) and the Sutherland Shire Council (pet food donation).

One of the most forward-thinking aspects of the store is the new Refill Station, located in the dedicated environment and sustainability section. Here there are over 15 different environmentally friendly, everyday household cleaning and health and beauty lines ‘on tap’. Shoppers can purchase a reusable 500ml aluminium bottle and have it filled with their choice of product from the refill unit or alternatively select from the prefilled bottles on display. Once emptied at home, the bottle can be brought back to the store to be refilled.

There is a dedicated over-the-counter organic produce display in the store, which uses paper and corn starch bags as a substitute for plastic. Where possible, unnecessary plastic has been eliminated from the store, with the use of reusable plastic bags, made from 80% recycled plastic, available for customers to purchase. The produce department now offers corn starch bags for customers and all meat trays are fully recyclable.

The store has also undergone a major refrigeration optimisation program which included installing doors on fridges, replacing refrigeration fans with new energy-efficient EC fans, installing variable speed drives, and using natural refrigerants that are non-ozone depleting. The store has also been fitted with LED lighting to conserve energy, and the trolleys are made from 100% recycled plastic milk bottles.



Refill Station, Ritchies, IGA Taren Point

Back-of-house, Ritchies is making sure that waste produced by the store is sustainably processed. Ritchies is committed to separating organic waste, soft plastic, cardboard, wax cardboard and polystyrene and diverting this waste from landfill. There is also a commitment to further reviewing all waste produced by the store and seeking to partner with local suppliers in order to minimise more sources of waste-to-landfill.

Quote from Ritchies spokesperson:

“We are very excited about Ritchies, IGA Taren Point, and proud that it is our first Ritchies ‘Greener Future’ Store. Planning, designing, building and then re-launching the store – all around the existing store continuing to trade as normal as possible – has taken a number of people hundreds of hours to complete, and although it may not be perfect, it is a step in the right direction for Ritchies IGA and our industry. We look forward to rolling out our Ritchies ‘Greener Future’ Stores concept across our network in the future where possible, as we play our part in making our industry operate as sustainably as possible.”