

Championing successful independents

2021

Sustainability Report

Sustainability Report

1. HIGHLIGHTS



Greenhouse Gas
EMISSIONS REDUCED

▼ **14%**



Waste to
landfill

▼ REDUCED 11%



Business2Business
plastic wrapping
reduced by

▼ **100t p.a.**



Gender
PAY GAP

▼ **1%**



DONATIONS OF

850,000

meals to food rescue
organisations



Metcash people
engagement survey
▲ SCORE UP

~ **20%**



Donations
to local community
ORGANISATIONS
~\$3m via IGA
Community Chest



2030

aligned Science-Based
Target ▼ 42% reduction
IN GHG EMISSIONS



Awards - WGEA
Employer of Choice,
Mental Health
Australia, FlexReady



2025

target set for
100% reusable,
recyclable or
compostable
packaging

2. MESSAGE FROM GROUP CEO

I would like to welcome you to our first annual Sustainability Report. This new format report replaces our previous practice of having a more abbreviated Corporate Social Responsibility section in the Annual Report.

Metcash has always prided itself on being a responsible business, and we acknowledge that this responsibility extends to all our stakeholders, including investors, customers, suppliers, retail partners and the community. Together with our network of independent retailers, we are committed to doing our part to create a sustainable future for ourselves and for future generations. Our team members want to be inspired to work for a business that looks after its people and the environment, and our customers expect that the products we offer are sourced sustainably and responsibly.

As a reflection of our commitment, this year we embedded sustainability into our corporate vision; and we are continuing to work on further integrating sustainability into all aspects of our business including targets, metrics and transparency.

FY21 included significantly increasing the number of sustainability projects across the organisation, and I am pleased with how much we achieved despite the additional time requirements and challenges associated with COVID. Some notable achievements included further reducing our carbon footprint and waste to landfill, becoming a signatory to the Food and Grocery Code of Conduct, the setting of a 2030 science-based emissions reduction target, materially improving our employee engagement score and further progress on people initiatives which led to receiving a number of prestigious employer awards and citations.

Metcash and our independent retailers are well known for supporting local communities and this year was no exception with over \$3m being donated to ~1,450 local organisations through our Community Chest Program, which is in addition to the donations many of our retailers make in their local communities.

From a reporting perspective, this year's Sustainability Report represents the first step in our roadmap to a more holistic approach to sustainability reporting. Going forward, we expect to be able to report in alignment with the Global Reporting Initiative (GRI) by 2023.

Further information on our sustainability initiatives and achievements this year is detailed in the following report. I trust you find it informative.

Jeff Adams
Group CEO

3. OUR PEOPLE

Diversity and inclusion

To fulfil our purpose of Championing Successful Independents and becoming 'A Favourite Place to Work', we recognise that our people are our most valued asset, with belonging and inclusion fundamental to our culture and core values. We recognise that each person has unique strengths and that high performance is underpinned by embracing those strengths.

We maintain an unwavering focus on building and supporting a diverse and inclusive culture to better serve our communities and customers. We promote an environment where our people feel safe, recognised, valued and able to bring their most authentic selves to work.

We are committed to championing and achieving diversity awareness, gender equality, gender pay equity, promotion and leadership support, flexible working as well as policies and initiatives that support all people across the organisation.

We all have 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 which 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 Board to address like-for-like salary gaps via the dedicated gender pay equity budget, in addition to the annual Pay Review. We analyse commencement salaries by gender to ensure there are no pay gaps at the beginning of the employee life cycle and consciously consider promotion salary adjustments to mindfully manage pay parity. We conduct a final review of pay equality as part of our annual remuneration review to avoid any unconscious bias in pay decisions.

By investing in our leadership and developing constructive and mindful leaders, we build leadership capability and leaders who role model our Metcash expectations of behaviour in relation to a culture of inclusion. We overlay this with a regular review of our talent pipeline in relation to gender split to enable diversity of thought. Our talent acceleration programs are designed to strengthen the talent pipeline and provide mentoring support for all team members with mentors of any gender.

A range of programs have been implemented over recent years to support diversity and enhance inclusion in our workplace. These include:

- Promotion and leadership support of flexible working arrangements, including start/finish times, shift options, job sharing and working from home
- Closing the gender pay gap to ~1%
- Establishing a Diversity and Inclusion Council and championing gender equality across the business
- Tailored parental leave policies for all genders to support births, stillbirths, surrogacy and adoption
- A campaign to attract a full range of candidates to traditionally male-dominated roles such as logistics
- Group CEO being a Gender Pay Equity Ambassador with the Workplace Gender Equality Agency (WGEA)
- A commitment to leadership development and acceleration with programs in place for our top 500 leaders, including covering inclusivity
- Modification of any language that research has indicated will deter a full range of candidates from applying for positions

This year Metcash received its third consecutive Employer of Choice citation from the Workplace Gender Equality Agency, reflecting our commitment to our people, our purpose and our vision.

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 employees.

Metcash Careers Ambassadors

Eric Feng
Financial Controller, Metcash Liquor

Lindy Belleza
Service Delivery and Operations Specialist,
Metcash Food



Sustainability Report continued

Culture and engagement

Our aim in employee engagement is to achieve continuous improvement. We measure employee engagement annually using the 'Say, Stay and Strive' model which outlines how much our employees advocate for us as an employer, their willingness to remain with us and their willingness to put in discretionary effort to get the job done. We measure six engagement questions, 45 experience questions, three WGEA (Workplace Gender Equality Agency) and five open-ended questions.

All of our team members are provided with the opportunity to complete the survey and provide honest, anonymous feedback. This year, all Pillars and functions were represented in the 4,595 people having their say (~80% of our people). Our overall engagement score for FY21 improved ~20% to 57% and despite challenging work conditions, a number of our teams recorded scores in the ANZ top quartile.

Health and safety

While we are passionate about supporting successful independents, we are just as passionate about health and safety and the role we all have in creating safe and healthy workplaces. We believe that how we perform our daily tasks can affect not just our own safety, but also the safety of those around us.

Safety culture

Our actions and the way we do things shape the safety culture of Metcash as an organisation.

We remain committed to the continuous reinforcement of zero harm, which includes preventing work-related injury and illness for employees, visitors, contractors and members of the public, as well as zero harm in relation to pollution in our community. Our SaferMe and SaferMetcash programs acknowledge the role that each of us can play in preventing workplace incidents and injury.

Lead indicators

Targets for lead indicator activities have been set at all levels including safety engagement conversations, safety communications, safety workplace inspections, hazard reporting and rectification. Pleasingly, our lead indicator metrics all trended positively in FY21 with metrics exceeding targets by 29% for safety engagement conversations, 95% for safety communications, 57% for safety inspections and 56% for hazards reported.

Initiatives

We continue to invest in wearable technologies at 10 pilot sites to drive a reduction in the risk of manual handling causing injuries to our team members. This technology has assisted a number of sites to identify manual handling injury risks. The pilot is being expanded in FY22 to an additional two sites for further evaluation.

Significant work was undertaken in the year to reduce our transport safety and chain of responsibility (COR) risks. This included investing in new infrastructure and the replacement of a weighbridge at our Laverton, Victoria Distribution Centre. The investment has delivered improved efficiencies and compliance in using the weighbridges, with trucks no longer needing to stop for their weigh ticket.

We continued to have a strong focus on pedestrian and mobile plant/vehicle interactions, which historically have been high risk areas. This year included investing in a pilot for wearable sensor technologies to improve separation of forklifts and delivery drivers, and the installation of state-of-the-art segregation technologies in our new Distribution Centre's in South Australia and Berrinba in Queensland.

Total Reportable Injury Frequency Rate (TRIFR)

Our key safety measure of TRIFR was slightly above the prior year at 27.1 (FY20: 26.8) reflecting increased complexity associated with the impacts of COVID and the cycling of higher labour hours. The significant efforts of our safety team over the past four years are reflected in a ~30% reduction in the TRIFR measure. Plans are in place to further improve our safety performance in FY22.

COVID-Safe

Metcash continues to work closely with all levels of government in putting COVID-Safe plans in place at all of our sites, and regularly reviews and updates procedures in line with public health orders. Our focus on ensuring our essential workers remain safe at work has varied during the year depending on the level of risk, but included:

- Implementing COVID-Safe into pre-shift checklists and procedures
- Increased cleaning for our high touch surfaces
- Hand sanitiser stations in our workplaces and stores
- Temperature checking
- Physical distancing measures implemented in our indoor areas such as meeting rooms, offices and canteens
- Creating shift bubbles to reduce exposure
- Implementing face mask protocols where mask wearing became mandatory
- Adapting quickly to safely support our team members who could continue working from home, including ergonomic considerations

Regular communication with our people has focused on encouraging them to follow protocols, including providing information on hygiene, physical distancing, staying at home and getting tested if unwell and providing wellbeing support. Our safety team has done an extraordinary job by also providing additional safety, health and wellbeing support to our independent retailers when needed.

Health and wellbeing

To help our team members thrive, we have a best-in-class holistic health and wellbeing program, HealthMet. The pillars of the program aim to meet the health needs of our team by supporting physical health, mental health, financial health and community purpose. Together, the program helps our people bring their best self to work by learning healthy habits to get healthy and stay healthy.

Metcash encourages and provides flexible working practices, onsite gyms, online gym classes and partnerships with over 400 gyms and studios across Australia so that our team members can continue to be active.

Our people can access mental health support around the clock no matter where they are. A new partnership was established with Benestar, specialists in employee physical, social and psychological wellbeing. Results to date have been very positive with improved utilisation of the proactive support structures. We also extended this support to our independent retail network.

More than 3% of our workforce has become, or is in the process of becoming, Mental Health Accredited. A further 5% of our people are participating in the Metcash Mental Health Program. These initiatives helped Metcash be awarded Gold Accreditation by Mental Health Australia.

4. OUR PLANET

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 92 facilities over which it has operational control. These include:

- Distribution Centres (5)
- Independent Hardware Group (42)
- Metcash Food (28)
- Australian Liquor Marketers (16)
- 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. Total emissions reported under National Greenhouse and Energy Reporting System (NGERS) in FY21 were 72,948 tonnes CO₂-e, which represents a 14% reduction on the prior year (FY20: 85,433 tonnes CO₂-e).

Emissions reported under NGERS in FY22 will incorporate sites related to Total Tools Holdings and Total Tools joint venture stores following their acquisition in FY21.

Total fuel consumption from non-renewable sources was 412,551 GJ. Grid electricity use, our largest source of emissions, reduced 11% to 84,244 MWH in FY21 from 89,356 MWH in FY20 (as reported under NGERS). Going forward, we intend to also report our emissions using a GHG intensity per square metre of floorspace under operational control measure. We will also be adopting processes to calculate our Scope 3 emissions, recognising that a significant proportion of our climate change impact stems from these emissions.

Emissions targets

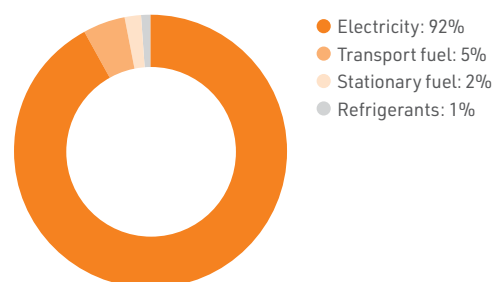
In FY20, Metcash set a target of a further 10% reduction in emissions by FY25. Having exceeded this target in FY21, work was undertaken to establish a 2030 science-based emissions reduction target.

Metcash supports Australia's commitment to the Paris Agreement, limiting global warming to 2 degrees above pre-industrial levels. As part of this commitment, we investigated both a 1.5 degree and a below 2 degree warming scenario for our own operations and determined a baseline GHG emissions inventory using data collected from our National Greenhouse Gas Reporting. The July 2019 to June 2020 NGERS emissions levels were chosen as the baseline year, as this period is more in line with our normal business activities and largely outside the influence of the COVID pandemic. A forecast was then made as to the 'business-as-usual GHG trajectory' of existing sites and operations out to 2030.

This work included a review of our reported emission sources, being electricity, stationary fuels (natural gas, LPG and diesel), transport fuels (diesel, ethanol E10, LPG and petrol) and refrigerant gases.

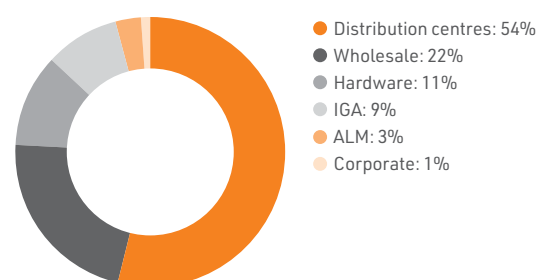
Our emissions profile

GHG emissions by type (tCO₂-e,%)



Electricity consumption is by far the largest source of Metcash's emissions, and therefore the main area of focus for emission reduction opportunities. Distribution centres account for more than half of Metcash's total electricity consumption.

Electricity consumption (%) by division*



*Includes:

- Distribution Centres: Capital City Food and Liquor DCs
- Wholesale: Campbells
- IGA: Supermarkets + Food operations
- Hardware: Hardware DCs + Mitre 10 + HTH + Total Tools
- ALM (including regional DCs)
- Corporate offices



Sustainability Report continued

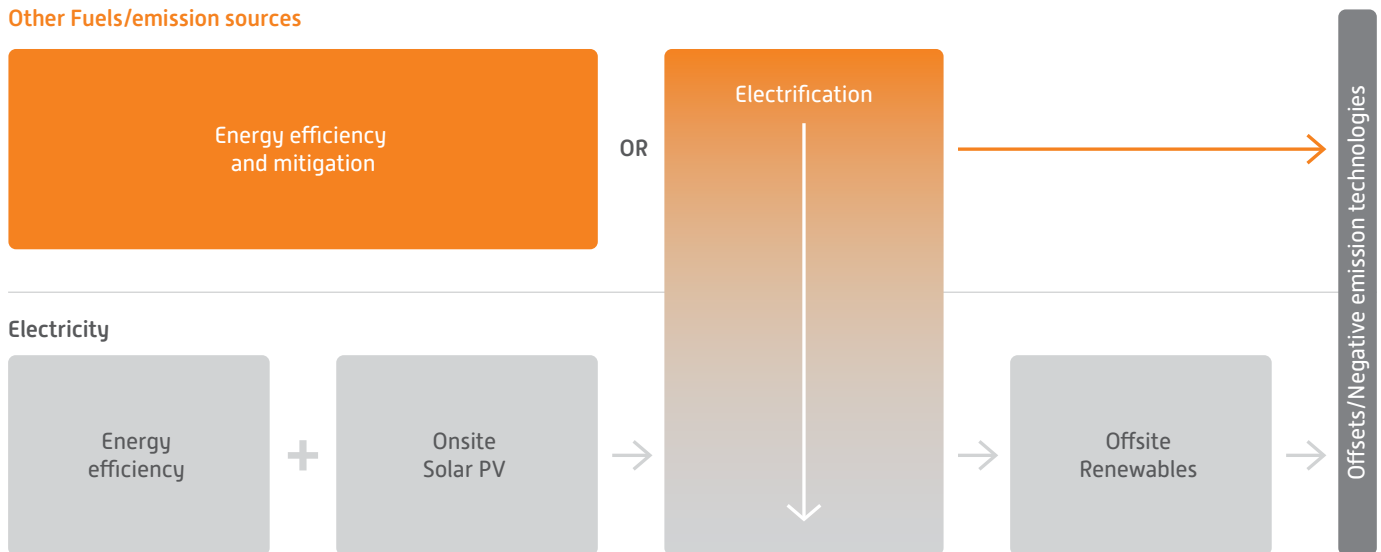
Subsequent to the scenario modelling, Metcash adopted a 1.5-degree warming scenario target, resulting in 42% emissions reduction by 2030. Metcash also developed an interactive net zero pathway tool to be used in determining the appropriate blend of emissions reduction opportunities, such as energy efficiency, renewable energy and carbon abatement, required to reach the 2030 goal. Reduction opportunities are ranked based on achievability and return on investment.

Identified emissions reduction opportunities include:

- Onsite Solar PV
- Refrigeration system optimisation
- LED retrofits at some remaining sites
- Lighting control opportunities including lux sensor and occupancy sensor control
- High-GWP refrigerant phase out
- Natural gas elimination through electrification
- Further forklift electrification
- Improved batteries and battery charging technology for electric forklifts
- Energy sub-metering
- Offsite renewables (via PPAs)
- Offsets

Net zero pathways for various emission sources

Other Fuels/emission sources



In December 2020, Metcash opened its new distribution centre in Gepps Cross, South Australia replacing the Kidman Park, South Australia warehouse. Metcash worked closely with the landlord, Charter Hall, to ensure the new facility obtained a 5 Star Green Star Design As-Built rating. In addition to a 1MW solar PV installation, which abates 645 tonnes CO₂e per annum, the facility has extensive natural ventilation and light, end of trip facilities and wellness spaces. Metcash is committed to operating the facility in line with Green Star requirements, harvesting and utilising rainwater and ensuring at least 50% of all site generated waste is diverted from landfill.

Climate risk

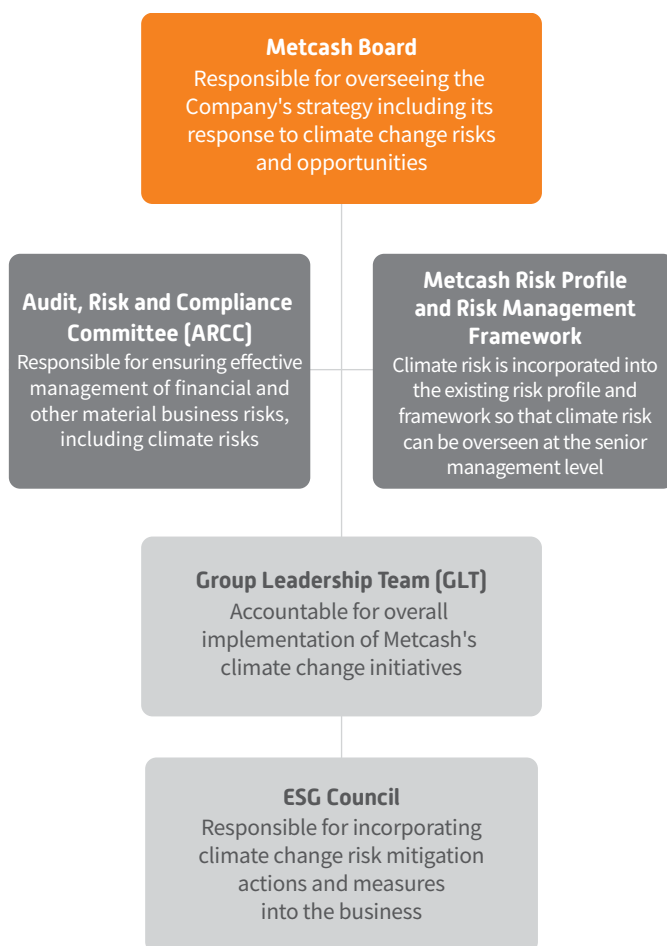
As Australia's leading wholesaler and distributor we play a key role in supplying and supporting a large network of independent retailers across Australia. While we were not significantly impacted by flooding events in regional New South Wales, cyclones in Queensland and bushfires in multiple States, we recognise the potential impacts climate change could have on 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.

How we manage climate change

Governance

Establishing an appropriate governance structure is a pre-requisite for embedding environmental, social and governance (ESG) factors throughout Metcash. Our ESG Council will have accountability and responsibility for reporting on and implementing climate change initiatives at Metcash, as illustrated in the governance structure below. The ESG Council will prepare a dashboard of progress against its initiatives together with other relevant reporting data for regular presentation to the Group Leadership Team (GLT) and the Board.

The newly formed ESG Council will comprise representatives from all Pillars across key functions of the business, including corporate responsibility, strategy, merchandise, marketing, risk, property, logistics, finance, people and culture and health and safety. The Council is chaired by the Group CEO.



Strategy

The Metcash Climate Risk and Opportunities Register was established in FY20 as part of our program to assess the impact of climate change on our business. The program included a qualitative analysis of the likelihood and consequence of climate risks and opportunities in our value chain in alignment with Metcash's Enterprise Risk Management matrix. In line with the Intergovernmental Panel on Climate Change (IPCC) for a medium-term time horizon of 2030, two climate scenarios were used for this analysis as follows:

IPCC Representative Concentration Pathway (RCP)	Global warming scenario	Description
2.6	1.5°C warming	Ambitious mitigation with a peak in emissions around 2020, followed by a rapid decline.
8.5	4.3°C warming	Minimal mitigation with a continuous rapid rise in emissions.

The highest risk found was an increase in the frequency and severity of acute physical climate change events which will likely result in rising insurance premiums, leading to increased operating expenditures over the short (1-3 years) and medium (3-10 years) term. In FY21, insurance premiums increased partly due to the cost of catastrophe claims across the insurance market. No transition risks were assessed as high risk due to our efforts in managing our carbon footprint.

Additional steps in our climate risk response included:

- A 'deep dive' into the impact of a 1.5°C and 4.3°C scenario on our physical assets based on our emissions and energy use. This will include the development of climate risk mitigation plans for all key physical assets
- Discussions with our landlords on their climate engagement plans
- Commissioning of solar panels at our new Greenstar facility in South Australia

To further enhance our understanding of key risks and opportunities, we will be undertaking quantitative scenario analysis and modelling. This is expected to build on the scenario analysis conducted in FY20 to qualitatively inform our strategy at a high level. Management of the key risks and opportunities identified will be translated into operational plans.

Risk management

Our Group Risk and Assurance team facilitates the process for identifying and assessing Metcash's risk profile, focusing primarily on those strategic and operational risks that are most important for Metcash. Strategic risks are typically considered over longer time horizons, while operational risks are considered with shorter (1-10 year) time horizons.

In our Climate Change Risk and Opportunity Register, inherent physical and transition climate risks and opportunities are classified on a scale from very low to extreme and are scored using the multiplication of consequence and likelihood ratings. As we are in the preliminary stages of embedding the climate risk and assessment process into our strategic and operational risk assessment process, the climate-related risks identified in our Climate Change Risk and Opportunity Register have not yet been integrated into our existing risk management systems and tools. This is planned to be incorporated and reviewed by the Board in FY22.

Climate-specific risks and opportunities will be reviewed and updated on an annual basis using the time horizons of short-term (1-3 years), medium-term (3-10 years) and long-term (10-25 years).

Measuring our key climate risks will continue to be a complex and challenging task. While increased insurance premiums will likely have the highest impact on Metcash, there is currently no publicly available predictive tool for isolating the impact of climate change. We will continue to appraise and determine further metrics for assessing, monitoring and managing our physical and transition impacts.

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Looking forward

Our roadmap for deepening our alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) and furthering our understanding and management of climate change impacts is shown 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 and establish an ESG Council		●		
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 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 assurance over Scope 1, 2 and 3 emissions	●	●		

● Complete ● Ongoing ● Future activity

Waste and recycling

Metcash embarked on a range of new projects in FY21 to further minimise waste to landfill. One of our largest waste generators is our stretch film used for pallet wrapping. Metcash investigated and then implemented new technology that employs thinner, yet stronger materials, optimising pallet stability while reducing unnecessary plastic and cardboard core waste. The new technology has reduced the waste of this plastic by over 100 tonnes on a per annum basis.

Another waste reduction project involved re-designing the core of our pallet wrap to include a reinforced edge. This enables the film roll to withstand edge damage without losing its integrity, which is a common contributor to plastic waste in warehouses. This added feature, together with increased roll length, has resulted in 46,480 cardboard cores being saved from recycling. The new stronger technology has also led to less damage to product in transit, further reducing product loss and waste.

Other waste initiatives in FY21 included:

- Improvements to signage in warehouses, commercial kitchens, canteens and offices to encourage recycling and educate team members on the recyclability of items
- Diverting timber pallets from general waste bins to timber recyclers
- Implementation of the 'Simply Cups' coffee cup recycling solution

A continued focus on keeping waste out of landfill resulted in the diversion of 3,623 tonnes of material in FY21. An additional 417 tonnes of food was diverted from landfill through the collection of edible product by our food rescue partners OzHarvest, Foodbank and Food For Change. Overall, our waste-to-landfill diversion rate improved by 10% in FY21 compared to the prior financial year.

Battery recycling

With over 300m household batteries ending up in landfill and a considerable number of power tool batteries not being recycled, our Hardware pillar is launching an in-store battery recycling drop-off service. The rollout has commenced nationally in Total Tools and at Mitre10 sites in Victoria and South Australia. The program is being extended to IGA stores later this year.

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 we had further engagement with our retailers and sustainability consultants to determine which issues are most important for our retailers and communities. This helped guide our focus for responsible sourcing commitments and the associated initiatives required to ensure they are delivered. This included agreeing with our retailers targets to ensure private label suppliers meet our strict requirements across responsible practice and environment, and animal welfare.

A differentiating factor for our independent store networks is that each store is able to source products from local suppliers and artisans within their regional area. In addition to our private label initiatives, we are supporting our retailers to work towards responsible sourcing goals with their local suppliers by delivering toolkits and training to store owners. The toolkits being generated include guidance on supplier screening, renewable energy contracts, circular economy and recycling opportunities to name a few. Through these programs, we are also actively working with our suppliers to mitigate the social and environmental impacts of their products.

Sustainability Report continued

Responsible practice and environment

We know that our biggest impacts on the environment come from the products we source. We want to continue to provide the best quality products for our customers, while also ensuring we are protecting the ecosystems we rely upon and the livelihoods of those in our supply chain. To help achieve these desired outcomes, we are working to ensure the following in relation to our private label products:

- Food and drink products to support the production of sustainable palm oil. All non-food products and pet food to support the production of sustainable palm oil by 2028
- Seafood to be certified to either the Marine Stewardship Council, Aquaculture Stewardship Council, GLOBAL GAP or Best Aquaculture Practices, or be independently assessed against the Metcash Responsibly Sourced Seafood Policy
- Single ingredient tea, coffee and cocoa to be independently certified to either Rainforest Alliance/UTZ, Fairtrade or Cocoa Horizons by 2025
- Timber, pulp, and paper products to be sourced from plantations independently certified by the Programme for the Endorsement of Forest Certification (PEFC) or Forest Stewardship Council (FSC)
- All 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

The year included implementing a number of new initiatives aimed at ensuring we continue to improve and achieve our responsible sourcing goals. These include:

- Investing in a state-of-the-art Quality Assurance database to capture more granular product information on product ingredients and to improve our reporting capability
- Launching our FAD-free private label tuna range
- Ensuring we source 100% FSC and PEFC certified timber products in hardware

Animal welfare

We care about how the animals in our supply chains are treated and we are committed to ensuring their good physical and mental health is maintained. To help achieve this, specific targets have been set for 2025. The following targets relate to our private label products:

- Primary beef cuts and ingredients to be free of hormone growth promoting agents
- Shell eggs to come from free range certified farms
- All egg ingredients to come from cage free systems
- Primary poultry cuts and ingredients are using RSPCA approved chicken and turkey
- Primary pork cuts are using APIQ (Australian Pork Industry Quality Assurance Program) approved sow stall free pork

We are working with shoppers and our suppliers to encourage the making of choices aligned with animal welfare. This has included supporting our suppliers to achieve more stringent certified animal welfare standards and through the provision of in-store information.

Sustainable materials and packaging

Metcash continues to be a contributor to the Australian Packaging Covenant Organisation and supports the goals of phasing out unnecessary single-use plastic packaging. We commenced the rollout of the Australian Recycling Label (ARL) on our Black & Gold and Community Co private label ranges in early 2020, and have included the component-level recycling information on-pack on over 200 products in our Food business and will commence the rollout in our Liquor business from September. The rollout will continue for all new private label food and liquor products that are launched or have their packaging redesigned.

We were pleased to participate in the 'Check It Before You Chuck It' program designed to inform shoppers more thoroughly on how to responsibly dispose of, and recycle, packaging materials to ensure less packaging waste ends up in landfill.

In FY21, we continued our partnership with OneHarvest to both reduce plastic packaging and minimise food waste in our Community Co packaged salad range. Our salad bowls have been redeveloped in a first-to-market offer which includes the use of post-consumer recycled content, reducing the reliance on virgin plastics. Our product development team also worked with OneHarvest to convert all forks to 100% recyclable and to introduce 50% post-consumer recycled plastic materials. This equates to the removal of over 15 tonnes of virgin plastic per annum. In addition, an ultrasonic sealing initiative has been developed to reduce the length of plastic used in bagged salads. Approximately 33% of bagging machinery has already been converted with an expectation that this will increase to 77% coverage by the end of 2022.

A Metcash cross-departmental working group was formed and worked with external consultants to review the prevalence of single-use plastics in our cutlery, takeaway containers, cups, plates, meat trays, deli containers, bowls, stirrers, straws and bags range. Our merchandise team then reviewed the availability of biodegradable plastics, bioplastics, alternative materials and plant-based fibres to enable the phase-out of unnecessary single-use plastic products. To date, 38 single-use plastic products have been substituted in our Food business.

5. OUR CUSTOMERS

Product quality health and nutrition

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 far and wide into regional and remote locations, we play a vital role in servicing the nutritional and dietary requirements of all segments of the community.

As part of our aim of making it easier for shoppers to make good food choices, we are working to eliminate the following from our private label 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

We are also working to reduce salt and sugar in line with the Healthy Food Partnership targets, as well as ensuring our private label products have a Health Star rating displayed in line with Australian Government Guidelines.

Our IGA Local Matters Community Program includes providing shoppers with healthy recipes, tips on healthy eating and information about other healthy lifestyle behaviours such as exercise. The program includes:

- A partnership with nutritionists to provide factual and helpful content on how to live healthy lifestyles
- Recipes focused on health considerations (e.g. heart health, immune boosting, low GI)
- Promotions and competitions that help communities to thrive
- Inspiring shoppers with retailer stories on how they support the community and healthy living
- Partnerships with suppliers or third parties that help promote healthy living, communities, or the environment

We continued to add more healthy options for shoppers through the expansion of our Community Co private label range. This included adding new snacking options, as well as conveniently packaged fresh salads. A portion of the sale of each Community Co product is donated to the IGA Community Chest Program.



Sustainability Report continued

6. OUR PARTNERS AND COMMUNITY

Community and charities

The IGA Community Chest Program (CCP) supports a wide range of charities and grassroot community groups, including sporting clubs and schools. Donations were made to ~1,450 community groups and charities across Australia, totalling \$2.94m. This brings total CCP donations since inception of the program to ~\$96m.

We also continued to support a number of charities including the Special Olympics Australia, a charity we have proudly supported for almost 30 years. This year we raised over \$220k to empower people with intellectual disabilities to participate in sport, helping them to form lifelong friendships and develop skills.

This year we celebrated 12 years of partnership with the McGrath Foundation, and we are proud to have raised over \$186k in FY21 to fund McGrath Breast Care nurses in our communities. This year we also worked with the Humpty Dumpty Foundation to provide much needed medical equipment for hospitals to help save children's lives.

COVID relief

The impacts of COVID led to a significant increase in the number of Australians seeking assistance from charities. Through our partnership with Vinnies, we conducted an IGA Appeal to help those in our local communities that were in need. The sale of IGA Appeal tokens and Community Chest products led to ~\$350k being donated to Vinnies to assist those in need with basic costs such as rental and mortgage payments, utility bills and food vouchers. Metcash staff donated an additional \$11k to Vinnies and participated in the annual Vinnies CEO Sleepout which is held at venues across Australia.

Western Australia bushfire relief

Our IGA retail network responded quickly to help Western Australians impacted by the devastating Wooroloo bushfires in February this year. Ben Heptinstall, owner of Supa IGA Stratton, donated care packs to families that were forced to evacuate their homes, while IGA retailers supplied \$45k of gift cards to those impacted. A further \$85k was donated to the Western Australia Vinnies bushfire recovery, through supplier donations and sales from the \$2 Bushfire appeal tokens.

Flood relief

We partnered with State Emergency Services to get deliveries to those towns in NSW and South Queensland isolated by floods in the year. Our IGA retailers in NSW partnered with Vinnies to quickly activate a flood support campaign whereby funds raised were directed to those in need through the Vinnies Flood Appeal.

In March 2020 the IHG Emergency Assistance Fund (EAF) was launched, with IHG matching member contributions to the fund dollar for dollar, giving us a powerful national platform to support communities impacted by natural disaster. The IHG National Advisory Council is the authorising body for the release of all funds, made up of senior store owners from each State.

In March 2021, IHG members voted to support BlazeAid and Drought Angels as the official EAF charity partners. In April 2021, \$300k was released to support the New South Wales and South East Queensland floods recovery effort, with \$200k provided to Drought Angels and \$100k to BlazeAid.

Food rescue

We continued to expand our food rescue program at our Food warehouses and across our independent retailer network, resulting in 417 tonnes of food or more than 850k meals being provided by our partners; Foodbank, OzHarvest and 'Food For Change' to those in need.

We expanded our partnership with 'Food For Change' in the year with the program now operating in 60 IGA stores across New South Wales, South Australia and Victoria. This has resulted in over 300k meals being provided to those in need. The program includes stores being provided with a customised app that connects them to their local food relief agency. We expect to further expand the program in FY22 and continue to collaborate with the New South Wales Environment Protection Authority (EPA) and Green Industries SA to help fund and support the rollout of this important food rescue program.



Labour standards in the supply chain (Modern Slavery)

Metcash is committed to continuous improvement in addressing the risk of modern slavery in our operations and supply chain. This year we continued to build on the steps taken last year designed to understand the extent of these risks and prepare a mitigation plan. This included integrating our requirements in relation to modern slavery into supplier contractual terms and conditions, ensuring our Speak Up Policy is applicable to suppliers and their employees, publishing the Metcash Anti-Slavery Policy and conducting further risk analysis and training, including the development of online education modules.

To understand more about our suppliers' risk profile for modern slavery, we asked a selection of our suppliers (631) that were identified in our risk assessment as having elevated risk to complete a self-assessment questionnaire (SAQ). Feedback from the SAQ would be used to evaluate each suppliers' understanding of modern slavery in their operations, including what policies, processes, audits and third-party affiliations the supplier has.

From those contacted, 182 suppliers responded in full or provided evidence of their own Modern Slavery Statements or due diligence activities. Suppliers were assigned a further risk score to prioritise actions for follow-up, with 11 suppliers flagged as high priority.

Level of priority	Number of suppliers	Supplier/Product Profile
High priority	13	Supplier sources goods or services from high-risk countries while having minimal prevention processes
Medium priority	35	Supplier either sources goods or services from high-risk countries and has modern slavery mitigation policies and processes in place; or does not source from high-risk countries and has no knowledge of modern slavery risks or prevention processes in place
Low priority	130	Supplier does not source from high-risk countries and has a clear understanding of modern slavery with adequate mitigation policies in place

Follow-up activities include requesting suppliers to complete a more detailed SAQ and/or provide further evidence and documentation that enables us to establish how the supplier is mitigating potential risks. Metcash is continuing to pursue those suppliers that have not yet responded to the SAQ.

Suppliers of Metcash's private label products in the Food pillar were requested to join SEDEX, one of the world's leading ethical trade membership organisations. Through SEDEX, members are required to perform a self-assessment questionnaire and Metcash is provided with access to independent third-party social audit reports of our suppliers' production facilities. Currently ~85% of suppliers sites linked to Metcash on SEDEX in FY21 have completed their self-assessment questionnaire or have provided audits on their facilities. This covers 168 sites across 14 countries.

The third-party audit findings presented in SEDEX identified a number of non-conformances, allowing our team to assess various critical issues and to engage with these suppliers in relation to corrective action. This process has resulted in a deeper understanding of our risk profile and the appropriate action to take to address, manage and reduce the risk of modern slavery.

Suppliers assessed as having critical, major and minor non-compliance issues were deemed high risk suppliers, while suppliers that had other non-compliance not related to human rights were categorised as medium risk suppliers for the purpose of follow up activities. The following table summarises the non-conformances.

Category issue	Non-Conformances			
	Critical	Major	Minor	Total
Children and Young Workers			1	1
Entitlement to Work			1	1
Health, Safety and Hygiene	2	8	17	27
Management Systems		1	1	2
Worker Grievances		1	1	2
Regular Employment			2	2
Wages		1	2	3
Working Hours		5		5
Total	2	16	25	43

Upskilling our staff and supporting our suppliers

Our people are at the forefront of Metcash's efforts to reduce the risk of modern slavery in our operations and supply chain. To support them in implementing our Anti-Slavery Policy and the Metcash Speak Up Policy, we developed a due diligence framework which serves to help identify, assess and prevent the risk of modern slavery when sourcing and onboarding our suppliers.

We also developed e-learning training modules tailored for internal and external audiences to ensure that our employees, retailer partners and our suppliers understand modern slavery. Our aim in the coming year is to empower these audiences to be able to identify possible cases and know what action they can take to mitigate modern slavery risk.

Reporting

Continuous improvement and learning are integral to the requirements under the Commonwealth Modern Slavery Act 2018. Our reporting framework and an evaluation of our progress, including the effectiveness of our actions, will be included in our second Modern Slavery Statement that is due for submission by 31 October 2021.