

5.4 Sustainable Palm Oil Sourcing Policy

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Introduction

Empire, Sobeys Inc. (Sobeys) and their banners have a responsibility to ensure that palm oil sourcing and any derivatives used in the production of its Our Brands (formerly Own Brands) and Private Label products do not contribute to tropical deforestation. Sobeys has developed this Policy for implementation across its Our Brands and Private Label supplier network for its Compliments and related brands.

Our palm oil use is modest compared to global consumption; however, it is important that we work to responsibly source the palm oil we do use.

Increased demand for agricultural land for palm plantations has led to substantial tropical deforestation in Indonesia and Malaysia. Clear cutting and forest burning have resulted in the loss of valuable biodiversity and release of large amounts of carbon dioxide into the atmosphere. Offsetting these are industry initiatives that ensure plantations and associated processing facilities operate in a socially and environmentally responsible way.

Sobeys expects Suppliers to adhere to the principles of ethical and sustainable forestry practices by taking appropriate steps to ensure palm oil is sourced in accordance with the guidelines set out by the Roundtable for Sustainable Palm Oil (RSPO).

Scope

This Policy applies to palm oil, palm kernel oil and all derivative ingredients used as an ingredient at greater than one per cent in the company's packaged Our Brands and Private Label goods sold at Empire, Sobeys Inc. (Sobeys) and their banner stores under Compliments and related brands. This includes all full service, community and discount banners, convenience, fuel locations and pharmacies, as well as our e-commerce grocery business.

Continued Commitment

Sobeys is committed to continue sourcing as close to 100 per cent certified sustainable palm oil as possible, as defined by the RSPO standard, for all Our Brands and Private Label products. As we continue to work with Suppliers to reach as close to 100 per cent as possible, we are committed to supporting growers meeting sustainability standards by purchasing credits to bridge the remaining gap.



Transparency

Annually, Sobeys discloses our palm oil use to the RSPO. We also update our progress towards our palm oil goals in our annual Sustainable Business Report with the percentage of certified sustainable palm oil used in Our Brands and Private Label products. We also disclose the volume of purchased palm oil credits.

Governance

The Executive Committee, and the Corporate Governance and Social Responsibility Committee of the Board of Directors provide oversight on all issues related to Environment, Social and Governance (ESG), including sustainable palm oil. The Corporate Governance and Social Responsibility Committee is briefed quarterly on issues related to ESG by senior leaders, who empower and provide strategic direction to the dedicated teams that oversee the day-to-day management of palm oil in our Supply Chain.

The Sustainability team is responsible for day-to-day management of reporting on sustainable palm oil, including monitoring sustainable palm oil use in Our Brands and Private Label products, engaging with Suppliers that use palm oil and its derivatives as ingredients, disclosing our palm oil use to the RSPO, and reporting on progress of our palm oil goals through our annual Sustainable Business Report.

Approach

Sobeys takes a methodical approach to implementing our commitment. We:

- Identify all Our Brands and Private Label products containing palm oil or an ingredient derivative
- Determine the total volume of palm oil and derivatives used in these products
- Survey vendors about the current state of their efforts to transition to certified sustainable palm oil (CSPO) including their published goals and timelines
- Verify each supplier's certification status with the Prisma platform
- Track the plans and actual transition by supplier and by product
- Purchase palm oil credits to support sustainable palm oil production to bridge the gap during Suppliers' transitions
- Report annually to the RSPO



Supplier Expectation

Sobeys expects Suppliers to continue working towards moving to physical trace CSPO for products manufactured for Our Brands and Private Label. The purchase of palm oil credits is acceptable as an interim option; however, Suppliers are expected to transition to physical trace CSPO as soon as possible. This transition must be demonstrated through the verification process outlined below.

Verification

The minimum recommended mechanism to comply with this Policy is the RSPO standard. The RSPO supplier options are: 'Identity Preserved,' 'Segregated' and 'Mass Balance.' Suppliers must ensure that certification claims are robust and verified by third-party audits. Copies of these audits must be shared with Sobeys, if requested.

