

Environmental policy

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1 Our view on the environment

Colruyt Group wants to make a positive difference in everything it does. **Our group mission and values** are the crucial guidelines in this process. Every day, we work towards a common goal: Together, we create sustainable added value through value-driven craftsmanship in retail. From an economic impulse, this goal leads us to creating social and ecological added value.

As a retailer, we are **aware of the impact on the environment** of our activities and by extension those of stakeholders in our value chain. That's why it goes without saying that we are fully committed to strictly respecting all environmental legislation applicable to our company at all times. We also develop strategies and mitigation plans to stop, prevent or limit any negative effects on the environment, but also to maximise positive effects.

Colruyt Group has long been a **pioneer** in sustainable entrepreneurship. As a retailer, we want to take responsibility and, from our special place in the value chain, be **a lever for transparency and sustainable positive change**. We do this by joining forces with various stakeholders.

Important **environmental treaties, frameworks and standards** our commitment aligns with include the following:

- The Universal Declaration of Human Rights (UDHR);
- The UN Sustainable Development Goals;
- The UN Global Compact;
- The OECD Guidelines for Multinational Enterprises;
- The OECD-FAO Guidance for Responsible Agricultural Supply Chains;
- The European Green Deal;
- The 'Planetary Boundaries' concept.

We've defined a number of **'aspirations'** with regard to environment-related themes. They are considered to be valuable principles against which we test our day-to-day decisions:

Creating environmental added value means: generating the lowest possible footprint across the entire value chain.

- We reason according to **circular economy** principles. We consume as few resources as possible.
- The complexity of sustainability processes requires **an integrated and joint approach**, from both one's own and a shared responsibility.

- We make **long-term** decisions. Where possible, we take on a pioneering role, even though in the short term this will not result in any economic added value. We improve gradually and continuously.
- We also **innovate** consciously, often in co-creation, testing new ingredients, materials or technologies, and launching new business models to remain future-proof.

In our commitment, the focus is on the following **material environmental themes**:

Greenhouse gas emissions: Colruyt Group wants to take its responsibility in the fight against climate change. We are committed to reducing greenhouse gas emissions generated by our own activities and in our supply chain in accordance with [science-based reduction pathways](#) and a maximum global warming of 1.5 °C. In addition, we are committed to CO₂ capture (e.g. via an afforestation project in the Congo where 12 million trees are being planted) and to climate adaptation.

Deforestation and conversion of valuable ecosystems: Preventing further deforestation and conversion of other valuable ecosystems is crucial both in the fight against climate change and to protect biodiversity to ensure the ecosystem services we all depend on. We are therefore committed to purchasing deforestation- and conversion-free raw materials or products for those supply chains where this impact is greatest. Moreover, in some of our supply chains, such as cocoa and coffee for example, we actively encourage agroforestry systems and tree planting.

Waste and food loss: Our retail activities require many (raw) materials. However, they are in danger of becoming increasingly scarce. That's why we are focused on avoiding and reducing waste and food loss, as well as integrating the principles of the circular economy more generally. With regard to products, we examine whether we can leave out packaging or look for packaging with a low(er) environmental footprint. And with regard to infrastructure, the principle of using our materials as carefully as possible also applies. Where possible and relevant, new circular business models are introduced.

Water: Water is irreplaceable, both for humans and for nature. We protect the quality of ground water and surface water by complying with discharge standards and replenish water resources by enabling infiltration of rainwater. We reduce our water consumption and reuse water after treatment as long as the water quality can be guaranteed. Finally, water is also a focal point in our value chain. For example, we want to ensure that the production of the products we sell does not cause irresponsible water pollution or scarcity in the countries of origin.

This policy text **applies to Colruyt Group**, whereby Colruyt Group is understood to mean all legal entities controlled by Colruyt Group, i.e. Colruyt Group NV and all subsidiaries.

2 Colruyt Group's Environmental policy

Three pillars can be distinguished in Colruyt Group's environmental policy, i.e.: 1. Our producers and suppliers, 2. Our own activities and sites, and 3. Our customers. Before discussing these three pillars in more detail, we would like to take a moment to reflect on the importance of gaining sufficient understanding of the positive or negative impacts we generate directly or more indirectly. For this, we use internationally recognised and science-based methodologies, which look at the various facets of sustainability, across the entire value chain and life cycle. Examples include the Product Environmental Footprint (PEF) and the Organisation Environmental Footprint (OEF). These insights are combined with the necessary impact assessments to determine the relevance and urgency. This is the only way to make the actual impact of our organisation, products and services more transparent and thus trigger subsequent action.

2.1 Our Producers and Suppliers

As a retailer, Colruyt Group sells many items that are produced in a long and complex supply chain. This applies to private-label products and (inter)national brands. We work closely with numerous producers and suppliers to meet the day-to-day needs of our customers. We seek a professional and sustainable long-term relationship with these partners and we therefore expect a commitment from them to reduce their impact on the environment to an acceptable level, in proportion to the planet's ecological capacity (see Planetary boundaries). From our position in the chain, we want to act as a lever, in particular with regard to smaller suppliers, where we are committed to supporting them as much as possible in this ambition.

The following are some of the important measures we adopt:

- Analyse & prioritise: Thanks to the OEF, we know that more than 90% of Colruyt Group's environmental footprint is in our product portfolio. The main impact categories can be linked to climate change, use and depletion of (fossil) resources, biodiversity loss, and water consumption and contamination. Through impact assessments and PEF exercises on individual products, we gain an insight into the importance and priorities within product groups, as well as the type of impact. This should form the basis of an integrated sustainable sourcing policy. Actions mainly

focus on 1) changing assortments and 2) reductions in the chain.

- Sustainability certification: For private-label products, we systematically opt for certifications for social and ecological aspects in the case of known, significant challenges. The raw materials and products we focus on are coffee (UTZ, Rainforest Alliance, BIO, Fairtrade), cocoa (UTZ, BIO, Fairtrade), palm (kernel) oil (RSPO), fish or shellfish (MSC, ILFO/ISSF, ASC, BIO), cotton (BCI, GOTS) and wood (FSC, PEFC). Despite the known limitations, certification remains the best way to contain certain environmental impacts on a large scale.
- Sector initiatives and (inter)national chain projects: For a range of high-risk raw materials and products, we are committed to seeking greater collaboration with chain actors and to increasing the transparency. In chain projects, we work closely with stakeholders in the chain to produce the most sustainable product possible. Providing many insights into product supply chains, the projects also allow us to monitor the impact of certain purchasing practices. Moreover, if a supply chain project is successful, we can scale it up throughout the category.
Sector initiatives in which Colruyt Group has assumed its commitment include Beyond Chocolate and SIFAV (Sustainable Initiative for Fruit and Vegetables). Ultimately, these initiatives aim to get an entire sector to change (cf. System change).
- Innovation: Colruyt Group consciously focuses on innovation. Innovation and sustainability go hand in hand in this. We try out new ingredients, materials and technologies, and develop new business models to be able to guarantee our relevance in the long-term. Often, this is in co-creation with various partners.

2.2 Our own activities and sites

Colruyt Group has been working on making its activities more sustainable for a long time and the ambitions go beyond what is legally required. For decades, we have been working on the prevention and reduction of our direct greenhouse gas emissions. To this end, we identified the biggest CO₂ hotspots: cooling, heating, energy and mobility. By investing in innovative solutions, we can avoid and reduce emissions. Such solutions include battery-electric or hydrogen-electric vehicles to achieve our ambition of zero-emission freight transport by 2030. Sustainable use of energy is another spearhead. By using less energy, opting for renewable energy sources and using that energy intelligently, we can make a significant contribution.

As our 'aspirations' indicate, Colruyt Group aims to consume as few resources as possible and think as much as possible in terms of circular economy principles, i.e.:

- Refuse & rethink: Avoid using raw materials and rethink products so that fewer raw materials are

needed.

- Reduce: Use only what is needed and reduce the amount of raw materials.
- Recircle: Make maximum use of raw materials by putting them back into circulation.
- Recycle: Recycle and reuse materials.
- Recover: Recover energy from materials.

This certainly also applies to our own activities, especially in our pursuit of a circular waste and water management. For our sites, we also place a strong focus on protecting our water supplies by keeping as much water as possible in the natural water cycle and out of the sewer system.

2.3 Our customers

Colruyt Group aims to increase our customers' knowledge and awareness of sustainability and encourage to take concrete action in this area.

In addition to the offer of various products and services, the roll-out of the Eco-score scoring mechanism is also important. The Eco-score informs customers and shows the environmental impact of food products via a simple colour and letter code. In this way, we want to actively guide customers towards a diet with a lower environmental impact.

In addition to being informed, customers are also actively encouraged to buy products with a low Eco-score via a points system. They can use these points for environmental restoration initiatives, such as planting trees, sowing flower meadows or protecting natural areas.

Finally, we would also like to refer to Colruyt Group Academy's wide range of workshops that provide inspiration to customers to live and consume more sustainably.

3 Due diligence

Colruyt Group organises itself as much as possible according to the 'due diligence' principle, also when assessing potential or actual environmental footprint. This may involve negative effects related to activities of Colruyt Group itself, its partners or chain actors. The necessary processes should allow violations to be prevented, limited or stopped as much as possible.

All this is based primarily on the *OECD Guidelines for Multinational Enterprises*.¹ The OECD offers a frame of reference that is dynamic, preventive and risk-oriented. It allows processes of continuous improvement to be structured and greater transparency of risks and impacts to be created. In each case, this is driven by the individuality of the company and the broader context in which we find ourselves as a retailer. The following steps can be distinguished:

1. Integrating environmental policy into the organisation

Colruyt Group's environmental policy applies to the whole organisation (see also 4.1). Several policy documents and positions related to the environment have already been drawn up. As explicitly included in this general policy document (see 1.), Colruyt Group adheres to important environmental treaties, frameworks and standards. Looking specifically at our own operations, concern for the environment has long been part and parcel of our day-to-day operations and processes, thanks in part to the support of Colruyt Group Technics, but also to our dialogue with producers and suppliers. For example, we ask suppliers of private-label products to sign a Letter of Commitment and a Code of Conduct, in which environmental protection is also one of the main principles.

2. Identifying key risks and impacts

Starting in 2022, we have been assessing Colruyt Group's impacts and risks overall in a materiality exercise. There are also several other ways in which we identify key risks and impacts at Colruyt Group. As mentioned earlier (see 2.), we use recognised and science-based methodologies to look at the different facets of sustainability, across a product's whole value chain and life cycle. These insights, among others, help us become focused. Further specific assessments complement this approach, for example, regular environmental impact assessments and reports for our own operations by the environmental department. Looking at our supply chain, our current assessment focuses on potential impacts associated with private-label products. Supplementary product-level assessments indicate the greatest impacts, based on external sources (e.g. WWF's Water Risk Filter), insights from supply chain projects (e.g. feedback from farmers themselves) and customer feedback.

¹ OECD Guidelines for Multinational Enterprises, [Guidelines - Organisation for Economic Co-operation and Development \(oecd.org\)](https://www.oecd.org/guidelines).

3. Taking measures to stop, prevent or mitigate

As described earlier, our concern for the environment is illustrated by a wide range of measures in the supply chain (see 2.1), in our own operations (see 2.2) and together with our customers (see 2.3). Further information is available on our website or in the sustainability report.

4. Monitoring the effectiveness of measures

Backing our environmental targets, but also as a way of monitoring specific measures, performance indicators are used. These are monitored, analysed and published annually in the sustainability report. The effectiveness of measures taken for example to avoid and reduce waste is closely monitored by the environmental department, using indicators like the waste recycling rate. In addition, for private-label products, we monitor measures such as product certification (see 2.1) using specific indicators. Applying the principle of continuous improvement, we monitor scores, improvement rates and incidents of non-compliance. For well-defined at-risk products, we also monitor the effectiveness of our measures through international supply chain projects and partnerships.

5. Reporting and communicating

In addition to the internal reporting from the organisation's various departments that contribute to achieving Colruyt Group's ambitions, we have been publishing an annual sustainability report since 2018. This is now part of the annual report, alongside the group-level financial reporting. In this report we publish our view, actions, targets and indicators in the environmental field. This information is supplemented by our Colruyt Group website and the policy documentation which is also made available to our various stakeholders through that channel.

6. Complaint and remedy mechanisms

There are various channels available for reporting environmental incidents, as well as appropriate procedures involving the environmental department. We further aim to set up a complaint mechanism accessible within our supply chain to receive information about any environmental violations. We are currently working with certification partners, such as Fairtrade and Rainforest Alliance, which have their own complaint mechanisms. In addition, we naturally make channels available to our customers, as well as a contact page on our website for reporting violations under the whistleblower laws.

4 General provisions

4.1 Governance & Monitoring

Our ambitions regarding the environment are monitored by the Sustainability department in close cooperation with the board members.

Of course, the management of each operating unit within Colruyt Group bears responsibility for endorsing and implementing our commitment to the environment. The operations of the operating units are in line with the applicable legislation and internal policy. Ultimate responsibility lies with the Management Committee led by the CEO.

It is important to mention that sustainability is part of Colruyt Group's overarching Enterprise Risk Management processes and has been formally identified as a group risk.

4.2 Stakeholder commitment

Colruyt Group has a strategic place in the chain. However, we are very much aware that we are just one stakeholder within a broader system. To achieve our environmental policy, we therefore need to join forces. That's why we enter into a dialogue and collaborate with various stakeholders (business partners, sector federations, governments, NGOs, social and environmental organisations, etc.). In this way, we gather input to further shape our environment approach and to meet complex challenges effectively and with focus.