



X5 DEVELOPS SUSTAINABILITY RECOMMENDATIONS FOR SUPPLIERS

X5 Retail Group has developed sustainability recommendations for suppliers and will update its procurement policies accordingly. The documents are intended for X5 employees and suppliers and cover commercial procurement of core branded items, non-commercial procurement, and production of private label items.

The updated policies and recommendations have been introduced as part of X5's goal to ensure sustainable consumption and production patterns, one of the four goals set out in the Company's sustainable development strategy that was approved in 2019 by X5's Supervisory Board. Following the adoption of its sustainability strategy, X5 has drafted a set of goals and internal process documents aimed at cutting greenhouse gas emissions and energy use, waste reduction, promoting healthy lifestyles, ensuring decent working conditions, and supporting communities through social initiatives. The recommendations for X5 Retail Group's supply chain are based on the sustainability principles that govern the Company's internal processes and business units.

The documents have been developed in line with best sustainability practices in the food retail sector and based on the results of a survey of X5's 30 largest suppliers. In addition to reviewing the best practices in Russia's FMCG industry, the Company used the latest scientific evidence and expert findings to underpin its recommendations and policy updates. X5 Retail Group is grateful to all those experts who contributed to the open discussion on sustainable packaging, one of the most challenging aspects of sustainability in food retail. We greatly appreciate the support of WWF Russia, the Ecological Union, Greenpeace, the Razdelny Sbor (Separate Collection) environmental movement, the Higher School of Economics, FSC, Deloitte, the CIS, and many others.

The sustainability recommendations for suppliers list specific types of voluntary environmental and social certifications for various product categories informing consumers of responsible production practices. The document also reflects X5's vision for sustainable packaging, including the use of renewable packaging materials, its potential to be recycled in Russia, the use of mono-materials and recycled materials, reusable packaging and lean design. It specifies the most and least preferred raw materials for packaging.

X5 published the recommendations on its website and will shortly inform its partners and suppliers of relevant updates to procurement policies. The recommendations are not mandatory, but the Company will consider it a strong advantage if products or practices of potential suppliers meet them when a decision on partnership is made.

Igor Shekhterman, CEO of X5, said:

"Our sustainable development priorities have been fully integrated into day-to-day operations across the Company, and are given as much attention as financial and operational performance. Updating the procurement policies and developing recommendations for supply chain participants is an important step towards achieving our sustainability goals. We hope that our partners share our sustainability objectives, so that we can join effort in improving people's health and well-being, providing decent work conditions, ensuring economic growth, and promoting responsible consumption and production. Our certification recommendations are meant to increase the share of goods produced in accordance with best practices in social and environmental responsibility, while packaging guidelines will help drastically reduce the amount of waste sent to landfills in the coming years. X5 will continue developing its own internal sustainability framework and promoting sustainable practice among its suppliers."

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