

Case Study #5: Sonae

Sonae is a multinational company managing a diversified portfolio of businesses in retail, financial services, technology, shopping centres and telecommunications. The Sonae Group's efforts are focused in three strategic areas, that are transversal to all their businesses: CO2 and Climate Change, Nature and Biodiversity and Plastic. One good example is the continuous investment in the decarbonisation of their energy matrix, installing photovoltaic plants to power the retail structure. Another trial initiative of the group was the use of organic waste from some hypermarkets, resulting from the waste of fruit or meat, for example, to produce electricity that will be consumed in the same store.

Aspects such as a growing mismatch between supply and demand, the changes in consumer requirements consumptions patterns, and resources' scarcity are some challenges that could erode the profits of the entire food supply chain. To face current challenges, the Group is making several efforts to achieve a more sustainable supply chain, in terms of economic, environmental, and social performance. Some interesting measures implemented by the Group are the Sustainable Fishing Policy, in effect since 2009, that intends to minimise the impacts of fishing activities on marine biodiversity and to promote the adoption of sustainable fishing practices. In 2014, the company releases a Supplier's Code of Ethics and Conduct modelled on the Standard of the Universal Declaration of Human Rights. This code complies topics such as integrity and fair trading; confidentiality, child labour; prevention of involuntary work and human trafficking and work's hygiene, health and safety. A great effort is continuously made by the Group boosting a culture of permanent learning and development with the implementation of alternative training formats adapted to the contexts of different businesses and the profiles of their employees. In the last year, the Company approves the plan for gender equality.

Sonae MC is the food retail leader in Portugal. Continente, Sonae MC's hypermarkets, together with Sociedade Ponto Verde (SPV, Eco Point Society), developed a set of instructions that explains how each product should be recycled and indicates which eco-point each type of packaging should end up. The recycling iconography will be included on all Continente's own brand products by 2021. With this measure, Continente aims not only to raise consumer awareness of the importance of recycling, but also to foster the adoption of more environmentally friendly behaviour. In addition, by 2025 Sonae wants that 100% of their private label plastic packaging to be reusable, recyclable, or compostable.

Through backhauling, Sonae MC's logistics department provides its suppliers with a transportation service along the routes that our trucks would otherwise return empty. Thus, the company attain a significant reduction of routes travelled with empty trucks, both of the stores' supply fleet (upon return after the last delivery) and the suppliers' fleets (after delivery at the warehouse). In 2019, under the remit of the Backhauling programme, more than 25,000 trips were made (+40% compared to the previous year) and this resulted in a net saving of 3,581,837 km for our suppliers (+200% when compared to 2018), which corresponds to a total of 2,794 tonnes of CO2e emissions avoided. The transport provided under the Backhauling programme already represents 18% of the total trips carried out by Sonae MC's logistics activity.

One emerging problem across countries that is contributing to an environmental and social crisis is the food waste generated across food supply chains. If the aggregate emissions associated with food loss and waste were compared with the emissions of every country, food loss and waste would be the third-largest source of greenhouse gases. In addition, it is hard to imagine how meaningful progress can be made to combat global hunger—some 870 million people around the world are undernourished today—if the massive amount of food that is lost and wasted is not reduced. The situation in Portugal is essentially a microcosm of the broader problem. It is estimated that more than 1 million tons of food are lost and wasted in the country every year. Raw material production, distribution, and consumption contribute almost equally to 920,000 tons. Food processing accounts for a much smaller amount: about 80,000 tons.

Most of the loss and waste across the value chain in Portugal— as in the rest of the world—occurs in the fruits and vegetables category. The reasons: they often don't meet retail standards, and they perish rapidly. For that reason, in the last years Sonae MC, is working on addressing this problem collaboratively with other supply chain stakeholders. Examples of initiatives that are being studied by the company are: (i) dehydrated fruits and vegetables that are not appropriate for retail sale to create a powder that could be used to manufacture a variety of foods, including yogurt or snack bars; (ii) consumer awareness campaigns to alter preferences and behaviours by encouraging consumers to purchase fruits and vegetables that may otherwise end up in the trash bin; (iii) Company-sponsored donation programs that can reduce food waste, and provide significant financial benefits for the retailer, including tax deductions and reduced waste-disposal costs; and (iv) product specifications review, since the defined requirements were leading producers and distributors to reject a significant amount of quality fruits and vegetables despite the fact that some would be acceptable (or even preferred) by consumers.

For more information, see the following videos to motivate your discussion (*You can find more details related to Sonae's Strategy for sustainability here* (<https://www.sonae.pt/en/media/publications/area-sustainability-3/menu-43/>))

1. Refer major sustainability challenges for the food retail sector and discuss the efforts employed by the Group to build a Sustainable Supply chain, mentioned circular economy practices.
2. Give examples of sustainable measures/ Key Performance Indicators that are and could be applied by the Group, concerning the tree pillars of sustainability.