

Ever Heard of Spheres of Influence?



On February 23, 2022, the European Commission published a draft directive to expand human rights and environmental due diligence requirements in the supply chain – the so-called Corporate Sustainability Due Diligence Directive (CSDD). As an international company with subsidiaries in more than 30 countries, 17 million customers and more than 95,000 employees worldwide, METRO is not only under the scope on the proposed directive, but also deeply impacted.

With operations across the globe, METRO highly welcomes the EU Commission's move to establish a block-wide framework for securing sustainable supply chains in businesses. However, the CSDD falls short of its core policy objectives in terms of harmonisation and creating a level playing field and fails to ensure that responsibilities are shared across the value chain.

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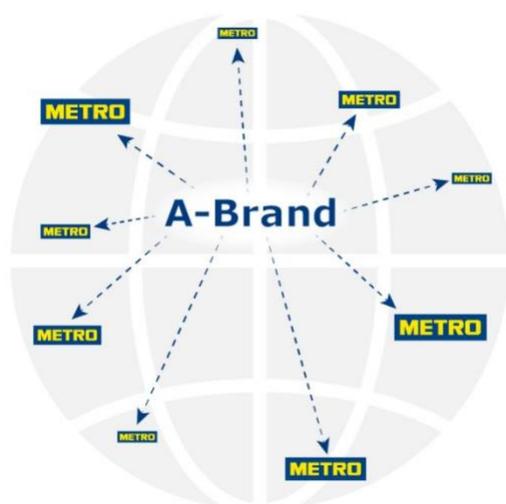
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In this position paper, we explain what should be considered by EU stakeholders. This means we first look at: How do retail supply chains work? Secondly, we explain why we see different spheres of influence in globalised value chains. Finally, a call for action – we must protect the Single Market at all costs.

1 How do our supply chains work?

As an international wholesaler we stock and sell a wide range of articles from local producers to multinational branded products. Think about entering a METRO wholesale store and visualize the rows, shelves, and variety of articles, from kitchen utensils to fresh vegetables. A store might carry 30.000 to 40.000 different articles. Worldwide we carry about 2.5 million articles. Some of these are sourced through central structures, which includes the sourcing and development of our so-called “own brands” (such as [METRO Chef Tagliatelle](#)) but there is also the procurement of branded products (such as [Penne by Barilla](#)).



Most of our procurement, however, takes place at the national level. There is not only procurement of fresh fruits or vegetables, but also procurement of international brands such as a shampoo of a Unilever brand. These branded products are also sourced at the national market by each of our country organization. Even with big FMCG suppliers there is no such thing as “The

METRO” buying from “The Supplier”. To the contrary, there are multiple

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national relationships and thus supply chains with Mondelez, Unilever, P&G and the like.

The complexity in a retailer's supply chain is unique and even more so when we look at food. The word "chain" is misleading here. We should speak of a "tree" which splits into various branches, at every value creation level. Even



for so-called "mono-products" such as Tomatoes. Imagine a can of peeled plum tomatoes sold by METRO Germany. Our sourcing colleagues buy it from one distributor, but there are up to 14.000 farmers behind this one distributor and its producers supplying the tomatoes. The more complex the food product, the more diverse and complex is the supply-tree, consider for example a standard muesli bar that includes up to 50 ingredients coming from different suppliers in different countries.

2 Our "Sphere of Influence"

Having in mind that two thirds of the 2.5 million articles METRO carries in stores worldwide come from brand manufactures, i.e. manufactures that produces and distribute their products under their brand.

Think about a package of coffee beans of any well-known international brand available in our stores. It has been put on the EU market by the producer itself or one its distributors. METRO has no connection to the production process at all – or any visibility – and therefore no influence. Harvesting, selecting, roasting and grinding processes are decided by the producing company based on its own business considerations. When we procure branded articles produced and put on the market by the brand manufacturers we merely pass

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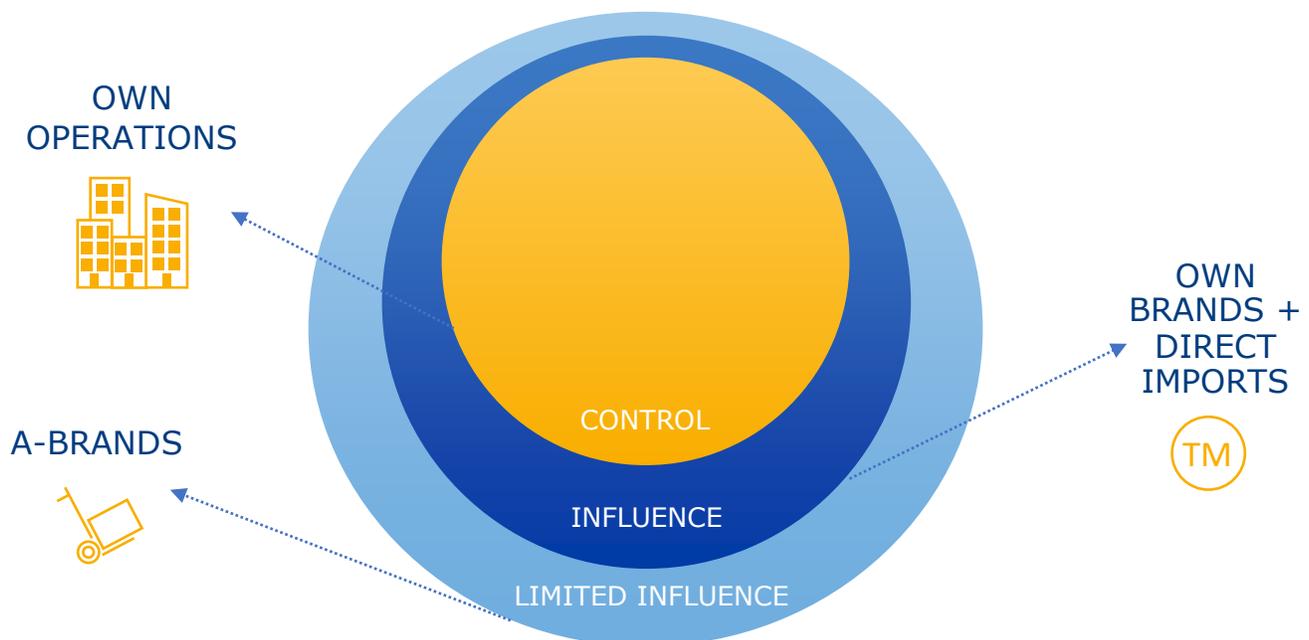
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on these final products, we have no say on their standards of production and previous value chain.

A [Rioba coffee](#), however, a brand you might know from your favourite coffee place around the corner or your last hotel visit, is produced for METRO based on a detailed requirement profile we give to the producer. We can define that a package must consist of 100% Arabica beans of Peruvian origin and must be Fair Trade certified. Our leverage goes much further than the direct supplier – and so does our possibility to prevent human rights or environmental violations on the ground.

SPHERES OF INFLUENCE @ METRO



What does this mean in a nutshell? We can only be responsible and held liable for our own operations and those articles, whose supply chains we can control

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and influence, namely our own-brand products and those products that we put directly on the European market. Thus, we urge EU decision-makers to clearly differentiate the level of responsibility companies have according to their position and effect in the supply chain. The current EU proposal shows a massively unequal distribution of liabilities at the end of the supply chain, shouldering responsibility largely on companies such as METRO.

3

Why we must protect the Single Market at all costs

As an international company with operations in 14 EU member states, METRO has always advocated for the European, or even international approach to human rights and environmental diligence. We need to create harmonization and a level playing field for all business operators active in the European market.

However - by design - an EU directive leaves room for national interpretation, as 27 different national laws are necessary to implement it. METRO must implement 14 different pieces of national legislation. What does this mean? If we don't encourage better alignment, there won't be an overarching, harmonised approach to CSDD. We will see further fragmentation in the EU market. A trend that we are observing with a multitude of legislative initiatives, from the Single Use Plastic to Dual Quality to Unfair Trading Practices.

For companies like us it leads to substantial administrative burden and the need for immense resources, as we must set-up and coordinate the internal procedures to comply with such new requirements. But – looking at the bigger picture and beyond our individual concerns – the most worrisome fact is the dismantling of the European market. Even more so, as we face historically unprecedented times. From the Covid-19 pandemic and the war in Ukraine to

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a global food crisis and historically high energy prices, politics and business are in constant crisis management mode.

We therefore urge the European Commission to strongly take current circumstances into account. Now is not the time to create complex legislative initiatives that re-direct resources away from where they actually should be: keeping the economy going. One of the most significant achievements of the European Union project is the Common Market. We have learned that peace in the EU cannot be taken for granted. The same applies to our common market and economic prosperity. Let's continue to strengthen, not weaken it.

Our core message

A business carries responsibility for its own operations, its own products and products that it puts on the market.

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