

Position of METRO AG on Commission Proposal for a new Late Payments Regulation

October 2023

METRO is a leading international food wholesaler specializing in the needs of hotels, restaurants and caterers (HoReCa) as well as independent retailers (Traders). In 30 countries, we partner with our 17 million professional customers at crucial points in their business. We supply them with food and non-food assortment both on site and via delivery in our 628 wholesale markets and 65 warehouses. In nine countries, METRO only operates delivery business through HoReCa-specialized delivery companies. Our multichannel mix is supplemented by our international online marketplace METRO Markets and our digital solutions for effectively overcoming business challenges.

METRO is following with great concern that the European Commission adopted a stricter than anticipated measure as part of the SME relief package; namely new Late Payments Regulation setting 30 days strict payment terms in business-to-business transactions.

- The proposal is a disproportionate direct intervention into the balanced relationship between suppliers and traders and will affect the trade sector particularly hard as it relies on the freedom to negotiate payment terms to offer its **customers** the best choice.
- Agreeing payment terms with suppliers is a crucial element of commercial negotiations, especially for goods to be offered in our channels which are sold **over a long period of time such as non-food items and especially seasonal items (e.g. Christmas & Easter products)**. For such products, suppliers deliberately grant long payment terms since the products shall be supplied and stocked already months in advance of the events due to constraints in logistics and production.
- Payment terms in the food sector are already set by the EU UTP Regulation, where a payment period of 30 days for B2B transactions for perishable food items is granted. However, this can be extended to 60 days or more for agricultural and food products other than perishable ones. This exception would now be abolished with the current proposal.
- Besides this and contrary to the current rules, the proposal also prohibits a creditor to waive his / her right on interest claims for late payments. This interference into commercial relationships is unwarranted and disregards the freedom of both sides.
- The proposal will **shift massive liquidity away from the wholesale and retail sector causing a substantial debt to increase** for the trade sector and deteriorating financing conditions of many traders.
- Furthermore, it effectively prohibits the wholesale sector to grant its own customers, which are SMEs, longer payment terms. This would harm many particularly small restaurateurs and grocery shop owners relying on liquidity through longer payment terms offered by METRO.
- Because of the burdens shifted unilaterally to the wholesale and retail sector, the proposal will have significant consequences for end-consumers in terms of **price**,

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product availability and choice and will without doubt have a negative impact on **inflation** within the EU.

Impact on METRO

According to our internal estimations, **there is an immense potential negative liquidity effect of the proposal on METRO**, since we have agreed payment terms with our suppliers which are exceeding the 30 days especially for non-food items, allowing us to spread the payments over time.

Due to the **additional liquidity needs** the annual interest expenses would also increase significantly. Finally, the proposal would very likely lead to negative **corporate rating** actions for METRO with further related cost increases and less access to liquidity sources.

As such the Late Payments Regulation would reduce our competitiveness, increase our financing costs, and cause us to withdraw from other business and investment opportunities, especially such as investing in the green and digital transition of our company. Similar consequences must be expected for many companies in the wholesale and retail sector.

Consequently, the proposal which seeks to improve the situation of SMEs has the potential to seriously harm the trade sector, triggering insolvencies and higher prices to consumers – without reaching the actual objective. It is to the detriment of the whole supply chain and the Europeans.

Therefore, we call on the European Parliament and national governments to engage with retailers and wholesalers to better understand the far-ranging risks that the proposal contains. It is important that the freedom of contract and negotiation remain preserved. At the same time, the economic consequences and their repercussions must be considered carefully and balanced against the actual objective of the regulation. Restricting **payment terms** to 30 days to address late payments is in our view the wrong way of dealing with the issue of **late payments**.