



Trade facilitation measures as an important factor to strengthen good governance, foster economic development and stimulate business interaction

24th OSCE Economic and Environmental Forum
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METRO GROUP
MADE TO TRADE.

AGENDA.

- 01 METRO GROUP Overview**

- 02 Food Sourcing at METRO GROUP: Dependency on regulatory framework**

- 03 Everyday Trade Barriers to METROs Business**

- 04 Mastering the Challenge of Trade Barriers**

- 05 Contact**

METRO GROUP OVERVIEW

- One of the world's leading retail and wholesale companies
- Successful stock-listed company located in Düsseldorf/ Germany
- Three sales lines with leading positions
 - METRO Cash & Carry: cash-and-carry wholesale
 - Media-Saturn: consumer electronics stores
 - Real: hypermarkets
- Presence in over 2,000 locations in 29 countries
- More than 225,000 employees from 171 nations
- More than 10,563,000 m2 sales space
- All sales lines are closely linked to online shops
- Sales in FY 2014/2015 amounted to 59,219 bln EUR with 62% of sales being achieved outside the German home market

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Classification level: Public



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METRO GROUP OVERVIEW

2,057 LOCATIONS IN 29 COUNTRIES.

METRO Cash & Carry 750 locations; Media-Saturn 1,010 locations; Real 293 locations.

<ul style="list-style-type: none"> ▪ Austria <ul style="list-style-type: none"> ▪ METRO C&C² 12 ▪ Media-Saturn 48 ▪ Belgium <ul style="list-style-type: none"> ▪ MAKRO C&C 15 ▪ Media-Saturn 23 ▪ Bulgaria <ul style="list-style-type: none"> ▪ METRO C&C 11 ▪ China <ul style="list-style-type: none"> ▪ METRO C&C 82 ▪ Croatia <ul style="list-style-type: none"> ▪ METRO C&C 8 ▪ Czech Republic <ul style="list-style-type: none"> ▪ MAKRO C&C 13 ▪ France <ul style="list-style-type: none"> ▪ METRO C&C 94 	<ul style="list-style-type: none"> ▪ Germany <ul style="list-style-type: none"> ▪ METRO C&C 107 ▪ Media-Saturn 419 ▪ Real 293 ▪ Greece <ul style="list-style-type: none"> ▪ Media-Saturn 10 ▪ Hungary <ul style="list-style-type: none"> ▪ METRO C&C 13 ▪ Media-Saturn 22 ▪ India <ul style="list-style-type: none"> ▪ METRO C&C 19 ▪ Italy <ul style="list-style-type: none"> ▪ METRO C&C 48 ▪ Media-Saturn 110 ▪ Japan <ul style="list-style-type: none"> ▪ METRO C&C 9 ▪ Kazakhstan <ul style="list-style-type: none"> ▪ METRO C&C 7 	<ul style="list-style-type: none"> ▪ Luxembourg <ul style="list-style-type: none"> ▪ Media-Saturn 2 ▪ Moldova <ul style="list-style-type: none"> ▪ METRO C&C 3 ▪ Netherlands <ul style="list-style-type: none"> ▪ METRO C&C 17 ▪ Media-Saturn 49 ▪ Pakistan <ul style="list-style-type: none"> ▪ METRO C&C 9 ▪ Poland <ul style="list-style-type: none"> ▪ MAKRO C&C 41 ▪ Media-Saturn 80 ▪ Portugal <ul style="list-style-type: none"> ▪ MAKRO C&C 10 ▪ Media-Saturn 9 ▪ Romania <ul style="list-style-type: none"> ▪ METRO C&C 31 	<ul style="list-style-type: none"> ▪ Russia <ul style="list-style-type: none"> ▪ METRO C&C 87 ▪ Media-Saturn 65 ▪ Serbia <ul style="list-style-type: none"> ▪ METRO C&C 10 ▪ Slovakia <ul style="list-style-type: none"> ▪ METRO C&C 6 ▪ Spain <ul style="list-style-type: none"> ▪ MAKRO C&C 37 ▪ Media-Saturn 77 ▪ Sweden <ul style="list-style-type: none"> ▪ Media-Saturn 27 	<ul style="list-style-type: none"> ▪ Switzerland <ul style="list-style-type: none"> ▪ Media-Saturn 27 ▪ Turkey <ul style="list-style-type: none"> ▪ METRO C&C 29 ▪ Media-Saturn 42 ▪ Ukraine <ul style="list-style-type: none"> ▪ METRO C&C 32
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Status: 31 December 2015

¹Including four locations in the segment Other

²The METRO Cash & Carry segment also includes the business of the Classic Fine Foods group in China (including Hong Kong), France, Indonesia, Japan, Korea, Macau, Malaysia, the Philippines, Singapore, Thailand, the United Arab Emirates, the United Kingdom and Vietnam. The locations and countries of the Classic Fine Foods group are not shown in the table as they relate to distribution centres and warehouses whereas this table only covers sales locations.

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METRO GROUP OVERVIEW

LATEST FOOD DELIVERY AQUISITIONS



CLASSIC FINE FOOD

- CFF serves 6,000 exclusive customers (top chefs and 5 star hotels)
- 25 cities in 25 countries e.g. Singapore, Dubai, Hong Kong, Bangkok, Kuala Lumpur, Jakarta
- 800 employees, HQ in Singapore
- Annual sales 200 mio USD
- Acquisition in August 2016 as a strategy to boost delivery & to increase exposure to Asian mega cities and the Middle East

RUNGIS EXPRESS



- Delivery of about 3000 exclusive food items from 60 countries
- 6,000 customers in the first-class gastronomy
- Focus on fresh & ultrafresh products (poultry, fish, seafood)
- Subsidiaries in Austria, Switzerland, Spain and Portugal, HQ in Meckenheim
- Annual sales: 130 mio EUR
- Acquisition of Rungis and its logistic services in February 2016

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FOOD SOURCING AT METRO GROUP

DEPENDENCY ON REGULATORY FRAMEWORKS

Three ways of food sourcing at METRO's local units

Close interaction of both local offer management in the countries with local supply and locally ordered imports as well as global offer management to satisfy customer needs in terms of product range, price quality and safety.

LOCAL SOURCING

Global Benchmark of 90 percent with investments in local suppliers' capacities (local specialities and basic commodities)

LOCAL INDIVIDUAL IMPORT

allows for differentiation

COMMON SOURCING

organized through 7 Trading Offices from Boston to Hong Kong, each of them covering a certain category, sourcing from all over the world and serving MCC organizations (including Own Brand articles). Allows differentiation of product range at best available prices and at high quality and safety standards

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FOOD SOURCING AT METRO GROUP

DEPENDENCY ON REGULATORY FRAMEWORKS

METRO's Trading Offices

Rotterdam Trading Office Meat	Valencia Trading Office F&V	Corcaneau Trading Office Fish	Boston Trading Office Lobster & Scallops	Food Sourcing Asia Pacific Fish & Multi-category	Food Sourcing Europe Multi-category	Wine Sourcing
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- **Example Corcaneau Trading Office for Fish:** Participates daily in 20 auctions along the Atlantic coast daily – sells 5700 tons salmon each year to MCC organizations – provides for 25% of salmon all-over MCC countries with MCC Germany, MCC China and MCC Ukraine being top customers
- **Example Valencia Trading Office for F&V:** Sources 100 000 tons of F&V p.a. – every second citrus fruit sold in an MCC outlet is commonly sourced – 10.000 trucks per year

Common Sourcing (along with imports) is only successful, when

- it reduces cost of goods sold
- improves the availability and quality of products and, thus,
- helps us to differentiate our assortment

This way, Common Sourcing highly depends on smooth trade infrastructure, which allows for cost-conscious, non-bureaucratic and time-efficient supply.

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EVERYDAY BARRIERS TO METRO'S BUSINESS

CUTTING POTENTIALS OF BUSINESS INTERACTION & GROWTH

Non-harmonized customs and border-crossing procedures

- Certificates from the EU and other countries for products of animal origin not being acknowledged by local veterinary and sanitary authorities leads to days/weeks long sampling procedures; quantities requested for samplings are often enormous

Protectionism

- Local sourcing quotas (often indicated in food laws)
- Increased custom rates for certain articles (or parts of the article) from certain countries crucially affecting traders and manufacturers
- Purchase Quarterly Forecasts for license obtainment – combined with compulsory import realization
- Limited import permits for certain „strategic“ categories
- Sudden loss of preferred treatment for certain categories

EVERYDAY BARRIERS TO METRO'S BUSINESS CUTTING POTENTIALS OF BUSINESS INTERACTION & GROWTH

Knowledge Gaps

- Irregularities in procedures of ascertaining value of imports lead to higher custom duties
- Lacking knowledge of intra-company agreements (e.g. on own brand licences) leading to higher custom duties

Bureaucracy

- Electronic road freight control systems increases administrative burdens, decreases flexibility & effectiveness
- Slow processing of required forms
- Low staffing, poor training
- Poor document management and archiving

Irregularities

- Regular corruption
- Detention of imported goods

EVERDAY BARRIERS TO METRO'S BUSINESS CUTTING POTENTIALS OF BUSINESS INTERACTION & GROWTH

Impact on Businesses

- Regular loss of perishable goods
- Higher, non-legitimate import duties
- Restrictions of realizing business models' potentials
- Intensive bureaucratic efforts
- Regular legal procedures to contest custom administration's decision
- Interference in freedom to create assortment range
- Increasing insecurity
- Undermining effectiveness and flexibility
- Occupation of employees with clarifying border-crossing issues

Impact on Local Economy

- Higher consumer prices
- Lack of opportunity to integrate into global value chains
- Limitations for local HoReCa sector & traders to grow
- Limitations for local HoReCa and traders to differentiate from competitors through offer range
- Low effectiveness of administrations undermines business actors growth
- Impact on tax payments
- Insecurity of business actors and loss of trust challenges investments (in existing and new projects)

MASTERING THE CHALLENGE OF TRADE BARRIERS WAYS AHEAD



REGULATORY CHALLENGES
to be dealt with on legislative level

Potential Role of OSCE

Offering platform for dialogue between countries from different regional trade blocs to push for harmonization.

MANAGEMENT CHALLENGES
to be dealt with on local administrative level

Potential Role of OSCE

- Support efficient custom management
- Support trainings of custom officials
- Fight against corruption at customs procedures
- Balancing security with trade and transport facilitation at borders

Potentials for PPPs?

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