

METRO

YOUR SUCCESS IS OUR BUSINESS

SUSTAINABILITY ACCOUNTING

MANAGING THE HIDDEN COSTS AND BENEFITS OF DOING BUSINESS

SUSTAINABILITY ACCOUNTING – THE CHALLENGE

BEFORE

Increase profit

NOW

Increase profit

Reduce CO2 emissions

Reduce air pollution

Value for community

Healthy products

UNITS

EUR

kg CO2eq

kg (various gases)

???

???

Difficulties:

- Measuring and reporting different impacts
- Comparing impacts with very different units of measurement
- Assessing trade-offs
- Assigning importance between issues
- Communicating impacts to different stakeholders



How do we assess and communicate the true impact of business activities?

SUSTAINABILITY ACCOUNTING – THE SOLUTION

BEFORE

- ☑ Increase profit

NOW

- ☑ Increase profit
- ☑ Climate change impacts
- ☑ Air pollution health costs
- ☑ Business generated for local companies
- ☑ Consumer health costs

UNITS

- EUR
- EUR
- EUR
- EUR
- EUR



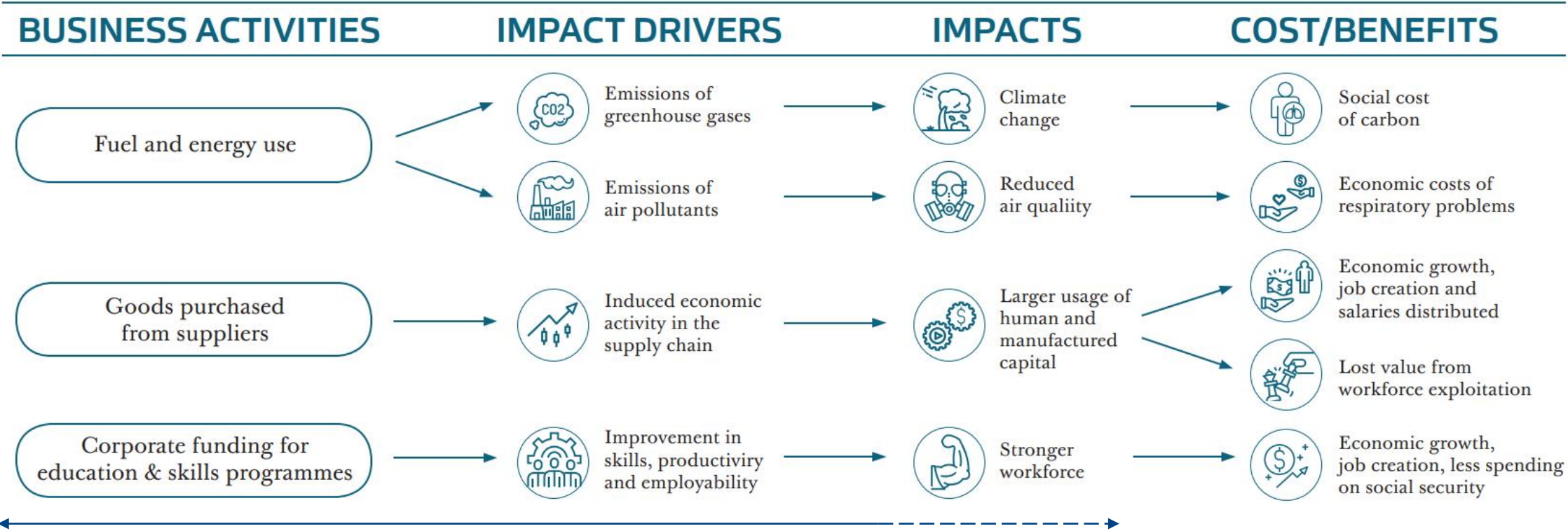
The global standards:



Aligned with:



HOW DOES IT WORK? THE IMPACT PATHWAY CONCEPT



Company data and traditional sustainability tools



Sustainability accounting



3 METRO CASES OF MAKING THE INVISIBLE VISIBLE



#1 SUSTAINABILITY ACCOUNTING – OPERATIONS LEVEL

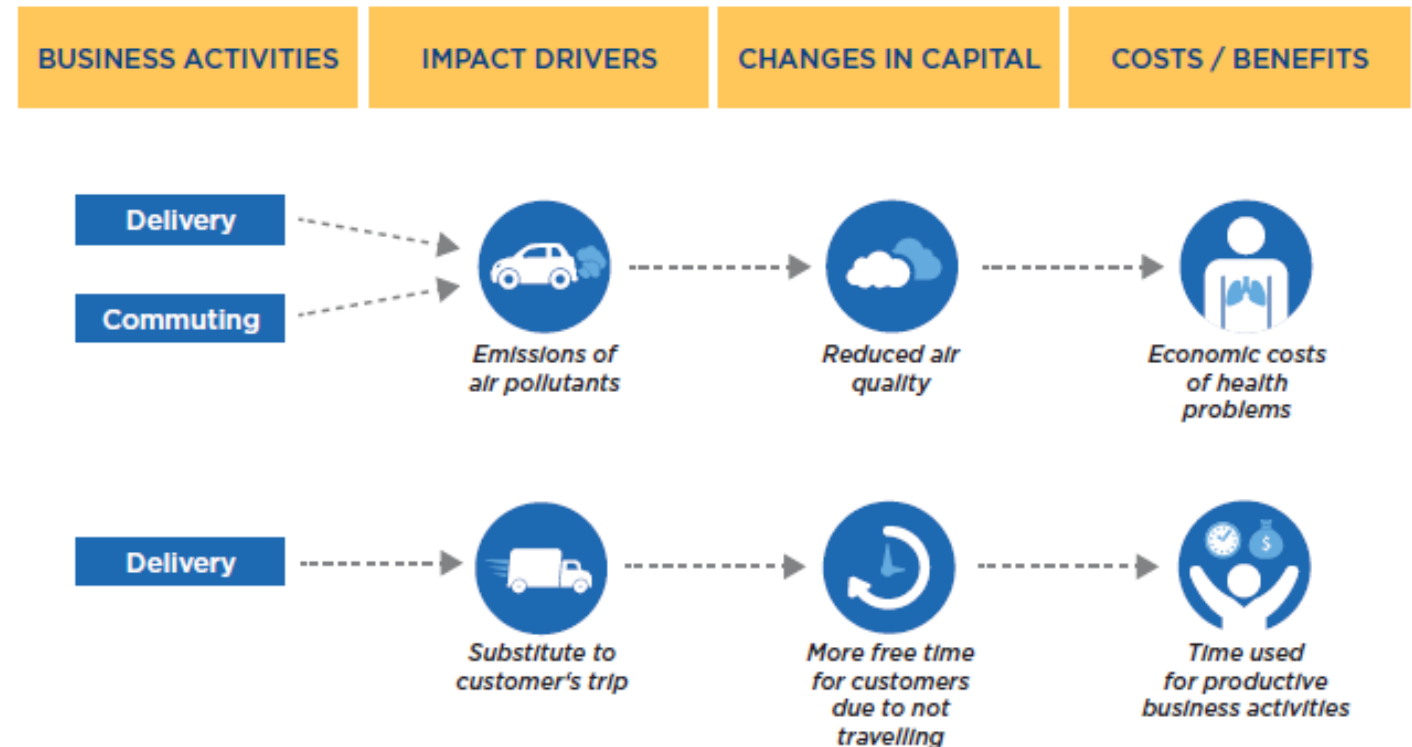
UNDERSTANDING OUR IMPACT EXPANDING IN FOOD DISTRIBUTION

Context: Metro AG is integrating a new business model (delivery service). It makes financial sense but is it better for natural and social capital compared to the traditional business model?

Scope: Metro AG's entire business in Germany.

Approach: Working with internal data plus national and global statistics, valuation of important issues, validated by surveying stakeholders.

Result: Metro AG became global Industry Leader for the Dow Jones Sustainability Index and the best company in their sector!

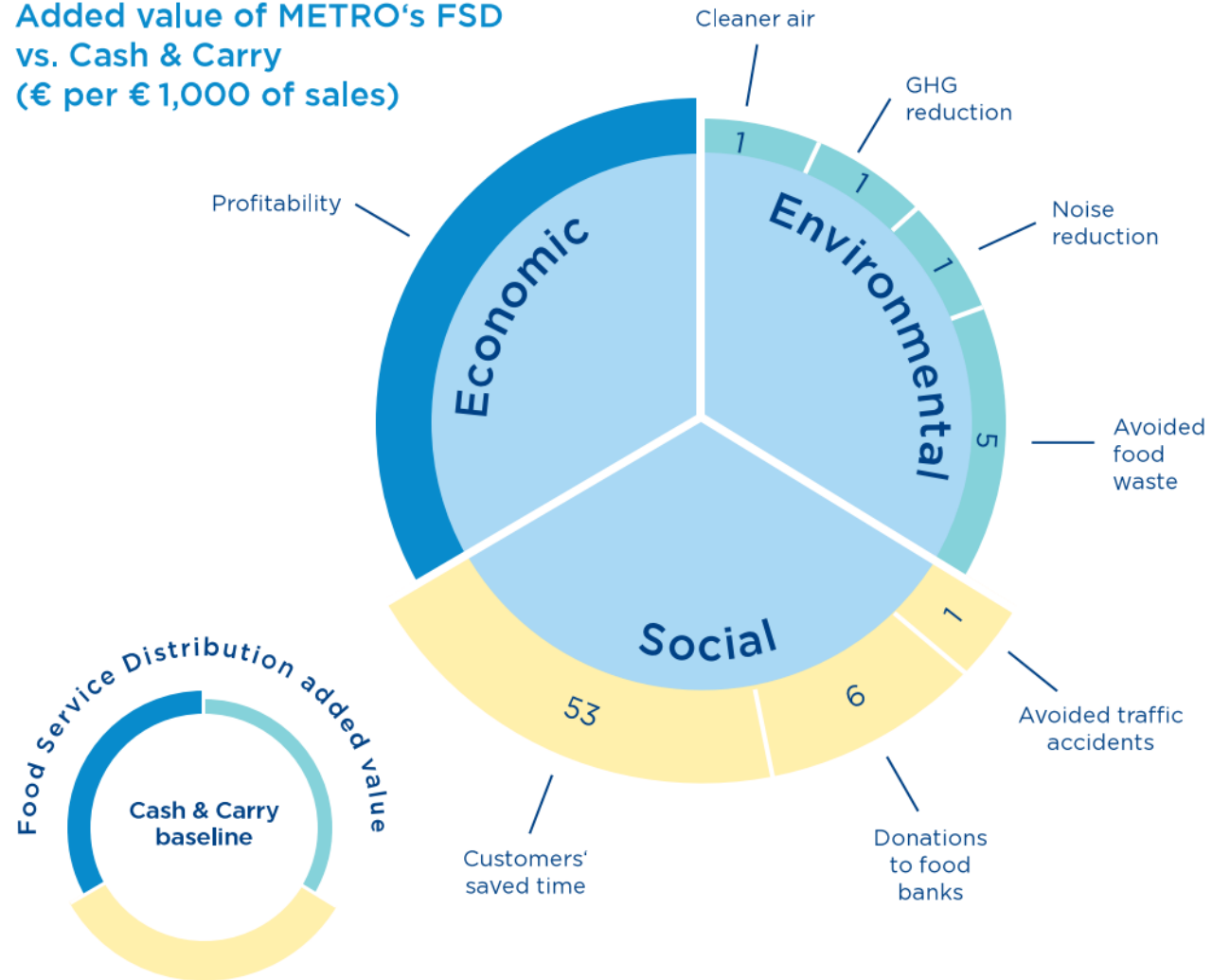


REVEALING THE HIDDEN COSTS AND BENEFITS OF FOOD SERVICE DISTRIBUTION

€68 per €1,000 of sales additional positive impacts on customers, society and environment vs. the traditional C&C operations

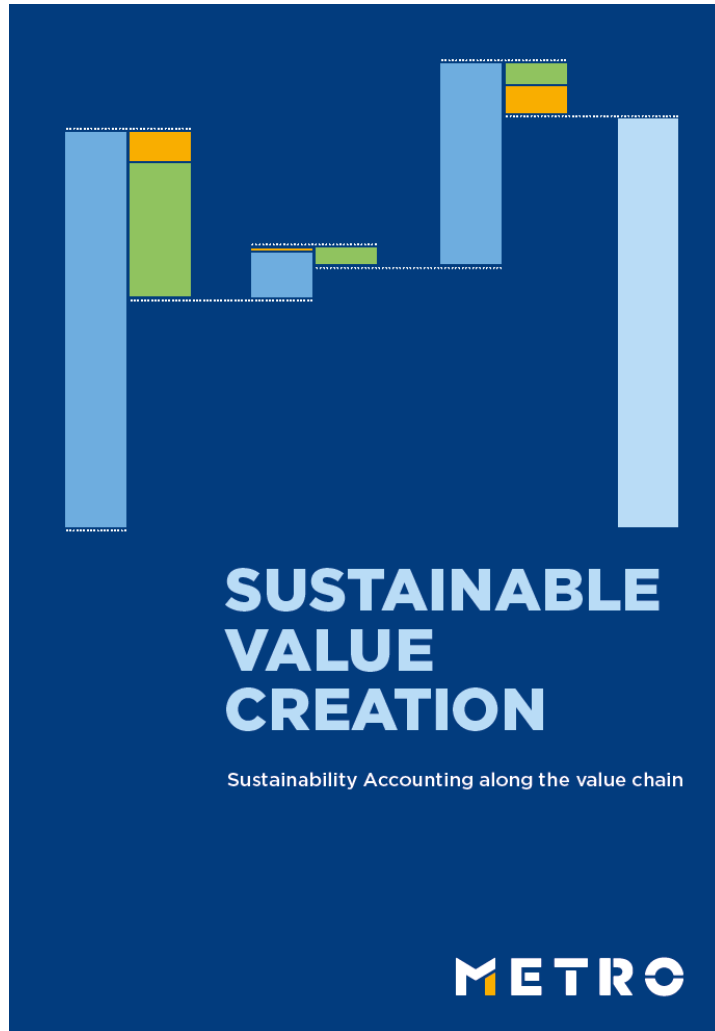


Added value of METRO's FSD vs. Cash & Carry (€ per € 1,000 of sales)



#2 MEASURING SUSTAINABLE VALUE CREATION

UNDERSTANDING OUR IMPACT ALONG THE FULL VALUE CHAIN



Challenge: Build a comprehensive picture of METRO’s impacts on economic, natural and social capital along the entire value chain – from agricultural production (upstream), through METRO’s stores and warehouses (own operations), to professional wholesale customers (downstream).

Approach: Apply input-output models for identifying the impacts of products, occurring upstream and downstream in the value chain, by taking into account the interconnectedness of the global economy and linking this to the use of natural and social capital.

Key results: METRO’s global contribution is net positive – activities along the value chain bring about €1 of net positive impacts across the economy, society and environment for each €1 of turnover. Each €3 of economic value created by METRO causes a negative impact of €1 on society and the environment.

Nearly 89% of the negative impacts are concentrated outside store doors in the upstream and downstream parts of the value chain.

METRO SUSTAINABLE VALUE CREATION MODEL - CAPITALS AND IMPACT





#3 METRO BULGARIA GOING LOCAL

01

A NEW PROCUREMENT MODEL - FRESH FROM THE FIELD

- IN 2017 MCC BG STARTED ITS PROGRAM “NURTURED WITH CARE IN BULGARIA” – DIRECT PARTNERSHIP WITH SMALL BULGARIAN FARMERS
- FARMERS DELIVER THEIR FRUITS, VEGETABLES, MEAT AND DAIRY DIRECTLY TO MCC BG STORES, WITH NO INTERMEDIARIES

02

UNIQUE ASSORTMENT, BASED ON LOCAL TRADITIONS & TASTE

- METRO BULGARIA’S RANGE OF F&V INCLUDES MORE THAN 300 KINDS OF LOCAL PRODUCTS, SUPPLIED BY OVER 150 SMALL FARMERS
- NEW LOCAL & AUTHENTIC BULGARIAN PRODUCTS TO BE ADDED
- THE PROGRAM GUARANTEES FRESHNESS, BETTER QUALITY, AUTHENTICITY AND A LARGE F&V ASSORTMENT

03

MCC BG - A LINK BETWEEN FARMERS & HORECA CLIENTS

- LOCAL FARMERS HAVE A GUARANTEED MARKET FOR THEIR PRODUCTS AND A CHANCE FOR SUSTAINABLE ECONOMIC DEVELOPMENT OF THEIR COMMUNITIES
- 6000 BULGARIAN RESTAURANTS BENEFIT FROM THE UNIQUE METRO FOOD OFFERS
- HELPING THEM MEET THE EXPECTATIONS OF THEIR CUSTOMERS FOR GOOD AND DELICIOUS FOOD ON A COMPETITIVE PRICE

NURTURED WITH CARE IN BG – KEY ELEMENTS

- **Introduced the MAS standard** – ensuring a much stricter quality control among producers in comparison to the current practices in Bulgaria
- **Working directly with METRO**, eliminating intermediaries, **producers benefit from a higher and stable revenue in the long-term**
- **MCC supports producers by organizing special trainings for them** in order to enhance their understanding, knowledge and skills related to best practices in the industry
- **MCC has common planning with farmers**, based on seasonal consumption – aligned with HoReCa clients preferences
- **The program offers to farmers** guaranteed buying of the quantities, convenient delivery place, new packaging solutions
- **Research & innovation together with scientific institutions**, which consult and help farmers for seeds, plant prevention, irrigation
- **For HoReCa clients**
 - Constant availability & guaranteed quality on better prices
 - Big assortment, guaranteed freshness, authentic taste, less shrinkage & food waste



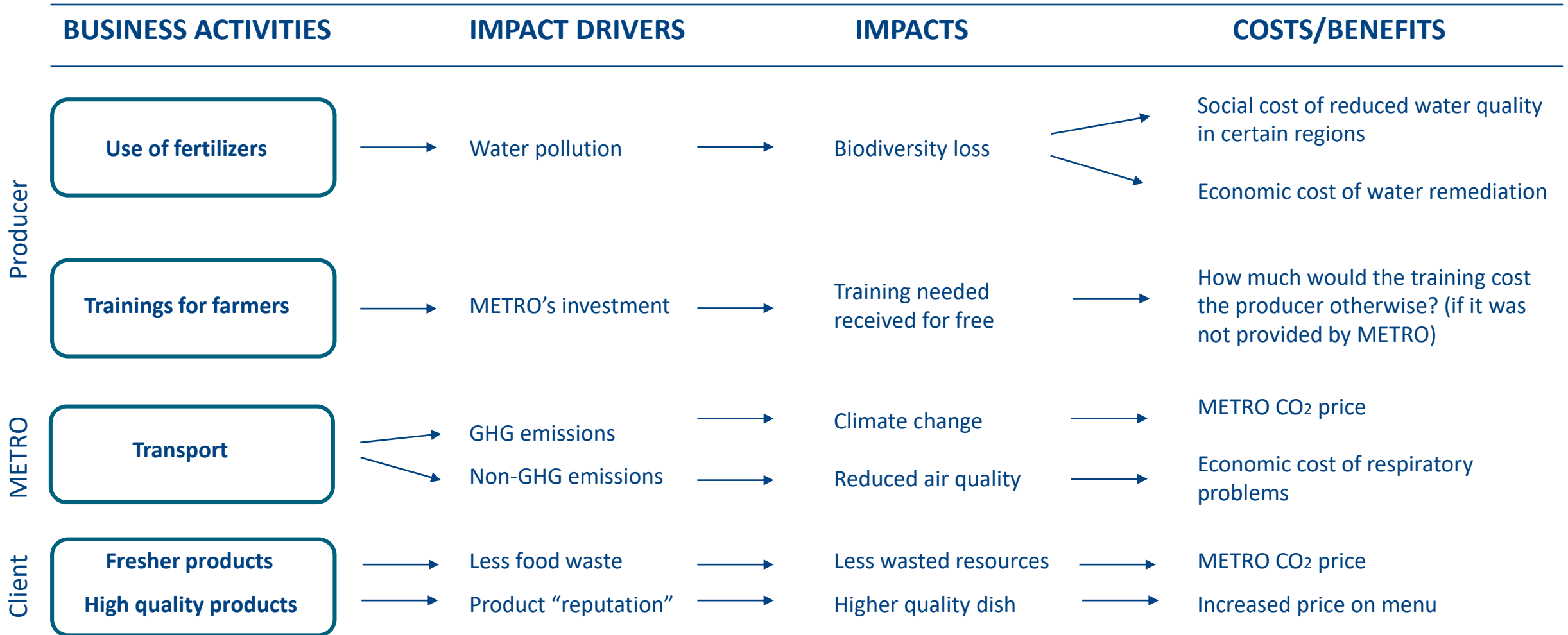
SUSTAINABILITY IMPACT ASSESSMENT

JUSTIFICATION & PROOF OF METRO BULGARIA'S EFFORTS

- **“Nurtured with care in Bulgaria”**
 - transformed & revolutionized the modern trade F&V market in Bulgaria
 - The new procurement model added value in terms of economic, environmental & social impacts
- **MCC needed a validation & proof** for its efforts in order
 - **to show the scale & significance** of our program to stakeholders, clients, competitors, state institutions, media & public
 - **To benchmark our efforts, measure our success and better plan our next steps**
- In 2019 MCC **initiated a impact assessment** of “Nurtured with care in Bulgaria”
- **From September 2019 MCC started to plan the Nurtured with care in Bulgaria survey**
- **Plan to complete it by the end of the year**

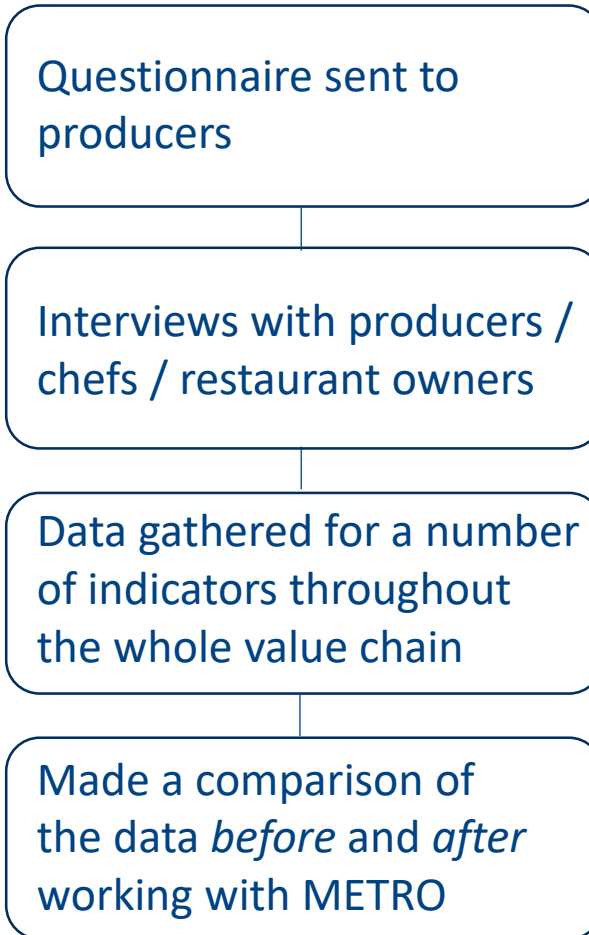
FROM THEORY TO PRACTICE

THE IMPACT PATHWAY CONCEPT

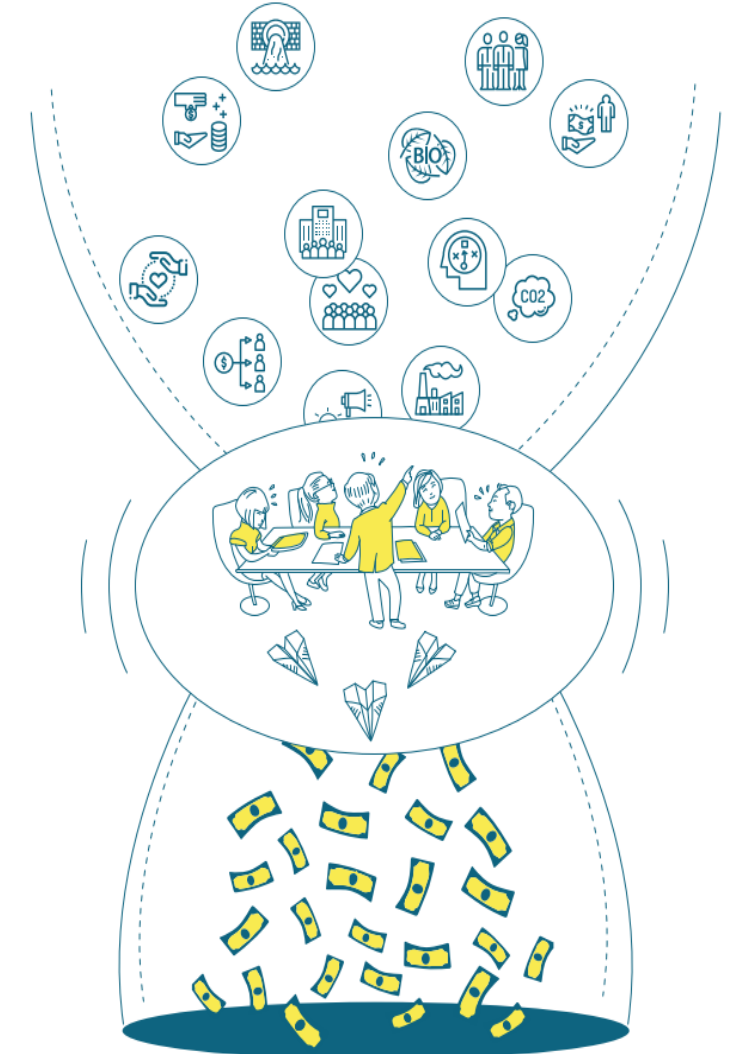


THE METHODOLOGY APPLIED

Value chain segment	Indicator/Business activity
Producer	Water usage
	Use of fertilizers
	Food waste
	Use of plant protection products
	Payments
	Trainings for farmers
METRO	Transport
	Warehouse (e.g. energy used)
	Food waste
Client	Food waste
	Revenue from the product



Made a comparison of the data *before* and *after* working with METRO



Thank you

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