

ANNEX TO HBER REVIEW SURVEY

JOINT PURCHASING AGREEMENTS

- Joint purchasing agreements have become a common component in groceries' procurement strategy to ensure that they have access to efficient and innovative suppliers, also in markets where they are not active. Ahold Delhaize is member of two purchasing alliances: Coopernic and AMS. AMS is a buying alliance that focuses on sourcing private label food and non-food products for its members, whereas Coopernic is a purchasing alliance which focuses on branded products.
- The current Horizontal Guidelines provide helpful guidance on the concept of purchasing alliances. Specifically, chapter 5.4.1 of the guidelines highlights that joint purchasing arrangement can lead to **significant efficiency gains** such as cost savings, increased innovation and the introduction of new and improved products. Moreover, European Commission Vestager has recently reiterated the key role of buying alliances by stating that: *"Buying alliances between retailers have become a key component of grocery supply chains. They can bring lower prices to consumers for food and personal care brands that they purchase on a daily basis."*
- Ahold Delhaize believes that the revision of the Horizontal Guidelines should not alter this situation and is convinced that **any restriction on the establishment of purchasing alliances would have strong adverse effects on consumer prices, consumer choice and product innovation, which would be detrimental to the European economy and consumer welfare**. To further illustrate why purchasing alliances play an important part of the European economy, Ahold Delhaize has outlined the three most important benefits:
 - a. **Firstly, purchasing agreements allow retailers to play an important role to provide efficient purchases of fast-moving consumer goods.** Joint purchasing allows retailers to operate more effectively and to offer a larger range of products with a better quality. Moreover, as retailers purchase products in large volumes, this will lead to significant efficiency gains and lower prices.
 - b. **Secondly, joint purchasing benefits consumers across Europe.** Purchasing alliances are pro-competitive and lead to benefits which are also passed-on to consumers. Economic studies have shown that purchasing alliances lead to a drop in consumer prices. For example, a recent French study (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452497) which was recently presented to the European Commission (https://ec.europa.eu/jrc/sites/jrcsh/files/ra_2_2_chambolle_the_impact_of_ra_on_prices_and_product_variety.pdf) compared the price effects of water bottles before and after purchasing alliances and found a price decrease of 7% for end-customers. Moreover, besides price effects, consumers will also benefit from increased product choice and product innovation.
 - c. **Thirdly, purchasing alliances establish a level playing field between the different levels of the supply chain.** Retailers often deal with large, global suppliers, which have strong bargaining power towards retailers. Joint purchasing increases the level playing field between retailers and suppliers.

SUSTAINABILITY INITIATIVES

- Ahold Delhaize is committed, as a global retailer, to **work for a healthier society** and **promote sustainable retailing** where possible. To implement sustainability initiatives, Ahold Delhaize developed the ambitious 2020 Sustainable Retailing Strategy, which drives innovation and changes in the business. Moreover, it aims to increase the value for customers, associates, communities, shareholders and the environment. The 2020 Sustainable Retailing Strategy focusses on three areas:
 - a. Ahold Delhaize is committed to making it easier for our customers **to eat more nutritious food**, which helps to reduce the prevalence of diseases and increase overall vitality;
 - b. Ahold Delhaize will **reduce food waste**, as part of our aim to responsibly manage the earth's resources, and work with food banks to feed the undernourished in our communities. For example, Ahold Delhaize managed to recycle 77% of its food waste in 2018;
 - c. Ahold Delhaize is committed to celebrating a **diverse and inclusive workforce** and seeing employees reach their potential so they can thrive in life and business.

- The Commission, so far, has not developed any specific guidance on cooperation on sustainability initiatives in the Horizontal Guidelines or otherwise. As a result, businesses lack legal certainty whether certain forms of cooperation related to sustainability may be considered to fall within the scope of Article 101(1) TFEU and possible exemptions under Article 101(3) TFEU. For example, in 2015 the Dutch Authority for Consumers & Markets (ACM) prohibited a sustainability initiative amongst supermarkets (including Ahold Delhaize) and other stakeholders to completely replace regularly-produced broiler chicken with more sustainable alternatives in order to raise animal welfare (so-called Chicken of Tomorrow-initiative).

- **Ahold Delhaize believes that the current revision of the Horizontal Guidelines provides an opportunity for the Commission to support sustainable initiatives and to provide the necessary guidance to companies supporting a sustainable society.** Therefore, we urge the Commission to develop **clear guidance on a European level** on the possibilities to initiate sustainability initiatives under Article 101 TFEU.