



METRO AG - P.O. Box 230361 - 40089 Duesseldorf (Germany)

Düsseldorf, 19 June 2009

Dear Sir or Madam,

Thank you for your correspondence, in which you expressed your opinion about the incidents at R.L. Denim Ltd., a supplier of METRO Group. Dr. Cordes has asked me to reply to your correspondence. Please pardon me for the delayed response.

METRO Group is strongly committed to improving social standards at its business partners. A strict ban on child labour, forced labour and any form of exploitation is a fundamental component of METRO Group's purchasing conditions. As a result, METRO Group was and is very concerned about media reports published in mid-May regarding the death of an 18-year-old worker at a supplier company in Bangladesh. We are deeply saddened by the young woman's passing. As an immediate measure, we suspended our business relationship with the supplier until the allegations have been clarified.

Conducting a thorough investigation of the case was a very important matter to us. For this reason, we dispatched teams to Bangladesh and to our responsible purchasing company in Hong Kong just a few days after the reports on the incident appeared. Under the direction of the corporate audit department, experienced employees from the corporate audit department, quality assurance and procurement as well as external experts conducted an investigation into the incident. The results of this investigation are now available. A central finding is that the woman's death was not related to the working conditions at the R.L. Denim factory.

But the supplier R.L. Denim in Bangladesh was not working according to our high and mandatory social standards. This conclusion was reached in 2005 by an investigation initiated by procurement at METRO Group and carried out by an auditing firm that had been certified by the Business Social Compliance Initiative (BSCI). The deficiencies uncovered by this audit should have been eliminated within a year's time – and confirmed in a re-audit. Unfortunately, this re-audit was not conducted. We acknowledge that this re-audit was not conducted out of disregard of our clear internal control regulations.

Against this backdrop, the teams in Hong Kong and Bangladesh also closely examined our procedures and processes in connection with the auditing of the suppliers according to the system of the BSCI. The investigation determined that about 100 audited suppliers in the textile area had not achieved a positive result and, in several cases, a re-audit had not been carried out on schedule. This shows that the most recent case was not an isolated incident. This is something that is unacceptable to us and will result in appropriate measures.

Internal mistakes in the information chain in our procurement organisation are the reason for these deficits: Within the audit process, we uncovered shortcomings particularly in the area of inspection and documentation. At times, the prescribed

METRO AG

Schlueterstrasse 1
40235 Duesseldorf
(Germany)
Phone +49 (0)211 6886-0

P.O. Box 230361
40089 Duesseldorf
(Germany)
www.metrogroup.de

Supervisory Board: Franz M. Haniel, Chairman
Management Board: Dr. Eckhard Cordes, CEO
Zygmunt Mierdorf, Frans W. H. Muller,
Joël Saveuse, Thomas Unger

Commercial Register
of the Duesseldorf
Local Court, HRB 39473

procedure was not followed. As a result, the current incident does not question the system of BSCI regarding the auditing of suppliers, but its implementation in our company.

In response, we have developed a number of measures designed to ensure that such mistakes do not reoccur in future. At the same time, the responsibilities of suppliers and METRO Group have been redefined:

- We will ensure that textile suppliers with open re-audits will have signed up for an audit by the end of year and that neglected audits are carried out promptly, or within three months at the latest.
- Within the audit process, we have optimised our procedures regarding inspections and documentation. Through systematic IT support, transparency is to be assured at all times.
- In future, the compliance department will become involved in the auditing process of suppliers. This reflects METRO Group's intention to require suppliers in emerging countries to comply with fundamental social standards.
- We will continue to work jointly with the BSCI to develop adequate processes for initial audits and re-audits that have been modified to the economic capacities of emerging countries. Also in future, we will play an active role in the further development of the BSCI and will submit relevant proposals.

Since our investigation determined that the employee's death was not related to the working conditions at the R.L. Denim factory, we have begun discussions with R.L. Denim about resuming our business relationship. A fundamental precondition on the part of METRO Group for a renewed business relationship was that R.L. Denim significantly improves working conditions. This has been done in the meantime. R.L. Denim has just recently made considerable improvements in critical areas addressed by the initial audit and achieved positive results. This is also the view of independent local organisations in Bangladesh. Insofar, we expect that we will soon resume our business relationship with R.L. Denim and thus secure the jobs at R.L. Denim. The supplier's future development will be supported by METRO Group.

It is the commitment of METRO Group as one of the world's largest and most international trade and retailing companies to play an active role in improving social standards in the course of globalisation. With our measures taken, we are certain that we will be able to carry out this commitment in future even better than to date.

Yours faithfully,



Michael J. Inacker
Head of Corporate Group Communications and Public Affairs