

Description of METRO's Compliance Management System

Introduction

1. At METRO, our customers are at the heart of what we do. Customers rightfully expect that METRO and its employees work in compliance with laws and internal guidelines. We believe that compliance is an integral part of our service offering to our customers.
2. Every METRO employee is expected to act compliantly. METRO's people managers are also expected to role-model compliance: By setting a good example and communicating on compliance matters.
3. METRO management boards are the bodies that are ultimately responsible for compliance within their respective companies. METRO's compliance officers help management boards fulfil their duty.
4. METRO's executive management board has the organizational and supervisory responsibility for compliance. To address this responsibility, the corporate compliance function has designed a risk-based compliance management system (CMS).
5. METRO's CMS addresses a number of compliance risks areas, in particular including antitrust, anti-corruption and anti-money laundering. This document describes the current status of the CMS with respect to these three compliance risk areas.
6. The CMS of METRO aims at preventing, detecting and sanctioning corruption across the group. For the purpose of the CMS, METRO considers any conduct as being corruption that is punishable under the regulations stated in §§ 299, 331-338 of the StGB (German Penal Code) or under textual corresponding to penal laws of other foreign legal systems in which the METRO operates directly or indirectly.
7. Moreover, the CMS of METRO aims at preventing, detecting and sanctioning antitrust violations in the group. For the purpose of the CMS, METRO considers any conduct violating Articles 101 and 102 of the Treaty on the Functioning of the European Union, the EC Merger Regulation or the applicable ordinances, respectively §§ 1 to 98 of the German Act Against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen (GWB)) or § 298 of the German Penal Code, or under textual corresponding to penal laws of other foreign legal systems in which the METRO operates directly or indirectly, as being a violation of competition law.

8. Finally, the CMS of METRO aims at preventing, detecting and sanctioning money laundering across the group. For the purpose of the CMS, METRO considers any conduct as being money laundering that is punishable under the German Money Laundering Act (Gesetz über das Aufspüren von Gewinnen aus schweren Straftaten (Geldwäschegesetz, GwG)) or under textual corresponding to penal laws of other foreign legal systems in which the METRO operates directly or indirectly.
9. Historically, the head of legal of each METRO company concerned has been responsible for antitrust compliance. In many METRO companies, the responsibilities for legal and compliance are combined in one department with the head of legal also being the compliance officer. However, there are also METRO companies in which the functions of legal and compliance are separate with responsibility for antitrust compliance resting with the head of legal and the responsibility for anti-corruption and anti-money laundering compliance resting with the compliance officer. In any case, both the head of legal and the compliance officer, no matter whether under a single or multiple responsibility, directly report to a member of the management board of the METRO company in question, typically either the CEO or CFO.
10. Compliance risks are addressed by defining within the global CMS structural and operational compliance measures for compliance officers of the METRO companies to complete each business year. This definition is done by Corporate Compliance. The compliance measures are minimum required measures only. Each METRO company, its management board and its compliance officer have to consider whether additional measures are required to adequately meet compliance risks.
11. The fulfilment of the compliance measures and additional key indicators relating to each METRO company – and together forming the compliance KPIs – are monitored and managed in a compliance maturity matrix. The maturity matrix produces a compliance maturity score – the best possible score being 100% - that reflects the level of compliance maturity in a particular METRO company.
12. CMS measures have to be adapted if local laws require a more strict approach.
13. METRO's CMS is implemented in all METRO entities that are controlled directly or indirectly by METRO AG and which run operational business. Regarding minority shareholdings and shareholdings in joint venture companies, METRO uses its shareholder rights to the extent legally feasible to push the company concerned that compliance standards as expressed in its CMS are applied there.

14. The CMS is characterized by a preventive approach which is operationalized by various internal controls in the responsibility of the corporate compliance function and in other functions, which address compliance risk in key areas of business. Detection and investigation into potential compliance infringements are not performed by the corporate compliance function, but instead by METRO's audit function, Group Internal Audit (GIA). However, key investigations – such as following up on a whistleblowing through the compliance whistleblower system – are a part of the compliance incident handling process lead by the compliance function and thus monitored and actively managed as part of the CMS. Moreover, the corporate compliance function does oversee compliance activities of METRO companies by way of the compliance reporting done by compliance officers, especially in relation to the performance of compliance measures.
15. METRO's corporate compliance function next to its responsibility for the CMS from a conceptual point of view also supports METRO companies and their compliance officers in implementing the minimum required measures of the CMS and offers a wide range of easy and ready to use tools, templates and information on best practices.

Compliance Culture

16. METRO believes that a positive and lasting compliance culture is crucial for an effective CMS. METRO's compliance culture is expressed in the way its employees speak and act.
17. Compliance culture involves all functions. Positive compliance culture starts at the top in METRO's management boards. People managers have a strong responsibility to role model compliance by acting in line with laws and internal guidelines at all time. METRO looks to its management board members to role model compliance. The same applies to people managers below board level, both in headquarters and in sales forces and stores.
18. Key cornerstones of METRO's compliance culture are the METRO Business Principles and METRO's compliance values of responsibility, integrity and speak-up. The Business Principles reflect METRO's ambition to conduct business in a compliant way. The Business Principles are:
 - We make a strict distinction between personal interests and the interests of the company.
 - We do not offer anyone an advantage that cannot be justified.
 - We do not use our position to our personal advantage.
 - We treat all information from the company as confidential.

- We respect the rules of fair competition.
 - We treat everyone as equals.
 - We are a fair employer.
 - We respect all legal provisions and regulations.
19. The METRO Guiding Principles are another cornerstone of METRO's compliance culture. They intend to give further expression to METRO's purpose of being a "Champion for Independent Business". METRO's Guiding Principles are:
- Power of Relationships
 - Sustainable Business
 - Entrepreneurship
 - Leadership by Example
 - Customer Success.

Living up to the standard of the METRO Guiding Principles is a part of the regular appraisal process of METRO employees. Incompliant behaviour of an employee would be picked up and taken into account as part of the regular appraisal against the Guiding Principles.

20. Ensuring awareness of compliance and compliance topics in line management starts by enabling at the top. At least once a year, senior executives at corporate level with a line management responsibility towards the CEOs of METRO companies receive a briefing on compliance matters from the corporate compliance function including maturity level performance. These briefings identify examples for good compliance practice, room for improvement or developments that might pose a risk to the compliance maturity of each METRO company that the senior executive is responsible for.
21. Compliance communication is done both informally and formally, for example during town hall meetings or store visits. People managers receive assistance from the corporate compliance function by way of ready-to-use communication tools, to make talking about compliance easy and natural. Examples may include training material for board members, templates for compliance emails, compliance speaking notes, suggestions for compliance topics to address and template posters and flyers on business principles, compliance values or compliance in general.
22. To ensure accountability for safeguarding compliance, typically each year management boards of METRO companies are requested to share their opinion about the current level of compliance maturity in their organizations.

23. In light of their responsibility for compliance, new board members receive a dedicated onboarding training from compliance officers both on corporate level as well as on local level. The onboarding training deals with fundamentals on compliance culture, compliance vision and mission including the board members' roles and responsibilities as well as key operational compliance processes and compliance topics, such as the proper handling of compliance incidents or the requirements for protecting whistle blowers.
24. To fulfil their compliance duties, management boards must remain informed about current compliance matters, especially the progress of CMS implementation and major compliance incidents. This is done by compliance officers throughout the year on a regular basis as needed. At least once a year, compliance officers are tasked with providing their management boards with a formal compliance report covering all relevant compliance topics. For countries with a higher compliance risk profile, formal reporting frequency may be increased.
25. Compliance officers also support in developing compliance culture by making compliance a matter-of-fact and approachable topic. They are tasked with engaging METRO employees on compliance pro-actively, for example by making short visits to company departments or by inviting employees to compliance talks, in each case to discuss informally compliance topics that might be of interest or concern to employees.
26. Compliance culture requires that compliance incidents are handled in a transparent, fact-based and impartial way. At METRO, compliance incidents are handled by a dedicated compliance incident handling committee consisting of relevant functions (*e.g.*, compliance, HR, audit, legal). Roles and responsibilities of involved functions have been defined centrally in the compliance incident handling process rolled out across the group. The committee steers investigations into incidents, makes recommendations to the management board on treating incidents and safeguards that any sanctions are applied fairly without regard for the hierarchy concerned.

Compliance Objectives

27. The objective of METRO's CMS is to do business in line with the applicable laws and internal guidelines that concern METRO's compliance risk areas. It does this on the basis of METRO's compliance values, METRO's Business Principles and METRO's Guiding Principles.
28. As a general principle, actions are compliant if they are legal. Compliance however also takes account of METRO's integrity and reputation: Legal behaviour that cannot be reconciled with METRO's integrity and reputation is not compliant. The business judgement rule applies.

29. Situations in daily business are not always clearly compliant or clearly non-compliant. When confronted with a matter compliance officers are expected to perform a thorough fact finding, to identify remaining uncertainty and to flag the risks that different options of action imply. Compliance officers are encouraged to take risk-based decisions themselves as appropriate as well as develop compliant solutions to enable the business.
30. Compliance officers, in order to support their internal business partners as best they can, are expected to have a good understanding of the business model of the METRO company they work for. They are strongly encouraged to learn about the restraints, pressures and incentives that METRO employees are subject to when dealing with business partners and to involve themselves early on in business matters that require compliance-related advice or action. Participating in business meetings from time to time is key for a proper understanding of the business and for rendering compliance advice effectively.
31. Compliance is an essential objective for assessing the performance of METRO employees. METRO management boards are expected to safeguard that past compliance behaviour is taken into account when assessing the performance of METRO employees through the annual appraisal process as part of METRO's Guiding Principles. Compliance is also taken into account when evaluating candidates for vacant positions.
32. Compliance officers' personal targets are typically based on their performance when implementing the minimum required measures of the CMS. Only if a certain percentage of the required measures are performed will compliance officers have fully achieved their compliance targets. Because many compliance officers have additional functions in their respective companies, the weight of their compliance target should have a weight equal to the number of FTE that the particular METRO company has allocated to compliance in alignment with Corporate Compliance.

Compliance Risks

33. A risk-based approach is at the core of METRO's CMS. METRO companies are categorized into risk clusters (*e.g.*, high risk, medium risk and low risk) according to their compliance risk exposure, which is judged on the basis of the external and internal environment in which the companies operate, on the basis of company size and on the basis of historic performance on compliance topics. Depending on its risk categorization, the minimum required CMS measures that a METRO company has to perform in the course of a business year are scaled up or down accordingly. An increase in structural risk beyond predefined thresholds moves a METRO company into the next higher risk cluster, increasing compliance measure intensity.

Overall, risk categorization and scaling ensures an effective allocation of resources and focus and safeguards adequately increased measure levels for high risk METRO companies.

34. Compliance officers perform risk assessments in their respective METRO companies to identify potential new risks and to re-qualify exiting risks if needed. The frequency of the risk assessments depends on the risk categorization of the METRO company in question. High risk entities are typically tasked with performing assessments every year.
35. Risk assessments usually consist of bilateral assessments with relevant stakeholders or of an assessment workshop including all relevant stakeholders. The risk assessment must cover all compliance risk areas and include employees sufficiently knowledgeable to speak about all major areas of a company's operations including sales forces and stores. Regardless of the chosen format, the assessment must include the following elements:
 - risk identification on the basis of risk scenarios that exemplify different kinds of compliance risks
 - risk assessment on the basis of potential loss and occurrence probabilities
 - risk steering to properly address existing risks and address new risks identified in the assessment.
36. The corporate compliance function provides compliance officers with specific guidance including on methodology and risk scenarios on how to perform compliance risk assessments in line with corporate risk management requirements.

Compliance Program

37. METRO's compliance program addresses compliance risk areas by way of a full lifecycle repertoire of compliance measures that the compliance officer is entrusted to fulfil. Further key compliance indicators define additional requirements that METRO companies need on compliance maturity used for monitoring and improvement purposes reviewed each business year and amended as required.
38. A core part of the compliance program are METRO's guidelines in the area of anti-corruption (Anti-Corruption Guideline), antitrust (Antitrust Manual) and anti-money laundering (SOP Anti-Money Laundering) each of which supported by additional materials such as checklists, traffic light documents and alike.
39. The most important elements of METRO's Compliance Program relate to:

40. Guidelines and Training
41. Compliance guidelines are developed by the corporate compliance function for each of the compliance risk areas, especially for the risk areas antitrust, anti-corruption and anti-money-laundering. On the basis of the METRO Business Principles, the compliance guidelines set out in detail what METRO employees may and may not do. The compliance guidelines intend to be concise, practical, easy to read and easy to understand, while adhering to all corporate governance requirements. As the case may be, compliance guidelines also allocate roles and responsibilities among different company functions (in particular concerning compliance officers, people managers, risk owners and management boards) and they define relevant internal controls, e.g. the separation of functions or internal approval and authorization processes. Compliance guidelines are made available on the METRO intranet.
42. Guidelines are implemented by way of management board resolutions. They may require adaption to local laws, if local laws are more strict, and translation into local languages. The guidelines are communicated to the relevant employees typically by way of email to ensure proper documentation of distribution, but they are also typically addressed in the context of associated compliance trainings. The trainings themselves are performed in both head offices and in sales forces and stores. Trainings are done by either the compliance officers or by other functions, in case of the latter typically by way of a train-the-trainer format. Trainings can be both face-to-face trainings and / or e-trainings.
43. Business Partner Due Diligence
44. All METRO business partners are evaluated risk-based in a multi-step process. Depending on the degree of compliance risk associated with a particular business partner, that business partner is moved into one of three risk clusters. The higher the risk, the more information the METRO company in question must procure about the business partner and – as the case may be – more risk-mitigating measures concerning the business relationship need to be performed.
45. As a matter of principle, all business partners are required to sign an anti-corruption clause, which obliges each business partner to **take all necessary and reasonable measures to avoid corruption and bribery**. If a particular business partner interacts with public officials, is involved in a line of business considered to be particular prone to compliance risks (e.g. real estate), or if the contract volume with a business partner exceeds a certain level, then that business partner will also be required to complete a due diligence questionnaire that seeks to gain additional transparency on potentially risk-enhancing circumstances.

46. Should the answers provided by the business partner in the questionnaire lead to concerns that cannot be mitigated sufficiently, then the business partner will be subject to an additional screening on the basis of publicly available information. Decision-making on whether to engage in or continue doing business with that particular business partner will not only require adherence to the 4-eye-principle as the standard process. In high risk cases decision-making will also involve the level of a management board member of the METRO company in question and – as the case may be – the compliance officer and additional company functions.
47. Incident Handling
48. METRO has a web-based whistleblower system that allows employees and external third parties to flag compliance incidents. Whistleblowers may document compliance incidents in all languages of the countries of METRO companies. In training courses and general compliance-related communication, employees are made aware of the possibility to use the whistleblower system, but also to approach their superiors or their compliance officers for assistance in compliance-related matters including the handling of compliance incidents.
49. Notifications received via the whistleblower system are validated by the corporate compliance function and then typically assigned for further handling to the relevant functions. Typically, compliance officers will manage compliance incidents by way of the compliance incident handling process (CIHP). The CIHP seeks to protect both the employees who are accused of compliance-relevant conduct and those who report such conduct from arbitrariness or preference. It also sets forth roles and responsibilities of the different stakeholders involved such as Group Internal Audit for the investigation of alleged incidents.
50. The CIHP is administered by compliance incident handling committees (CIHC) of each METRO company, which the compliance officer of each METRO company is a part of. The CIHC ensures that compliance incidents are examined and processed consistently and is tasked with preparing recommendations for the treatment of compliance incidents by the management board of the relevant METRO company. Such recommendations may include disciplinary measures or structural measures that address the circumstances surrounding a particular compliance incident.
51. Moreover, part of the GRC approach of METRO AG and the preventive control of compliance risks is an integrated internal control set up next to the compliance, risk management and audit functions. Internal controls fall within the responsibility of Corporate Accounting. In the departments internal control operations (ICO) and internal control finance (ICF) full control sets including performance reporting are managed. The GRC functions in particular by way of the GRC committee work together to cross-reflect risks and topics managed in the various functions.

For example, the ICO function includes in its internal controls defined and rolled out in the METRO countries for key business processes (e.g., real estate) measures to detect and prevent corruption risks.

Compliance Organisation

52. METRO's compliance organization is driven by structural and operational efficiency. As a matter of principle, each operational METRO company has a compliance officer to support the respective METRO business. There are currently about 40 employees acting as compliance officers, excluding deputies, in full- or part-time employment. The corporate compliance function has about 5 FTEs.
53. Each compliance officer is expected to have a close proximity to the respective management board, typically as a direct board report, and to regularly align compliance matters with the board closely, e.g. in the context of regular jour-fixes with the compliance-responsible board member.
54. Compliance officers and their deputies sign a solid line agreement with the METRO company of their employment and with METRO AG to safeguard sufficient independence of these compliance professionals in relation to their work.
55. The corporate compliance function has an important line management duty with all compliance officers including supervision of their work to safeguard that the CMS is being implemented properly. The corporate compliance function at the same time supports compliance officers by
 - a. institutionalized compliance telephone or video conferences four times a year ("quarterlies"), during which all measures to be implemented for the business year are reviewed for execution status and compliance officers give feedback on not only on operational obstacles to the implementation for which they ask corporate support to overcome but also the design and effectiveness of the various CMS measures from an operational perspective.
 - b. country visits with compliance officers and local management boards to discuss current compliance questions, METRO companies' compliance performance and matters concerning the compliance officer, e.g. his / her personal compliance targets, and also to support with trainings, especially for the management board.

- c. regular, typically bimonthly compliance officer video conferences to discuss compliance topics of general interest among all compliance officers and further informal, typically bilateral telephone conversations with a particular compliance officer to discuss specific questions on (i) the execution of a compliance measure, (ii) a particular compliance incident and its proper handling, (iii) METRO's general compliance policy.
56. The corporate compliance function is a decisive stakeholder in the hiring and selection process for new compliance officers. Hiring decisions can only be taken by the country board in alignment with the corporate compliance function and short-listed recruiting interviews include the corporate compliance counsel responsible for the company recruiting. Corporate Compliance has also a key stake in the line management of compliance officers. Annual bonus targets for compliance officers include targets set by corporate compliance which focus on and incentivize execution of the compliance measures.
57. Upon hiring, new compliance officers are included in the regular communication cycle and receive an in-depth on-boarding training at METRO AG in Düsseldorf typically at the start of their employment.

Compliance Communication

58. Communication is key to facilitate effective compliance culture and to inform about how compliance is implemented at METRO. Compliance communication strives to be part of the communication that is generally in place at METRO to underline compliance as a key part of company culture. Compliance messages are integrated to the greatest extent possible into existing communication opportunities and formats used by other functions, especially business functions.
59. Following tone from the top and middle communication coming from local management boards and middle management levels, METRO companies disseminate compliance awareness through various communication formats. Above all, face-to-face compliance trainings covering the compliance risk areas are conducted on a regular basis. METRO employees receive training according to their risk profile. Complementary training formats also include e-training and videos.
60. Care is taken to review training contents on a regular basis, but also to review their format and style to strengthen acceptance by METRO employees. New hires and METRO-internal transferees also receive training in line with operational requirements but also within a short period of time following their hiring or transfer, respectively.

Monitoring & Improvement

61. Monitoring and improvement of the CMS and in particular the compliance risk areas antitrust, anti-corruption and anti-money laundering are done within the framework of the GRC Guideline at the level of METRO AG. The conclusions drawn by the compliance function regarding the development of the CMS, the risk situation and the effectiveness of the CMS are consequently an integrated part of the GRC process half-yearly, validated by the GRC Committee and then described in the GRC Report and submitted to the Management Board.
62. The GRC Report also constitutes the basis for the Management Board's report to the Supervisory Board and to the Accounting and Audit Committee of METRO AG. As a matter of principle, the Chief Compliance Officer and the Director Group Compliance as well as the other functional staff responsible for the GRC subsystems, Risk Management, Internal Controlling Systems and Group Internal Audit are actively involved in the reporting procedure.
63. The requirements of METRO's CMS are designed to systemically prevent compliance risks from materializing. These requirements and their implementation have to be monitored and improved regularly. For that reason, ongoing communication and alignment between compliance officers and the corporate compliance function is necessary.
64. Following the end of the business year, the compliance maturity score is determined for each METRO company including granularity on the level of the seven CMS elements to determine the compliance maturity level of the organisation concerned. This is done by tracking the result of each compliance key performance indicator shared with each METRO company at the beginning of the business year. A number of these compliance KPIs concern the fulfilment rate of the compliance measures that the compliance officer has to perform. The further compliance KPIs generally describe specific compliance requirements that a METRO company should fulfil.
65. Both the overall compliance maturity score and the score that depends on the fulfilment of the compliance officer's compliance measures are expressed as percentage rates, with 100% being the maximum achievable score. The compliance maturity score of the METRO company and the compliance measure performance of the compliance officer of that company is benchmarked against previous years' scores and compared with the scores of other METRO companies. Compliance maturity scores form part of the annual compliance reporting on corporate level including as a part of the Governance Risk & Compliance reporting.

66. Beyond alignment on specific questions throughout the business year on various compliance matters that might come up, corporate compliance counsels and the compliance officers in the METRO companies that they are responsible for have a regular exchange at least four times a year in the compliance quarterlies.
67. Management boards need to be involved in the monitoring and improvement process. That is why at the end of each business year, the compliance officer will have a joint discussion with the corporate compliance counsel and the compliance officer's responsible board member on the status of CMS implementation in the respective METRO company. This is also an opportunity to discuss with all relevant stakeholders, what has gone well and where there is room (or need) for improvement on CMS implementation, the degree of support given by the management board to compliance matters, and the need for further support or guidance by the responsible corporate compliance counsel.
68. To ensure accountability and transparency, management boards need to acknowledge the qualification of their respective METRO company into a particular risk cluster (i.e. high risk, medium risk or low risk) and whether the company in question should move up to the next risk cluster, both typically by way of a formal board decision; a decision to move into a risk cluster of lower risk is not permissible.
69. Finally, METRO's audit function, Group Internal Audit, audits the effectiveness of the CMS and its implementation by performing regular CMS audits including a check on antitrust, anti-corruption and anti-money laundering measures and tools throughout the year on a rolling basis and based on the IDW AssS 980 compliance standard. In addition, GIA also does regular antitrust email audits in METRO companies to take antitrust as one of the most relevant compliance risk area into account. For both kinds of audits, short-comings that have been identified in the course of the audit need to be remedied.

Düsseldorf, 17 October 2018

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