



SUSTAINABILITY IN TRADING 2002



Further information on the Internet:

You can find further METRO AG information on the subjects of economics, the environment, personnel, and social affairs summarized under: www.metro.de



Metro Group in numbers

Operations per country														
Country													Metro-Group ¹⁾	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Germany	83	81	246	246	500	498	242	220	297	307	133	132	1,734	1,726
Belgium	6	6									15	0	21	6
Bulgaria	6	6											6	6
People's Republic of China	15	8											15	8
Denmark	4	4											4	4
France	75	71					14	13					89	84
Greece	6	6							7	6			13	12
Great Britain	28	27											28	27
Italy	35	31					34	28					69	59
Croatia	1	0											1	0
Luxembourg									3	3			3	3
Morocco	5	5											5	5
Netherlands	14	14					6	4					20	18
Austria	11	11					20	20	6	6			40	40
Poland	19	18	25	24			15	9	16	14			75	65
Portugal	9	8											9	8
Rumania	11	7											11	7
Russia	2	0											2	0
Switzerland							11	11					11	11
Slovakia	4	3											4	3
Spain	23	23					9	4					32	27
Czech Republic	9	9											9	9
Turkey	7	6	6	6					6	4			19	16
Hungary	11	9					6	5	12	11			29	25
Abroad	301	272	31	30	0	0	115	94	50	44	15	0	515	443
Total	384	353	277	276	500	498	357	314	347	351	148	132	2,249	2,169

¹⁾ Including 236 (previous year 245) Dinea restaurants, of which 233 (previous year 242) located in Germany, and 3 (previous year 3) abroad

Economics			
Metro Group in numbers			
	1999	2000	2001
Sales (net)	€ 43,833 m	€ 46,930 m	49,522 m
Earnings of the Metro Group by sales divisions			
Metro Cash & Carry*	€ 513.4 m	€ 554.4 m	€ 625.5 m
Real	€ 42.1 m	€ 52.7 m	€ 117.8 m
Extra	€ - 25.4 m	€ - 39.9 m	€ - 14.4 m
Media/Saturn	€ 223.7 m	€ 266.0 m	€ 223.9 m
Praktiker	€ 24.8 m	€ - 29.2 m	€ - 9.7 m
Kaufhof	€ 163.8 m	€ 180.8 m	€ 187.0 m
Income before taxes	€ 681 m	€ 754 m	€ 673 m
Annual surplus	€ 305 m	€ 423 m	€ 449 m
Investments**	€ 1,446 m	€ 1,620 m	€ 1,572 m
Balance sheet total	€ 22,402 m	€ 22,333 m	€ 22,320 m
Permanent establishments, total number	2,098	2,169	2,249

*The previous year's amount, adjusted by real estate divested in the United Kingdom and the Czech Republic.

**Additional fixed assets, intangible assets excluding goodwill

Human resources			
Metro Group employees			
	1999	2000	2001
Employees worldwide*	171,440	179,561	186,814
Of which in Germany	115,869	114,726	112,505
Of which abroad	55,571	64,835	74,309
Average age of employees throughout the Metro Group	36.8 years	37.2 years	37.6 years
Number of trainees in the Metro Group	8,808	9,136	9,921
Employees' average length of service with the Metro Group	7.5 years	7.8 years	8.2 years

*on an FTE basis, average

Environment			
Logistics/transport of Metro MGL Logistik GmbH			
	1999	2000	2001
Amount of goods transported for METRO AG			
– tonnage	800,000 t	1.100,000 t	1.250,000 t
– pallets	3 m	4.6 m	5.1 m
Saved ton kilometers	35 m	50 m	60 m
Average number of mixed cargo			
Pallets per truck stop (Metro C&C)			
shipped with MGL (combined):	20	25	27

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Group Mission Statement

We create the markets. We, METRO AG, are an international Group with a broad, trade-specific portfolio of distribution formats and store sites.

- The concepts of our outlet chains complement each other. We use our analysis of new developments and trends to constantly develop them further. The basis for our international expansion lies in a strong and secure position in our domestic market.

- Our areas of expansion and growth are primarily in discounted mass distribution, in Germany also in the area of modern town center concepts.

Customer expectations shape our services.

We can only be successful if we know our customers' expectations and gear our goods and services towards them.

- Wherever we operate, we adapt our actions to the customers' expectations.

- This philosophy also determines our relationships within the company.

Employees shape Metro. High performance, speed, and efficiency determine our actions. We see change as an opportunity rather than a risk.

- Openness, trust, and personal esteem characterize our working together. We see objective differences of opinion as a starting point for solutions agreed to by all.

- We challenge our employees' professional and social competence and promote responsible work efforts.

Our employees are the guarantee for our company's success. We promote and offer permanent learning to be faster and better than our competitors.

- We offer a great variety of national and international career opportunities to efficient employees throughout the Group.

Together, we are stronger. Our outlet chains strive for market leadership in their markets, or at least for a position among the first three. They are responsible for their own success and decide their concept and market image. A continuous process of qualification is the basis for tomorrow's success. Within this process, the outlet chains consistently make use of the opportunities of the transfer of know-how within the Group.

- As service providers, the cross-divisional service companies create a competitive advantage for the outlet chains by combining resources, high competence, and management of ideas.

- METRO AG, as a management holding, sees itself as the interface and control center of a group-wide network based on decentralized responsibilities, in which it is primarily responsible for the Group's strategy, decides allocation of funds, and is in charge of the executive development for the entire Group.

Partnership. We form our relationship with our contracting parties as partnerships based on performance.

- We fulfill our responsibilities in society beyond our inherent entrepreneurial functions. In the countries where we are present, we actively work towards economic and social prosperity.

- Our maxims for the way we do business are integrity and straightforwardness.

Foreword

Today, the success of a company can no longer be defined by its economic result alone. As an international trading Group, we perceive ourselves as an active member of society wherever we are present. In our day-to-day work, ecological and social factors play an important role next to economic considerations. This means that not only do we try our best to satisfy our customers and to motivate our employees, but we also make a stand for society at large.

As one of the leading international trading companies, the Metro Group operates in 24 countries and thus faces a worldwide challenge to make a contribution to a sustainable development of society. We take this responsibility seriously and search for contacts with all our stakeholders. On many levels, we are in touch with our employees, ask customers to engage in a critical dialogue, and communicate with suppliers, shareholders, or associations. This multi-layered and continuous dialogue enables us as a company to help shape markets, policies, and thus, society, in a sustainable manner.

There are numerous concrete measures we use to implement sustainability in the Metro Group. A few examples: we successfully lessen the burden on the environment by using logistics concepts which save resources or by using modern transport packaging. We motivate our employees by implementing progressive collective bargaining policies or transferring more responsibility to them. We share in the sustainability debate at the political level as well, and at the same time support local projects in Germany and abroad. In the Metro Group, we work out concepts for all areas of sustainable development which must prove their worth in practice and contribute to the company's success.



Dr. Hans-Joachim Körber
Chairman of the METRO AG
Executive Board

Against this background, METRO AG is expanding its reporting. In the last few years, we have made our actions vis-à-vis our employees and the environment transparent to the public by presenting reports on the environment and on human resources; in 2002, we are presenting a report on sustainability. This report documents for all stakeholders the efforts which our trading company is involved in with regard to the economy, the environment, human resources, and society. We believe that we are on the right path with our involvement, and we perceive this first report on sustainability as a milestone and an incentive to improve still further.

We are aware of the manifold challenges presented by the strategic goal of sustainability. At the same time, we know that the measures taken so far, as well as this report, represent only a beginning – as is confirmed in the report by our guest author Tell Münzing, an expert from the London consulting firm SustainAbility. The report therefore documents not only the progress achieved so far, but also the challenges which are yet to be met to move closer, step by step, to the goal of sustainability in trading.

A handwritten signature in black ink, appearing to read 'Körber'.

Dr. Hans-Joachim Körber

Leading position worldwide

The company headquartered in Düsseldorf is one of the most important trading and retailing groups in the world.

The roots of the Group companies belonging to today's METRO AG go all the way back to the 19th century. The company history of Kaufhof AG began as early as 1879. Today, METRO AG is the management holding for the outlet chains Metro Cash & Carry, Real, Extra, Media/Saturn, Praktiker, and Kaufhof. In addition, there are several cross-divisional service companies whose activities span the entire Group. They combine tasks such as buying, logistics, information technology, or environmental protection. This pooling of forces enables the Metro Group to take advantage of synergy effects and know-how.

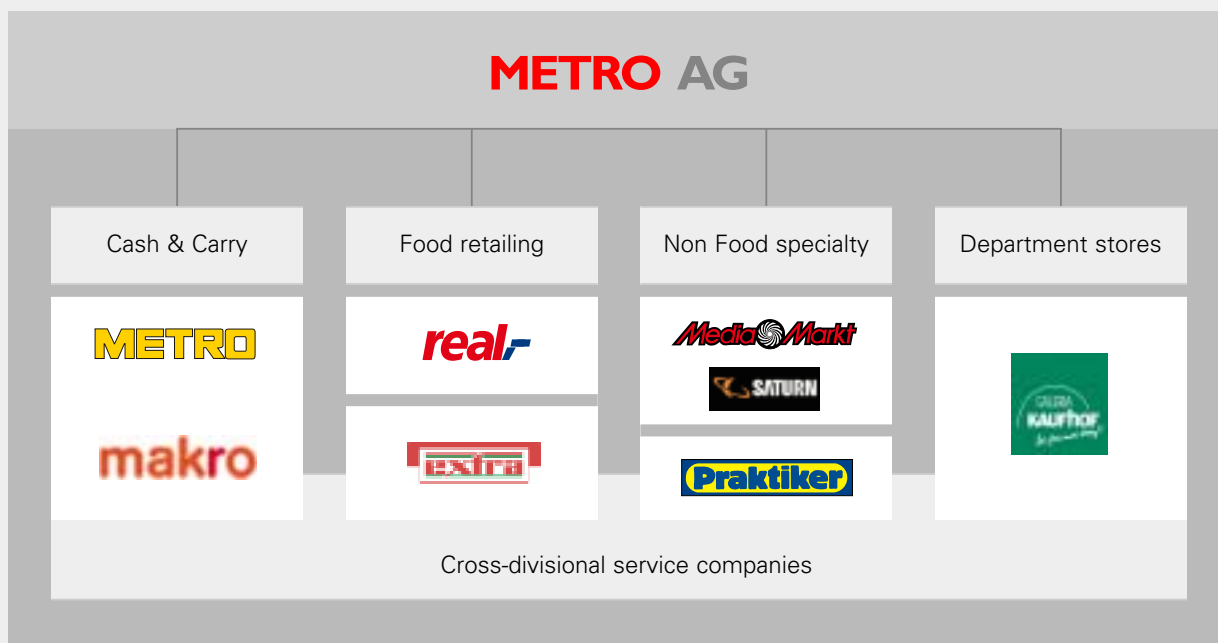
METRO AG's strategy aims at sustainable profitable company growth. In the financial year

2001, the Metro Group achieved a sales total of € 49.5 billion – 5.5 percent above the previous year's. At Metro sites in countries outside Germany, sales were at € 22.0 billion. This means that the company achieved 44.4 percent of its sales total abroad. Worldwide, METRO AG employed about 230,000 people and about 10,000 trainees at 2,249 sites. In 2001, the share of foreign employees in the workforce grew by 3.7 percentage points to 39.8 percent, calculated on the basis of FTEs.

Overall, the capital expenditure of the Metro Group in the financial year 2001 stood at € 1.9 billion, 2.5 percent above the previous year. The focus of investment activities was on international expansion, especially of the profitable outlet chains Metro Cash & Carry and Media/Saturn, by now well represented in countries outside Germany, and on further optimization of the merchandising concepts in Germany itself. 56.2 percent of all investments were made by the outlet chains Metro Cash & Carry and Media/Saturn.

Consistent internationalization will continue to be an important driving force for the further growth of the company in the future. For the current year, METRO AG is planning to enter the market in three new countries and will then be present in 27 countries. For 2002, the trading company aims for a continuous profitable growth in sales. Investments of about € 2 billion are earmarked for this goal.





“ Comment

Metro and sustainability:

Taking increased responsibility

Size spells obligations – like many multinational companies, the Metro Group is living up to these by coming out in favor of sustainability. To talk about sustainability is easy enough, but it may be a difficult goal to achieve. Basically, what is at stake is the recognition of an expanded entrepreneurial responsibility for the concerns of society and our natural environment. Beyond the correct words, convincing action is called for. Sustainable solutions are not always obvious, but often come about in open exchange and the common search for solutions by stakeholders. In this regard, METRO AG finds itself at the outset and has a long way to go. Sustainability opportunities must be seized, risks evaluated, and sustainability principles must be incorporated into the company's culture and leadership. The following steps will be of fundamental importance:

- Integration into processes and incentive structures. From the Board to the sales front, the meaning of expanded responsibility for the decision-making process, implementation, and individual performance levels must be defined.
- Convincing the consumer of the necessity of sustainability. No one wishes to consume less – but the way in which we consume worldwide must change to make it possible for consumers in developing countries to attain sustainable growth and prosperity.
- Involving producers and suppliers. As the Fishery Seal of Approval for sustainable fishery proves – nothing is possible without engaging producers and suppliers in a sustainable value added chain. This is true of all outlet chains

and products. What is needed is the drawing up of a priority list on the basis of compatibility analyses.

- Dialogue with critical stakeholders. Mutual listening and learning lead to better solutions and create trust. What is crucial is not simply expressing a belief in sustainability, but actual successes and failures. Those will be the interesting milestones for sustainable development at Metro, and interested stakeholders will keep a watchful eye open for them. Valuable credibility is created by open reporting on internal construction sites, barriers, and skepticism, as well as on the success and progress achieved.

Tell Münzing
SustainAbility, London and New York
www.sustainability.com

SustainAbility is an independent organization (think tank and management consultants) that supports international companies in their efforts to orient their business towards sustainability. SustainAbility wrote this contribution without remuneration, simply based on its mission to promote sustainability in trade and industry. It is not a sustainability evaluation of METRO AG and cannot be construed as a verification.



Environmentally compatible action

Environmental protection is an important element of sustainability and firmly rooted in the Metro Group: together with the managers in charge of environmental issues at the individual outlet chains, the environmental management unit at METRO AG group level developed group-wide environmental guidelines in 1997.

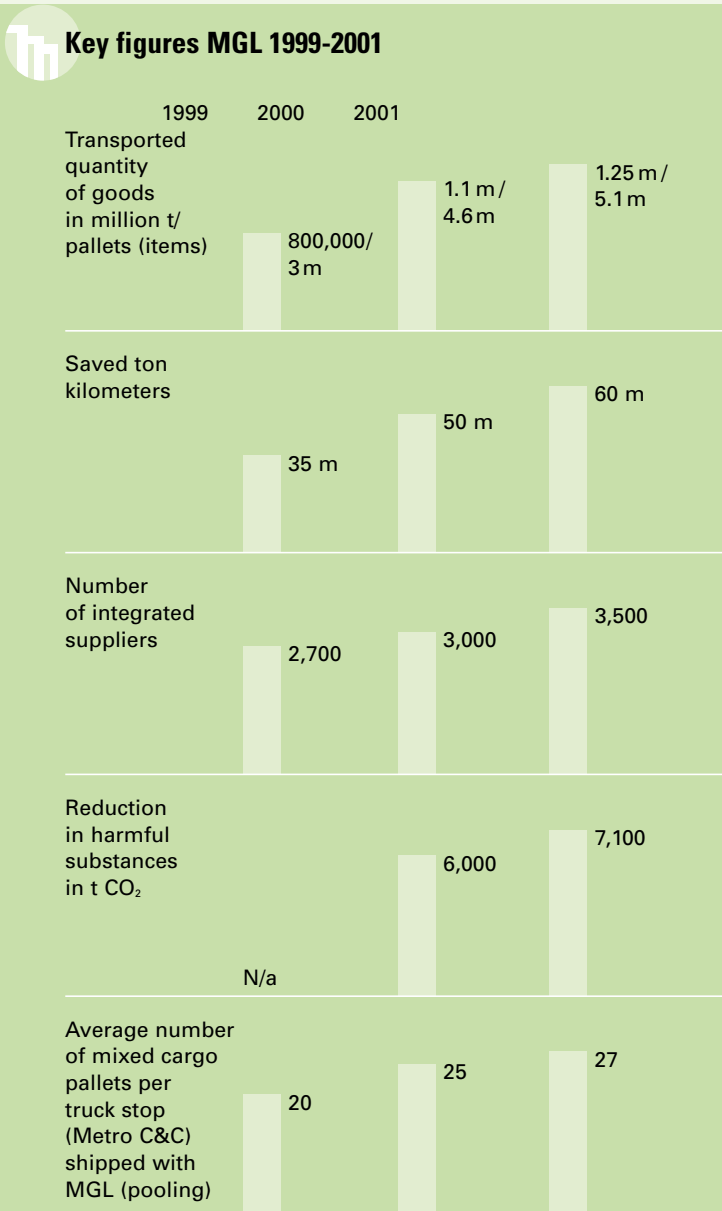
The priorities are a sparing usage of resources and avoiding danger to the environment in all areas – from the transportation of goods to packaging to sales mix policy and facilities management. The environmental guidelines are addressed to the employees and involve suppliers as well as customers because environmental protection can be successful in the long term only with an integrated approach.

Intelligent logistics concepts

How do foodstuffs, electronic devices, clothing, and other consumer goods reach the various sites of the Metro Group in the most environmentally efficient manner? The solution lies in the pooling of transports: all goods are delivered in as few trucks as possible to the right place at the right time. Metro MGL Logistik GmbH (MGL) and Metro Distributions-Logistik GmbH & Co. KG (MDL) are in charge of the efficient coordination and implementation of the different logistics tasks in the Metro Group. In Germany, more than 10,000 suppliers deliver to about 2,000 delivery stations so that the goods reach the shelves of the Metro Group companies in good time. The high quality of its logistics solutions not only keeps METRO AG's transportation costs low, it is also environmentally friendly.

Pooling the flow of goods. Spanning the Group, the cross-divisional service company MGL is in charge of organizing and carrying out goods transports for all outlet chains.

Since 1995, MGL has realized the principle of procurement logistics and thus introduced a novelty in the trade: all shipments are picked up at the same time with the same truck at the supplier,



irrespective of who the consignees are – whether Metro Cash & Carry, Real, or Media/Saturn. The different goods are transported together in one truck to the consignee. The transport vehicles' loading capacities are optimally used. One example: before the foundation of MGL, one store of the outlet chain Metro Cash & Carry in Germany would receive an average of one pallet of goods per truck stop. In 2001, with the introduction of procurement logistics, this number was increased to an average of 27 pallets per truck stop.

In 2001, MGL saved a total of 60 million ton kilometers through this pooling of goods transports by truck – compared to the previous year, this is a reduction of 20 percent. This is not only to the advantage of the Metro Group, but also to that of the environment: in 2001, carbon dioxide emissions for the transport of goods declined by 7,100 tons or 18 percent compared to the previous year. The reduction in transportation volume also meant a relief for traffic: fewer traffic jams, less noise, and a reduction in road usage.

The Metro Group has now integrated 3,500 of its suppliers into the logistics concept. In 2001, about 10 percent more in tonnage was transported using the MGL concept than in the previous year. MGL is already in the process of applying this concept – which has been so successfully implemented in Germany – to group-wide transports of goods in Poland, Austria, and Turkey.

It is MGL's goal to include all relevant suppliers in the optimization of logistics. By the year 2004, this is expected to achieve a further 50 percent increase in goods which are transported in a manner which makes both ecological and economic sense for the entire Group. The basis for this assumption are the 2001 results.



METRO AG'S environmental guidelines

Environmental protection is an obligation

■ The environment is a finite, collective asset and not at our unlimited disposal. METRO AG accepts its responsibility to protect the environment. This means using resources sparingly, minimizing risks to the environment and preventing harm.

Environmental protection is a key to the future

■ Environmental protection is of elementary importance for the preservation of natural resources. We expect each individual in his/her sphere of responsibility to protect the environment as far as possible by adopting an environmentally beneficial approach and acting accordingly.

Environmental protection is tied to state-of-the-art technology

■ For our merchandise mix and our internal use, we select those products which exclude or at least minimize pollution during their production, use/consumption and disposal, and satisfy the customer's wishes. With ideas, enterprise and innovation, we can all contribute to ecological progress.

Environmental protection is a management task

■ Environmental responsibility at all levels can only be consistently exercised if it becomes an integral feature of a living corporate philosophy. We take measures and initiate programs to motivate all employees to act ecologically.

Environmental responsibility must be shared

■ Ecological action must be practiced first within our own organization. We involve customers, suppliers and the entire public in our efforts, because only if we act together can we be successful. We aspire to integrated, holistic solutions that make macroeconomic as well as business sense.

Environmental management is a strategic task

■ Environmental protection is a source of opportunities and risks for our company. We wish to identify and exploit the competitive benefits and thus make an additional contribution to corporate success.

“The way we see it, the large transport volume means great responsibility. For this reason, our goal is to optimize the pooling of all flows of goods.”

Dr. Wolfgang Prümper,
Managing Director, Metro MGL Logistik GmbH



Central warehouse of Metro Distributions-Logik GmbH (MDL)

Modern truck fleet. To guarantee the most environmentally-friendly transport of goods to the individual markets, the cross-divisional service company MDL is constantly investing in the modernization of its truck fleet. MDL is the Metro Group's specialist for inventory management and operates its own seven food warehouses and two non-food warehouses in Germany. From the warehouse sites, MDL's 143 company trucks distribute goods from the food dry assortment, fresh goods, fruit and vegetables, and frozen food sectors to the relevant stores of the outlet chains Real, Extra, or Metro C+C Schaper. This guarantees short delivery times and distances and high delivery quotas. Even now, 23 percent of the company's trucks are in compliance with the Euro 4 exhaust emission standard which will not become mandatory until 2006.

Increased concentration of outgoing goods.

Another example serves to demonstrate how the volume of traffic can be reduced in a sustainable manner: in 2000, the central on-call storage building for the Kaufhof-Warenhaus Group in Frechen in North Rhine-Westphalia reduced the number of truck containers used by 12.5 percent – while the volume of transport remained virtually unchanged. For the 14 destination points in Germany, this means an annual saving of 979 truck deliveries or almost 270,000 kilometers which were not driven. That comes to 75,000 liters less diesel fuel per year and cost savings for the company. The city of Frechen awarded the company its 2000 Environment Award for this achievement.



Presentation of the Year 2000 Environment Award by the city of Frechen

Packaging in a cycle

Transport packaging is needed for the consumer goods to survive shipping to the store without damage. Whenever the customer takes the product from the shelf, however, the packaging has served its purpose for the time being. For METRO AG, environment-friendly packaging of goods therefore means using as many returnable packs as possible and attaining a high recycling rate for disposable packaging. Transport packaging which saves space helps to utilize transport capacities to their fullest.

Setting international standards. Together with other companies in trade, logistics, and industry, Metro has made a commitment to the development of packaging types. The goal is to further optimize the process chain. Packages are supposed to guarantee that the goods in their transport packaging can be presented in a way which is appealing to consumers. At the same time, new developments help utilize cargo and shelf space in the most efficient manner and keep handling to a minimum. The theoretical results published as rationalization recommendations by the Centrale für Coorganisation (CCG) were completely confirmed by a practical evaluation through a work study of Metro outlet chains. CCG is a service and competence center for the German consumer goods industry and related industries. CCG sponsors are the Markenverband (brands association) and the Euro-Handelsinstitut (Euro Trade Institute).

More than 70 percent of the products in the outlet chains Metro Cash & Carry, Real, and Extra are now packaged and delivered in accordance with the study results.



Returnable containers at Real

Promotion of returnable packaging. The cross-divisional service company MDL increasingly supplies stores in the outlet chains Real and Extra with returnable containers such as milk boxes, freezer boxes, flower containers, yoghurt containers, pickle and sauerkraut barrels, egg cartons, or banana crates. For fruit and vegetables, internationally standardized returnable plastic folding boxes are frequently used. Altogether, MDL uses about ten million returnable packaging units annually to deliver goods – not including pallets. This saves 9.6 million meters of stretch foil and about 10,000 cubic meters in packaging waste.



A must for METRO AG: Ecological demands on packaging

- As little packaging as possible.
- Produced with environmentally compatible materials and preferably composed of a single material.
- If more than one packaging material is necessary, clean separation must be possible.
- If there is no alternative to plastics, PE, PET and PP are employed.
- The type of plastic must be marked.
- Polystyrene should be avoided – filling materials must be recyclable.
- Adhesives must not contain solvents.
- Paints containing heavy metals and/or solvents must not be used.
- Packaging must be designed and dimensioned to permit full utilization of transport capacity.

Recycling of one-way packaging. In cases where disposable packaging cannot be avoided, Metro emphasizes recycling options. One-way transport packaging is recorded separately for each outlet chain. A task which is successfully coordinated by the cross-divisional service company Metro Wertstoff Circle Services (MWCS): in 2001, only 5 percent of the just under 272,000 tons in waste in Germany was residual waste for disposal – ten percentage points less than even two years earlier. That means that 95 percent of the Metro Group's waste was reused. In 2001, almost half of that was paper, paperboard, and cardboard (PPC).

Innovative disposal of waste paper. In the on-call storage center of the Kaufhof-Warenhaus Group in Frechen alone, there is an annual volume of paper, paperboard, and cardboard (PPC) of 1,000 tons from transport packaging, which must be disposed of in an economic and environmentally compatible manner. To this end, three conventional stationary container presses were replaced by a fully automated channel baling press. PPC is packed

even more densely – which means more tonnage per truck can be transported. The standardized size pressed bales are delivered directly to a paper factory. This makes the internal operational process more economical and lessens the number of disposal trips. Instead of 350, only 50 trucks are now used annually to transport the bales. This represents savings of 11,000 truck kilometers or, in other words, 3,300 liters of diesel fuel per year. The warehouse operations in Dietzenbach, Neuss-Norf and Cologne-Porz have also made investments in channel baling presses. A direct consequence was that in 2001, the number of truck transports from these locations could be reduced from a total of 601 to 72.

Exporting successful concepts. Waste separation and recycling to reduce costs and take the pressure off the environment, a concept which METRO AG with its cross-divisional service company MWCS has adhered to successfully, and not only in Germany. In Austria, France, and Poland, MWCS has also implemented its environmental concept, always taking into account the special

“ We offer solutions from a single source ”

Conversation with Andrea Hildwein, managing director Metro Wertstoff Circle Services GmbH (MWCS)

What are the tasks of MWCS in the Metro Group?

The most important task of MWCS is to pool all environmentally relevant services of all Metro outlet chains. MWCS coordinates waste management and facilities management services for the entire Group. Other related activities are cleaning of parking lots and winter services as well as pest control and operational hygiene. Care of green spaces is also handled by MWCS. In 2001, total sales for the German locations amounted to € 100 million. MWCS has also been active in Austria and Poland for several years now. In 2001, implementation of waste management began at more than 70 locations in France.

What are the special characteristics of MWCS?

MWCS offers solutions from a single source. This enables us to deliver environmental services more efficiently, with legal security and at reduced costs. Issues like waste disposal, pest control, and hygiene have always been interconnected. Another advantage for MWCS is its result-oriented way of working: the composition of the team

always depends on the project. Each employee offers his or her special knowledge and expertise.

How can MWCS further increase its efficiency?

Since the financial year 2001, there has been an exchange of calculating data, for instance regarding waste disposal or hygiene services, between MWCS and the outlet chains via Electronics Data Interchange (EDI). The outlet chains are thus able to evaluate data electronically in a timely manner. For next year, it is planned to integrate MWCS service providers in the system. In the area of waste disposal as well, we are working on a completely paperless and transparent documentation of waste movements – from the site to the companies involved all the way to the waste balance sheet. In this way, we will be able to make our disposal chain ever more efficient.



features of each country. MWCS operates in a consulting capacity in Croatia, Greece, Hungary, and Luxembourg.

As early as 1994, Metro in Poland began pressing transport packaging into bales and selling them to the paper factories in the country. The shopping centers opened by Metro since 1999 have their own collection sites for used packaging. All reusable waste of the Metro outlet chains and other stores are centrally collected and sorted in the relevant centers. As an internationally leading trading group, Metro has done pioneering work in Poland. Today, 84 Polish Metro locations prioritize waste separation – an important incentive to the local disposal and utilization industry. In 2001, for example, 14,900 tons of PPC and 1,250 tons of synthetics were recycled by Metro in Poland.

Continuing improvement of service packaging. As with transport packaging, Metro also prefers environmentally compatible material in service packaging. In its Real outlet chain, all 20 million carrier bags used annually are made from recyclable plastic. Furthermore, fruit and meat are now packed in new, light-weight open cell plastic foam dishes. The previously used cellulose inserts are no longer necessary. The dishes are not only more hygienic, but will make it easier for the customer to dispose of them sorted by materials. Also, during the very manufacturing process the amount of material needed can already be reduced significantly.

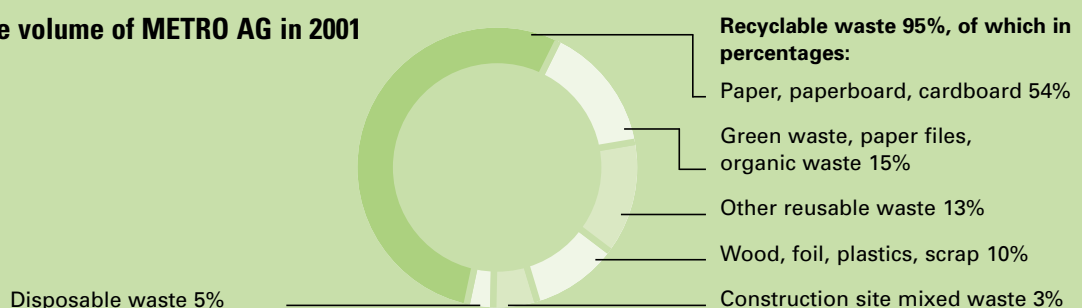
Fully automated channel baling press



Meat in special open-cell plastic foam containers



Waste volume of METRO AG in 2001



Transparency promotes trust

Quality and security – more and more people in Germany value balanced nutrition and prefer high-quality food. Consumers also demand more transparency in food production – a trend which METRO AG supports. Metro is actively trying in many areas of food assortments to introduce and implement measures which further improve food safety and help to maintain an intact environment. This is true of the expansion of products from organic agriculture as well as for a new way of thinking regarding conventional foodstuffs.

Organic range: ecological foods are “in.” As one of the first trading groups, METRO AG introduced organic products under the trademark “Grünes Land” (Green Country) in 1996 and has since successfully expanded this segment. All products for the organic range are supplied by controlled ecological agricultural businesses and meet the stringent requirements of the EU Regulation on Organic Farming. Furthermore, many of the products meet the even more stringent requirements of the organic food associations (Bio-land/Naturland) and are also certified by them. Independent experts control the adherence to the strict guidelines on a regular basis.

The number of organic, unprocessed foodstuffs of the “Grünes Land” brand almost doubled

within one year: from just under 130 to more than 230 products in 2001. Sales have almost tripled, from about € 8 million to € 22.4 million. The “Grünes Land” range comprises the total food mix from corn flakes to tomato purée and yoghurt.

Meat and meat products: food safety from the producer to the consumer.

The Metro Group emphasizes full transparency for the consumer with conventional foodstuffs as well. Metro was instrumental in setting up a new quality hallmark for the meat and meat products category. Unlike previous seals, the new “QS sign – Qualität und Sicherheit GmbH” (quality and safety) will document for the first time an uninterrupted chain of supervision of animal products – from feed and animal husbandry to slaughter, and to processing and trade. All levels of the value chain of meat and meat products have accepted self-imposed quality criteria and allow independent monitoring of these criteria. Before the first products go to market around the middle of this year, neutral institutes must examine the businesses once again to make sure they meet the criteria.

Eggs from ground and free range husbandry: retraceable from the shelf back to the chicken coop.

Another project to increase transparency in foodstuffs is successfully carried out by the Metro Group in its outlet chains. The K.A.T. seal



guarantees that eggs come from free range or ground husbandry appropriate to the species. All chicken farm facilities and packing businesses are controlled by independent institutes as regards animal protection. Furthermore, each egg has a number printed on it in the facility itself. The consumer can trace back the conditions under which laying hens are kept and the composition of their feed.

Fishing and seafood: sustainable catching methods to avoid over-fishing of the oceans.

Many species of fish are endangered or even severely endangered by over-fishing. As one of the biggest trading groups in the world, METRO AG accepts the challenge of promoting a sustainable fishery industry. In the Marine Steward Council (MSC), Metro supports an independent non-profit making organization which, for the first time ever, ties international standards for sustainable fishing to a test seal which is valid worldwide. More than 100 organizations from 20 countries are already collaborating with MSC, which has been operational since 1999. The Metro Group is listing the first available products with the MSC test seal of the "Iglu" brand as well of their own proprietary "Metro Quality" brand. This makes Metro one of the first trading groups to offer products with the MSC test seal in its stores.

Other creatures living in the ocean like dolphins are endangered by the use of drift nets in



tuna fishing. METRO AG insists its tuna products are not caught in drift nets: all suppliers are members of the Earth Island Institute (EII). The EII logo on packaging labels confirms that the tuna was caught without drift nets. This means that dolphins, sharks, seals, and seabirds are no longer indiscriminately killed in drift nets. Metro is thus supporting a 1992 UN drift net fishing ban. To this day, many companies all over the world engage in this type of fishing.



Tuna product with EII label



Reducing resource consumption in a sustainable manner

METRO AG is convinced that environmental protection requires an integrated approach. Acting in a manner which uses resources sparingly begins with the concept and operation of buildings. All outlet chains and cross-divisional service companies of the Metro Group accept their responsibility to protect the environment by sparingly using resources like electricity, water, fuels, or wood in producing paper. The use of space in sales areas or warehouses is also critically evaluated.

Use of space: specialty stores designed along sustainable lines. To run a building in an integrated manner for Metro Real Estate Management GmbH (MRE) means: long-term real estate maintenance, a guaranteed and increasing sustainable value, and integration into the social and ecological environment of the region. In Germany, Poland,

and Turkey, MRE is responsible for a total of 39 specialty store centers with a total area of more than 1.4 million square meters. In addition to individual Metro outlet chains, reputable local suppliers and international chain store systems complement the specialty store centers.

MRE developed the specialty store concept 2010 in cooperation with the outlet chains. The basic idea is the implementation of aspects of environmental policy and the minimal use of resources when building specialty stores. The merger of numerous retail dealers at a location reduces the space needed for buildings and the total area to be sealed. The wide variety of products offered in a specialty outlet saves time for the customer who has shorter distances to cover. This also entails a minimization of noise and emission levels. Furthermore, several facilities – for example, the Förde Park in Flensburg – offer a park-and-ride system and are tied in with local public transport.

MRE discusses the unavoidable impact of the construction of a shopping center on the landscape or cityscape with local government and environmental agencies and compensates them with remedial measures. Concrete measures include, among other things, multi-layered tree hedges in the marginal areas of different lots or planting grass and shrubs on the roofs of buildings, as was done at the Erfurt specialty store center TEC. Planting species of trees and shrubs native to the area has a positive effect on flora and fauna. The impact of sealed areas is further reduced by open-pore coverings like grass paving. In 2000 and 2001, the Metro Group spent more than € 1.5 million on the care of greenery spaces in German shopping centers.

Energy management to benefit environment. Each kilowatt hour saved lowers the cost to the

Natural lighting in the specialty store centers Erfurt and Förde Park

Picture at right: Energy center (district heating) at the Real hypermarket store in Cologne



company and directly helps the environment. Energy consumption is determined by the age and condition of buildings, the concept and care of technical installations, operating hours, and geographical location.

Example MRE: for MRE, energy management constitutes a long-term strategic task. Comparison key figures gathered on a regular basis supply information regarding savings potentials in operating, maintenance, and cleaning costs in the 31 German shopping centers. An efficient operation of shopping centers becomes possible under ecological and economic aspects. In 2001, MRE recorded substantial energy savings providing district heating, gas, heating oil, and electricity in Germany – a great plus for the environment, and reduced costs for Metro.

Example Real hypermarket stores: in new building projects and large refurbishing projects, equipment with the lowest possible energy consumption is installed, such as high efficiency motors or lighting fixtures with the highest possible energy yield. Fresh air flow and heating are adjusted depending on the number of visitors, which helps to save more energy. In spite of an ever expanding supply of fresh chilled products, electricity consumption has decreased by an average of 20 percent. The technical facilities in new department stores are combined into a single energy unit. The goal: to use energy as efficiently as possible. Buildings are heated almost completely with waste heat from the large industrial refrigerating plants – which reduces energy consumption by 80 percent. Residual heating needs, at 15 kilowatt hours per square meter, are almost equivalent to those of a passive energy house. The shopping centers that have opened in Poland since 1999 are equipped with the latest energy technology as well. Lighting is controlled automatically depending on

the weather and time of day, warm waste air from the refrigerating units is utilized, and gas-operated heating facilities supply environment-friendly energy.

Water: sparing use. Water is a resource that crosses national borders and seems to be freely available. Clean drinking water, however, is getting more and more scarce. In addition to saving energy, the sparing use of this resource is another great challenge for the Metro Group.

By building ten rain storage basins and designing two biotopes, Metro's cross-divisional service company MRE reduced water consumption in its German Center locations by close to 3.0 percent in 2000 compared to the previous year. In 2001 additional measures led to savings of another 11.0 percent.

In the "M1 Centers" in Poland, which started opening in 1999, wastewaters are cleaned according to the latest technology. Preliminary sedimentation plants for surface water prepare water in such a way that only slightly polluted water runs into the public sewage system. Company-owned sewage treatment plants have locations which cannot be hooked up to public sewage systems.



Examples of energy-saving measures at Kaufhof Warenhaus AG

Whenever Kaufhof Warenhaus AG renovates technical installations or puts up a new building, energy-saving measures are increasingly put in place. Some excellent examples are

- High-efficiency lighting systems with electronic chokes are installed.
- Maximum output monitoring systems measure peak performances and automatically shut off certain electric devices for short periods of time.
- Seasonal time switch systems or central process control installations in buildings automatically control lighting and technical facilities.
- Ventilation systems are retrofitted for circulating air operation or reduction of air volume by speed regulators, for example frequency converters.
- Energy-saving measures are implemented when an acceptable financial return on capital employed can be expected.



Energy key figures of Metro outlet chains (Germany only)

Metro Cash & Carry:

	1999	2000	2001
Sites	75	81	83
Selling space/ useful area	1,133,271 m ²	1,140,083 m ²	1,179,424 m ²
Electricity	261,050 MWh	275,000 MWh	287,800 MWh
Heating oil	11,895 MWh	14,900 MWh	18,587 MWh
Gas	43,346 MWh	52,594 MWh	68,635 MWh
District heating	7,380 MWh	8,090 MWh	7,910 MWh
Water	335,000 m ³	408,000 m ³	459,000 m ³
Investments in environmental protection	€ 200,000	€ 267,000	€ 359,000

Real:

	1999	2000	2001
Sites	259	246	246 (incl. Allkauf and Krieg- baum)
Selling space	1,813,500 m ²	1,745,000 m ²	1,752,550 m ²
Electricity	604,209 MWh	565,500 MWh	544,934 MWh
Heating oil	34,834 MWh	34,785 MWh	42,087 MWh
Gas	143,802 MWh	139,600 MWh	135,228 MWh
District heating	32,370 MWh	31,400 MWh	36,778 MWh
Water	1,027,800 m ³	924,500 m ³	1,005,000 m ³
Investments in en- vironmental protec- tion (including con- struction projects)	€ 750,000	€ 800,000	€ 1,300,000

Extra:

	1999	2000	2001
Sites	511	498	500
Selling space	837,920 m ²	828,165 m ²	836,576 m ²
Electricity	315,000 MWh	325,000 MWh	340,000 MWh
Heating oil	16,900 MWh	16,400 MWh	16,000 MWh
Gas	80,000 MWh	84,000 MWh	93,000 MWh
District heating	7,000 MWh	6,800 MWh	6,700 MWh
Water	350,000 m ³	340,000 m ³	335,000 m ³
Investments in environmental protection	€ 2,230,000	€ 2,850,100	€ 1,780,000

Media/Saturn:

	1999	2000	2001
Sites	210	220	242
Selling space	386,298 m ²	574,146 m ²	665,534 m ²
Electricity	175,000 MWh	208,000 MWh	245,000 MWh
Heating oil	10,132 MWh	12,146 MWh	13,784 MWh
Gas	16,980 MWh	18,738 MWh	20,906 MWh
District heating	2,462 MWh	2,578 MWh	2,842 MWh
Water	108,936 m ³	132,942 m ³	134,583 m ³
Investments in environmental protection	n/a	n/a	n/a

Praktiker:

	1999	2000	2001
Sites	283	307	297
Selling space	1,460,513 m ²	1,598,677 m ²	1,591,031 m ²
Electricity	121,440 MWh	126,477 MWh	131,911 MWh
Heating oil	17,477 MWh	15,125 MWh	19,594 MWh
Gas	116,163 MWh	123,532 MWh	126,403 MWh
District heating	8,562 MWh	9,444 MWh	10,212 MWh
Water	224,689 m ³	242,462 m ³	268,315 m ³
Investments in environmental protection	€ 61,500	€ 112,800	€ 112,800

Kaufhof:

	1999	2000	2001
Sites	130	132	133
Selling space	1,233,300 m ²	1,255,450 m ²	1,266,533 m ²
Electricity	388,721 MWh	400,383 MWh	408,390 MWh
Heating oil	20,842 MWh	20,976 MWh	19,426 MWh
Gas	35,495 MWh	38,436 MWh	42,384 MWh
District heating	115,074 MWh	115,368 MWh	114,790 MWh
Water	1,429,160 m ³	1,375,005 m ³	1,352,020 m ³
Investments in environmental protection	€ 1,794,000	€ 2,153,000	€ 1,948,000

The increase in energy consumption at several Metro outlet chains is – among other things – the result of changeovers in and expansion of inventories. Also, new store concepts of various outlet chains have contributed to an increase in energy consumption.

Paper: recycling fibers preferred. New media and digital data transmission notwithstanding, customers still prefer information on paper about Metro Group offers – be it in mailings, brochures, or magazines. The Metro Werbegesellschaft mbH (MWG) is responsible for the centralized purchasing of paper. For Germany alone, it orders 140,000 tons of paper every year. Almost two-thirds of this paper is ecologically optimized, and far more than half of the recycled paper contains a minimum of 75 percent recycled fibers.

In 2001, the different outlet chains again ordered more recycled paper from MWG than in the previous year. For example, the Extra outlet chain started using only paper containing at least 75 percent recycled fibers in 2001 – that is a volume of 10,000 tons per year. Media/Saturn switched to the same paper quality in late 2001. Thus, starting in 2002, Media/Saturn will print 12,000 tons of recycled paper per year.

Together with Metro Cash & Carry, MWG is planning the introduction of a lighter kind of paper: the new paper has a GSM (grams per square meter) weight of 48 g/m² instead of 60 g/m², with savings in tonnage and thus in raw materials of 20 percent. So far, Kaufhof AG and three Metro firms outside Germany have decided to use the new product – annual saving: 1,920 tons.

Forestry: sustainability is crucial. Metro's paper purchasing policy requires the supplier to operate according to the principle of sustainability: Pulp may come only from forests where reforestation is commensurate with the volume of trees felled. All paper manufacturers collaborating with Metro take part in the development of certification procedures for the sparing use of the forest. For example, UPM Kymmene: The "Forest Certification Guidelines" of the Group demand a sustainable forestry which is guided by the six criteria of the Helsinki process. Furthermore, all parties

involved are to draw up internationally accepted certification procedures. According to UPM Kymmene, these must integrate national circumstances and be cost efficient.

One important factor in choosing a paper factory is its geographic location. For example, Metro emphasizes the use of Austrian paper manufacturers for locations in Austria and Southern Germany, and of Finnish exports to North Germany. This saves transport expenses for Metro. At the same time, less traffic and emissions help the environment.

Printing: pre-press stage fully digitized. MWG now produces all advertising material in Germany with the "computer to plate" (CTP) process: printing plates are directly exposed via laser; the intermediate step of film exposure is eliminated. This digital pre-press step increases the quality of the printed product. The new procedure is also faster and more environment-friendly. By using CTP in 2001, MWG reduced the demand for developer, fixer, and film for advertising purposes by 90 percent or more. It is planned to introduce CTP in all European printing partner companies in the near future.

In more than 20 European countries, MWG cooperates with printing houses and other service providers. Printed materials are mostly produced in the countries themselves. In the printing and paper sector, MWG is also involved in networks all across Europe. The company establishes contacts and helps partners who are experiencing unusual problems.



Paper ordered by Metro Werbegesellschaft mbH for METRO AG in 2001 in Germany

Total METRO AG demand for paper in Germany, 139,500 t (100%)

Non-optimized paper
47,400 t (34.0%)



Ecologically optimized paper 92,100 t (66%), distributed as follows:

Newspaper (75-100% waste paper)
83,100 t (59.6%)

Light weight coated (LWC)
(up to 50% waste paper)
2,000 t (1.4%)

Soft calandred (SC)
(up to 25% recycled fibers)
7,000 t (5.0%)



K-TV for employees at
Kaufhof AG

Living the environmental philosophy

Environmental guidelines can only work in the context of a living corporate philosophy. For this reason, the Metro Group works hard to motivate its employees to implement this philosophy in their everyday work. More than 100 employees in Germany are exclusively involved in environmental management, either at Group level or in the different outlet chains. For only employees who understand the measures work to implement them. Employees have made a great contribution to cutting energy consumption by half between the 1970s and the mid 1990s of the last century.

Group-wide standards. Specifically adapted to outlet chains and yet standardized: this would be a good description of the environmental protection policy in the Metro Group. To guarantee the even faster availability of relevant data, MWCS is overhauling the environmental handbook which has been available for ten years now. In the future, there will be a modular handbook available to all outlet chains on the Intranet. Among other things, the virtual handbook will contain general modules and units fine-tuned to different outlets about issues like building maintenance and waste as well as chapters about legal and operational issues. Moreover, further training and information events, employee newspapers and other media are helping to make environmental measures more transparent for employees. Environmental protection is firmly anchored in various publications of the outlet chains in the Metro Group. For example, in the customer magazine "Metro C+C Clubpost" as well as in the employee magazines "extra ist okay," "Wir vom Praktiker," or "Kaufhof Intern." On "K-TV," the in-company television station of Kaufhof AG, environmental issues are dealt with in discussion rounds or reports for the employees.

Information event on environmental protection for Metro employees



Creativity pays. In many cases, it is the ideas of individuals which move an entire company forward. Claus G. Vogt, for example, an environmental protection engineer with internationally operating MWCS, developed a system for the optimal control of the disposal and reuse of packing materials: all development stages of a package are recorded – from manufacturing to distribution, disposal, and recycling. The Austrian Federal Ministry of the Environment awarded this electronic recording system second place in the Phoenix innovation prize for 2001. At the same time, Vogt won the title of eco-manager of the year 2001. This prize is sponsored by the Austrian business magazine *Wirtschaftsblatt*, Austrian television, and the Austrian *Wirtschaftskammer* (Chamber of Commerce). MWCS thus became the first company to receive the highest honors from Austrian politics and industry simultaneously.

Training for energy fitness. A noticeable change in the employees' behavior alone can save ten to 20 percent of energy costs which can actually be influenced – these are numbers based on experience provided by the *Energieagentur NRW*. This independent and non-profit institution of the German federal state of North Rhine-Westphalia has been advising companies, cities and local authorities since 1990 with its "E-Fit" action weeks.

In early 2002, the central administrative office of *Kaufhof Warenhaus AG* in Cologne researched saving potentials together with the *Energieagentur NRW*: compared to the reference

measurement taken before the action week, employees reduced electricity consumption by 9.4 percent. The base load – that is the electricity used by operating the electronic data processing center or the circulation pump – was deducted beforehand since employees have no influence on this consumption. The head office of METRO AG Group in Düsseldorf will also take part in these action weeks in 2002.

“ We fully realize that guidelines can never be an end in themselves, let alone the solution to a problem. People will have to fill them with life in their everyday work for the company. This is the only way in which printed paper can be converted into an ecologically compatible corporate reality.”

Karl-Josef Baum,
Manager with General Power of Attorney for METRO AG

Claus G. Vogt, eco-manager of the year 2001 in Austria, at the award ceremony



Dialogue with the stakeholders

The open dialogue with all stakeholders is an important part of METRO AG's corporate policy. As one of the world's leading trading companies, METRO AG has set itself the task of playing an active part in shaping the economic, social, and ecological environments.

The company thus contributes to sustainable development of society while at the same time laying the foundation for the long-term economic success of METRO AG. The Metro Group counts among its stakeholders its employees, customers, shareholders, and suppliers as well as political, ecological, and cultural interest groups and the public at large.

Representing interests

A constructive dialogue with decision-making bodies from the political, economic, and social sectors is important for making one's voice heard. It offers the opportunity to actively help shape the political and social framework for a company's own eco-

nomic actions. This is why METRO AG collaborates in national, European, and worldwide associations and institutions.

In Germany, for example, executives of the Metro Group are represented in almost all 82 Industrie- und Handelskammern (Chambers of Industry and Commerce) and in the Deutschen Industrie- und Handelskammertag (the chambers' umbrella organization). In addition to representing its interests, METRO AG aims at making its competence in the trade and service sector available and inject it into the political discussion. Through the Handelsvereinigung für Marktwirtschaft ("Action Group for the Market Economy in German Retailing") Metro, together with seven other large German trading companies, takes part in the solution of current political issues. At the European level, the trade association Euro-Commerce serves as a platform for the representation of trade interests. METRO AG supports the widespread activities of this association. Furthermore, METRO AG is the only German company which is a member of the European Retail Round Table (ER-RT) – a round table which was formed by major European trade groups to find common solutions to industrial problems and seek a dialogue with the EU Commission. In 2001, the predominant subject was the introduction of the Euro and its implications for the consumer. Current issues of ER-RT are, among others, the future development of EU environmental policy, liberalization of world trade, legal control mechanisms for e-commerce,



or the social, employment, and education policies of the EU.

Metro's many activities in the various political, industrial and societal bodies require uniform strategies and goal-oriented action. Regional Metro meetings about policies towards associations have proved to be the key to an effective lobbying policy. In these meetings, employees of outlet chains and of cross-divisional service companies find support for their work in chambers and associations. Here, a coordination of different opinions within the Metro Group about important political issues is achieved.

Trading in sustainability

With their shopping carts consumers vote every day on the success of METRO AG and other retail companies. Three questions are increasingly gaining in importance: were the products on the shelves produced in a socially and environmentally compatible way? Does the company itself behave in a socially responsible manner? And: is it taking an active part in protecting the environment?

METRO AG and its outlet chains face these consumer questions head on. The Group is open to public discussion with other stakeholders about the social, economic, and ecological responsibility of industry. As part of society, it is involved with different locations in 24 countries. Social commitment is essential for sustainable economic success.

Standing up for climate protection. The imminent ratification of the Kyoto Protocol brings a binding framework for international climate protection within reach. Competition on a level playing field through internationally standardized regulations creates a calculable economic environment – an indispensable prerequisite for

“The world needs flexible and adaptable workers equipped to cope with increasing environmental and developmental problems and with the changes arising from the transition to a sustainable society.”

Agenda 21: Chapter “Education, Public Awareness and Training”

long-term economic success. For this reason, METRO AG takes part in the international economic initiative “e-mission 55” which already has more than 150 member companies. The initiative is supporting the quick ratification of the Kyoto Protocol to achieve a sustainable reduction in the global emission of greenhouse gases.

Grasping entrepreneurial opportunities.

Operating in a sustainable manner is gaining more importance every day. Therefore, the Metro Group engages at a national level in the development of innovative methods to implement the concept of sustainability. As a member of “future e.V.”, with partners from the scientific and political sectors, the company supports practice-related concepts. The goal is to identify challenges in the environment and in society and turn them into entrepreneurial opportunities.



Kaufhof AG: promoting sustainable action. Socially responsible action of the different Metro outlet chains covers a wide spectrum. One example is the involvement of Kaufhof AG: the concept of sustainability – as part of Agenda 21 – was adopted during the UN conference in Rio de Janeiro in 1992 by 178 nations. The Agenda 21 process initiated in Rio demands the realization of the concept of sustainability “bottom up.” That means from the bottom to the top, i.e. on a regional basis and with participation of as many social groups as possible. For three years now, Kaufhof Warenhaus AG has successfully implemented this concept. Together with the Brauweiler Abtei-Gymnasium (high school) and the institute Natur & Kultur – Institut für ökologische Forschung und Bildung e.V., the company develops projects for pupils. It focuses on new approaches to economic, ecological, and social issues, using manufacturing and trading of consumer goods as examples. The young people learn about the practical aspects of a business enterprise while still in school. At the same time, this puts Kaufhof AG in a position to incorporate new ideas in their trainee programs.

Acting for people

Companies that strive for international success must get to know and understand the culture and customs of people in other countries.

This is especially true of an internationally operating trading company like METRO AG: to trade in goods and services not only means to do something for people, but to do something together with them.

Giving new impetus. In the early 1990s, METRO AG began opening its first stores in Central and Eastern Europe. The Group is also very active in Asia. For example, the outlet chain Cash & Carry has 15 branches in China. Entry into the markets of India, Vietnam, and Japan is planned for 2002. These international operations carry with them a singular social responsibility for the company. With Metro Cash & Carry, the world's number one in the self-service wholesale business, METRO AG has played a major part in many countries in creating a modern trading infrastructure. Small and medium-sized companies obtained access to low-

“Communicating social competence, self-confidence and team spirit”

Interview with Zygmunt Mierdorf, Member of the Executive Board and Director of Industrial Relations at METRO AG

“What does ‘trainee social commitment’ stand for and what significance does this project have for Metro?”

Every year, Metro supports a different non-profit project. About 25 capable apprentices of the six Metro outlet chains volunteer to work for a good cause for two days. This way, the young adults not only learn expertise in their chosen field, but have hands-on experience in social competence, self-confidence, and team spirit. These qualities are of great importance for their personal and professional development. Furthermore, the trainee social commitment project creates networks of apprentices of the various outlet chains. METRO AG's goal with these projects is to show in an exemplary manner the value that the Group attaches to social awareness.

“Which projects are on the list of the Metro Group?”

For two years now, Metro has organized projects with the Arbeiter-Samariter-Bund (ASB). In Hamburg in 2000, 26 apprentices of all outlet chains organized a Christmas market to benefit the foreign aid for St. Petersburg. This event brought in more than 40,000 euros for the Hamburg ASB state association. During the 2001 trainee social commit-

ment project, 24 apprentices of the Metro Group from all over Germany accompanied a group of young wheelchair-bound people for two days. Their destination was the “Warner Brothers Movie World” theme park in Bottrop. In addition to the input of its trainees, Metro assisted its cooperation partner with financial aid in 2001: the Bergisch Gladbach ASB received a modern bus with wheelchair access for € 40,000.

“Which impetus does Metro hope for beyond its own company boundaries?”

We hope that our trainee social commitment program will find many imitators. ASB and other social institutions and self-help groups cannot continue to offer their services without volunteers. The federal government as well supports social involvement. In the “International year of the volunteer 2001,” the Federal Ministry of Family Affairs published a special documentation listing practical examples to be followed, Metro projects among them. In 2002, Metro will continue its trainee social involvement program.



priced, comprehensive, and high-quality ranges of consumer goods. And 90 percent of the range in each country is supplied by local sources – an important stimulus for growth in the national economies.

Guaranteeing social standards worldwide.

To respect human dignity, guarantee fair wages, and improve social conditions: Metro sees these issues as the basis of successful entrepreneurial action. For this reason, Metro MGE (Einkauf GmbH) supports standardized and therefore promising rules of conduct in the procurement of goods. As a member of the Außenhandelsvereinigung des Deutschen Einzelhandels (AVE, German retailers' association of foreign trade), it defined – together with other companies and associations – a far-reaching Code of Conduct. The wording of this Code of Conduct was based on the conventions of the International Labor Organization (ILO), a UN organization. The regulations contained in the Code are components of the purchase agreement with MGE. When signing, MGE suppliers commit themselves, among other things, not to manufacture their goods employing child, slave, or prison labor. AVE regulations further stipulate that employees be paid according to national standards and that their health must not be endangered at the work place. The Code of Conduct also bans discrimination based on race, color of skin, sex, religion, political views, or social background.

Passing on expertise. Polish school reforms in 2000 opened the way to taking knowledge about modern trade into the trade schools which before had focused on a more general education. That same year, the project "Metro Edukacja" was



launched. In collaboration with Polish trade schools and the Bildungszentrum des Einzelhandels Sachsen (BZE, training center of retail trade, Saxony), METRO AG drew up training content and has been organizing company internships. The Metro Cash & Carry, Real, and Praktiker outlet chains provide the job spaces needed. The project is carried out in six trade schools in Poznan, Lodz, Czestochowa, Warsaw, Zabrze, and Kielce. A total of 270 pupils are involved. By 2005, METRO AG will include 30 operating sites with a total of 1,000 trade school students in its project "Metro Edukacja."

Metro Edukacja:
METRO AG Executive Board
Chairman Dr. Hans-Joachim
Körber congratulates the
Polish graduates

METRO AG trade school project: Polish class with Karl-Josef Baum, METRO AG Manager with General Power of Attorney



In this way, the Metro Group invests in future recruits for the trade sector in Poland. In addition to knowing the country and developing appropriate merchandising concepts, economic success requires the recruiting and training of qualified personnel.

In North Rhine-Westphalia, METRO AG has participated in learning partnerships of the Institut Unternehmen & Schule since 2000. Its goal is to develop the systematic and sustainable networking of schools and enterprises to move teaching closer to the practice of economic and professional life. After all, the efficient cooperation of schools and the economy will decide the future of our society. For this reason, many chambers and the High School on Rückert Street, and between Kaufhof in Weiden-Lövenich near Cologne and the secondary school in Weiden. Additional learning partnerships were realized by Metro between the Martin Luther King secondary school in Cologne and the Luise Hensel secondary modern school in Aix-la-Chapelle.

Promoting international exchange. Helping to shape the future of our society and promoting international understanding are two major goals of METRO AG. Since the 1980s, the company has therefore been supporting the largest student organization in the world, AIESEC. About 30,000 students in more than 80 countries volunteer for AIESEC and organize the international exchange of interns between nations, universities, and companies. Metro supports the local Cologne AIESEC committee in what they do and organize. As a member of the sponsoring group, the Cologne Kaufhof Warenhaus AG as one outlet chain within METRO AG makes it possible for students from all over the world to work for the company. For the students, this is a valuable

preparation for their professional future in a globalized world. For the company, it is an investment in potential employees. International interns also stimulate corporate culture and help strengthen the intercultural competence of the Kaufhof employees.

Promotion of cultural projects. METRO AG also supports cultural projects involving young people. An excellent example is the youth action "Graffiti Mal anders," a joint project of the Metro specialty store at Park Center Treptow and the Berlin Youth Agency Treptow. For four weeks, graffiti artists of the Berlin youth center "alleins e.V." sprayed large poster walls with Berlin motifs to decorate the façade of the specialty store center. For this campaign, the advertising organization Park Center Treptow, together with the youth agency, won the "Gothaer Förderkreis für kulturelle Bildung" (Gotha promotion prize for cultural education), sponsored by the Federal Minister of Family Affairs, Dr. Christine Bergmann.

Another METRO AG youth project is aimed at preventing xenophobia. The Südring Center Groß Machnow in Brandenburg, which is part of Metro, in cooperation with associations and private citizens organizes and promotes the stay of young art students from St. Petersburg. Their paintings are exhibited at the Südring Center, and those interested can watch the artists at work. In 2001, the event's motto was "International Communication through Art and the Internet." During their two-week stay, the Russian art students lived with German host families and attended various events with young local Germans. To further promote this exchange, a pupil exchange with St. Petersburg is planned for the first time in 2002.

An example of Metro cultural projects:
Graffiti artists of the "alleins e.V." redecorate the Park Center Treptow



Standing up for socially disadvantaged persons.

Since 2000, the Metro Cash & Carry stores, Real hypermarket stores, and Extra convenience stores have collaborated with the initiative "die Tafel" ("the table"). They make excess foodstuffs available to the in initiative free of charge. The cross-divisional service company Metro Wertstoff Circle Services (MWCS) organizes this nationwide cooperation between Metro Cash & Carry, Real, Extra, and "die Tafel." Employees of the 220 independent "die Tafel" projects distribute in their local environment foodstuffs to needy people all across Germany.

By handing out free food to "die Tafel", METRO AG helps not just the socially disadvantaged. It also helps create employment in the second labor market. Subsidized jobs in "die Tafel" projects offer an opportunity to its employees to switch over into regular employment.

Helping to shape local projects. Under the motto "extra in action," the convenience stores of the Extra outlet chain support local projects all over Germany. The basis for this activity is a central catalogue of ideas to which all Extra convenience stores have access. For example, Extra donates street play carpets for kindergartens and provides jerseys for youth football clubs. Furthermore, some Extra stores collect monthly donations for a social institution in their neighborhood.



The result of the cultural project: finished wall of the Park Center Treptow



This is where Metro is active

Support of social projects:

- AIESEC (not including local committee)
- Arbeitsgemeinschaft für Umweltfragen e. V.
- Behinderten-Sportgemeinschaft 1947 e. V. Düsseldorf
- Bundesarbeitsgemeinschaft Werkstätten für Behinderte
- Christliches Jugenddorfwerk Deutschlands e. V.
- Deutsche Herzstiftung e. V.
- Deutsche Krebshilfe e. V.
- Deutsche Multiple Sklerose Gesellschaft
- Deutsche Welthungerhilfe e. V.
- Eurocare
- Fördergemeinschaft für angewandte Strahlenforschung und Krebsbekämpfung e. V.
- Heinrich-Heine-Universität Düsseldorf
- Hilfswerk für autistische Kinder
- Integrative Kindertagesstätte Linsengericht
- Kuratorium ZNS für Unfallverletzte mit Schäden des Zentralen Nervensystems e. V.
- Stiftung Deutsche Kinderkrebshilfe e. V.
- Unicef
- Verein der Freunde und Förderer des Herzzentrums an der Universität zu Köln e. V.
- WWF Deutschland

Support of cultural projects:

- ARA Arbeitsring Ausland für kulturelle Aufgaben e. V.
- Deutsche Stiftung Musikleben
- Deutsche Olympische Gesellschaft
- Dortmunder Musikvereine e. V.
- Förderkreis Kölner Kammerorchester e. V.
- Fördergemeinschaft für staatsbürgerliche Bildung e. V.
- Gesellschaft der Freunde der Akademie der Künste e. V.
- Gesellschaft der Freunde der Kunstsammlung Nordrhein Westfalen
- Gesellschaft der Freunde und Förderer der Düsseldorfer Tonhalle e. V.
- Kulturkreis der deutschen Wirtschaft im Bundesverband der deutschen Industrie
- Kuratorium und Fördergesellschaft Wallraf-Richarz-Museum und Museum Ludwig e. V.
- Kuratorium Köln Musik e. V.
- Stadtkasse Düsseldorf "Goethe Museum"
- Stiftung Museum Kunst Palast e. V.

Examples from the overall Metro Group involvement.

Employees shape the Group

Be it in purchasing, sales, logistics, or management: only dedicated and efficient employees who enjoy their work will contribute to customer satisfaction.



Employees shape METRO AG

- High performance, speed, and efficiency determine our actions. We see change as an opportunity rather than a risk. Openness, trust, and personal esteem characterize our working together. We see objective differences of opinion as a starting point for solutions agreed to by all.
- We challenge our employees' professional and social competence and promote responsible work efforts.
- Our employees are the guarantee for our company's success. We promote and offer permanent learning so as to be faster and better than our competitors.
- We offer a great variety of national and international career opportunities to efficient employees throughout the Group.

Human beings are the most important factor in the long-term success of the Metro Group. Therefore, our human resources policy is not geared to short-term economic aims. Our goal is long-term value enhancement.

Employees are largely responsible for the company's success in the entire world. Personnel work in the Metro Group therefore focuses on our international presence and the cultural diversity in the Group. Today, METRO AG is already one of the largest trading companies in the world: in 2001, an average of 230,000 employees were working for the Group in 24 countries. 39.8 percent of the employees work outside Germany. And every year, the company creates several thousand new jobs in Germany and abroad.

Employee efforts across borders

In 2001, markets were opened up in Russia and Croatia. Metro itself looks for qualified employees in each country, almost 8,000 each year. The new employees are sent to Germany or another country with Metro locations for up to a year and a half for training. Experts are sent by Metro Group primarily to build up businesses abroad. For example, a Belgian fish expert passes on his knowledge to young colleagues in Poland or the People's Republic of China.



Employees in the Metro Group

	1999	2000	2001
Number of employees group-wide	171,440	179,561	186,814
On an FET basis (average)			
Germany	115,869	114,726	112,505
Abroad	55,571	64,835	74,309

“**Morocco has sharpened my eye for different cultures**”

Interview with Pieter Verstraete

The Belgian Pieter Verstraete (32) joined Metro in late 1999. Today, he works for Metro Cash & Carry in Morocco. Verstraete also takes part in the Metro Cash & Carry junior executive development program Apollo. Earlier on, the qualified sales engineer gathered experience abroad with the sports goods retailer Decathlon in France

“You have gathered experience in an international trading company. What made you decide to continue your career at Metro?”

In the consumer goods and food sector, Metro offers more opportunities than any other company. Also, from day one, I found the business-to-business concept of Metro Cash & Carry very convincing.

“Since early 2001, you have been working for Metro Cash & Carry in Casablanca. How has your stay here changed you?”

Morocco has sharpened my eye for different cultures and other ways of thinking. Accordingly, sales strategies for Metro are different. My activity as branch manager in Morocco demands flexibility and an open mind not only in the professional area. These qualities are helpful in private life as well. What is important is not to lose sight of one's own identity and personal values.

“Metro Cash & Carry, as an international wholesale trader, is active in many countries. What do business relations look like in Morocco?”

Our Moroccan customers come in with a very high price awareness since their profit margins in the resale of goods is very narrow. Also, personal relationships are much more important for concluding a deal here than they are in Europe. For example, Metro Cash & Carry has a special sales strategy for “Id el Kebir” – the great sheep festival. This important Muslim holiday is celebrated two months after Ramadan. Each Moroccan family buys a sheep which is ritually slaughtered and eaten on the holiday. Whoever buys a refrigerator or a computer from us during that time gets a free sheep.



“If you compare Morocco with Western Europe, what differences do you see, both professionally and privately?”

Morocco is brimming with opportunities and development possibilities.

With energy and dynamism, everybody has a chance to move things in trade. Materially, Europe has more to offer. That is evident in the choice of consumer goods and foodstuffs in the supermarkets. In Western Europe, there are also more leisure time options. But the Moroccan climate, natural beauty, and its people make every free hour a joy.

“From a Western European's point of view, there must be distinctive features in everyday life. Could you give an example?”

During Ramadan, life in Casablanca completely changes. It's like this: at 5 p.m., everyone literally races home with a complete disregard for traffic lights. The muezzin announces sunset from the minaret at 5:30 p.m. Only then is a devout Muslim allowed to eat, drink, and smoke. The first meal of the day is very ritualized. It starts with a date followed by a prayer. Until 6:30 p.m., there is no life in the streets – no traffic, no people, no police. All shops – including Metro Cash & Carry – close until 6:30 p.m., and then reopen until 10 p.m.

“Working in Morocco, you have an opportunity to introduce many new ideas. How are you able to share your experiences with colleagues?”

I exchange experiences on a regular basis by e-mail with other participants of the international Metro Cash & Carry Apollo program. In Casablanca, there are five Western Europeans working for Cash & Carry. We don't only meet at work but we also invite each other to dinner or do sports together, and find opportunities to discuss our day-to-day work.

Metro Cash & Carry in Casablanca/Morocco



Defining uniform international standards

Employees all over the world need uniform standards used in the entire Group. Those standards can be developed and implemented only if you have a smooth and fast exchange of information across borders. All employees must have up-to-date information available to them at all times. Electronic applications offer many solutions which are being used in the Metro Group.

A borderless communication platform. For example, employees at almost all functional levels of Metro Cash & Carry have worldwide access to an up-to-date version of their company's core know-how in the digital "House of Knowledge." Many information and communication instruments support an international exchange of experience.

Instruments like virtual courses and project rooms help colleagues to pass on knowledge across borders, cooperate efficiently, and learn from each other. In this way, the "House of Knowledge" contributes to the further stabilization of the company's leading international market position in wholesale trading.

In its pilot phase, the "House of Knowledge" proved itself in Italy and Belgium. Testing also went well at the Metro Cash & Carry head office in Germany. The introduction of this new knowledge management system in the other 19 countries with Metro wholesale outlets has already begun.

A new quality in human resources management. Metro Cash & Carry uses innovative electronic applications at another level as well. With the development of a digital platform for a major part of its human resources work, Metro Cash & Carry is laying the foundation for a sustainable human resources management at company and country level. The technological prerequisites have already been put in place, and essential performance numbers set – like the training quota, the number of employees, and the structure of the workforce. These performance parameters were then put into concrete terms and adjusted in workshops in each country. An SAP model will be used to implement the platform technologically.

Its goal is to create a digital network between Metro wholesale sites in – at present – 22 countries by 2006. In eight countries – Austria, Poland, and the People's Republic of China, among others – introduction of the system has already begun. Performance, number of employees, and human resources expenditures at the individual locations are more easily monitored and can be compared across borders more quickly.



Metro Group

Employees by country of employment

Country	Employees	
	total	in %
Germany	112,505	60.2
Poland	13,617	7.3
France	8,169	4.4
Italy	6,169	3.3
PR China	4,840	2.6
Hungary	4,351	2.3
Great Britain	4,237	2.3
Belgium	3,736	2.0
Austria	3,683	2.0
Netherlands	3,569	1.9
Turkey	3,489	1.9
Spain	2,968	1.6
Czech Republic	2,820	1.5
Romania	2,789	1.5
Greece	1,915	1.0
Portugal	1,834	1.0
Bulgaria	1,499	0.8
Slovakia	1,220	0.7
Morocco	1,009	0.5
Switzerland	1,005	0.5
Denmark	539	0.3
Russia	439	0.2
Luxembourg	209	0.1
Vietnam	106	0.1
Croatia	89	0.0
India	4	0.0
Japan	4	0.0
Total	186,813	100



Interview with Sinem Türüng

Sinem Türüng (26) from Turkey graduated from Bosphorus University with a bachelor's degree in economics in 1999. Subsequently, she worked as a controller for Metro Turkey. Early in 2001, Sinem Türüng joined the Düsseldorf head office of Metro Cash & Carry.



“I know that I will find the Metro culture anywhere I go”

“The Metro Group operates internationally. Why have you decided in favor of a career with this company?”

Metro Turkey was my first choice since the Metro Group corporate culture appealed to me particularly ever since my first personal conversations with Metro. In the controlling department in Turkey, I especially enjoyed the highly developed team spirit.

What was decisive in my decision, of course, was the possibility of working abroad. At the end of 2000, the International Controlling Department at the Düsseldorf head office of Metro Cash & Carry offered me a job. An ideal opportunity to gain international experience and to get to know Metro up close. At the Düsseldorf head office, I deal with operations from countries which differ vastly. So now my field of activity is broader and more demanding than it was in Turkey. Here, I also deal on a more intense level with the Group's strategy and am becoming aware of the major success indicators, decision parameters and expectations of the parent company. And for me personally, my stay here is much more: I get to know German culture and language.

“How did you get in touch with Metro in Germany?”

That was really very simple because the Metro Group strongly emphasizes international exchanges. Open-minded people who express an interest in international experience have a better than average chance of realizing their goals. At a workshop in Turkey, I met a colleague who had worked in Düsseldorf before. He told me about his work there. Shortly thereafter, I applied and was accepted. The biggest hurdle in my case was the German consulate: I had to wait in line for a long time and fill out numerous forms.

“Which differences do you see in everyday life or in working life between Germany and Turkey?”

In Turkey, life is more spontaneous, whereas in Germany, there are rules for everything. Before coming to Germany, I lived in Istanbul, a city with 10 million people and extreme traffic density. The traffic rules are similar to the rules in Germany, but they are “interpreted” by drivers in very different ways. Conditioned by inflation and economic crises, people in Turkey are used to being flexible; in Germany, even vacations are planned months in advance – which would be highly unusual in Turkey.

“You will be in Germany for two years. What do you like best about Germany?”

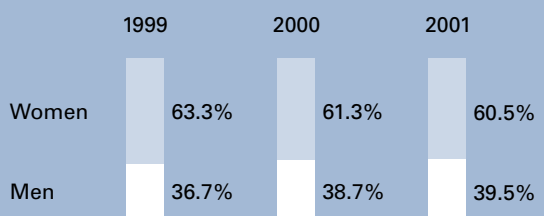
What I really like is the openness of the Germans. They say what they think. They do not try to make an effort to tone down their statements, and they expect the same from their discussion partners. For that reason, I think Germans are very open to constructive criticism.

“Would you consider working for Metro in another country again?”

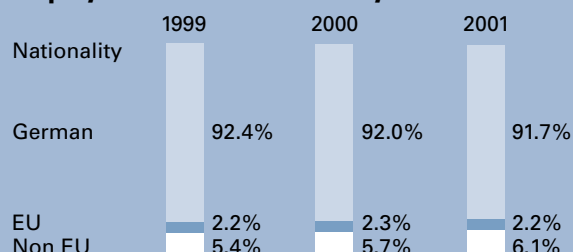
Of course I would work for Metro again in another country, it doesn't really matter where. I know that I will find the Metro culture anywhere I go.



Metro Group employee structure



Employee structure in Germany





Trainees from Metro Cash & Carry foreign companies in Düsseldorf: left, Ekatherina Kholodenko, Metro Russia; right, Todolka Wollenweber, Metro Bulgaria

Taking on social responsibility

Social responsibility is one of the determining features of the Metro Group corporate culture. It is multi-faceted, both nationally and internationally. It is developed primarily in cooperation with the employees' representatives. Accountability, credibility, and trust are central elements in the collaboration of employees and their representatives. A fair reconciliation of interests between employees and the Metro Group is a good basis for long-term company success and secure jobs.

Redesigning collective bargaining policy.

To achieve a fair reconciliation of interests, Metro is going to alter its course in German collective bargaining policy. Today's framework conditions of-

ten no longer seem up-to-date. Many critics believe the efficiency and employment effects of blanket collective agreements are outdated. On the other hand, practical reform efforts have so far remained ineffective. Therefore, within the framework of a project, METRO AG engages in a basic renewal of the trading industry's blanket collective agreements in Germany.

Its goal is to develop collective agreements in ways which entail balanced advantages for both employers and employees. This is designed to provide the basis for a new quality of responsible social partnership to be created. By testing new models under scientific scrutiny, collective bargaining regulations will be developed which are attractive for employers as well as employees. Only collective bargaining innovations of this kind will be able to provide the necessary impetus in the future. That is also true of the promotion of performance and qualification levels of the employees and their customer orientation, an improvement of human resources management, and greater efficiency in the deployment of human resources.

Cross border forum. Entering into a dialogue with employees – Metro takes this task seriously. Talks take place at different levels. Employees of all outlet chains in 20 countries send a total of 30 delegates to the Euro Forum. This body which – within the borders of the European Union – functions like a European Work's Council, promotes the exchange of information and consultation of employee representatives with the companies' management. Since 1999, it has met every year, and deals with issues that go beyond national borders. At each annual meeting of the Euro Forum, the company's management reports on the economic situation of the Group.

Employee representation in Germany. In 2000, a central works council constituted itself in Germany. Within the framework of legal responsibilities, this body deals with manifold issues of social and human resources policies within the Group which are of concern to all employees. For example, issues of training, a future-oriented policy for the severely handicapped, the further development of the company's health insurance fund, or the company's old age pension schemes are discussed.

In the individual outlet chains and cross-divisional service companies, general works councils and local company works councils are important dialogue partners for executive management. Furthermore, as in any other public limited company, employee representatives sit on METRO AG's Supervisory Board. They are elected for a five year period. About 1,600 delegates sent by the employees of METRO AG and six other Metro companies will once again elect their representatives in the spring of 2003.

Group-wide job market. Practical support is an important part of the Metro philosophy in its human resources policy. An internal labor office helps employees in Germany find jobs. If restructuring eliminates a job in one outlet chain the employee can use the Intranet-supported labor office to find another job. The human resources managers at all outlet chains and cross-divisional service companies have access to his or her coded job application. If placement is successful, Metro manages to retain qualified personnel while at the same time saving costs for social benefits and external personnel searches.

“ Together with other trading companies and with both sides of industry we want to develop innovative collective bargaining concepts and try them in Germany and other countries. In Germany alone the volume of collective bargaining related personnel costs for the aspired new regulation is about € 2.5 billion. We are confident that we shall be successful nationally and internationally, to the advantage of all parties involved.”

Rainer Marschaus,
METRO AG Director of Human Resources and Social Affairs

In addition, in cases of more extensive restructuring of individual locations, a coordinating round is set up: the human resources managers of the neighboring Group locations attempt to find solutions spanning all outlet chains which are advantageous to both the company and the employees.



Metro Group personnel expenditures

	1999	2000	2001
Total (million €)	5,032	5,281	5,563
Wages and salaries (million €)	4,050	4,365	4,601
Social security contributions and expenditures for old age pensions and benefits (million €)	982	916	962

Integrating the severely handicapped. The employment, training, and promotion of severely handicapped employees is another of Metro's goals in connection with its responsibility in the social arena. A working group concentrates its efforts on coordinating group-wide policy towards the severely handicapped. This group includes members from the Group's handicapped representation, the outlet chains, the cross-divisional service companies, and the METRO AG personnel department.

Metro puts special emphasis on offering training to severely handicapped young people. Therefore, there are close contacts with the national labor administration which is the key authority in caring for severely handicapped youths.

Protecting the health of employees. Occupational safety and health – an important subject. In Germany, the Koordinierende Sicherheitsausschuss der Metro Vertriebslinien (KSM, Metro outlet chain coordinating safety committee) is responsible. Around 15 experts from various cross-divisional service companies and outlet chains meet three to four times each year to exchange experience and use synergy effects in the introduction of measures affecting the entire Group. The work of KSM is the basis for the safety concepts in the outlet chains and the cross-divisional service companies.

In the Real hypermarket stores, employees in all areas and at all levels take part in the ongoing improvement of safety at work efforts. Four full-time experts for safety at work are developing new concepts for Real, based on ideas and criticism from the locations, which will be implemented in all locations in Germany. At the same time, they support the managers in Real locations in implementing the measures – for example, by regularly visiting and advising the sites. On the centralized safety at work committee, external works doctors sit with safety at work experts from Real. They are



in charge of linking safety at work issues and occupational medicine.

Drafting and signing the principles of safety at work were steps pointing the way ahead to implementing the corporate philosophy at Metro Cash & Carry. "The employee is the most valuable asset" – this idea was implemented in concrete projects, like the handbook on safety at work and fire protection as well as behavior and safety regulations and advice.

The experts for safety at work in the Extra outlet chain draw up operating rules pointing to sources of danger and explaining the correct handling of equipment and cleaning agents. All Extra employees have access to this information in the store handbook. Regular visits of the locations, the participation in meetings, and the removal of defects are the basis for the implementation of any new guidelines. Statistics show that the work of the experts is successful: Extra is considerably below the German average as to its frequency of accidents.





“The feeling of achievement for each employee is the basis for the success of the entire company. We promote our employees in many ways and encourage them to act independently and responsibly.”

Zygmunt Mierdorf, Member of the Executive Board and Industrial Relations Director at METRO AG

Making use of development potentials

Discovering personal strengths and developing them freely – these are two of Metro’s basic prerequisites for ensuring employee loyalty. To stay on top of its competitors, Metro promotes lifelong learning. The basis for the Group-wide human resources development at Metro is a centralized concept spanning the entire Group. Using this concept as a basis, each outlet then makes its own decisions and places its own points of emphasis. In this way, uniform Metro standards are linked to the special requirements of each outlet chain. This strategy pervades all personnel levels of the Metro Group – from management to trainees.

Goal-oriented human resources development. Worldwide, Metro standardizes its evaluation of employees with its Metro Management Plan (MMP) and is thus able to recognize and compare potential. Executives from Germany and other countries developed this instrument in 1998 and, by doing so, created comparable quality

standards at Metro in the entire world: employees are evaluated using criteria like market and customer orientation, and strategic or social competence. Using MMP, Metro regularly analyzes the leadership potential of its employees – first, on outlet chain level, then on Group level.

Promoting young executives. Those displaying leadership qualities have a good chance of taking part in the training programs of the Corporate University. The cooperation with well-known external partners indicates the quality of the Group’s own institution. Board members also shape its content by conducting seminars for one week every year. The Corporate University consists of four independent programs:





The Metro Group Corporate University programs at a glance

■ **Metro Academy:** 12 to 16 potential business management candidates for the different outlet chains are trained for eight months. They study subjects like retail marketing, change management and e-commerce. The lecturers come from the largest European business management school, the French "Institut Européen d'Administration des Affaires." Furthermore, Metro experts and business managers discuss case studies with the participants in the practical sessions. During the entire program, an Executive Board member is assigned to each participant as his or her mentor.

■ **Corporate Seminar:** This program is open to about 20 new employees of the second Group level. In six teaching blocks of one week each, they learn more about the many facets of the entire company. The curriculum covers subjects like strategy, intercultural competence, or physical fitness in the job.

■ **Metro Management Förderkreis (MMF):** Metro trains up to 30 employees from middle management every year in eight modules of three days each. MMF also emphasizes practical experience: the participants from all outlet chains work out concepts which later will have to prove themselves in everyday working situations.

■ **Metro Business Program:** This program is tailored to young university graduates who have worked at Metro for a maximum of three years. The Metro Business Program, which is organized in three blocks, teaches detailed knowledge about METRO AG on the one hand. On the other, trade experts from the Wissenschaftliche Hochschule für Unternehmensführung (Graduate School of Management) in Vallendar pass on information about international trade to the 25 or so participants per course.

■ **Open program:** Seminars about subjects like leadership, management, or work technology are attended by employees from all company levels. Metro conducts a total of about 30,000 hours of seminars per year for its employees.

Metro Academy, Corporate Seminar, Metro Management Förderkreis, and Metro Business Program. People from 24 nations with different cultural backgrounds meet in these programs. They learn together – in English – about each other as well as from each other. Furthermore, the Corporate University offers a so-called open program for qualification and further training for all Metro employees. At Group level, a total of 152 executives took part in management training classes in 2001, the equivalent of 2,175 seminar days.

E-learning while working. In addition to the education opportunities spanning the entire Metro Group, the outlet chains develop their own training programs. Example: Kaufhof Warenhaus AG. Since 1998, the company has been broadcasting its educational TV channel IQ-TV. "IQ" stands for information and quality. In 45 minute reports, its programs furnish background knowledge and inform about subjects like the introduction of the Euro or how to avoid inventory differences during stock-taking. The programs are transmitted during work hours. Employees of the specialty stores are involved as early as the concept stage of the reports. During airtime, questions can be directly posed by telephone to the experts in the studio discussion round.



Offering high quality vocational training.

Vocational training at Metro is not only versatile, but at the same time offers good career opportunities: 40 percent of today's Metro managers began their careers with an apprenticeship. Today, Metro provides training in 16 different job areas. In addition to the traditional descriptions of trade such as specialty salesperson or trader in retail and wholesale, the Metro Group has new fields of activity: the cross-divisional service company Dinea Gastronomie GmbH offers training for the fast food and catering trade while Metro MGI Informatik GmbH trains IT executives and experts for application development or systems integration. Expertise in business economics and environmental management is essential at the cross-divisional service company Metro Wertstoff Circle Services GmbH (MWCS). Training to be a state-certified environmental engineer or an FH (Fachhochschule, university for applied sciences) graduate with a special degree in operational environmental management combines both and makes candidates ideally suited to work for MCWS. Students of the universities which offer these courses work at MWCS as interns or while writing their diploma thesis. Tasks and subjects are closely coordinated with their professors.

In 2001, Metro hired a total of 3,328 young job entrants in Germany. The total number of trainees increased to 8,536 – a plus of 3.9 percent compared to the previous year. Examination results for 2001 demonstrate how efficient vocational training at METRO AG's outlet chains is: 95 percent of trainees passed their final examination. Metro then went on to employ 67 percent of them.

Media/Saturn is pointing the way in training. The company takes part in the dual education system of the Fachhochschule Ludwigshafen. Other outlet chains also offer industrial administration courses with a major in trade at universities of



Young trainee with her mentor, at Media Markt

cooperative education ("Berufsakademien"). These practice-oriented study courses prepare students for an academic degree which, at the same time, qualifies them for the job market. Should they so desire, graduates may go on to earn a "Master of Business Administration" (MBA) degree in the United States. By implementing such training programs with an eye to the future, Metro is securing its sustainable growth.



Number of trainees at the Metro Group

	1999	2000	2001
Total number of trainees	8,808	9,136	9,921
of which Germany	7,926	8,236	8,536
of which abroad	882	900	1,385

“Trade is a modern and highly complex sector of the economy. Our employees are expected to be willing at any time to review their positions and keep an eye on the practical implementation of a plan.”

Dr. Claudia Schlossberger, Head of Division, METRO AG
Executive and Human Resources Development

Finding new ways. Basically, METRO AG has a variety of career opportunities to offer to any young entrants. An increasing number of young university graduates decide to opt for a career in trade and start work at Metro as trainees. For this reason, the Group seeks direct contact with students and successfully opens new ways in human resources marketing. With its information event “Meeting Metro 2002,” the third-largest trading group in Europe stood out against traditional recruiting fairs. In early 2000, employees – anyone from trainees to managers – from different segments of the Group were busy making their company transparent for 400 participants. The

emphasis was on personal conversations in a relaxed atmosphere. A specially built market square served as meeting point, information, and contact exchange. More than 1,500 students and graduates had sent in applications to www.meeting-metro.de. In the future, this website will offer a comprehensive employer gateway where Metro will introduce itself – with up-to-date information for anyone who is interested.

For its trainee program, Metro is mainly interested in graduates of economic study courses with an emphasis on trade. However, what is decisive is not the major study course, but the personality profile: Young people who are practice-oriented and exhibit an interest in realizing their concepts will be given preference.

For the sustainable growth of the Metro Group, the acquisition of talented future leaders and an efficient human resources development will have a high priority in the future as well. For 2002, METRO AG is aiming once again at creating about 7,000 new jobs around the world.

“Meeting Metro”
event at the
Düsseldorfer
Rheinterrassen



Customer orientation through staff motivation

Satisfied customers are the basis for the success of any company. For this reason, in addition to social responsibility and human resources development, employee motivation is an important subject for Metro. Innovative remuneration systems, the company's old age pension schemes, flexible working time models, and the company's suggestion system play an important role.

Group management and personal responsibility. With the measuring unit EVA (Economic Value Added), Metro introduced an instrument throughout the Group which transfers more responsibility to the individual and rewards success financially. Satisfied, motivated employees equate to a lower fluctuation rate and a continuing development of in-company expertise – which in turn means lower costs.

The increase in responsibility transferred to employees means an increase in variable wage components. EVA is the yardstick used for all managers. Each outlet chain or cross-divisional service company decides for itself, after coordination with the works council in charge, if and to what extent this system should be expanded to the employee level.

New remuneration system in Poland. In Poland, the Real outlet chain has introduced a new remuneration system which incorporates important insights from the work in German collective bargaining policy and which is EVA oriented. The new system is transparent and easy to understand, employees can exert an influence on it, and it is geared to performance levels.

Today, annual wages at Real in Poland are composed of monthly wages and monthly premiums based on performance. At year's end, a percentage or bonus is paid following the EVA value system. Before that, there were very different remuneration structures – and no consistent agreements with trade unions or a standardized remuneration regulation.

Improving old age pensions. New laws regarding companies' old age pension schemes in the general context of the German pension reforms have also required adaptations from METRO AG in Germany. Furthermore, the collective bargaining agreements which are in place provide benefits for old age pensions. For this reason, Metro, in collaboration with the Central Work's Council, further developed existing concepts. The result, among other things, was a voluntary guarantee from the employer's side. For Metro, the material security of the company's employees of retirement age is a social responsibility it takes seriously.





Praktiker employee

Flexible working hours. In the Metro Group, there are various working time models. They depend on the legal regulations in the different countries, agreements with the trade unions, the requirements of the outlet chain and its employees, and the customers' needs. In general, innovative concepts which are advantageous both to the company and the employees are preferred over rigid and outdated working time models.

In 2001, the Praktiker outlet chain began to replace its rigid working time model with a flexible model. With the help of an Intranet-supported working time management plan, the employees at Praktiker determine their own working hours in the team and manage their own working time account. The basis for planning is the personnel requirements plan of the store management. This new system of business hours will be further expanded later on. Core elements for personnel

requirements planning are merchandise management, sales, and traffic data from the stores. Employee leisure time requirements can thus be managed even better and Metro will cut costs by optimizing operational processes.

Successful teleworking. In the Extra outlet chain, too, individual planning of working hours and time off is given high priority. For the employees in the payroll department telework from home is now an option. They are in charge of the payroll accounting for about 25,600 employees. The teleworkers process about 7,000 documents per month electronically. From a location in Kamen, North Rhine-Westphalia, colleagues support the teleworkers in situations where tasks can only be handled centrally.

For the company, teleworking represents a substantial increase in productivity – and it offers new perspectives to employees: the relocation of a company is no longer tantamount to losing one's job, and employees no longer have to leave the company when they themselves move. Teleworking offers opportunities for the handicapped and severely handicapped to work in a highly qualified job in their own adapted surroundings.

An Extra employee teleworking from home



Daring to do the extraordinary. Metro Cash & Carry is a good example of how employees can be motivated beyond country borders for the success of a company. The major business goal of the outlet chain – to become the number one trader in its market segment – is seen as a continuing process. In small teams, more than 60,000 employees at all company levels and functions have already dealt with the importance of core processes and their implementation in operational practice. The interactive learning program “MCC Insight Map” and an interactive management simulation game are tools for the work on this Mission Statement.

With the aid of these tools, and that of a value-oriented leadership, Metro Cash & Carry has succeeded in integrating all employees into the successful implementation of this Mission Statement. For this unusual approach, Metro Cash & Carry received an award from the international management consulting firm of Franklin Covey Co.

Employee ideas are in demand. Kaufhof Warenhaus AG uses employee surveys as a central controlling tool to further develop its company image. One result of the 1997 and 2000 surveys: regular feedback rounds involving employee representatives. These rounds have helped to make internal work processes more efficient. For the next years the following projects are planned, among others: expansion and optimization of measures to improve employee qualification by developing and advancing leadership culture, for example, in the form of evaluations by superiors. Furthermore, the internal flow of information is to be further improved by additional offers in the company’s TV channel and Intranet.

One established instrument to involve Kaufhof employees in the company’s development is the company suggestion system. Since its introduction in 1994, 988 suggestions have been submitted – four times more than before. One outstand-

ing suggestion, for example, was to have the European article number (EAN) printed on various goods handling lists which employees process every single day. The complicated and time-consuming input of the 13 numbers of the EAN bar code is eliminated and, as a result, the frequency of typing errors is greatly reduced.

Metro-Großhandel also involves its employees in company development. In 2000, the company carried out a survey of all employees. The measures taken as a consequence led to concrete improvements in internal information and communication and professional development and further training opportunities. The next survey in 2002 will review the efficiency of the implementation steps taken.



Developing employee ideas in a team, Metro Cash & Carry



The "Compass" project at Real

Reaching goals in a team effort. In a team, everybody optimizes the success of his or her store while working together – this idea is being implemented step by step in all Real hypermarkets. Under the project name "Compass", the so-called "balanced scorecard" shows the way for employees at all company levels towards the sustainable success of the company. A total of 16 quantitative and qualitative items are listed on the compass of key figures: from sales to growth of gross profit to customer satisfaction. Employees independently check the goals set earlier by the team and ask customers and colleagues questions about them. This helps the whole workforce to develop a better understanding of important but hard to grasp key numbers.

The results of regular measurements are put into the key numbers compass, which is easily accessible to everyone, and are then evaluated with the colors of traffic lights: If the color of the

"traffic light" signals red for a longer amount of time, measures should be initiated. Rapid action teams work out suggestions for optimization. Should proposed solutions seem promising for the entire outlet chain national teams introduce the project nation-wide. Since the introduction of the compass project, among other things, the employees' assignment plans have been optimized and price marking has been made more efficient right across the company. In the long run, individual hypermarkets will be able to solve problems on their own. An increase in productivity will follow. By early 2003 all Real stores will use the compass as a controlling element.

Seeking a dialogue with the customer. To improve customer satisfaction – the Real outlet chain uses various instruments to this end, for example the Real coffee table. This event takes place in the sales area and gives customers an opportunity to express concrete wishes, criticism, or praise directly to the store employees. This increases awareness of customer needs. In implementing customer wishes, the regional customer marketing team then works with the respective hypermarket store. On the basis of a catalogue of measures, improvement suggestions are worked out and training courses held. The efficiency of the measures is evaluated with the help of the customer monitor, a representative survey. In big events – like the reconstruction of a department store – Real assigns special service teams who help customers find items they are looking for and quite generally find their way around the new store layout.

Focus on the customer. The outlet chain Metro Cash & Carry has been conducting customer surveys in all 83 German locations for the last five years. The direct comparison between results allows benchmarking between Metro wholesale stores and, in the medium-term, will improve Metro Cash & Carry's market position in Germany.

Executives and employees set up five working groups on the basis of the results of the survey in 2000 to optimize critical issues in the operational process. Among other things, improvement suggestions were developed in the areas of repairs, staff presence, and cash register handling, and then implemented in all wholesale stores. The efficiency of the measures was evaluated in another customer survey in 2001. Regarding the critical issues and using a special scoring method the test stores achieved an increase in customer satisfaction of up to 16 percent compared to the previous year.

Since early 1998, the Extra outlet chain has also been using customer surveys. Once a year, the Gesellschaft für Konsum-, Markt und Absatzforschung (GfK, firm for consumer, market, and sales research) conducts a trend monitor on behalf of Extra to get up-to-date consumer opinions. In addition, since early 2001, there has been an Extra customer survey several times a year at all locations. It is an important part of a broadly conceived marketing coaching strategy. The focus is on the goal "the customer comes first". Strengths and weaknesses of individual stores can thus be exposed. Four working groups in different areas of Germany subsequently work on solutions. In parallel to their work the employees in the markets offer their ideas as well.

As a large international trading group, Metro consists of many people of different cultures and nationalities. The Metro Group's human resources policy takes this fact into account and is responsible, modern and goal-oriented. First and foremost, its goal is to motivate its employees and thus to keep increasing customer satisfaction.

Member of the Chinese field force talking to a customer

Metro Cash & Carry employees during a customer interview





Milestones in Metro's history

1879

■ Some of the roots of METRO AG reach back all the way into the 19th century. Example Kaufhof AG: the company history began in 1879, when Leonhard Tietz opened a haberdashery, white goods, and woollen goods store in Stralsund.

1964

■ The founding year of Metro-Großhandel: Otto Beisheim opened the first Metro Cash & Carry store, a pick-up store for trade customers. This innovative business model made Otto Beisheim a pioneer of the trade.

1996

■ In only ten months, the merger of the legally independent Asko Deutsche Kaufhaus AG, Kaufhof Holding AG, and Deutsche SB-Kauf led to the creation of today's METRO AG. In the very same year, the company went public.

■ As early as late 1996, with a market capitalization of € 6.17 billion, the Group was one of the 20 largest German companies on the stock exchange. Membership in future e.V. was transferred from Kaufhof to the newly founded METRO AG. Since 1989, Kaufhof has been working on practice-oriented sustainability concepts with other members from society, science, and politics.

1997

■ The Group organized itself in 13 lines – from wholesalers to fashion markets.

■ Metro intensified international expansion: Sales abroad rose by 50 percent, to more than 7 percent of total sales.

1998

■ By year's end, METRO AG had developed into a clearly structured Group with four business units and cross-divisional service companies working Group-wide.

■ This was the most successful year in the company's history to date: earnings before interest and taxes (EBIT) grew by 63.5 percent to € 0.82 billion. Sales abroad increased to more than 35 percent of total sales.

■ Of all Dax 30 standard shares, Metro's share had the most successful development.

■ The first report on the environment and the first human resources report were published by METRO AG.

1999

■ METRO AG sold its retail real estate which gave Metro greater scope to develop future-oriented investments.

2000

■ The internationally proven controlling and management system EVA (Economic Value Added) was introduced.

■ METRO AG was one of the most frequently traded Dax values and came 18th in the Dax 30 companies comparison.

■ The second environmental and the second human resources reports of METRO AG were published.

2001

■ METRO AG has developed into an internationally active Group with a decentralized management team. The trading company employs more than 230,000 people in 24 countries.

■ In its just under 2,250 locations, METRO AG's net sales came to € 49.5 billion. Sales abroad were at € 22.0 billion, or over 44 percent.

2002

■ Metro's first report on sustainability was published.



GRI: accepted standards

METRO AG drew up its first report on sustainability on the basis of the guidelines of the "Global Reporting Initiative" (GRI) of June 2000. It makes the performance of the internationally operating Metro Group in the areas of economy, ecology, and social issues both transparent and comparable. Given the varied structure of the Metro Group, some key figures are broken down by outlet chains. A presentation encompassing the entire Group in more detail will follow.

With its "Sustainability Reporting Guidelines," GRI created international guidelines valid for all branches of industry. Reporting is harmonized internationally, and responsible decision-making processes in the area of sustainability are supported. The guidelines are widely approved since numerous companies as well as non-governmental organizations were involved in their preparation.

GRI has not verified the contents of this report on sustainability or evaluated the accuracy of the report's contents. Further information about GRI is available at www.globalreporting.org.

Imprint

Publisher:

METRO AG
Schlüterstraße 41
40235 Düsseldorf

Post Box 230361
40089 Düsseldorf

www.metro.de

Contact:

Karl-Josef Baum,
Manager with General Power of Attorney

E-mail: nachhaltig-handeln@metro.de

Concept/editorial/realization:

ECC Kohtes Klewes GmbH

Photography:

Georg Valerius, Visuelle Konzepte, Cologne
Granderath heartwork GmbH, Meerbusch
METRO AG, archive material

Date: April 2002

Unless stated otherwise the figures in the report
refer to the year 2001.