

Dillard's

1600 Cantrell Road · P.O. Box 486 · Little Rock, Arkansas 72201-0486

Dean L. Worley

Vice President, Secretary and General Counsel
Telephone (501) 376-5420
Telecopier (501) 210-9610
dean.worley@dillards.com

**VIA EMAIL (pdoherty@osc.state.ny.us)
AND FIRST CLASS MAIL**

February 25, 2014

Mr. Patrick Doherty
The State of New York
Pension Investments & Cash Management
633 Third Ave, 31st Floor
New York, NY 10017

Dear Mr. Doherty:

In furtherance of our previous correspondence and discussions, Dillard's offers to take and report on the following actions in exchange for your withdrawal of your proposal.

It is our belief that Dillard's has taken appropriate actions in response to the Bangladesh safety concerns identified in your proposal as identified below.

Dillard's has taken and offers to report on the following initiatives related to factories with which Dillard's contracts.

- Dillard's expectation in selecting partners includes safety compliance. Dillard's Sourcing Department was directed by upper management to work with quality companies in quality countries and to refrain from sourcing with companies without established reputations for quality and safety standards. As such, Dillard's ceased ordering merchandise from Bangladesh.
- Dillard's considers safety standards when looking at countries and companies in general. Dillard's has continued to review and update its sourcing policies, practices, and indicators related to furthering factory safety standards.
- Dillard's routinely visits factories and inspects for safety issues and requires yearly third party audits for factory safety. Dillard's expanded its safety standards and inspection protocols in 2013 to require third party audits to confirm compliance with factory safety items such as fire and building safety.
- Dillard's established a Fire and Building Safety Compliance Team. The Dillard's Fire and Building Safety Team (the "Team") members includes Dillard's general counsel, vice president of operations, trade compliance manager and a representative from the sourcing department. The Team compared audit standard/protocols from Dillard's existing third party auditors, Dillard's internal factory evaluation standards/protocols on fire/evacuation, building and general safety

questions and the Safer Factories Initiative (“SFI”) framework

<https://www.wewear.org/brands-and-retailers-seek-transparency-and-continued-collaboration-with-bangladesh-government-in-%E2%80%9Csafer-factories-initiative%E2%80%9D/>

- As a result of the comparative analysis, the Team updated and added fourteen (14) sourcing evaluation questions for fire and building safety to its factory evaluation and inspection protocols (see Exhibit “A”). Dillard’s added these questions to Dillard’s factory audits and now requires each factory to demonstrate through internal and third party audits its understanding of and compliance with fire and building safety standards.

Dillard’s purchase order terms, buying agency agreements, internal sourcing guidelines and policies and procedures, and inspection methods have and will continue to be updated to ensure that the principles upon which Dillard’s does business are appropriately implemented and to address new concerns or issues that arise by our participation in a global marketplace whose standards continue to evolve.

Other companies have taken different approaches to factory safety, including joining groups to directly invest in Bangladesh factories and in detailed reporting. Dillard’s is no longer sourcing its private label merchandise in Bangladesh. Accordingly, we determined that it would be more appropriate to invest our resources in furthering factory safety protocols in general. The changes to Dillard’s safety protocols and inspections were a direct result of that investment.

Dillard’s intends to report on these additional safety initiatives in our 2013 Social Accountability Report, which we intend to publish in the third quarter of 2014. As such, we are hopeful that you will withdraw your proposal.

I look forward to hearing from you soon.

Sincerely,

Dean L. Worley