

# OUR RESPONSIBILITY: SUSTAINABILITY IN BUSINESS

CORPORATE RESPONSIBILITY REPORT 2011

*otto group*

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# ABOUT THIS REPORT

The Otto Group's Corporate Responsibility Report 2011 presents an open and transparent account of the impact of the Group's business activities on people and nature. For the first time, part of the report is also published as a magazine, effectively portraying what Corporate Responsibility looks like and how it is implemented in the Otto Group's core business. Mainly intended for Group employees, the magazine aims to raise awareness of corporate responsibility issues. In the report, **eleven companies** present their sustainability performance; these include the ten companies that reported previously:

- OTTO
- Baur
- bonprix
- Frankonia
- Heine
- OTTO Office
- Schwab
- SportScheck
- UNITO
- Witt<sup>1</sup>

Newly included is:

- Hermes<sup>1</sup>

The Corporate Responsibility Report integrates the second of the Otto Group's three business segments by including Hermes. All reporting companies have their headquarters in a German-speaking country and an annual turnover of more than 100 mn€.

The Corporate Responsibility Report 2011 follows the Otto Group's Sustainability Report 2009 and covers the period from **1 March 2009 to 28 February 2011** (financial years 2009/10 and 2010/11). The editorial deadline for this report was 10 June 2011.

Following the introductory chapters Strategy and Management as well as Stakeholder Dialogue, the **report's structure** is

based on the Otto Group's five CR fields of action: Employees, Climate and Environment, Suppliers, Assortment and Customers and finally, Society. A concise overview of relevant economic, environmental and societal key figures follows each report chapter, except for Society and Stakeholder Dialogue. Unless explicitly stated otherwise, these figures are based on consolidated data from the eleven reporting companies. With the implementation of the new **CR database**, modified survey methods, the inclusion of Hermes and an expanded number of locations covered by the report, the basis for consolidation of key figures has changed. Deviations are indicated in the respective chapters.

The Strategy and Management chapter initially reports on the Otto Group's strategic direction and business development; it then provides an overview of corporate governance principles implemented in different business processes. It also explains how CR is embedded in the Group's corporate culture and how management structures will be further developed. The Stakeholder Dialogue chapter that follows presents a new development. Its focus is a continuous exchange that the Group fosters with its stakeholders on key environmental and social challenges. In this report, the Otto Group responds to its stakeholders' demand for proactive transparency in describing the Group's value chain. In particular, purchasing policies and implementation processes with respect to social and environmental standards in the supply chain are presented in detail.


The next chapter is Employees. Specifically, the Otto Group tackles key personnel issues such as workforce diversity, work-life balance as well as education and training. The spotlight in the following chapter on Climate and Environment is on the Group's Resource Management and Climate Protection Strategies, including their implementation in goods transport, at the Group's various locations and in business travel. Ensuring socially acceptable working conditions in the Group companies' sourcing markets also presents a challenge: how can economic, environmental and social standards be implemented on-site, in line with the Otto Group's own programmes or also through industry-wide initiatives? The chapter on Suppliers is dedicated to this question. As the intermediary between manufacturers and customers, the Otto Group can exert multifaceted influence. The chapter on Assortment and Customers therefore not only describes how the Otto Group sets out to fulfil its customers' wishes but also describes the Group's

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<sup>1</sup> Subsequently, mention of the legal forms of Group enterprises is omitted and instead, throughout the entire CR Report they are referred to as OTTO, Baur, bonprix, Frankonia, Heine, OTTO Office, Schwab, SportScheck, UNITO, Witt and Hermes.

initiatives for and offers of attractive, sustainable products. The report's closing chapter addresses Group companies' progress on their numerous social commitments in addition to running their core businesses; it also addresses the initiatives of the company owner and Chairman of the Supervisory Board, Dr Michael Otto.

The Executive Board Members set an important example and fulfil a leadership role in the implementation of the Otto Group's CR Strategy. In 2010, each Otto Group Board Member sponsored a core CR topic and drove the development of solutions through their personal dedication. As a result, each Board Member introduces the respective chapter for the CR topic corresponding to their personal sponsorship.

The CR reporting of the eleven Otto Group companies includes this printed report as well as supplementary report contents at [ottogroup.com/cr-report](http://ottogroup.com/cr-report). These supplementary contents on the Internet are referenced within the Corporate Responsibility Report 2011 at the bottom of each page with the symbol .

The Corporate Responsibility Report 2011 was prepared in accordance with the **Guidelines of the Global Reporting Initiative (GRI) G3**. Following a detailed audit by the GRI, the report was verified and designated as application level 'A+', the highest application level for the applicable GRI Guidelines' category. Furthermore, the eleven companies' sustainability reporting provides information on the implementation of the Ten Principles of the United Nations Global Compact, thus fulfilling the function of a Communication on Progress. A tabular summary of the report that deals with the GRI indicators and the Global Compact principles can be found on p. 136 and online at [ottogroup.com/cr-report](http://ottogroup.com/cr-report). This Corporate Responsibility Report 2011 was fully audited and certified by the auditing and consulting firm PwC, according to the **Standard AA1000AS**. This standard verifies whether sustainability management corresponds to the reporting entity as well as its CR reporting requirements and stakeholders' interests. A certificate of the independent audit by PwC can be found on Page U5 of the report.

The Corporate Responsibility Report 2011 is available in both German and English. It addresses the most important societal stakeholders of the Group's companies, particularly the scientific community. Alongside non-governmental organizations, business partners, government, academia and media, the report also addresses employees and junior staff, customers and the interested public, and invites all to join in a **constructive dialogue** with

the reporting companies. The flip-page version of this report at [ottogroup.com/crreport](http://ottogroup.com/crreport) provides readers with the possibility to give feedback on the report and to enter into dialogue with the Otto Group.

The **next Corporate Responsibility Report** is currently scheduled for publication in 2013. The Otto Group plans to extend its scope beyond the Retail and Service business segments to include Financial Services, the Group's third business segment.

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For the sake of readability, this report as a rule omits gender-based dual entries and uses the masculine form. In those cases, however, both women and men are intended.



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 Information on further topics is available at:  
[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)

 Further information is available on external websites



“Responsibility bridges distances. In a globalised world this makes it **a success factor for the Otto Group, which is active in 20 countries**. We build trust at the interface between manufacturers and consumers through acting responsibly for people and nature.”

Hans-Otto Schrader,  
Chairman of the Executive Board and Chief Executive Officer Otto Group (CEO)

## Dear Readers,

following the deep crisis the global economy has seen a clear rebound. Manufacturing and trade have recovered quickly, above all in emerging countries. In Germany too we have seen a very positive economic development. We are happy to say that the Otto Group has been able to increase its turnover clearly in the three segments of Multichannel Retail, Services and Financial Services. This indicates to us that we are on the right track with our company strategy.

As a globally active group of companies we started at an early stage to act responsibly for people and nature. Already 25 years ago OTTO declared environmental protection as a corporate goal. As a development of this understanding of ourselves we have anchored Corporate Responsibility (CR) Group-wide in our core business. More and more Group companies are making a specific contribution in a range of CR disciplines, such as reducing CO<sub>2</sub> emissions or expanding their assortments of sustainable goods. We move together in this way towards our goal of positioning the Otto Group in the area of corporate responsibility as the best multi-discipline player in our competitive environment.

We can only realise our Vision as a responsible company group with all our employees on board, however. My colleagues on the Executive Board and I see it as our special duty to bring CR to life throughout the entire Group. For this reason, each Board Member has sponsored a core CR topic which he will personally drive forward. In this report we each present a chapter representing a CR field of action for the Otto Group. In addition to this, dear Readers, with the aid of twelve portraits, interviews and spotlight reports we aim to show you how our employees bring sustainability to life in their daily work.

In this report we lay out, in accordance with Global Reporting Initiative (GRI) reporting guidelines, how the Otto Group and eleven Group companies are engaged in designing their businesses in an environmentally and socially sustainable way. With the integration of the logistics provider Hermes we have expanded our reporting to cover two segments, Multichannel Retail and now also Services. In future we plan to include further Group companies in our CR reporting.

In producing this year's report we have borne the requirements of our stakeholder groups very much in mind regarding their demands for proactive transparency and integration in discussions on key CR topics. Prior to producing this report our key stakeholders had the opportunity to express their points of view in a dedicated workshop and – as explained in this year's new chapter 'Stakeholder Dialogue' – to influence this report. What is more, we not only detail our CR performance but also transparently describe the conditions under which we conduct our business activities, including the varied ecological and social challenges these imply.

Resting on our laurels is not part of Otto Group culture. We will continue to work each and every day to improve our CR performance.

We wish you an informative and entertaining read!

On behalf of the Executive Board,  
Yours



Hans-Otto Schrader

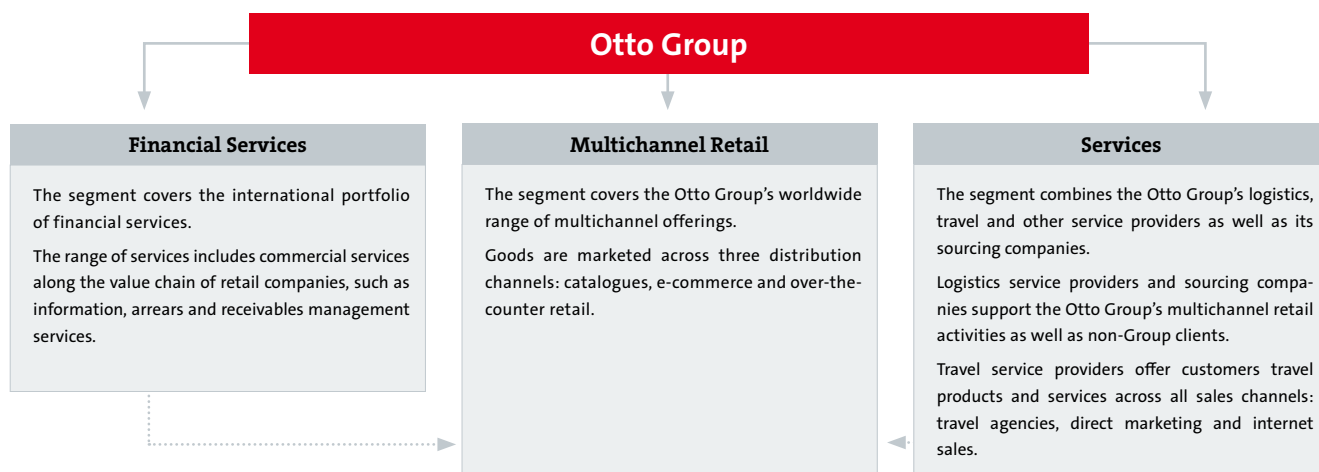
# THE REPORTING COMPANIES AT A GLANCE

## *otto group*

The Otto Group is a globally leading retail and services group comprising 123 main Group companies in Europe, Asia and North America. With almost 50,000 employees, the Group increased its net turnover in financial year 2010/11 by 12.6% to 11,404 mn€ compared to the previous year. Global e-commerce made a significant contribution to this as the key growth driver in the Otto Group. E-commerce business grew by 25% and has become the Otto Group's most important sales channel, accounting for almost 50% of all retail sales. Consequently, the Group was able

to affirm its position as the world's second-largest and Germany's largest online provider in the business-to-consumer (B2C) segment. This positive business performance is being driven by all three of the Group's business segments, detailed below.

The Multichannel Retail segment generated turnover of 10,004 mn€ in financial year 2010/11 representing growth of 12.1%. Ten of the eleven companies covered by this report belong to this segment, which comprises e-commerce, catalogues and over-the-counter retail. The retail segment accounted for 87.7% of the Otto Group's overall turnover in 2010/11.



The Financial Services segment comprises the Otto Group's global commercial financial service providers. This segment, which is dominated by the financial services businesses of the international EOS Group, generated a turnover of 455 mn€ in financial year 2010/11 and achieved the highest growth rate of all three of the Otto Group's segments, with growth of 17.1%.

The Otto Group consolidated its entire portfolio of retail services in the Services segment and placed a strategic focus on the area of services and logistics through the Hermes Group companies. Besides the reporting company Hermes, Otto Freizeit and Touristik Group (OFT) is also part of the Services segment: this group bundles all travel service activities and achieved growth of 14.9% in financial year 2010/11, generating turnover of 945 mn€.



Founded in 1925, Baur Versand was the first mail-order company for shoes in Germany. Today, as a multichannel provider it offers a wide assortment of fashions, shoes and home-design ideas with a very extensive range of high-quality external and own brands. Baur is positioned as a home-shopping retailer for customers from value-orientated, established segments of society whose high demands for service are satisfied by the company's excellent customer orientation. The companies covered by our Corporate Responsibility Report 2011 include Baur Versand GmbH & Co. BFS Baur Fulfillment Solutions GmbH and Zweite Hermes TranStore Service GmbH & Co. KG. Baur now generates over 60% of its turnover via the Internet. It also operates Northern Bavaria's largest department store, 'Kaufwelt' in Altenkunstadt.

**Headquarters:** Burgkunstadt  
**Employees\*:** 3,882  
**Stake:** 49%  
**Stores:** 1  
**Territory:** DE  
**Info:** [www.baur.de](http://www.baur.de)



bonprix is a leading vendor of value fashion in Germany and Europe. Since its founding in 1986, this Otto Group subsidiary has evolved into a business with an established international presence. Among other factors, flexibility and the ability to innovate are key to bonprix's success. Consequently, the company has been pursuing a consistent multichannel strategy since the end of the 90s; this has ensured continual growth thanks to its dynamic mix of catalogues, branded stores and e-commerce.

Under the motto 'bonprix, it's me!', the company offers affordable styles for every customer type. Its extensive assortment ranges from clothing for women, men as well as for kids, underwear and shoes to furniture and household articles.

bonprix is one of Germany's and Europe's Top 10 mail-order companies and has one of the most frequently visited online shops. Globally, bonprix's broad assortment reaches 25 mn customers in 23 countries – 9.5 mn of whom are in Germany alone. Besides bon prix Handelsgesellschaft mbH, this report also covers bon prix retail GmbH.

**Headquarters:** Hamburg  
**Employees\*:** 1,258  
**Stake:** 100%  
**Stores:**  
over 70 stores in Germany and over 100 stores internationally  
**Consignments/parcels p. a.:** 31 mn  
**Territory:**  
DE, FR, BE, NL, LU, UK, HU, IT, CH, AT, PL, CZ, SK, RU, UA, RO, USA, SL, GR, LV, EE, HR, SE  
**Info:** [www.bonprix.de](http://www.bonprix.de)



Founded in 1908, today Frankonia is the European market leader in hunting equipment. The high-end assortment of hunting and outdoor equipment for hunters and sports marksmen includes a sophisticated collection of top-quality, timeless classics in ladies' and men's clothing. Frankonia reaches its customers through 25 stores, e-commerce and numerous catalogues.

**Headquarters:** Rottendorf  
**Employees\*:** 613  
**Stake:** 100%  
**Stores:**  
25 stores, of which 11 are over-the-counter stores, 12 specialist stores and 2 outlets  
**Territory:**  
exports to over 100 countries  
**Info:**  
[www.frankonia.de](http://www.frankonia.de)  
[www.jagdcenter.de](http://www.jagdcenter.de)





Founded in 1951, Heine offers high-quality fashion and contemporary furnishing ideas to discerning women aged between 35 and 55 – true to its philosophy of 'Immer etwas Besonderes' ("Always something special").

Its assortment is presented through numerous main and special catalogues. Since 2002 Heine has also had a strong Internet presence: its online shop offers stylishly presented assortments, extensive service options as well as an infotainment range and is being continually expanded to consolidate Heine's brand position.

**Headquarters:** Karlsruhe  
**Employees\*:** 601  
**Stake:** 100%  
**Territory:**  
 DE, CH, AT, NL, FR  
**Info:** [www.heine.de](http://www.heine.de)



The Hermes Group with its eleven group companies operates globally as an integrated provider of commercial services. Hermes is the world's only company to offer its customers all the services

along the retail value chain under one umbrella brand. Hermes' spectrum of services ranges from goods procurement, through quality control – for instance in Asia – and international transport and warehouse logistics, to integrated management of the entire process chain and delivery to the end-customer. Sustainability has been a corporate goal of the Hermes Group since as long ago as the 1980s. Building on this, in 2010 Hermes bundled all its environmental and climate protection activities under the label WE DO! and set itself demanding efficiency targets.

This report covers Hermes Europe including the four large Hermes companies: Hermes Logistik Gruppe Deutschland with a focus on distribution logistics; Hermes Einrichtungs Service; Hermes Transport Logistics as well as Hermes Fulfilment, which offers a comprehensive range of fulfilment services.

**Headquarters:** Hamburg  
**Employees\*:** 9,315  
**Stake:** 100%  
**Territory:**  
 DE, UK, IT, AT  
 Over 25% share of the European parcel market  
**Founded:**  
 1972 as Hermes-Paket-Schnelldienst  
**Info:** [www.hermesworld.com](http://www.hermesworld.com)



Among OTTO's other awards, otto.de was voted the most popular retail website of 2010. OTTO's share of turnover generated via the Internet now accounts for over 70%. In the coming years, OTTO intends to

continue expanding its multi award-winning online shop otto.de into a one-stop shopping platform where selected brand partners and third-party retailers can offer their goods. In addition, OTTO plans to further develop its high-potential concepts from its core business – such as Lascana and Schlafwelt – and position them around the company as part of a multi-brand strategy.

The OTTO main catalogue serves as a key source of inspiration for customers and is distributed twice a year. It has a total circulation of around 11 million and is usually packed with some 1,000 pages. In its catalogues, OTTO offers an extensive range of textiles, home furnishings and technology. The main OTTO catalogues are supplemented by around 60 special catalogues each year.

**Headquarters:** Hamburg  
**Employees\*:** 5,197  
**Stake:** 100%  
**Stores:**  
 about 400 OTTO stores  
**Territory:**  
 DE, AT, RU, NL, HU, CZ, SK  
**Founded:** 1949  
**Info:** [www.otto.com](http://www.otto.com)



OTTO Office has been trading under its own name on the German market since 1997. It specialises in the sale of office supplies, communications technology and office furniture. With around 15,000 articles from over 150 brand manufacturers, in this segment OTTO Office is one of Germany's three largest mail-order retailers in the business-to-business (B2B) segment; it also operates in four other countries in Central and Eastern Europe. The company is known for its rapid delivery, efficient purchasing and distribution processes, as well as for affordably priced products thanks to its streamlined organisation. OTTO Office primarily covers the office requirements of small and medium-sized companies. The mail-order company expanded its activities in the business-to-consumer (B2C) segment in 2008 and opened up its assortment to private customers, who since then have been able to order products over the Internet from [home.otto-office.de](http://home.otto-office.de).

**Headquarters:** Hamburg  
**Employees\*:** 304  
**Stake:** 75.1%  
**Territory:**  
 DE, CZ, SK, BE, FR  
**Info:** [www.otto-office.com](http://www.otto-office.com)



Founded in 1954 by Friedrich Schwab, the Otto Group acquired a majority stake in Schwab Versand in 1976.

As a full-assortment provider, it sells fashion for women and the whole family, as well as technology and household products via its catalogue and online shop. Schwab's online shop offers customers a wide range of advisory services, providing tips on such things as figure, colour and fit. Its fashion label 'sheego – unbeschreiblich weiblich' ("sheego – indescribably feminine") represents a variety of in-trend styles. Its online shop [sheego.de](http://sheego.de) offers customers additional styling tools such as cut advice, an outfit finder and catwalk videos, alongside traditional advice features such as figure, colour and fitting tips. In March 2010 Schwab launched its YOU MAN brand, a new fashion label targeted at self-confident male customers.

**Headquarters:** Hanau  
**Employees\*:** 1,299  
**Stake:** 100%  
**Stores:** 86  
**Export:** Schwab assortments are offered in over 30 countries  
**Info:** [www.schwab.de](http://www.schwab.de)



SportScheck is one of Germany's largest providers of sports items. It also specialises in equipment and clothing for virtually any kind of sport. Founded in 1946, this multichannel company offers its customers almost 400 different brands of sports and leisure equipment from all over the world – a total of over 20,000 articles. The quality of its customer-focused advice, repair and other services, as well as numerous accompanying sports events such as the 'OutdoorFestival' that cover its climbing, hiking, biking and canyoning assortments, create strong customer loyalty. Its assortment is available to home-shopping customers in Germany, Austria and Switzerland, as well as in the Netherlands since November 2008 and Russia since March 2009.

**Headquarters:** Unterhaching  
**Employees\*:** 1,445  
**Stake:** 100%  
**Stores:**  
 16 stores and two Hot Spot clearance stores  
**Territory:**  
 DE, CH, AT, RU, NL  
**Info:** [www.sportscheck.com](http://www.sportscheck.com)



UNITO Versand & Dienstleistungen GmbH is the largest mail-order business in the Alpine region (Austria, Switzerland and South Tyrol), successfully covering the relevant markets in multichannel mail order through its multi-brand strategy. Since 2003 UNITO, headquartered in Salzburg, has united the brands OTTO and Universal in Austria which, besides UNITO Versand & Dienstleistungen GmbH, are covered by this report. In addition, UNITO is represented in the Austrian market through the financial services provider OKO. In autumn 2005, UNITO expanded its business activities into South Tyrol with the OTTO brand. Since July 2010, the UNITO Group has also been active in Switzerland with the brands Ackermann and Quelle, and on 1 January 2011 UNITO revitalised the Quelle brand in the Austrian market.

The Universal brand, with its comprehensive market strategy and focus on service and quality, is the mail-order market leader in Austria. As a mail-order company focusing on e-commerce, OTTO covers the fashion and lifestyle segment. Quelle is positioned in Austria as a durable goods mail-order company with a strategic focus on price. In Switzerland, the textile segment is covered by the brands Ackermann and Quelle.

**Headquarters:** Salzburg; additional locations: Graz, Bergheim, Linz

**Employees\*:** 423

**Stake:** 100%

**Territory:**  
AT, CH, IT (South Tyrol)

**Info:**  
[www.universal.at](http://www.universal.at)  
[www.ottoversand.at](http://www.ottoversand.at)  
[www.quelle.at](http://www.quelle.at)  
[www.ackermann.ch](http://www.ackermann.ch)  
[www.quelle.ch](http://www.quelle.ch)  
[www.otto.it](http://www.otto.it)



Witt has been part of the Otto Group since 1987 and operates in Germany as well as in many other European countries, including France, Great Britain and Russia. Its core brand WITT WEIDEN celebrated its 100th anniversary in 2007. Thanks to various forms of international cooperation it has also generated an enthusiastic response in new markets such as Switzerland and Austria through its subsidiary Sieh an!. Besides AMBRIA GMBH, Creation L Handelsgesellschaft mbH and Josef Witt GmbH, Sieh an! is also covered by this report. Witt aims to become the leading textile-specialised mail-order company for the 50-plus target group in Europe, and is consistently pursuing its course of international expansion in this respect.

**Headquarters:** Weiden in der Oberpfalz

**Employees\*:** 2,334

**Stake:** 100%

**Stores:** 85

**Territory:**  
DE, AT, CH, FR, UK, RU, NL, CZ, IT, UA

**Info:** [www.witt-gruppe.eu](http://www.witt-gruppe.eu)

\* Number of permanent employees (headcount not converted to full-time positions) as of the end of financial year 2010/11 including working students and employees on parental leave, excluding trainees, interns, diploma students and temporary employees.



# IN FOCUS

**EMPLOYEES' CR COMMITMENT**

**otto group**

# COMMITTED AND ACTIVE GROUP-WIDE

Whether it's work-life balance, protecting the climate or data safety – our employees make vital contributions in their daily work to helping the Otto Group to fulfil its responsibility towards people and nature.



Andreas Kalbitz, **OTTO Office**



André Mushack, **Hermes**



Dagmar Gehm, **Schwab**



Michaela Voll, **Frankonia**



Dr Heike Holschuh, **Heine**





Julia Meyer, **OTTO**



Roland von Gehlen, **Otto Group**



Monika Donath, **bonprix**



Frank Mechtold, **Baur**



Karolin Stangl, **Witt**



Andrea Pöschl, **UNITO**



Christian Tews, **SportScheck**

Graz





» WE WANT TO SET NEW  
STANDARDS FOR **SUSTAINABLE**  
**LIVING TRENDS.** «

Dr Heike Holschuh, Heine



## LIGHTS OFF!

Frank Mechtold is responsible for environmental protection and energy efficiency at Baur.

When it comes to the purchasing and maintenance of buildings and technical equipment, Frank Mechtold is in demand. As Department Head of Technical Services he's responsible along with various teams for the safety, management, maintenance, refurbishment and planning of new constructions at the Baur Group's locations in Burgkunstadt, Weismain, Altenkunstadt and at various external warehouses. In his work, it's important to strike a balance between costs and benefits as well as between technical possibilities and environmental concerns. To do this he counts on new technologies and innovations: for example, together with a manufacturer he introduced new energy-

saving sorting technology at Baur. Under his leadership, new lighting technology was developed in the electrics workshop for the shelving system which is controlled through motion detectors and therefore uses less energy.

For Frank Mechtold and his staff, protecting the environment is also an important consideration when choosing raw materials, consumables and supplies. For example, solvent-free flooring adhesives are utilised. Of great help here is Baur's Environmental Management System. Workshop managers check regularly on issues such as which hazardous materials in the company can be replaced with non-hazardous, envi-

ronmentally friendly materials. A particular focus of Mechtold's work is the installation of the natural gas-fuelled, block-type thermal power station in Altenkunstadt, Upper Franconia, the construction of which begins in 2011.

In discussions with colleagues, Frank Mechtold raises awareness for the topics of environmental protection and energy efficiency. He invites them to contribute ideas for making Baur even more sustainable, which often also saves financial resources. Who can say better where more can be done for the environment than the employees, who know the company like the back of their hand? //

# SETTING STANDARDS!

For people and the environment, Dr Heike Holschuh provides stimuli for sustainable living trends at Heine.

Offering articles that are produced sustainably, from raw material extraction through to the final product, is a big challenge for companies. Through many individual projects and with different project teams, Heine is working on making its processes and its entire goods production chain more sustainable. It's a broad topic, and Heike Holschuh engages gladly with it in her work as the Director of Purchasing for Living. Through persistence and personal commitment, she and her team have already achieved a lot – for example, Heine customers will continue to be able to buy environmentally friendly wooden furniture from Latvia. These are made of timber from particularly responsible forestry which has been Forest Stewardship Council (FSC®)-certified.

Following the financial crisis, however, changes were made that put a question mark over the responsible management of these forests. The Latvian government had suspended FSC certification of its state forests and had subsequently sold them to timber producers who originally had no interest in certification. That was simply unacceptable for the Director and her team, so she joined forces with Heine's Management Board, the Director of the Purchasing Office in Latvia, furniture suppliers and Latvian government representatives to ensure that FSC certification was resumed for 2011. Similarly, Heike Holschuh and her Living team campaigned for the sustainable production of carpets in South Asia. Heine took part in developing the GoodWeave sustainability

standard for the carpet industry; this new label is intended to ensure higher levels of occupational safety and better environmental protection. One of Heine's Indian carpet suppliers was the first to apply the GoodWeave standard. Holschuh wanted to find out whether this supplier really manufactured in a sustainable way, so she compiled a catalogue of criteria for inspecting the company. Fortunately, the supplier passed the inspection with flying colours, having introduced a control system for improving environmental protection on its own initiative – an unusual level of commitment in India. For Holschuh, it was positive proof that it is right and sensible to insist on sustainability in the supply chain. //



»IT'S MY MISSION TO MAKE  
BAUR'S **LOCATIONS MORE ENERGY  
EFFICIENT.** «

Frank Mechtold, Baur





»ATTRACTIVE, MODERN AND ENVIRONMENTALLY SOUND – THAT’S WHAT FASHION SHOULD BE!«

Karolin Stangl, Witt

## ON TREND!

PURE WEAR at Witt: Karolin Stangl makes organic cotton attractive.

As Central Buyer for women’s wear at Witt, Karolin Stangl specialises in bringing her customers in the 50+ age group fashion that is attractive, comfortable and casual; increasingly, it’s also produced sustainably. These are the exact criteria for products with the PURE WEAR label, which are manufactured from organic cotton. For her range, the Central Buyer not only selects designs from her suppliers’ ranges but also realises her own ideas of what makes attractive pieces of clothing. To start with, she either sketches her ideas by hand with pen and paper, or she sends the PURE WEAR supplier a photo of a similar design. For her

customers, Karolin Stangl will present the latest fashion in the PURE WEAR collection in the Spring/Summer 2011 catalogue over six pages – with a new design and a new logo in the shape of a leaf, which additionally makes customers aware of the items’ sustainable attributes. Karolin Stangl not only selected the organic cotton clothing items, but also worked on designing the pages. It’s important to her to communicate with her customers through an appealing layout and informative texts about PURE WEAR’s particular qualities as well as the advantages of organic cotton for people and the environment. //

### OTTO GROUP FACT

During the 2010/11 financial year, seven reporting companies sold a total of **364 t of organic cotton** in their ranges.



# SUSTAINABLE PURCHASING!

## Outdoor fashion at SportScheck: Christian Tews adds value to the collection.

Since he began working at SportScheck in 2008, Christian Tews has already accomplished quite a bit: in his job as buyer for outdoor textiles for over-the-counter retail, he's committed to improving sustainability – which reflects his personal convictions as well. The basis for it is the bluesign standard, which is widespread in outdoor sports. It covers a wide spectrum of sustainability criteria, from resource productivity, through preventing the pollution of air and water, to labour law and consumer protection.

Christian Tews aims to offer his SportScheck customers whole collections that were manufactured under these conditions, and is working in close cooperation with bluesign representatives and selected brand manufacturers to do this. Here he often carries out an intermediary function, working to convince the manufacturers. He puts bluesign representatives in touch with the brand manufacturers, and so contributes to increasing the share of products whose production and use do not harm people or the environment.

One current example is his collaboration with a well-known outdoor-goods supplier. After three years of work SportScheck will present the first items of functional clothing in autumn 2011 that adhere to the bluesign

standard and that can also be recycled in an environmentally friendly way. Christian Tews is equally committed to sustainability outside the company: he represents SportScheck in the sustainability working group, an initiative in the outdoor sector.

One thing that he finds particularly motivating is the experience of being considered an example: time and again, he observes that his commitment motivates other companies to include more sustainable products in their ranges. //

For more information:

[www.bluesign.com](http://www.bluesign.com)



»IT'S MY GOAL TO MAKE  
SUSTAINABLE OUTDOOR FASHION  
THE NORM.«

Christian Tews, SportScheck

# PROTECTING DATA!

From exchanges via social media to mobile shopping via smartphones... faced with an increasingly networked world, there are new challenges for data protection and IT security. For Roland von Gehlen, the Otto Group's Data Protection Officer since June 2009, it's important to provide customers with sufficient protection for their personal data, as well as aligning the Group's interests with legal regulations.



**»DATA PROTECTION IS  
A MAJOR RESPONSIBILITY  
FOR ALL OF US.«**

Roland von Gehlen, Otto Group

Taking responsibility in society is a fixed component of the Otto Group's overall strategy. Where does data protection fit in?

**Roland von Gehlen:** The trust that our customers, all our employees and applicants place in the security of their data counts amongst the Otto Group's most important assets. We take our responsibility very seriously and give this topic the highest priority.

**What does your work involve?**

**Roland von Gehlen:** Across the Group there are strict guidelines and requirements for all IT systems. My job is to work out the guidelines and to agree them with the legal team, Internal Audit, the IT department as well the Otto Group's Compliance Team. I also coordinate the work of the Data Protection Officers in the Group companies. It is important that we have a mutual understanding of how to proceed with certain areas of data protection – for instance, I organise an annual meeting on this topic with my colleagues from the Group companies. We also have an internal data protection 'wiki', for which I'm responsible; this makes the sharing of knowledge even more efficient.

Apart from their positive aspects, social media also present risks to their users' privacy. What is the Otto Group doing to protect its customers?

**Roland von Gehlen:** To give an example, I created a rule for Facebook's 'Like' function, which allows users to express their preference for our websites and products. This rule states that there has to be a link to the data-protection notice in a prominent place near the 'Like' button, where customers can find out more about what happens with their data when they click the button. This rule creates a high degree of transparency with regard to data protection, and will in future be used by all Group companies in Germany.

**How do you ensure that data protection is integrated in the Group's daily work?**

**Roland von Gehlen:** Data protection and security are issues that affect us all. That's why we carry out regular training courses with our employees, as well as mentioning the topic on the intranet and in the employee magazine O-Ton. //////////////





»OUR CONTRIBUTION TO  
CLIMATE PROTECTION:  
**LOW- EMISSION REAL ESTATE.** «

André Mushack, Hermes

# LOW EMISSION PLANNING!

André Mushack makes Hermes distribution centres especially environmentally friendly.

Delivering goods quickly, safely and cost-effectively, being an innovator in the marketplace, and protecting the environment at the same time: these principles have been part of Hermes' corporate philosophy for more than 20 years and are André Mushack's highest priority. As Head of Department for Planning, Projects and Organisation he is responsible, among other things, for the construction and operation of Hermes' large sorting centres (hubs) in Germany. In future, he will also take on the maintenance of conveyor technology at 59 Hermes locations. "Sustainable facilities have been a central pillar of the environmental mission at Hermes for many years. Our ambitious goal is to reduce CO<sub>2</sub> emissions at our sites by at least 3.5% annually", explains André Mushack. That is what he works towards every day with his team of five – and routine is not something they encounter often.

André Mushack is frequently on the road, usually for meetings with suppliers or to one of the five hubs in Haldensleben, Altenkunstadt, Hückelhoven, Friedewald and Langenhagen. There he inspects construction and brings the existing technology up to date. One example is the team's latest milestone, generating renewable energy in two ways at once at the North Hub in Langenhagen: a 7,000 m<sup>2</sup> photovoltaic system on the roof of the warehouse delivers solar power to 100 4-person households in Langenhagen and nearby. A wood chip-fired heating system and intelligent lighting also improve the environmental balance sheet.

"Our integrated approach in designing our locations also includes minimising the impact of construction and the daily business of logistics on flora and fauna", André Mushack emphasises. For instance, that's why in Langenhagen nesting sites were cre-

ated for swallows and bats, together with the German Nature and Biodiversity Conservation Union (NABU). Currently, the Hermes Department Head is also working on realising a new South Hub. Together with ECE (Shopping Centre Development), he intends to implement an even more environmentally friendly building concept. //////////////

## OTTO GROUP FACT

During the 2010/11 financial year, the eleven reporting companies caused **294,043 t** of absolute CO<sub>2</sub> emissions.



»**WORK-LIFE BALANCE**  
NEEDS TO BE MORE THAN  
JUST A BUZZWORD. «

Julia Meyer, OTTO



## CREATING PROSPECTS!

How bonprix staff offer Indian children development opportunities.

Andreas Köhncke, Senior Manager in Import and Quality, Anneke Adam from Quality Development, Monika Donath from Imports, Heidemarie Vette from Samples and around 80 of their colleagues have a mutual goal: creating future opportunities for disadvantaged children in India. They've become sponsors for deaf children in the southern Indian town of Tirupur.

Education is the key to a self-determined future. But especially in emerging countries, access to education is not a given for all children – especially if they are handicapped in some way. The Tirupur

School for the Deaf was founded in 1997 to give deaf children access to education. Its poor means are barely enough to look after the pupils. When a former bonprix employee saw the poor conditions at the school in 2001, she immediately decided to help. Initially, she collected donations from a small circle of contacts, but these days some 80 sponsors and numerous supporters carry out fundraising campaigns for their 36 sponsored children and the School for the Deaf. Thanks to this help, the school has managed to construct a new school building and even purchase a car.

# WELL LOOKED-AFTER!

Parents at their best, thanks to Julia Meyer and 'Kinderzimmehr' (More Space for Children)

Where can I find a place in a crèche for my daughter? Where can my son spend his summer holidays? For questions of this kind, employees at OTTO can turn to Julia Meyer. Since 2008, this qualified teacher has been working as a social advisor at aktiv.net, the Otto Group's internal service provider for occupational health management. She organises holiday events for Group employees' children and agrees new child care arrangements with external co-operation partners.

Through personal visits, she sees local conditions for herself and ensures that crèches and kindergartens provide the required quality. A particular highlight in aktiv.net's programme is the new Kinderzimmehr facility at the Group's Hamburg-Bramfeld

location. Since January 2010, an office with two desks has been available to mothers and fathers in case their regular childcare falls through. Equipped with a computer, printer and telephone – and of course a baby's changing table – the Kinderzimmehr allows the parents to be there for their offspring during the working day. Meanwhile, the children can entertain themselves in the comfortably furnished play-area.

Access to the Kinderzimmehr is simple and unbureaucratic. A short phone-call to Julia Meyer is enough to book the room and collect the key from Reception. The advisor is happy to have given parents even more support through her initiative in combining work and family. In her view, family-friendly structures in the company are an

important component of a responsible, value-driven corporate culture. //

For more information:

[www.otto-aktiv.net](http://www.otto-aktiv.net)

## OTTO GROUP FACT

2,558 employees from the reporting companies were parents working part-time during the 2010/11 financial year.

Today, more than 300 deaf children between the ages of 4 and 18 attend the Tirupur School for the Deaf. Many of them are orphans or only have one parent. Some of them also have personal contact to their sponsors in Germany – who in turn are very happy to have been able to support the children on their path. //

For more information:

[www.bonprixservice.de/bp/beratung/qualitaet/tirupur.html](http://www.bonprixservice.de/bp/beratung/qualitaet/tirupur.html)



»EVERY CHILD  
HAS A RIGHT TO  
EDUCATION.«

Monika Donath, bonprix





» WE WORK EVERY DAY AT  
IMPROVING THE **QUALITY OF OUR**  
**PRODUCTS** AND PACKAGING.«

Andreas Kalbitz, OTTO Office

## QUALITY ASSURED!

In 2007, his company's management tasked Andreas Kalbitz with establishing the Quality Development department at OTTO Office. Today, two employees support him in improving the quality of products and their distribution.

**As Area Director for Quality Development, how do you ensure that every article sold complies with the strict OTTO Office quality standards?**


**Andreas Kalbitz:** In principle, I believe not in finding isolated solutions but in keeping the bigger picture in mind. That's the only way to continuously improve OTTO Office's services. We constantly carry out function tests with our products, inspect them for quality and packaging, and check our suppliers' delivery performance. On the other hand, we also work with a testing institute to ensure that we comply with legal and Group-wide regulations – for example, with regard to harmful substances and occupational safety. In addition,

we're improving our product packaging so that customers receive their items undamaged.

**What does your team's work look like?**

**Andreas Kalbitz:** My team and I see ourselves as coordinators, analysts and problem-solvers. We're constantly in contact with our suppliers and service providers, the Customer Centre and of course colleagues from departments such as Purchasing and Marketing. For example, we forward feedback from our customers to our suppliers so that products can be improved in line with their needs. That's how we ensure that the products described in catalogues and on the website meet our customers' expectations.

**How do your efforts affect the environment?**

**Andreas Kalbitz:** Protecting the environment and the climate is an important aspect of our daily work. Amongst other things, we have described articles in the catalogue even more precisely, and have added 3D animations to the online shop. This not only helps our customers to order the right item first time, but also results in lower returns – and therefore lower CO<sub>2</sub> emissions, energy usage and waste. We also make sure that all our packaging uses natural, recyclable materials – environmentally friendly filling material from Flo-Pak, for instance. 



# STRENGTHENING STRENGTHS!

Sharing knowledge and improving motivation:  
Dagmar Gehm coaches employees at Schwab.

Employees are at the centre of Dagmar Gehm's field of interest. As Training and Human Resources Development Manager she's responsible for developing training measures for managers and employees.

She delivers training and is also available to Schwab employees for coaching. Whether they need help with time management, presentation techniques, public speaking or creative techniques, Dagmar Gehm makes sure they have access to a broad range of training.

Providing individual support and developing tailored plans for every single employee at Schwab are high priorities for her. She believes that giving staff development opportunities is a sign that they are valued, and is therefore part of the company's corporate responsibility. And it not only benefits the workforce, but also the whole company: employees are clearly

more motivated and show more readiness to commit to their employer. Her commitment to individual support is popular with the staff, which is clear from the

positive feedback given by those who take part in training courses. She also applies to herself what is taught in leadership seminars: working in a solution-orientated and focused way, and always keeping her eye on the benefit for the company as well its employees. //////////////



»TRAINING PROGRAMMES SHOW  
THE COMPANY'S **APPRECIATION**  
OF ITS EMPLOYEES' VALUE.«

Dagmar Gehm, Schwab



»CHILDREN AND CAREER  
CAN NO LONGER BE A  
CONTRADICTION TODAY!«

Andrea Pöschl, UNITO

## IN HARMONY!

Children AND career in balance –  
Andrea Pöschl leads by example at UNITO.

As a mother of two, Andrea Pöschl knows exactly what it means to combine family and a busy job. For the Head of Department in Assortment and Shop Management at the UNITO brand OTTO Austria, there was never any doubt that she wanted to be there for her children but also develop her career. To allow her to support other employees of the Austrian company in keeping the balance between private and work challenges, she takes part in a working group within the company as a change leader. Together with further colleagues she develops new ideas and concept in this group to make UNITO even more family-friendly.

For example, the group is currently working on creating a support network for parents and children. In addition, an annual Family Day was founded in 2010 for the UNITO locations, on which employees' children have the opportunity to get to know their parents' working environment. Through her commitment, Andrea Pöschl helps her colleagues at UNITO to balance their private and professional interests and needs – and this improves the positive company culture, which is what she values about UNITO. //////////////





# WELL ADVISED!

**Fast, competent and friendly:**  
**Michaela Voll offers Frankonia customers the best service.**

“The central focus of our work is the customer”, says Michaela Voll and adds: “As the Japanese management consultant Minoru Tominaga once said so accurately, ‘Germany is a service desert’ – and it’s up to each of us to make it a little greener!” That’s what she works on every day in Frankonia’s Customer Service department, where she has been a team member since 2007. A year and a half ago, she also took on responsibility for supporting third-party supply and now deals with customer enquiries that relate to deliveries direct from the manufacturer’s production sites to the end customer.

Customer Service staff at Frankonia are available six days a week both via telephone and online, by e-mail or letter, for orders as well as enquiries. If there are complaints, Michaela Voll prefers to get on the phone directly to the customer to resolve any misunderstandings and to find the most satisfactory solution. She’s also happy to resolve questions that crop up after the purchase of goods. In her view, competent and at the same time friendly service is key in increasing customers’ trust in the company. She therefore takes part in internal training courses, for example to learn about new regulations. Most of the queries she receives are about products, their features and their quality.

Customers only rarely ask about Corporate Responsibility, however. What Michaela Voll likes best about her work at Frankonia is the team spirit: “We all pull together – which is not only more fun, but also an important basis for our service to satisfy our customers!”

## OTTO GROUP FACT

In addition to orders, the reporting companies record **37 million customer contacts** per year. This includes queries by e-mail, telephone and letter.



» MY DAILY  
 MOTIVATION?  
 SATISFIED CUSTOMERS. «

Michaela Voll, Frankonia

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## THE VISION OF THE OTTO GROUP

➤ We are a globally active corporate group of retailers and retail-related service providers with successful business concepts that acts responsibly for people and nature. ➤



# AT A GLANCE

## CR PERFORMANCE AND RESULTS

**otto group**

# OTTO GROUP'S CR OBJECTIVES\*

In line with its new Corporate Responsibility Strategy, the Otto Group is striving to position itself as 'best multi-discipline player' in German-speaking markets. The Group intends to make substantial and measurable progress in all individual CR disciplines. In early 2010 for the first time the Group's reporting companies (excluding UNITO) defined and planned measures to achieve their stated CR objectives by the end of the 2012/13 financial year.

**-17%** CO<sub>2</sub> emissions per year in purchasing logistics by 2020 at **Hermes**

**10%** of textiles in Cotton made in Africa quality in **OTTO's** own-brand assortment

**bonprix:** Reducing the share of air-freight in self-sourced goods to

**12%**

**20%**

**Heine's** wooden-article assortment to be FSC®-certified

**2012/13**

The first climate-neutral products and climate-neutral mail-order service at **Frankonia**

**SportScheck:** Raising energy efficiency at company locations by

**10%**

**5%**

organic cotton in **OTTO's** own brands

\* An overview of all CR objectives is to be found in the CR Programme on p. 141.

Progressive expansion of Cotton made in Africa articles in **Schwab's** textile assortment to **10%**

**OTTO Office:**  
**5%**

of all wooden articles to be FSC® certified by the end of the 2012 financial year

**20%**

of cotton/modal textiles at **Witt** to be made of organic cotton

**15%**

of wooden articles offered by **Baur** to be FSC certified

**-2%** CO<sub>2</sub> emissions per year from distribution logistics at **Hermes**,

**2%** of **Baur's** shoe assortment to be classified as sustainable

**-30%** by 2020

**5%** of textiles in Cotton made in Africa quality at **bonprix**

**“Best multi-discipline player”**

123



# ECONOMICALLY SUCCESSFUL AND RESPONSIBLE

The Otto Group meets global economic, environmental and social challenges based on its Vision, which places responsibility for people and nature at the heart of its economic activity. This focus is the Group's key to long-term business success.

“The Otto Group consists of **123** main companies in 20 countries. We want to ensure that the conduct of employees in this complex organisation is aligned with our ethical principles. Our objective is therefore to practice and continuously improve corporate responsibility across cultural and geographical boundaries”.

Jürgen Schulte-Laggenbeck,  
Member of the Executive Board,  
Finance & IT Otto Group,  
Chief Financial Officer (CFO)

Global challenges such as resource shortages, climate change, the extinction of species, poverty and human rights violations increasingly influence markets and therefore also the ethical and economic conditions for global trade. However, intelligent action based on a responsible CR commitment creates great opportunities for companies in this area of tension – for example through steadily increasing sales of sustainably produced products. This applies even more so today, because along with politics and non-governmental organizations (NGOs), consumers and financial markets also demand responsibility from corporations.

Regarding the mandatory objectives of the Group's CR Strategy and Group-wide programmes, the Otto Group has anchored sustainability in its core processes. In this

way, the Group not only assumes responsibility for the welfare of its nearly 50,000 employees in 20 countries, but also for humane production conditions in its complex supply chain. Climate and environmental protection throughout production, transport and distribution processes, and the conservation of natural biodiversity play an equally important role.

In order to address changing market requirements and challenges, the Otto Group has developed a new strategic orientation in 2010. The Vision (see p. 31) has been revised and The Power of Responsibility mission developed. This is based on the Group's conviction that sustainability in its core business, specifically within the triad of economic, social and environmental practices, is crucial for the long-term economic success of its business models.



## CORPORATE STRATEGY

To ensure long-term success, the Otto Group relies primarily on two strategies: the continued enhancement of its existing corporate portfolio to meet market requirements and the Group's own sustainability standards and additionally, investment in new markets. To strengthen their market position, Otto Group companies will continue to work on developing innovative concepts and on aligning their existing activities, making them future-proof. To do this it needs to invest in a variety of areas. The overall strategic objectives include strengthening the Otto Group's financial power, generating growth and continuously improving structures, processes and business models.

### Periodic target reviews

The Otto Group strives for a well-balanced portfolio of companies. For this reason, Group companies always pursue their targets under consideration of market conditions and adjust them if necessary in order to fulfil their functions within the portfolio. Should a specific business activity prove continuously unprofitable, it is restructured in a socially responsible manner and in agreement with the Works Council.

### Reorientation of logistics due to tougher market requirements

To increase the efficiency of its logistics processes at individual locations and secure jobs long-term, the Otto Group has used the project 'market-orientated realignment' of its warehousing logistics to reduce warehouse capacities and centralize. The overriding goal was for faster delivery to customers and a reduction of unit costs to competitive levels – also given the



Employees are the driving force of the Group's new strategic direction.

increasing importance of third-party business. During the course of this project, personnel re-organisations were also carried out (see p. 57).

### Responsible development of growth markets

The Otto Group strives for healthy growth and is working to further open up major growth markets in central and eastern Europe, particularly the Russian market. In addition, China and Brazil are gaining increasing importance as markets of the future for the Otto Group. The Group undertakes all expansions in accordance with its own rigorous standards for responsible business conduct, even if these far exceed the respective national legislations. In cases where government regulations do exist but are not adhered to consistently, Group-internal guidelines take precedence. The

overall objective is to expand our home-shopping and over-the-counter retail business as well as to strengthen the Financial Services and Services segments.

### Ongoing process development and building Group-wide competencies

The Otto Group works with a variety of initiatives to develop its existing structures and processes and to adapt them in each case to the highest internal standards as well as the dynamics of the respective market. Standard processes will be improved continually, with best-practice examples and relevant knowledge shared across the Group. Examples of recent topics include the areas of e-commerce, innovation management and Corporate Responsibility.

To further increase the current tempo of its management decisions and their efficacy

at an operational level, the Otto Group gives its smaller companies the opportunity to independently develop their own most efficient forms of organisation and connectivity to the Group. Given the increasing volatility of global markets, this represents a major competitive advantage.

Such an approach shows that the Otto Group recognises fluctuating market conditions as a constant and has designed its structures effectively to meet this challenge. The Group was able to demonstrate the success of this strategy in the reporting period with revenue and profit growth in all three core segments. In future, the Group will also be able to take advantage of its opportunities as a responsible market player.

### **New business areas in eastern Europe, shifts in online and over-the-counter commerce**

To attain its goals, the Otto Group continually opens up new business areas and models and thus extends its competitive environment. Besides its own business concepts such as OTTO, bonprix and Witt, that were multiplied to eastern Europe, the Otto Group bought shares of various home-shopping retail companies such as Quelle Rusia in the growth regions of central and eastern Europe during the reporting period. Additionally, the Group further expanded its business in the multi-channel retail segments of over-the-counter retail, catalogue and e-commerce business; the latter for example with its acquisition of the Bestshop website.

The brands of Internet portals Discount24 and Yalook were absorbed by shopping24 GmbH, where they are now used as specialised shopping platforms. In February 2010, the online, Berlin-based online shoe retailer Mirapodo was also launched. Numerous new

## **VISION, MISSION AND STRATEGIC OBJECTIVES OF THE OTTO GROUP**

### **Vision**

“We are a globally active corporate group of retailers and retail-related service providers with successful business concepts that **acts responsibly for people and nature.**”

### **Mission**

‘The Power of Responsibility’

Secure long-term **profitability**

Promote **innovation**

Live our **diversity**

Anchor **sustainability** in our business activities

### **Strategic objectives**

1. Strengthen our financial resources
2. Generate growth
3. Create added value
4. Organise business models

over-the-counter retail shops were opened, while only a few faced closures. In the reporting companies, there were variations in over-the-counter business for the following companies:

**SportScheck:** Opening one store in Berlin in September 2010, no store closures

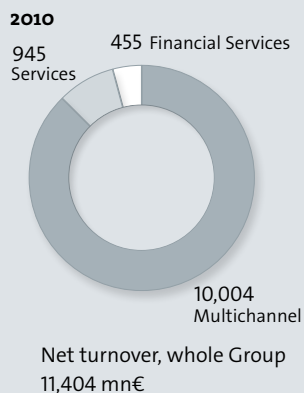
**bonprix:** Opening a total of 16 stores in Germany and another in Italy, four store closures in 2010.

### Growth across all business segments

As in the previous year, in financial year 2010/11 the Otto Group reported growth across all business segments. In its core business segment of multi-channel retail, it achieved an increase in sales of 12.1%, which corresponds to a turnover of 10,004.0 mn€. For the first time, worldwide online business accounted for half of the Group's retail sales: this share increased in financial year 2010/11 from 43% to around 50% over the previous year. The Services segment, which includes logistics and travel service providers as well as purchasing companies in the Otto Group, reported a sales increase of 14.9%. The Financial Services segment continued to perform positively and increased revenue by 17.1%.

#### Net turnover

by business segment in mn€



## 4,000 commitments to 'The Power of Responsibility'

The Power of Responsibility was initiated by the Otto Group at its Executive Board seminar in March 2010. There, the Board presented its conviction that responsibility is a key element of corporate strategy.

The mission's goal is to demonstrate how Otto Group employees strive for Profitability, Innovation, Diversity and Sustainability at work as well as in their private lives. For every employee can assume his or her share of responsibility.

Touched by the plight of people in Japan, for example, an OTTO employee initiated a t-shirt relief effort called 'Help for Japan'. Since then, for each t-shirt sold

on otto.de, five euros were donated to the aid organisation Save the Children.



To promote this commitment to responsibility, the Group's

approximately 50,000 employees worldwide are called upon to assume responsibility for the Group's four core values and to help shape the Group's future. As a visible symbol, 4,000 commitments are to be realised by the end of the year and published on a dedicated, company intranet website for The Power of Responsibility. The slogan 'Participate and Show Responsibility' encourages every Otto Group employee worldwide to take part.

### The Otto Group's Vision

The Otto Group honed its profile with a new Vision in 2010. Its self-understanding is that of a globally active corporate group of retailers and commercial service providers with successful business concepts that takes responsibility for people and nature.

### Group-wide mission: The Power of Responsibility

The Otto Group consists of a variety of companies that operate in the world's major economic regions. As a unifying element among all its companies, the Group has initiated a mission in 2011 that will be understood across



borders and whose core-values will ensure the Group's long-term cohesion.

The Power of Responsibility mission combines the four core-value constellations that are seminal for the Otto Group: Profitability, Innovation, Diversity and Sustainability.

Central to the Otto Group's self-understanding is the active responsibility of each individual employee: they are each responsible for what they do, for how they do it, and for that which can be improved – whether on a small or a large scale. In this way, the involvement of nearly 50,000 people in 20 countries adds up to a powerful force: this is the true Power of Responsibility.

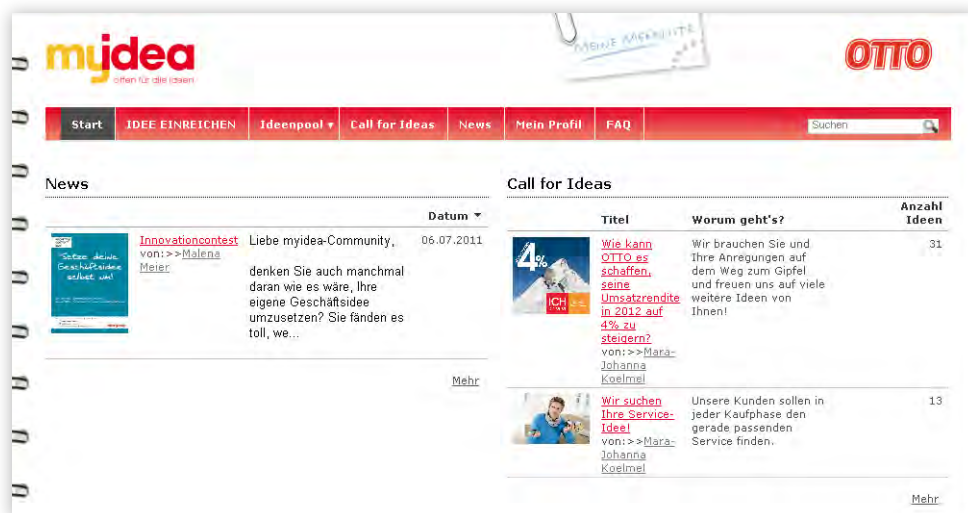
The Otto Group Executive Board has presented its new mission at some 30 Group companies in an international roadshow. During the first six months of 2011, it visited facilities in Germany and Austria as well as Group subsidiaries in Russia, France and the United States, Great Britain, Japan and Hong Kong.

## ENSURING LONG-TERM PROFITABILITY

The Otto Group's primary objective is to maintain its own long-term profitability and thereby safeguard the company's existence and ongoing success. Through their cost-conscious, efficient and profit-orientated work, Group employees create the conditions necessary for financing innovations, protecting jobs and supporting the company.

## PROMOTING INNOVATIONS

Digitalisation and global networking provide the framework for a critical mass of innovations to drive the success of a globally orientated, multi-channel retail group such as the Otto Group. These innovations range from new websites, through internal



The innovation platform myidea invites employees at OTTO to develop new ideas – and to make them public.

process improvements to entirely new business models. In this case, every Group employee is responsible for questioning what he or she does: can it be improved? Can it be made more economical, more desirable, simpler – or simply make more sense? In order to strengthen innovation throughout the Group, the company created the central Innovation Management department at the end of 2010. The Innovation Strategy provides personalised consulting and support for individual Group companies with the objective of progressively expanding their innovation competency. In their innovation activities, each individual company establishes its individual focal points for itself, within defined and strategically relevant fields.

## Ideas Management at Group subsidiaries

Many companies in the Otto Group already operate their own Ideas Management. With heinnovation and Wittidee, employees at

both Heine and Witt have their own ideas or innovation platforms available. Baur also began a process for Ideas Management in 2010, while OTTO Office has established a so-called Ideas Forum on its in-house intranet.

## New ideas at OTTO

In order to develop ideas into innovations, the single company OTTO's platform myidea gives its employees assistance in structuring, publishing and further developing their own ideas. Approximately 1,100 employees took up the offer during the reporting period. From a total of 350 ideas submitted, 42 (12%) have been implemented to date. OTTO also operates an Innovations Lab for new media and distributes a newsletter called '25 Impulses plus' which introduces the latest trends and ideas from across the industry. With the programme 'Ideas' Corner', OTTO also offers its employees an opportunity to showcase their ideas, following the famous example of Speakers' Corner in London's Hyde Park.



A company culture based on diversity is a source of creativity and innovation.

### LIVING DIVERSITY

Succeeding in a global, fragmented marketplace presents a major challenge for the Otto Group. As a multinational, multicultural retail and services company it has deliberately established its mission to support and maintain diversity within the entire Group. Diversity creates freedom for ideas and facilitates the development of unconventional solutions. Specifically, the Otto Group therefore supports the individual differences of its workforce. For instance, in early 2011 the company created a new position for Group-wide Diversity Management. In future, the potential of the existing diversity of employees within the entire Group will be utilised even better through applying a strategic approach (see p. 62).

### ANCHORING SUSTAINABILITY

Acting responsibly for people and nature comes from the very roots of the Otto Group. As a result, the Group approaches natural resources, partners and

employees with an attitude of care and fairness; this is the foundation of the Group's sustainably profitable business activity. Impacts on the environment and society that can be attributed to Group operations are identified by the Group at an early stage, transparently communicated both internally and externally and mitigated through Corporate Responsibility (CR) management. To ensure this approach is also followed in future, the Group regularly reviews the effectiveness of measures derived from its CR Strategy – for instance via the implementation of status reports to the Executive Board – and adjusts its business processes appropriately.



**Otto Group Annual Report 2010/11**  
[www.ottogroup.com/en/die-otto-group/geschaeftsbericht.php](http://www.ottogroup.com/en/die-otto-group/geschaeftsbericht.php)



**The Power of Responsibility**  
[www.die-kraft-der-verantwortung.de/english/home.html](http://www.die-kraft-der-verantwortung.de/english/home.html)

### CORPORATE GOVERNANCE

The Otto Group is well aware that in a company of nearly 50,000 employees and worldwide retail activities, compliance with international laws and regulations can cause conflicts of interest and standards that may involve risks. The Group regards a high level of integrity as its best protection against risks of reputation – in corporate decisions as well as in the conduct of each individual employee. Executives here have a special responsibility to set a leading example.

In order to ensure and assess compliance with respective national laws and international standards at all levels and to prevent tendencies towards corruption, the Otto Group established a Group-wide Compliance Committee in 2007. It meets at regular intervals and consists of managers from the areas of Group Security, Group Human Resources, Group Data Protection, Group Law, Group Corporate Responsibility and Group Internal Audit. As a globally active company, the Otto Group is also exposed to

business, industry-specific and general risks. These are monitored and controlled by a Group-wide Risk Management System.

### **The foundation of every business relationship: the Code of Conduct**

Of central significance to the Otto Group's Compliance Management is the Group-wide Code of Conduct. It also applies to the Group's business partners and calls for adherence to the respective national laws and internationally recognised operating norms, based on the minimum standards of the International Labour Organization (ILO) and the UN (see p. 97).

### **Mandatory reporting of corruption cases:**

#### **Group Anti-Corruption Guideline**

To prevent corruption, the Otto Group adopted the Group Anti-Corruption Guideline in November 2009; in December of that same year the Group supplemented its Code of Conduct with a corresponding section. All corruption cases must be reported. Employees have the option of reporting existing suspected cases – also anonymously – to an internal point or to an external Ombudsman. Reported suspected cases are thoroughly investigated worldwide, either by the Otto Group department responsible, or by external audit companies commissioned to conduct such investigations. Where Code violations are established, the Otto Group applies appropriate sanctions, such as labour-law measures or the immediate termination of supplier relationships. Right at the start of their employment, new employees are reminded of their obligation to comply with all applicable Group guidelines. These are also available on the Group-wide intranet. Managers are required to

inform each employee personally about the contents of the guidelines and any modifications to these.

### **Group Gifts Guideline increases legal security**

Introduced in February 2011, the Group Gifts Guideline governing business gifts and other benefits is intended to increase legal security for Otto Group employees within this sensitive area. These regulations prevent personal dependencies and obligations that may occur, or that may create the impression that the integrity of Otto Group employees and executives or external individuals may have been compromised in some way.

### **Policies for donation practices and data protection, Internal Control System**

Other relevant policies concern donation practices and the particularly sensitive topic of data protection and data security in the home-shopping business (see p. 120). For Risk Management, the Internal Control System has special significance: this ensures that transparency and cost-effectiveness of operational processes are improved continuously, that risks are reduced, losses avoided and assets protected.

### **Integrated Compliance Management**

With its globally applicable Compliance Management System, the Otto Group is currently implementing an efficient monitoring system for its compliance activities. In this context, the system checks whether existing policies include all relevant rules and regulations regarding risk considerations and whether the contents are well understood by the employees. Preventive inspections monitor compliance with legal requirements. Sus-

pected cases are investigated and solved; upon confirmation of suspicions, they are sanctioned accordingly.

In addition, the development of a structured training system for employees is governed by Compliance Management. New employees are – depending on their area of work – trained in various compliance-relevant topics, for instance through web-based e-learning tools for the Anti-Corruption Guideline. The Otto Group also organizes intensive training sessions for specific target groups such as Buyers, for example a further training series on the topic of Antitrust Law. The Otto Group Executive and Supervisory Boards are informed periodically regarding the status of current compliance activities.



#### **Code of Conduct**

[www.ottogroup.com/en/verantwortung/nachhaltigkeit/lieferanten/code-of-conduct.php](http://www.ottogroup.com/en/verantwortung/nachhaltigkeit/lieferanten/code-of-conduct.php)



The Risk Management System increases transparency within the Otto Group.

## RISK MANAGEMENT

Within its corporate strategic planning, the Otto Group comprehensively identifies and evaluates its growth and development outlook as well as its economic improvement opportunities. The Group analyses and monitors its risks with the help of the Group-wide Risk Management System. All Group companies conduct an annual, systematic Risk Survey. Since 2011, this survey is completed with the aid of a newly developed Risk Management platform. At least twice per year, Group companies also update their risk reports at Supervisory Board meetings. Significant risks are reported ad-hoc to the Board.

### Risk Management as a Group-wide early warning system

The Risk Management System is part of the Group's strategic three-year plan. In the context of analysis, Group Controlling identifies and evaluates investments as well as significant risks and main opportunities (see Annual Report 2010/11, p. 35) for each company. It allows the Group to identify risks at an early stage in order to monitor and respond appropriately and immediately, thus minimizing possible repercussions from risks, should they materialise. Risk Management increases the transparency of risk exposure for the Group and serves as a Group-wide early-warning system.

### Economic conditions as a financial risk

Precarious economic conditions in the sales and purchasing markets currently carry a certain degree of financial risk for the Otto Group. Whereas some countries have not yet fully recovered from financial and economic crises and are still burdened by the impact of natural disasters – particularly southern Europe but also Japan and the United States – it is anticipated that increased economic performance in Germany will have a positive effect on consumer demand for the Otto Group. However, due to intense competition in the retail sector and increased data protection legislation here, the economic environment has not become easier for the Group.



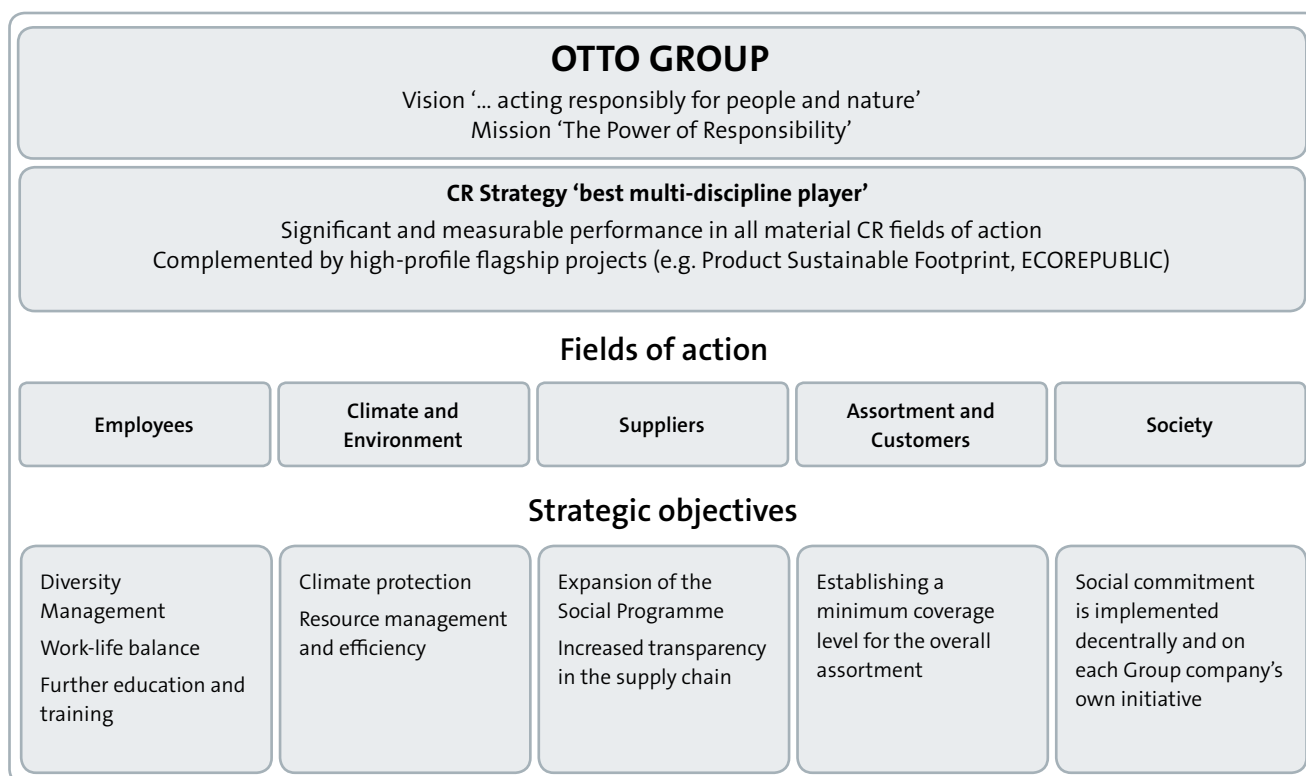
In view of these challenges, the Otto Group is working to distribute risk more broadly: it is strengthening its international focus, actively managing its portfolio of companies and through various distribution channels, is serving a variety of market segments. In addition to expansion abroad, it aims at continued growth through innovation, business-concept multiplications as well as strategic partnerships and acquisitions. Analysis of core risks (e.g. financial risks) is a main feature of the Otto Group's Annual Report 2010/11.

### Risks posed by changing markets and climates

As additional risks, the Otto Group is facing changes in its sourcing markets and from climate change. Higher commodity prices for cotton and synthetic fibres, rising energy costs and dwindling output capacities in supplier countries, particularly in China, burden the Group's growth prospects. Also difficult to predict are the risks associated with climate change, such as crop failures. Additionally, higher energy prices affect the entire value chain, especially transport. These increased costs narrow the Group's margins and cannot easily be passed on to the consumer in the form of higher retail prices.

What is more, the increasing number of extreme weather events in important sourcing countries such as Pakistan, Bangladesh and India may have an impact on prices due to a shortage of raw materials, or may result in delivery delays and manufacturing disruptions. At the same time, weather trends can lead to demand fluctuations in the distribution markets.

Countermeasures are prepared both at the level of individual companies as well as at Group level. Thus, among other things, an increase of order quantities has been implemented in order to realize greater economies of scale and thereby minimize the risks of rising supply prices (see p. 95).



**Statutory regulations and changes in consumer behaviour**

A range of political processes is indirectly relevant to the Otto Group's business, for example the implementation of Phase III of the EU's Climate Protection Package in 2013. Changes in consumer behaviour also have an impact on business development. Increased demand for especially climate-friendly prod-

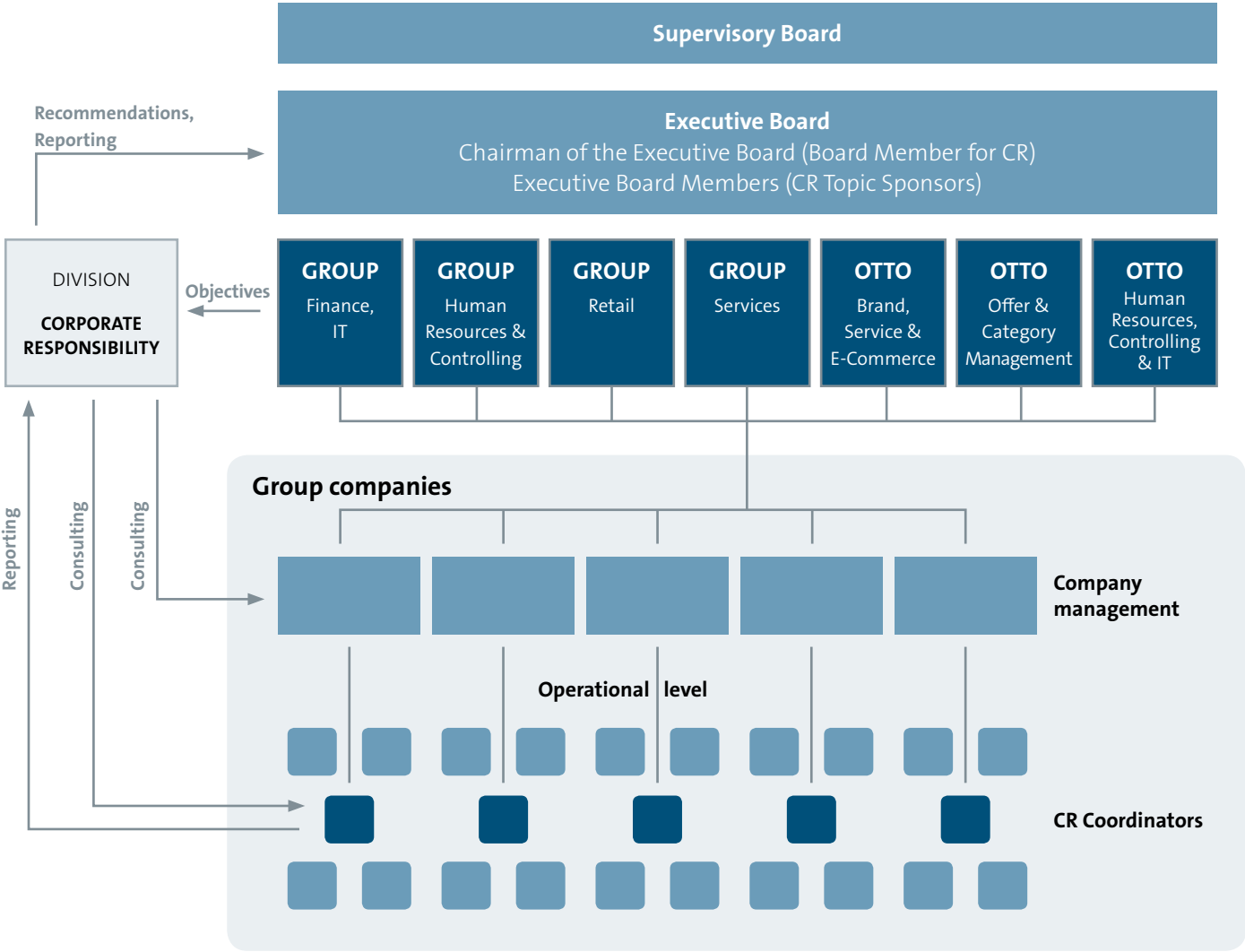
ucts can be seen as one of the Otto Group's risks, but can at the same time be seen as a major opportunity.

**General sustainability trends and risks**

Beyond climate issues, ever-dwindling natural resources such as water, fossil fuels and fertile soil pose additional potential risks to

the Group's development. Managing these resource risks requires responsible supply-chain organisation, allied with increased transparency and measurability of the social, ecological and climatic impact of business activities. The Otto Group's approach to these overarching challenges is illustrated in this report in the chapters 'Climate and Environment', 'Suppliers and Assortment' and 'Customers'.

**THE OTTO GROUP'S CR ORGANISATION**





## CR STRATEGY

In April 2010, the Otto Group presented its current Corporate Responsibility (CR) Strategy. This strategy ties in with the Vision's core component of taking responsibility for people and nature; furthermore, it contributes to successfully fulfilling The Power of Responsibility mission. In the wake of this new strategic direction, the Executive Board has so far negotiated specific CR objectives with ten Group companies and thus anchored sustainable business principles even more deeply within the organisational structures of the Group.

### CR objectives of the Otto Group: substantial progress in all areas

With its CR Strategy, the Otto Group aims to position itself as the best multi-discipline player in its competitive environment. Rather than crowd-pleasing, single achievements in only a few areas, the Group intends to achieve substantial and measurable advances in every CR discipline. Despite invigorated competition, the Group is convinced that with this strategy it will achieve CR leadership among retail companies in German-speaking countries. Its broad approach rests essentially on the commitment of the reporting companies, each with different goals for implementing the CR Strategy within their respective business models. Thus, for example, the companies have defined specific objectives for increasing the percentage of organic cotton in their assortments, or for improving energy efficiency.

### CR fields of action and overall objectives

In order to identify relevant disciplines for the new CR Strategy, the Group's Corporate Responsibility division initially analysed

## Product Sustainable Footprint for Textiles and Footwear

In March 2011, a group of well-known international clothing companies, scientific experts, representatives of NGOs and the U.S. Environmental Protection Agency established the Sustainable Apparel Coalition to push the development of a Product Sustainable Footprint.



The Coalition's goal is to create an international benchmark for quality assessment of textiles and footwear, in terms of sustainability. The Otto Group is among the Coalition's founding members of more than 30 influential actors.

The process is based on the so-called Sustainability Index, developed by the Coalition and which has been in a test phase

since spring 2011. This index collects extensive data, ranging from the harvest or extraction of raw materials, through processing, all the way to the end-consumer stage. In this way, the ecological and social aspects of production as well as the recycling and/or disposal of textiles and footwear become completely transparent – and thus controllable. In addition, the Sustainability Index

indicates fields of action in which the global textile and footwear industries must increasingly assume responsibility and opens new opportunities for the implementation of technological innovations. The goal is to reduce the consumption of water and energy, chemical use and waste generation significantly as well as to continue to improve social standards in sourcing countries.



Just like his Executive Board colleagues, Hans-Otto Schrader has assumed personal sponsorship for a core CR topic.

stakeholder requirements and conditions in the global marketplace. From that data, the areas of Employees, Climate and Environment, Suppliers, Assortment and Customers and finally, Society were identified as strategic CR fields of action. This structure also forms the framework for the present report. Within the individual fields of action, important Group issues have been defined: within the CR field of action Assortment and Customers, examples of these are organic cotton, responsible trade, energy-efficient electric and household appliances, wood products from responsible forestry and consumer protection. The Otto Group strives for the following overarching objectives in the individual CR fields of action:

**Employees:** Successful Diversity Management of Group employees; promoting work-life balance as well as educational and further training.

**Climate and Environment:** Focusing on climate protection, especially in purchasing and distribution logistics, and increasing resource efficiency at facilities as well as in transport and mobility.

**Suppliers:** Expanding social management and increasing transparency in the supply chain.

**Assortment and Customers:** Promoting conscious consumption through the expansion of sustainable assortments and communi-

cating clear environmental and social product features.

**Society:** Here, the Group does not establish Group-wide formulated CR objectives and leaves this field of action to the individual companies.

Group subsidiaries participating in the CR Strategy were involved in the process of setting objectives. Subsequently, each subsidiary then established its own action plan for implementing the agreed company-specific, partial objectives to be achieved by the end of financial year 2012/13.

### Binding CR objectives for all subsidiaries

The Otto Group's CR Strategy will progressively integrate other subsidiaries. Central topics include the development of sustainable assortments and realization of the ambitious Group-wide Climate Protection Strategy. Since March 2010, the CR Strategy

EXECUTIVE BOARD MEMBER	TOPIC SPONSORSHIP
<b>Hans-Otto Schrader</b> Chairman of the Executive Board and Chief Executive Officer Otto Group (CEO)	Communication/Stakeholder Management
<b>Dr Rainer Hillebrand</b> Vice Chairman of the Executive Board, Brand, Service & E-Commerce OTTO	Community Building in Web x.0
<b>Alexander Birken</b> Member of the Executive Board, Human Resources, Controlling & IT OTTO, Chief Human Resources Officer	Facility Energy Efficiency and Water Management Social Commitment
<b>Dr Michael Heller</b> Member of the Executive Board, Merchandising & Category Management OTTO	Sustainability in Wood and Paper CmiA Textiles, Organic Cotton, Fairtrade
<b>Dr Timm Homann</b> Member of the Executive Board, Retail Otto Group	Consumer Protection
<b>Hanjo Schneider</b> Member of the Executive Board, Services Otto Group	Social and Water Management in the Supply Chain Energy Efficiency in Logistics/Supply Chain
<b>Jürgen Schulte-Laggenbeck</b> Member of the Executive Board, Finance & IT Otto Group, Chief Financial Officer (CFO)	Corporate Governance
<b>Dr Winfried Zimmermann</b> Member of the Executive Board, Human Resources & Controlling Otto Group	Sustainable Development of Employment

has initially been implemented in ten of the eleven reporting companies; UNITO was added as the eleventh in the autumn of 2011. Therefore, binding CR objectives have been stipulated for all eleven Group companies included in the CR Report. For example, in the context of the Climate Protection Strategy, the Group sought a reduction of air freight of 12% (bonprix) and 3% (OTTO). OTTO aims to increase the percentage of cotton from the Cotton made in Africa initiative to 10% in its own brands, while Schwab is aiming for a percentage of 10% in its overall assortment (see p. 143).

In a series of on-site visits from June 2010 to February 2011, Corporate Responsibility staff provided Group subsidiaries with comprehensive consultation on how to proceed, based on company-specific requirements for each competitive environment. The aim was to inform them about the CR Strategy's operational framework and thus to develop a shared understanding of increased responsibility. Among other things, individual focus points of CR commitment, the specific form of programme-implementation measures and the opportunities for a deeper integration of CR Strategy and reporting in business processes were all addressed.

### Executive Board Sponsorships for CR topics

A central requirement for the success of the best multi-discipline strategy for the Otto Group is the personal commitment of every individual employee and manager. Board Members have a special responsibility here. In 2010, each of the eight Otto Group Executive Board Members has therefore assumed sponsorship of a key CR topic and will expressly promote its development. Previously, this was the responsibility of the CR

Steering Committee. In this way, the topic of CR was also organisationally elevated from the second management tier to Executive Board status.


### CR flagship projects

The Otto Group supplements its substantial CR performance in all disciplines with high-profile flagship projects, which represent major stimuli in the Group's key CR fields of action.

With international cooperation, the **Otto Group** has launched the pilot project 'Product Sustainable Footprint' in 2011. The goal is to make the social and ecological impacts of individual products measurable throughout each product's entire lifecycle (see p. 39).

**Hermes** followed suit with its WE DO! programme for its own ambitious climate protection goals: annually reducing CO<sub>2</sub> emissions along the entire supply chain by 2% and by 3.5% at Hermes locations. Customers are able to mark their shipments with the WE DO! label. Environmental and conservation activities are also included (see p. 77).

**OTTO** fosters conscious shopping decisions with its online store ECOREPUBLIC, which already carried more than 3,600 products as of February 2011. A special guidance system of Eco Facts based on independent labels facilitates finding sustainable products across all distribution channels – and communicates their added sustainability value in simple, easily understood terms. Schwab, Baur and UNITO have also embraced this concept (see p. 115).

 **Sustainable Apparel Coalition**  
www.apparelcoalition.org



### CR MANAGEMENT

The decentralized structure of the Otto Group requires a clear division of working processes for implementing its strategic CR objectives. Therefore, in 2010 the Group also refined and modernised its CR organisation. The role of CR Coordinators within the individual subsidiaries has been reinforced: they now work with management to guide the integration of CR into core business processes and in this way, the Coordinators will play a key role in bringing together the CR activities of their respective companies. Group Corporate Responsibility now concentrates primarily on its Group-wide management and consulting function as well as on its role as an initiator. This division is also responsible for the development, planning and communication of Group-wide policies and projects; it reports semi-annually to the Executive Board which bears the primary responsibility for the design and ongoing development of the CR Strategy. The status report is based on the implemented, Group-wide CR data manage-

ment that serves to identify and control key figures from Group companies. Figures from the Social Programme for suppliers are managed in another database, called the Social Database. In addition to detailing the current level of implementation, the management report covers objectives and proposed measures, thus accelerating further planning.

### **Standardised CR communications structures**

The Otto Group has established standardised communication and cooperation structures to implement the CR Strategy within the eleven reporting companies. CR Coordinators at the Group companies steer all CR-related activities and information as well as communicating regularly with the Group's Corporate Responsibility division. Additionally, in the relevant Otto Group areas such as Controlling, Human Resources, Law, Risk Management and Corporate Strategy, central CR contact employees have been designated who also maintain close contact with the Corporate Responsibility team.

In order to embed CR more deeply as a cross-company task in all organisational areas of the Otto Group, Group-internal networking was intensified in the reporting period. For this purpose, CR Coordinators in the Group companies continuously exchange information with the responsible specialists in each of the operational areas. In addition to voice and video conferences, cross-company workshops also take place regularly.

### **CR database as the basis for key-figure management**

Introduced in the first half of 2010, the CR database provides a necessary overview of the comprehensive key performance-indicator system; this allows the Group to

determine how deeply CR issues have already been integrated in the core processes of the company. CR-related figures from the Employees, Assortment and Customers as well as Climate and Environment CR fields of action are thus captured and prepared uniformly throughout the Group for the very first time. In this way, the CR database is an effective means for evaluating the implementation status of CR objectives and managing the measures taken. Internal data comparisons allow for best-practice identification and process improvements (e.g. CO<sub>2</sub> benchmarking; see p. 79). The figures collected are based on the CR and Climate Protection Strategies and will be summarised in CR Reporting.

### **Group-wide Sustainability Guideline bundles requirements**

From Autumn 2011 onwards many of the Otto Group's CR-related requirements will be bundled into a Sustainability Guideline that is valid for all main Group companies in the commercial segment. This Guideline governs the conditions under which merchandise may be procured and distributed. For example, the sale of goods with real fur components will be excluded; there are provisions made for textiles tested for harmful substances, and working conditions at suppliers' facilities (see p. 104) will be established. The Guideline's implementation takes place at the Group company level and in future will be reviewed by Group Internal Audit.

### **Group-wide expansion of CR Management: CR Rollout 2011-2012**

In January 2011, the Otto Group launched the project 'Corporate Responsibility Rollout 2011-2012' (CR Rollout). The goal is to

design and implement CR Management internationally and to expand it to include all major Group companies, which jointly generate roughly 90% of Group revenue. By the end of 2012, measures are to be initiated in these companies in order to manage sustainability actively, based on Group-wide regulations.

The CR Rollout covers topics from three areas, with varying implementation complexity and risk relevance. 'Minimum' indicates those topics for which implementation implies no complex management requirements. These include, for example, banning the use of tropical timber, proof of origin when using organic cotton, implementing the Code of Conduct and stakeholder management. 'Standard' and 'Profiling' include tasks with complex management requirements that significantly exceed the 'Minimum' coverage level, such as the Group-wide Climate Protection Strategy, development of the Social Programme or CR Reporting. These tasks are undertaken primarily in companies with annual revenues of more than 50 mn€ – currently 43 Otto Group companies.

The CR Rollout sets high standards, particularly for Group companies that are not yet integrated into the Otto Group's CR Management. They must develop a comprehensive understanding of sustainability as well as specific actions for conceiving and implementing sustainability in their own core business processes.



# FACTS AND FIGURES

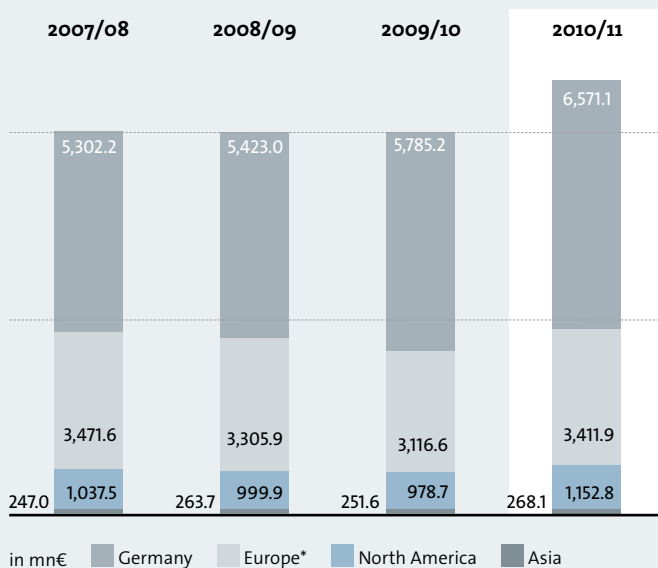
## OPERATING FIGURES

	2007/08	2008/09**	2009/10	2010/11
Net turnover for the whole Group in mn€	10,058.3	9,992.5	10,132.0	11,403.9
Net turnover for the companies covered by this report in mn€ (combined values)*	4,312.0	4,214.5	5,060.4	5,733.2
Capital of the whole Group in mn€	2,671.9	2,160.4	2,036.2	2,080.5
Capital of the companies covered by this report in mn€*	1,477.6	1,458.8	761.7	776.2
Liabilities of the whole Group in mn€	10,786.2	4,460.8	4,292.8	4,534.3
Liabilities of the companies covered by this report in mn€*	3,303.4	3,617.6	1,347.5	1,762.6

\* 2009/10 and 2010/11 reporting companies incl. Hermes.

\*\* Figures adjusted for 2008/09 in line with 2009/10 Annual Report.

## NET TURNOVER BY REGION (WHOLE OTTO GROUP)



\*Excluding Germany.

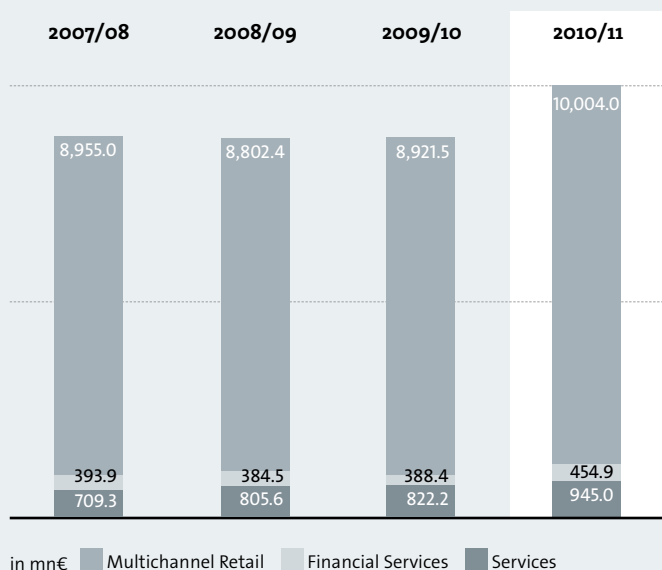
## The companies covered by this report generate over half of the Otto Group's turnover

In financial year 2010/11 the net turnover for the eleven reporting companies was 5,733.2 mn€, accounting for approximately 52% of the Group's overall turnover. The turnover of the whole Group was 11,403.9 mn€, 12.6% higher than in the previous financial year 2009/10.

## Germany is our largest sales market

In financial year 2010/11 Germany remained the Otto Group's most important sales market, accounting for 57.6% of Group turnover. Compared to the year before, we increased our turnover by 13.6%. In the same period, business activities in the rest of Europe accounted for 30.0% of Group turnover, followed by North America and Asia with 10.1% and 2.3% respectively.

## NET TURNOVER BY BUSINESS SEGMENT (WHOLE OTTO GROUP)



## Double-digit turnover growth across all three business segments

In financial year 2010/11 Multichannel Retail accounted for 10,004.0 mn€ (8,921.5 mn€ the previous year) or 87.7% (88.1% the previous year) of the Otto Group's turnover. This equated to 12.1% growth in this segment. Besides the improvement in the economic climate, the greatest influencing factor here was e-commerce, accounting for almost 50% of turnover in the Multichannel Retail segment.

In 2010/11 the Financial Services segment continued its positive growth trend of the past couple of years and increased turnover by 66.5 mn€ to 454.9 mn€. With a turnover increase of 17.1%, this segment achieved the highest growth rate. The Services segment, which principally comprises logistics and travel service providers and the Group's sourcing companies, increased its turnover in 2010/11 to 945.0 mn€ from 822.2 mn€ the previous year – an increase of 14.9%.

## CONSOLIDATED INCOME STATEMENT (SUMMARY FOR THE WHOLE GROUP)

in mn€	2007/08	2008/09	2009/10	2010/11
Revenue	10,058.3	9,992.5	10,132.0	11,403.9
Total operating income	10,877.4	10,688.2	10,834.0	12,174.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	487.9	228.5	326.6	666.7
Earnings before interest and taxes (EBIT)	173.9	-95.4	46.2	377.5
Earnings before taxes (EBT)	161.8	135.6	-133.1	256.5
Profit from continued operations	94.5	125.7	-160.8	181.1
Profit from discontinued operations	182.1	203.6	371.8	0
Profit for the year	276.5	329.3	211.0	181.1

## Accounting at Group level

In financial year 2010/11 the Otto Group's operating income increased by 1,340.9 mn€ versus the previous year. This total comprises the rise in turnover (+1,271.9 mn€) driven primarily by the positive performance in e-commerce and the increase in other operating income of 69.0 mn€.

Given the slight increase in depreciation and amortisation expenses in financial year 2010/11 of 289.2 mn€ (280.3 mn€ in the previous year), EBIT amounted to 377.5 mn€ following 46.2 mn€ in the previous

year. Income tax expense in 2010/11 was 75.4 mn€ following 27.7 mn€ in the previous year (see p. 53 Otto Group Annual Report 2010/11).

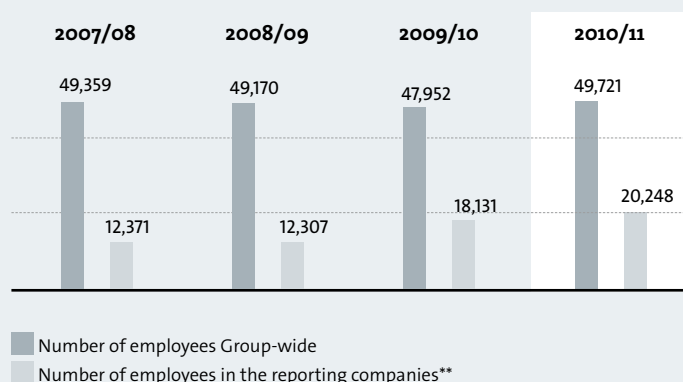
Of the 181.1 mn€ profit generated for the year in 2010/11 (211.0 mn€ in the previous year) 125.3 mn€ (60.9 mn€ in the previous year) is attributable to the Group, 45.5 mn€ (138.6 mn€ in the previous year) is attributable to non-controlling interests and 10.3 mn€ (11.4 mn€ in the previous year) to publicly listed equity and participation capital certificates.

## AMOUNT OF INCOME TAX EXPENSE (FOR THE WHOLE OTTO GROUP)

in mn€	2007/08	2008/09	2009/10	2010/11
	67.4	9.9	27.7	75.4

Income tax expense in 2010/11 was 75.4 mn€ which equated to a Group tax rate of 29.4%. The rise in income taxes was largely due to the increase in earnings before tax (EBT).

### NUMBER OF EMPLOYEES (FULL-TIME EMPLOYEES / FTES, UNDER IFRS ACCOUNTING RULES)\*



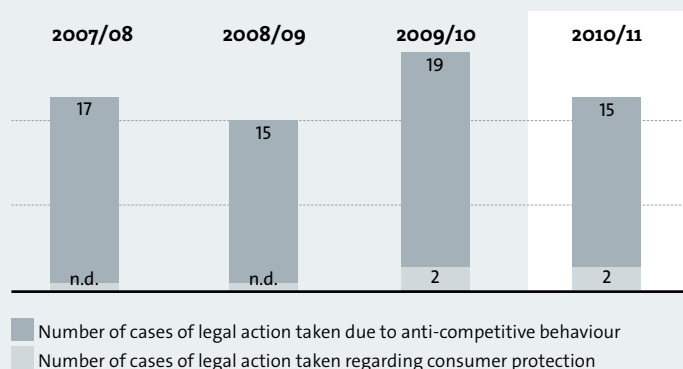
\* IFRS = International Finance Reporting Standards; figures adjusted for 2008 in line with 2009/10 Annual Report. \*\* 2009/10 and 2010/11 reporting companies incl. Hermes.

### Reporting companies employ 40% of the Group's total workforce

In financial year 2010/11, the Otto Group's employee headcount – converted to full-time equivalents – totalled 49,721 (47,952 in the previous year). The fall in headcount in 2009/10 versus 2008/09 was mainly due to the restructuring in the Group's Great Britain activities.

The eleven reporting companies employed 20,248 people in financial year 2010/11, representing around 40% of the Group's total workforce. This increase versus the previous reporting period is mainly attributable to the inclusion of Hermes in the group of reporting companies. The total number of employees (full-time and part-time) is reported in the chapter 'Employees' and forms the basis for further related key figures.

### LEGAL DISPUTES DUE TO ANTI-COMPETITIVE BEHAVIOUR



### Legal disputes due to anti-competitive behaviour

In the reporting period, a total of 34 cases of legal action was taken against the reporting companies for anti-competitive behaviour. These cases predominantly concerned trademark and decency infringements, as well as missing textile labelling and incorrect 'Stiftung Warentest' (German product testing institute) assessment claims. Included for the first time in the reporting period is the number of cases of legal action taken regarding consumer protection; these mainly related to confusing shipping-cost claims as well as the wording of terms and conditions.

### VIOLATIONS AND SANCTIONS

	2007/08	2008/09	2009/10	2010/11
Violations of environmental standards	0	0	0	0
Violations of health or safety standards (product recalls)	8	15	2	2
Violations of customer-data protection laws*	46	43	23	32
Violations of product-information standards	0	6	10	10
Violations of marketing standards	34	18	10	10

\* From financial year 2009/10, only those complaints are included which were addressed by regulatory authorities or lawyers.

### Consumer protection violations and sanctions

In financial years 2009/10 and 2010/11, two product recalls in both years fell within the reporting companies' area of responsibility. These included a soft-shell girls' jacket from OTTO and a glass table from bonprix (see p. 117).

In the reporting period, regulatory authorities and lawyers presented a total of 55 complaints regarding violations of customer-data protection laws. Many of the complaints concerned the sending of newsletters without the prior agreement of the addressee.

The 20 violations of product-information labelling standards in the reporting period concerned violations of laws regarding manufacturer's information, CE markings or missing instruction manuals. Examples of marketing-standards violations included missing base-price information and confusing quality-seal claims.

In the reporting period, one complaint was also received due to a violation of gender-equality laws.



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# OPEN DIALOGUE AS A LEARNING PROCESS

The Otto Group aims to continually develop as a global multichannel retailer. Consequently, we are conducting a wide range of discussions with our stakeholders, who include non-governmental organisations and our employees. These different perspectives help the Group to identify potential risks early on and produce solutions to ecological and social challenges more quickly.

We are in continual dialogue with our various stakeholders, who include customers, suppliers, employees, non-governmental organisations (NGOs) and representatives from politics, academia and the business community. The diverse range of dialogues enables our Group to gauge the expectations and requirements of our stakeholders

and to draw impetus from them. A further aim of our dialogues is to initiate and shape positive developments in the market, such as ensuring humane working conditions in our sourcing countries and raising the attractiveness of sustainable products. In this effort the Group has succeeded in bringing together people of different and even controversial perspectives, and initiating lively discussions through events on ethical consumption, among other activities.

Our Stakeholder Management System, which we further developed in this reporting period, allows the Otto Group to identify trends and possible critical issues early on in dialogue processes and to respond to these. Stakeholder dialogue is therefore a catalyst for innovation processes and thus contributes to safeguarding the Group's reputation.

“We are in continual dialogue with our stakeholders – and in particular of course with our customers: each year, the companies covered by this report interact with **37** million of them. This very close dialogue allows us to better understand the current and future needs of our customers. In this regard, conscious consumption is emerging as a social trend, whereby growing consumer power plays a key role. We will also continue to play an active and pioneering role as a communicator, agent and enabler between our suppliers and customers.”

Dr Timm Homann, Member of the Executive Board, Retail Otto Group

## STAKEHOLDER MANAGEMENT SYSTEM

The Otto Group is continually working towards improving the quality of our dialogue further, as well as the way in which we work with our stakeholders. We made an important step towards this in 2011 with the further development of our Stakeholder Management System.

### Documenting interactions in the stakeholder management database

The basis of our Stakeholder Management System is the Stakeholder Management Database in which we extensively document all relevant interactions with our different stakeholder groups. Within this tool we list and assign all internal and external stakeholders to a topic area or a stakeholder group for the Climate and Environment, Suppliers as well as Assortment and Customers fields of action.

### Verified Stakeholder Management System

To continually improve our CR performance, we have our sustainability-related processes – including our Stakeholder Management System – verified by the accounting and consulting firm PwC. Auditing is carried out under the AccountAbility1000 (AA1000) standard, and its core assessment criterion is the incorporation of stakeholders into the company's sustainability process.

### Dialogue with critical stakeholders based on the example of live feather plucking

In the Otto Group, we have established a transparent and partnership-based way of working with our stakeholders, even when it comes to critical issues. In November 2010, following a report by the ARD television pro-

gramme 'Report Mainz' and the animal welfare organisation Four Paws on feather-down obtained from live plucking in the assortments of OTTO, Baur and Schwab, numerous letters of protest were received by CEO Hans-Otto Schrader and the companies concerned (see p. 104). We took immediate action, removing all that particular supplier's products from our assortments. Furthermore, we entered into very close dialogue with Four Paws and supported the animal welfare organisation in an initiative which aims to move the EU to tighten up live-plucking regulations.

### Roll-out of stakeholder management procedural instructions

With our new procedural instructions which we will roll out in autumn 2011 in the companies covered by this report, we will further professionalise our Stakeholder Management System. These instructions set out how stakeholder dialogues are managed at the individual Group levels of the Executive

Board, Otto Group Corporate Responsibility Area and the single companies; they also guide how information flows internally. This will ensure that Group companies respond with a uniform approach to all external enquiries. Furthermore, our procedural instructions will indicate possible approaches on how best to respond to specific stakeholder expectations and how to implement these responses within the company. Depending on the significance and urgency, this may either be through decisions at Executive Board level or by adapting our policies and handbooks. In addition, the procedural instructions provide guidelines on handling critical enquiries; for instance, if queries originate from NGOs, these will immediately be forwarded to our Corporate Responsibility Area, which will then decide on the next steps. Critical enquiries from the media will be forwarded to the Group Communications Area which will coordinate its efforts with our Corporate Responsibility Area regarding the underlying issue.

**77** % of respondents in a survey of trends in 2011

stated that they buy ethical products to ensure that they make the right choice. The same number place immediate and fundamental trust in companies that produce ethically sound articles.



In its Stakeholder Workshops the Otto Group brings representatives from critical public associations, business, politics and science together around the table.

## DIALOGUE EVENTS

In this reporting period we engaged in dialogue with internal and external stakeholders at numerous dialogue events – either at the reporting companies' locations or on-site in our sourcing markets. Here, primarily the possible tensions between external requirements and the companies' actual opportunities to influence matters were examined in detail. Focus topics included climate and environmental protection, switching to sustainable assortments and working conditions in the sourcing markets. For instance, Otto Group representatives discussed opportunities to ensure humane working conditions (see p. 102) with trade-union and government representatives as well as with other local stakeholders in Bangladesh, Turkey and China. Here, the Otto Group initiated a host of strategic and future-orientated dialogue events on Corporate Responsibility.

### New CR Strategy event

In April 2010, a critical public attended our presentation of the Otto Group's new CR Strategy. Amongst over 200 internal and external attendees were managers from the Group as

well as representatives from universities, the Utopia Internet platform and the WWF. In line with the Group's Vision as well as with its mission 'The Power of Responsibility', our new CR Strategy anchors the topic of sustainability as a core element in the Group's culture. At the same time we are pursuing the aim of performing well in all CR sub-disciplines and placing ourselves ahead of the competition in terms of overall results (see p. 39).

### Multi-Stakeholder Dialogue to further develop CR reporting and management

We are further developing our CR reporting as a central communication tool for stakeholder dialogue in active exchange with our stakeholders. In a workshop held in 2010, 27 internal and external stakeholders – including representatives from NABU (German Nature and Biodiversity Conservation Union), Transparency International and the German trade union ver.di – detailed their core expectations of our CR reporting 2011. Prior to that, key CR topics were evaluated based on a questionnaire and the results were summarised in a Materiality Matrix. The results showed that our Climate Protection Strategy

and Social Management System are important reporting topics, both for our employees as well as for our external stakeholders. The Otto Group has been working on these two topics very intensively for a while now (see p. 76, p. 98) and they form core elements of our new CR Strategy.

Building on the results of the Materiality Matrix, participants produced five requirements on the future focus of our CR reporting.

At the centre was the requirement for proactive transparency when outlining the Group's business processes as well as their impact on humanity and nature. In particular, it was felt that our Purchasing Policy and the implementation process for social and environmental standards in the supply chain ought to be described in more detail. There were also demands for greater cross-industry comparability in reporting facts, figures and specific targets and aims. Furthermore, it was stated that the interconnections between our Business and CR Strategies needed to be better established and that the whole Group and its value chain ought to be incorporated in our coverage

These lively discussions provided important stimuli for the Otto Group's CR reporting,

*WE WANT TO PARTICIPATE IN DIALOGUE WITH  
CONSUMERS, **INCREASING THEIR POWER.**  
IT IS IMPORTANT NOT TO OVERWHELM CUSTOMERS  
NOR TO PATRONISE THEM.*

**DR TIMM HOMANN, MEMBER OF THE EXECUTIVE BOARD, RETAIL OTTO GROUP**

which we have already implemented to some extent in this current report. We have paid greater consideration to the requirement for proactive transparency: in the chapters 'Climate and Environment', 'Suppliers' as well as 'Assortment and Customers', the business environment along the value chain, resulting challenges and selected solutions are described in detail. For instance, the limited opportunities to exert influence on production processes when sourcing products in risk markets is one of the issues that we have highlighted; among other activities, we are countering this by stepping up our drive to form alliances (see p. 102).

### **Consumer power dialogue event in Berlin**

In June 2011, we held our fourth expert workshop on Ethical Consumption, this time entitled 'Consumer power and consumer confidence – consequences for Ethical Consumption'. Chaired by Otto Group Executive Board Member Dr Timm Homann, representatives from the spheres of politics, the media and NGOs discussed the necessary prerequisites for customers to be able to take conscious and confident decisions as consumers. Together, a thesis was developed which is intended to provide guidance to companies as well as those involved in politics and civil society. After a high-level podium discussion, the participants formed two working groups in which, based on specific expert theses, they discussed the role of politics, civil society and the media in the process of building confidence and companies' opportunities to influence this.

### **Conference and discussions on protecting biodiversity**

The Otto Group has traditionally held the view that biodiversity should be treated responsibly. As a member of the Business and Biodiversity Initiative and host of two of the initiative's dialogue events, we made a decisive contribution to the preparations for the Conference of the Parties to the Convention of Biological Diversity, held in the Japanese city of Nagoya in October 2010. As part of this, we organised an event where environmental associations and member companies of the initiative were able to exchange experiences. During this event, the 'The Economics of Ecosystems and Biodiversity' study was presented and its consequences on the way companies operate were discussed. Furthermore, the Otto Group organised an initiative workshop in Hamburg directly in the run-up to the Nagoya conference, in which the final preparations were made and future perspectives were discussed (see p. 81).

### **Cross-industry information event on FSC® criteria**

As part of our membership of the Forest Stewardship Council (FSC), we organised specialist dialogue events in 2010 in which we informed representatives from over 80 printing companies, paper suppliers and other FSC-certified companies about how to use the logo in compliance with FSC guidelines, and in which we discussed the latest status of those requirements. Besides furniture production, FSC certification is particularly relevant to our printed

materials and paper products. Here, we're playing a leading role in Europe in implementing FSC projects (see p. 84).

### **Hermes intensifies stakeholder dialogue**

In the transport sector, Hermes is faced with particular expectations and challenges. For this reason it intensified the exchange with its stakeholders during the reporting period. In November 2010, the company organised the first Hermes Future Forum in Hamburg. 75 guests from the political and business spheres, including numerous respected international figures such as Nobel Peace Prize winner Muhammad Yunus, former UN Secretary General Kofi Annan, Puma CEO Jochen Zeitz as well as Dr Michael Otto and Otto Group CEO Hans-Otto Schrader, discussed what responsibility companies bear for social and ecological business practices. The aim was to provide impetus for sustainable entrepreneurship and to provide practical perspectives. At the forum, the significance of conducting business in a way that uses as few resources as possible for growth and future competitiveness was discussed in detail.

### **Employee loyalty – from informal discussions to expert groups**

Our employees are among our most important stakeholders. We offer them the opportunity to contribute their ideas at numerous formal and informal events, whether through getting involved in working groups or in informal networking events such as





Dr Timm Homann invites questions from participants at the Otto Group's 4<sup>th</sup> Expert Workshop on Ethical Consumption, in Berlin.

Lunch & Learn (see p. 57). When it comes to important company and cross-area topics, we bring together the employees concerned in internal working groups. One example is our Climate Protection Strategy Working Group that convenes on a regular basis; employees from 18 Group companies as well as various Otto Group areas are involved in this. Under the supervision of our CR Area, in the reporting period this Working Group developed a plan to implement our Climate Protection Strategy agreed in 2007 at our locations (see p. 79).

## CR COMMUNICATIONS

Besides stakeholder dialogues, our overall CR communications are aimed at informing our internal and external stakeholders. Through our Group-wide CR communications we intend to intensify and systemise dialogue with our stakeholders. At Group level we also publish an exhaustive CR Report every two years, which is supplemented with company-specific CR publications by our Group subsidiaries.

### CR communications positions the Otto Group as thought leader

Through our CR communications we intend to position the Otto Group more strongly than previously as a sustainable company group in the eyes of the public. To achieve this, we clearly emphasise the Group's qualities as a thought leader, initiator and pioneer of new ideas, projects and initiatives in the area of CR. Overarching strategic topics and projects in-

clude our Climate Protection Strategy, our sustainable online shop ECOREPUBLIC and the development of a Product Sustainable Footprint. In terms of content, our CR communications focus on our five CR fields of action: Employees, Society, Suppliers, Climate and Environment as well as on Assortment and Customers.

Besides CR communication at Group level, the single Group companies address their particular stakeholders in a targeted way and on their own initiative, as these companies are closer to their respective customers and products. Communication at Group level is therefore supplemented with local measures by the Group subsidiaries. For instance, OTTO is increasingly reporting on its CR activities in the company's 'o.ton' employee magazine. With its new environmental label WE DO!, Hermes is highlighting its focus on carbon-efficient logistics services to its customers and clients, with all shipments across Europe bearing this environmental label.



Constructively critical discussions within its stakeholder dialogues provide the Otto Group with fresh stimuli.

### Internal CR communications

We also further intensified our internal CR communications in the reporting period through countless networking, training and information offers. Through our networking offers, we mainly target those responsible for CR, such as CR Coordinators in the Group companies, or Social Officers who are active locally in the sourcing markets. Furthermore, the Otto Group offers employee training courses and workshops as well as a growing number of presentations on CR topics. In 2010 we launched an internal CR newsletter targeted at managers and employees across the Group interested in the topic of CR.

### Otto Group Trend Study 2009 – an example of external CR communications

At the same time as our CR reporting we publish a Trend Study every two years on ethical consumption. In 2009 it focused on the topic of 'The future of ethical consumption'. When this was published, the results were met with great media interest; we also communicated them at events and in the form of a brochure. In 2011 the topic will be 'Consumer confidence and its consequences for ethical consumption': our aim here is to make ethical consumption a key topic in future public discussions.

### Supplementary CR reports by the single Group companies

Besides CR reporting at Group level, our single Group subsidiaries publish their own

independent CR reports, which they use for targeted communication to their specific stakeholders. For instance, in January 2011 Baur published its first concise CR report detailing its CR objectives, programmes and measures. Focusing on Climate and Environment, Assortment and Customers, Suppliers, Employees and Society, this report linked up with the five CR fields of action at Group level. It is aimed at employees and business partners, but is also available to customers on the company's homepage. OTTO, SportScheck, bonprix and UNITO have also supplemented our CR reporting with their own publications. By contrast, Hermes publishes its own environmental report once a year; this exhaustively documents the company's performance in this area.

### Numerous awards for CR performance

In the reporting period, several reporting companies in the Otto Group were once again recognised with prizes and awards for their special efforts, particularly in the areas of Services, Climate and Environment as well as Employer Quality.

In 2009 OTTO received the fashion industry's 'Top Employer' award following a study conducted by the specialist trade magazine TextilWirtschaft. The results are based on a survey of fashion industry graduates, job starters and job seekers carried out in 2009. In 2010 Baur was awarded the 'Excellent' customer service certificate with

five crowns by the agency ServiceRating; in the same year, SportScheck was awarded the title of 'Best Sports Business' by DISQ, the German Institute for Service Quality. In 2011 both OTTO and UNITO were elected in two different rankings as being the most customer-focused service providers in the retail category, with both receiving a 'Service Oscar'.

In September 2010 we strengthened our position as a leader and pioneer in the field of climate and environmental protection, scooping the first ever 'FSC® Global Partner Award' in the mail-order category. We earned particular praise from the FSC's renowned jury for the way in which we comprehensively promoted the significance of the FSC logo for consumers (see p. 84). Furthermore, Hermes was awarded the 'Hanse Globe' for sustainable logistics projects for its efforts in climate and environmental protection.

The personal commitment of Dr Michael Otto was also recognised once again with multiple awards. Among them, the Chairman of the Supervisory Board was awarded the UNESCO 'Support' sculpture in 2010 for his successful engagement in the area of climate protection (see p. 132).

## MEMBERSHIPS

The Otto Group is an active partner in numerous social, environmental and political organisations through its memberships and involvement in both the private and public sector. We expanded our engagement in the reporting period too, becoming a member of the Sustainable Apparel Coalition, which we founded in 2010 together with other renowned international clothing companies. The Coalition's aim is to develop a Product Sustainable Footprint to provide an international benchmark for the assessment of product quality with regard to sustainability criteria (see p. 39).

OTTO was one of the founding partners of the LOHAS platform [utopia.de](http://utopia.de) (Lifestyle

of Health and Sustainability) and has been a member since 2007. Utopia aims to change consumer behaviour and people's lifestyle by promoting ethical consumption and thereby environmentally friendly and fair-trade products. Since 2010 OTTO has showcased itself on this online platform with a comprehensive company profile; through this it is also in continual dialogue with the stakeholder group of critical consumers. As one of the first companies to do so, in November 2009 OTTO signed the Utopia Changemaker Manifesto, thereby underscoring its stated aim to be a pioneer in the area of Corporate Responsibility. The company is committed to upholding the Manifesto's Ten Commitments: these include integrating sustainability at Executive Board level and into management processes along the entire value

chain, reducing the use of natural resources and promoting environmentally friendly practices among the company's customers. In October 2010, OTTO also supported the Utopia annual conference as a main sponsor of the event.

In October 2010, Hermes signed a five-year cooperation agreement with NABU Landesverband Hamburg e. V. (the German Nature and Biodiversity Conservation Union) to support the union's nature-conservation work on the River Elbe floodplain in Lower Saxony. Baur is a signatory of the Environmental Pact of Bavaria and is also in direct dialogue with local authorities to reduce site-reconstruction noise levels, among other initiatives. Numerous other memberships and collaborations shape the social and environmental engagement of our Group.

### OTTO GROUP KEY MEMBERSHIPS AND COLLABORATIONS

- Sustainable Apparel Coalition (since 2010)
- German Retail Federation (formerly Hauptverband des Deutschen Einzelhandels [General Association of the German Retail Trade] (since 2009); prior to that, member of BAG [German Federal Association of Retailers] (since 1979))
- Textile Exchange (since 2006)
- Bundesverband der Personalmanager [German Federal Association of Personnel Managers] (since 2009)
- Business and Biodiversity Initiative (since 2008)
- German Nature and Biodiversity Conservation Union (NABU) (since 2007)
- Forest Stewardship Council Germany (FSC®) (since 2006)
- Business Social Compliance Initiative (BSCI) (since 2004)
- Global Compact (member since 2002)
- Social Accountability International (SAI) (since 1997)
- German Environmental Management Association (B.A.U.M.) (since 1987)
- German Association for Personnel Management (since the 1980s)
- Round Table Codes of Conduct forum (since 2001)
- terre des hommes (partner since 2008)

### DISCUSSIONS IN THE POLITICAL SPHERE

- National Corporate Social Responsibility (CSR) forum
- Initiative for Germany
- Founding partner of Cotton made in Africa (CmiA)
- Initiative 2° – German CEOs for Climate Protection (initiated by Dr Michael Otto and a member since 2007)

### HERMES KEY MEMBERSHIPS AND COLLABORATIONS

- Official cooperation with NABU (since 2010)
- Test partner in the Clean Energy Partnership (CEP) (since 2004)
- Member of the Umweltpartnerschaft Hamburg [Hamburg Environmental Partnership] (since 2003)
- Collaborative member of the Wasserstoff-Gesellschaft Hamburg [Hydrogen Corporation Hamburg] (since 1996)
- Member of the Logistics Initiative Hamburg (since 2006)
- Umweltallianz II [Environmental Alliance II] of the Federal State of Saxony-Anhalt (since 2000)

### OTTO MEMBERSHIPS

- Utopia (since 2007)

### BAUR MEMBERSHIPS

- Environmental Pact of Bavaria (up to the end of 2015)

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# LEARNING FROM ONE ANOTHER AND GROWING TOGETHER

To the Otto Group, responsibility for our almost 50,000 employees means more than just safeguarding jobs. We aim to create an environment for our employees in which they can work creatively and develop innovative ideas. This is why we offer them a wide range of development and dialogue opportunities.

The Otto Group's human-resources management faces a variety of challenges. Among them, demographic change in particular demands human-resources policy solutions to attract talented employees to our Group and to secure their long-term loyalty. This is why we invest extensively in attracting talent, vocational training and employee loyalty.

Our Group operates in a dynamic business environment. Within this, our transition to becoming a multichannel retailer as well as our international expansion require a high degree of willingness on the part of our employees to learn and adapt to change. The Group aims to help them – irrespective of gender, age and ethnicity – to realise their full potential. To achieve this,

we offer flexible working arrangements and systematic health management, along with extensive professional development opportunities. Our Group places emphasis on supporting its employees according to the different stages of their lives and their related needs to maintain their employability and motivation throughout their careers.

“Responsibility is the core of our corporate mission. Our employees take responsibility for everything that can be improved, however big or small, and instil sustainability in the core business. They develop new ideas and also get involved on their own initiative: in 2010, over **100** of our employees volunteered in our Young ClassX music project. This is the attitude that will enable us to remain successful in the market long-term while also fulfilling our responsibility to society.”

Alexander Birken, Member of the Executive Board,  
Human Resources, Controlling & IT OTTO,  
Chief Human Resources Officer



New mission 'The Power of Responsibility': common commitment of the Otto Group Executive Board to a Group-wide, value-orientated company culture.

## INDIVIDUAL HUMAN RESOURCES STRATEGIES CONTRIBUTE TO THE IMPLEMENTATION OF OUR MISSION

While Otto Group companies set different strategic priorities when formulating their human-resources strategies, every company follows the values set out in our Group mission, 'The Power of Responsibility' (see p. 32). They take appropriate measures to contribute towards ensuring the long-term profitability of the Group, promoting innovation and diversity, and positioning the

Otto Group as an attractive employer. In line with the Group's commitment to treating employees and partners with respect, we give our individual Group companies a high degree of autonomy and freedom when formulating their individual human-resources strategies. This is essential in ensuring that each Group company meets the varying economic, social and cultural challenges in its particular business area and region.

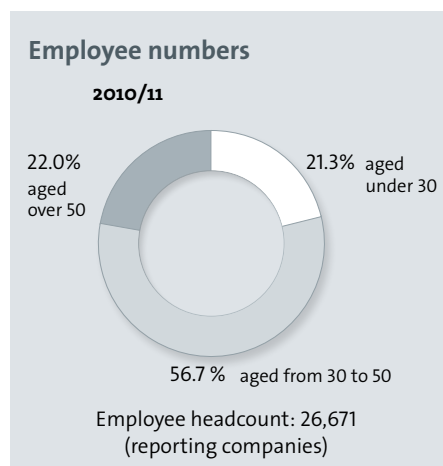
### Local implementation of our shared values

Otto Group companies' human-resources strategies are derived from our Group's mission values. These strategies are evaluated annually and analysed by our Group HR Division, which advises the Group companies on implementing human-resources policy aims. It also provides operational support, for instance by holding workshops and providing best-practice examples. Besides OTTO, Schwab, SportScheck and UNITO, in 2011 Heine also aligned its human-resources strategy with the topic of e-commerce, thus strengthening our Group's ability to

innovate. Through its 'Heine Online Transformation' programme, this Group company closely involves its employees in its transition to an Internet-based sales model. Implementation is made transparent using live tickers, a newsletter, blogs, the Intranet and information events.

A further core value of our corporate mission is promoting Diversity within our Group companies, and this is reflected in our strategic priorities for human resources. Within the context of expansion, bonprix is fostering exchange with its international group companies, for example by organising international human-resources meetings; UNITO launched programmes and initiatives to promote work-life balance in 2011, and Hermes is pursuing the aim of strengthening its intercultural competencies, making cultural diversity visible and successfully managing demographic change.

To unite the Group mission value of Profitability with flexibility, OTTO is focusing on bringing flexibility to working hours and locations, as well as on making internal processes digital through its 'Workspace 2010' programme.



## A RESPONSIBLE EMPLOYER

The Otto Group makes a point of actively involving employees in the company's development. We seek dialogue with them and their representatives, and promote open exchange across the entire Group. Besides this we develop consensus solutions in difficult situations, such as company restructurings. We also allow our employees to share in our economic success by offering them competitive, performance-related remuneration as well as attractive benefits.

### Open dialogue across all hierarchical levels

Intensive exchange across business-areas and hierarchical levels promotes company-internal learning processes, strengthens team spirit and improves mutual understanding. In particular, informal discussion formats invite employees to have fun exploring new topics and to talk about them with colleagues and managers. In 2010 OTTO invited its employees to three Espresso Talks which were each attended by an Executive Board member, plus Lunch & Learn business snacks with presentations of specialist topics. Baur, UNITO and Witt also hold regular mealtime events with Executive Board members. Besides personal exchange, our Group companies use their intranet sites to encourage dialogue and the transfer of knowledge between managers and employees. At Witt, for example, managers and the Works Council are available for Q&A sessions on the Gute Frage (Good Question) platform. At Heine, managers blog about their everyday work and answer employees' questions. In 2010 SportScheck launched SportScheck-trainiert-Web-2.0 (SportScheck Trains Web 2.0) – an online platform that allows all employees to share their knowledge.

### Positive ratings

Several companies covered by this report regularly conduct employee surveys to gauge employee satisfaction and enable them to identify the need to make changes early on. In total, 16 surveys were conducted by the reporting companies in the reporting period.

With over 60% of employees providing feedback, Witt achieved an exceptionally high return rate in 2010. The survey revealed that employees rated the business climate and the health management system as particularly positive, with information and co-determination receiving a significantly better rating than in the previous survey in 2004.

### 'Ich bin OTTO' (I am OTTO) employee programme

The majority of our Group companies actively encourage employee identification with the particular company's aims and values. Following this approach, OTTO launched its 'Ich bin OTTO' (I am OTTO) programme in 2009, against the backdrop of far-reaching changes in the transition to an e-commerce business model, and the market opportunities that were opening up as a result of the global economic crisis. OTTO communicated its corporate aims and values to over 5,000 employees over seven one-to-two-week campaign periods, at Fashion Days held in February 2009 or presentations to OTTO Purchasing staff, for example. In 2010 the company highlighted its strategic aims with the 'Lange Nacht der Gipfelstürmer' (Night of the Mountaineers), in which various campaign stands helped employees find out about strategies and initiatives designed to increase company profitability.



Strengthening employee identification – OTTO employees as models on Fashion Days.

### Dialogue events on critical situations with stakeholders

In critical situations too, such as prior to restructurings, the Otto Group fosters dialogue with its employees and their representatives to find socially acceptable solutions together. We enter into these discussions with the desire to find constructive solutions. At almost all our locations, the interests of employees are represented by Works Councils. In May 2010, the youngest Works Council of the Otto Group was founded in the administration office at OTTO Hamburg.

### Agreed approach to modernising warehousing logistics

At the start of 2009 our Group decided to modernise its warehousing logistics services. Before we took action we entered into intensive negotiations on the implementation arrangements with employee representatives. Faced with new competitors in Germany and neighbouring European countries, our aim was to maintain our logistics network's competitiveness, thereby

safeguarding jobs in the long term. Since mid-2009 we have been implementing the package of measures agreed with employee representatives under the name 'Neue marktorientierte Lagerlogistik' (market-orientated realignment of the Otto Group's warehousing logistics) or NmL for short. Furthermore, our Group has kept its promise to keep all our warehousing logistics locations open in Germany.

Almost all the Group's logistics locations were affected by the changes – particularly our logistics service provider Hermes, which reduced its headcount by 500 without the need for redundancies. Unavoidable workforce reductions were organised in a socially acceptable way and employees were supported on their path to finding new employment. To this end, Frankonia and Hermes developed their own programmes, with information and career-guidance events. UNITO established an own foundation which offered its employees extensive qualification programmes following socially acceptable company restructuring. Hermes also supported those finding a new direction for their careers by setting up an internal job-vacancies site.

### **Further personnel changes in the single Group companies**

New business and sales models demand further adjustments in the single Group companies, such as at bonprix. In 2010, this company successfully restructured its Purchasing and International Management areas without reducing headcount; however, SportScheck and Schwab had to make 96 redundancies in administrative and customer support departments, in particular because an increase in online orders reduced the need for telephone-based customer assistance. A

further 107 jobs were lost as a result of the integration of Discount24 and Yalook into the existing online-shopping portal Smatch/Shopping24. The workforce adjustments described above were made to enable these companies to operate in a cost-conscious and efficient way, thus helping to ensure the Otto Group's long-term economic success.

### **Sharing in our Group's success through fair remuneration**

A key element of the way the Otto Group manages its employees and ensures their loyalty is through market-competitive and performance-related remuneration. Performance and success-related components at management level also form part of the various additional bonuses the Group offers. Through stock-ownership plans in the form of profit-sharing rights, employees of companies in which the Group holds a majority stake can also benefit directly from their company's success.

### **Executive Board and employee remuneration**

Concerning remuneration practices, the individual Group companies also act with great independence, within the framework of collective wage agreements. However, the underlying remuneration structure for senior management levels is defined by the Group's HR Division. Here, achieving sustainability objectives is an integral part of the bonus system for Executive Board members, with variable components based on the achievement of key operating figures (please see the Otto Group's Annual Report 2010/11 for total remuneration figures, p. 152).

Non salary-scale employees also generally receive a variable bonus for the financial

year, which is linked both to achievement of the company's as well as individual targets. Furthermore, the Group offers employees both within and outside collective salary scales additional financial bonuses, such as Christmas and holiday pay. In addition, OTTO, Heine, Hermes, Witt, UNITO and bonprix subsidise employees' travel tickets for local public transport.

Over half of the reporting companies offer their employees the opportunity to join an occupational pension scheme. Employees are entitled to a collectively agreed pension and a favourable rate if they are directly insured or participate in the salary-conversion scheme. The Employer's Contribution made by the Group is 10% of the pension contribution converted, provided that social security payments are saved through this.

### **Scope for individual responsibility in structuring working hours**

Depending on their areas of responsibility, all Group companies offer their employees flexible working hours. At OTTO for instance, over 700 employees regularly work from home, with laptops and iPads provided for this purpose. At Baur, Heine, Hermes, Frankonia, Witt and OTTO, employees can use job-sharing arrangements – an offer taken up by some 200 Hermes employees. In 2010/11, 51.2% of the reporting companies' employees worked part-time, which equates to 13,659 employees.





Targeted development of employees within the Otto Group Academy – ranging from young future managers to managing directors.

## EDUCATIONAL AND FURTHER TRAINING

We get in touch early on with potential employees to attract new talent to our Group, thereby countering any threat of a shortage of skilled employees. We also offer all our employees – from apprentices to managers – continuing professional development courses which focus just as much on expanding their professional skills as on their own personality. It is in our mutual interest to ensure our employees receive extensive training at all stages of their careers, right through to retirement. We specifically prepare them to meet evolving challenges such as the digitalisation of commerce, as well as the increasing internationalisation of our Group companies.

The OTTO Academy offers an extensive range of Group-wide professional development courses. 2,303 participants attended 202 training courses in 2010/11, ranging from IT courses to top-management seminars. Other Group companies also offer their employees a comprehensive range of further development opportunities, with 3,677

seminars being held across the Group in the reporting period.

### Group-wide manager development from the outset

Once a year, our Group HR Division conducts Group-wide performance and potential assessments of our managers, as part of our management-succession planning process. Besides Division Managers and Directors, since autumn 2010 we have also assessed Department Heads. When we identify high-potential employees we support them as part of an Otto Group Academy programme that focuses on individual development stages. Right from the Group's new Talent Development Programme, the basis is laid for Group-wide networking and transparent documentation of career-development paths. The subsequent stages focus on Department Heads and very high-potential employees at Division Manager level. In the case of the latter, since November 2010 Division Managers have benefited from such initiatives as a Cross-Mentoring Programme: this supports Group-wide career paths with the aid of mentors who are external to the manager's

own Division. Stage four is the Top Executive Development Programme for potential Executive Directors, in which around twelve managers each year participate.

### New digital talent-management system

The Otto Group offers its employees individual development opportunities which are also aimed at strengthening our Group-wide management pool to meet future challenges. This is why Group-wide talent management is closely integrated in our management-succession planning process. In 2011 we launched our digital version, which provides even greater transparency on high-potential employees and their development steps, thereby supporting Group-wide career paths. From autumn 2011, we also intend to replicate the management assessment processes as part of our new SAP-based talent management system: this will allow further personal information to be linked. Here, internal high-potential employees as well as external talent – such as former employees or competitors who cannot be appointed at the moment – will be entered into the system.

### Common standards of knowledge for Purchasing and Sales

In the reporting period we also conducted extensive training in our central Purchasing and Sales areas, for instance through our Group-wide development programme for Purchasers, which we launched in October 2010. The programme aims to ensure a common standard of knowledge, to allow qualified purchasing decisions to be made in line with our corporate values. Furthermore, in partnership with the Bavarian Akademie Handel (Commerce Academy), SportScheck is offering a Sales Manager qualification course which provides content from the areas of Marketing and Sales, Human Resources management as well as operational Controlling and Management.

### E-commerce is a key topic

As part of our further training activities, we are placing a strategic focus on expanding our employees' e-commerce knowledge using a Group-wide intranet platform. Here, e-commerce topics and terms are clearly explained in short articles covering subjects such as viruses and different smartphone applications. E-commerce is also being examined in detail as part of Heine's On-line Transformation programme (see p. 56). Heine has already achieved great success in this respect: in an exhaustive survey, 95% of employees said they understood and agreed with the process. Baur and bonprix also offer their own range of e-commerce training courses, while OTTO has incorporated the topic of 'digital turnaround' into its Leadership Programme for 2011.

### Gathering experiences in interrelated matters in other business areas

Many Group companies deliberately give their employees space to gather experience

outside their own working environments too. To offer an insight into company processes and promote cross-area communication, since 2009 bonprix has called on its Department Heads and supervisors each year to spend some time in other areas of the business. Twice a year, Witt makes it possible for all employees to spend one day in another area that interests them.

The non-profit organisation Seiten-Wechsel (Changing Sides) offers personal development courses for managers, who can gain an insight into different ways of living by helping out for a week at a social institution. Witt and bonprix also participate in this project.

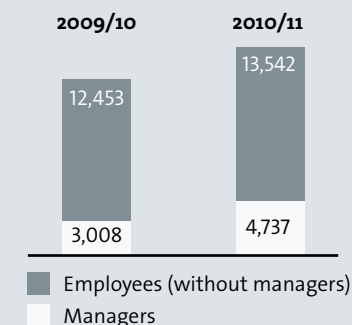
### Systematically documenting further training

In return for the Group's extensive investment in further training, our companies expect strong willingness from their employees to continue to learn. In this regard, the further training costs and rates are subject to systematic checking at SportScheck and Baur, for instance. In 2008 SportScheck introduced its own electronic reporting system for its stores: this logs the number and type of events as well as the number of participants. The end result for 2010 showed 992 campaign events were held and 6,026 people participated. In calendar year 2010, Baur achieved an increase of 15% versus the previous year in terms of its further training rate, with the number of participants increasing from 1,371 to 1,599.

### Securing qualified new talent

To counter the threat of a shortage of skilled employees and to secure a broad base of qualified new talent for the Group, our individual companies carry out numerous activi-

### Training Offerings Number of Training Days



ties at a variety of levels. Using innovative recruitment methods, they specifically appeal to young target groups and support them right from the vocational orientation phase.

### Recruiting talent via social networks

When approaching job starters, we increasingly use social media such as Twitter, Facebook and Xing. By doing this we intend not only to reach a wider target group, but also to appeal specifically to new talents who are skilled in using new media and who can apply this knowledge in our company to attract a new generation of customers. We have almost 2,000 followers on Twitter who receive the regular job information updates we post, while our 'Otto Group Karriere' (Otto Group Career) fan-page on Facebook has over 3,000 fans. News about job offers is also spread via our employees' personal Facebook pages, and the Group has its own YouTube account where we post videos on career topics.

In June 2010 OTTO employees from the company's New Media Division launched a blog on e-commerce topics called 'eStarter'. Twelve months previously the company launched an innovative recruitment cam-

paign called 'So schnell wird man Chef' (Shoot to the top), in which users could create a personalised video. In an additional online video competition, the company gave away the opportunity to spend three days with OTTO's management. The promotional website was visited 250,000 times and over 9,000 videos were created.

We also make extensive use of new media in our vocational training. For example, OTTO offers a multimedia training programme covering topics such as personal development, developing values, sustainability and innovation.

Our Group companies have a range of offerings when it comes to specifically appealing to young people in the vocational orientation phase:

- **Schwab, bonprix, Baur, OTTO und Witt**  
job-application training
- **Witt**  
podium discussions on applying for jobs (for school pupils, teachers and parents)
- **OTTO**  
sending information to schools for parents' evenings on apprenticeships; interactive apprentice blog
- **Baur**  
'Woche der Ausbildung' (Training Week), in which school pupils work with Baur employees on real-life projects
- **Frankonia**  
short gunsmith internship
- **Witt, Schwab, Baur und Heine**  
'Fit für die Bewerbung' (Fit for Application) initiative of the Goinger Kreis (a German employment think-tank)
- **UNITO**  
trial internship for school pupils

### Responsibility is a core value of vocational training

Our Group companies offer school-leavers a wide range of commercial, technical and business vocational-training courses. These place just as much emphasis on promoting specialist know-how as on extensively preparing young people for the modern world of work. In the eleven reporting companies, in 2009/10 a total of 743 young people participated in vocational training in just over 30 vocational training positions – with this number rising to 778 in 2010/11.

OTTO and Baur's trainee companies offer apprentices specific opportunities to implement real-life, profit-orientated projects themselves. This helps them acquire key skills and qualifications such as an awareness of responsibility and cost, management competencies and team-working skills; moreover, they are also trained on how to put entrepreneurial thinking and acting into practice. Cooperation5, OTTO's trainee enterprise, devises and organises events, promotional campaigns and supporting programmes for conferences and office parties for the company. At b-sales, the trainee enterprise founded by Baur in 2009, apprentices auction sample articles, watches and jewellery to employees via an intranet platform – and it already has almost 1,000 users.

### Selected university collaborations

Ideally, students are prepared during their studies for the specific challenges facing them if they intend to enter the world of multichannel retail. This is why the Otto Group has traditionally played an extensive and long-term role in engaging with the university sector to motivate students to start their careers in our Group. A current example of this is our en-



dowed Chair for Home Shopping and Service Marketing at Zeppelin University in Friedrichshafen, which started its first cycle of lectures in the 2010 winter semester. In addition, since 2011 the first consecutive Master's degree course dedicated to e-commerce has been running in Germany at the Wedel University of Applied Sciences – a Chair endowed by the Otto Group with the participation of Baur, bonprix, OTTO, Schwab, SportScheck and Witt. Furthermore, since 2008, Hamburg University of Applied Sciences has been offering the only Multichannel Trade Management in Textile Business course in Germany – all made possible through our foundation professorship.

A further example is SportScheck, which is driving forward modern management vocational training in over-the-counter retail, with its professional development course for Executive Board employees. This was developed in collaboration with the University of St. Gallen.

In addition to those mentioned, we also collaborate with the following universities:

- European School of Business in Reutlingen
- Leuphana University, Lüneburg
- Humboldt University, Berlin
- University of Münster  
Westphalia – Marketing Center Münster
- University of Applied Sciences, Wedel
- University of Applied Sciences, Amberg-Weiden (Witt)

The Otto Group plans to progressively expand its university partnerships. To achieve this, we are seeking university partners for each of our segments: Multichannel Retail, Financial Services and Services.

 **International Exchange Programme**  
[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)  
 **Cooperation5**  
[www.cooperation5.de](http://www.cooperation5.de)

## DIVERSITY AND EQUAL OPPORTUNITIES

The Otto Group is unequivocal in its commitment to offering all its employees equal opportunities, irrespective of gender, age, cultural background, ethnicity and physical characteristics. The prerequisite is a culture of openness and appreciation, in which each individual can realise his potential. This is why we have set to promote Diversity as part of our new company mission, 'The Power of Responsibility'.

### Agreement to promote Diversity

Our Group Works Agreement on the Promotion of Diversity and Protection from Discrimination of December 2006 applies to all our Group companies in Germany; it forms the foundation for partnership-based, non-discriminatory cooperation among employees. This Agreement calls on all our employees to actively play their part in applying these principles in their working environment, and the same message is spread nationwide across Germany through our E-Learning Programme.

### Appreciating the different stages of life

Otto Group companies contribute towards the Group's Human Resources policy, which is geared towards employees' different stages of life with a range of offers. This is all the more important, as the shortage of skilled employees demands innovative measures to ensure employee loyalty and maintain employability. As such we place particular emphasis on ensuring we have a balanced age-structure and that our employees have a healthy work-life balance (see p. 63).




Schwab actively promotes diversity among its workforce. This is something that's also reflected in Schwab's structure: 60% of its workforce is female, women account for an above-average 50% of managers, and people from 33 different nations work for the company.



Schwab is engaged in improving its employees' work-life balance. One example is its membership of Bündnis für Familie (Family Alliance) in Hanau, which it joined in 1999. The Alliance works at a local level to relieve the burden on families, for instance by getting stores and local authorities to change

their opening times to more family-friendly hours, making changes to public transport timetables and by setting up a support service to provide childcare at short notice. Schwab is represented on the Advisory Board as well as on the Steering Committee and in various working groups of the Family

Alliance in Hanau. Furthermore, the company is collaborating with the local specialist integration service (IFD) which advises employees and managers in regular consultations on topics such as conflict management, and on how to organise workplaces to enable full access for disabled employees.





A multi-purpose working space: OTTO and Witt offer parents a special child-friendly office.

### Work-life balance

Flexible working models that balance work and private life are offered as a matter of course across the Otto Group. To support employees with dependants in need of care, OTTO launched its 'Hilfe, meine Eltern werden alt!' (Help, my parents are getting old!) seminar programme at the start of 2011. This covers topics such as dementia/Alzheimer's and new types of accommodation for the elderly. Employees with children are also supported, whereby Baur, UNITO, Frankonia and OTTO extend statutory parental leave. At SportScheck, 18% of employees on parental leave are part-timers – and the share of part-time jobs was

increased once again for this purpose in the reporting period. Since 2010, OTTO and Witt employees have also been able to bring their children into work with them and use dedicated parent-child rooms, should they run into difficulties finding child-minders. This offer was used 52 times at OTTO during 2010.

Our Group companies also support parents in searching for suitable day-care places. For instance, the OTTO package of measures 'Eltern in Bestleistung' (Parents at Peak Performance) launched by the Works Council and Human Resources department includes, among other things, a collaboration with ElternService AWO,

a parents' service of the Workers' Welfare Association, which finds childcare places across Germany. Since launching this cooperation in June 2010, the service has been used 62 times.

### Achieving a greater percentage of women in top management

When it comes to equal opportunities in the world of work, the Otto Group's objective is to balance the ratio of women to men at all levels as far as possible; however, we feel that limiting this target to introducing a female ratio when filling managerial positions is too short-sighted. Criteria such as qualifications and ability to fit in, as well as

the individual's motivation and impact are instrumental in filling managerial posts. The share of women in managerial positions in financial year 2010/11 was 16.8% for the eleven reporting companies. The Otto Group aims to achieve a ratio whereby women occupy at least 20% of all managerial positions as well as all other hierarchical levels by financial year 2015/16, across all Group companies (see p. 142).

One of the measures we have implemented to expand the share of women in managerial roles is our participation in the 'Generation CEO' initiative. Here, 40 female managers from various companies – including the Otto Group – receive career coaching, get to know the Chief Executive Officers of the sponsoring companies and are given wide-ranging networking support. In September 2010, our Executive Board members Hans-Otto Schrader and Dr Timm Homann met the participants in a discussion group.

### **Mixed-age structure – a Human Resources policy aim**

Demographic change is altering the age structures of society, as well as the Otto Group's own workforce. For this reason, we consider all age groups when attracting talent, focusing on their potential, and drive forward the promotion and appreciation of employees – regardless of age. One example of how the practical knowledge of older employees is appreciated is Baur's 50+ programme, with which the company specifically supports the hiring of applicants over the age of fifty. OTTO and Witt offer special courses for older employees, in which they get to grips with growing older and the opportunities to actively shape their career perspectives.

### **Including disabled people**

A key guiding principle of our Human Resources Strategy is to encourage people according to their individual abilities and experiences. For instance, OTTO supports its disabled employees by organising its workplaces to offer them full access. At Hermes' offices in Hamburg, special receivers with vibrating alarms have been installed to alert deaf employees about the need to talk or specific situations.

In 2011, UNITO hired 37 employees with physical or social disabilities as part of a vocational training project in collaboration with FAB. This is an Austrian organisation that specialises in occupational integration, with the aim of finding them a regular job after a maximum of two years. Schwab, Witt and Baur work with the Integration Service (IFD); it advises the companies on all questions relating to the hiring and employment of partially and severely disabled people. In financial year 2010/11, among the reporting companies the share of severely disabled people in the workforce was 4.1%.

### **Diversity Manager systemises existing approaches**

Although Equal Opportunities has traditionally played a major role in the Otto Group's culture, in the reporting period we decided to emphasize our systematic approach to Diversity Management even more in the future. Since February 2011, a female Diversity Manager has been looking into all aspects of this topic in close cooperation with the Group's companies. This includes developing an integrated, Group-wide Diversity Strategy and defining specific aims. Furthermore, we plan to set measurable indicators to review progress.

## **HEALTH MANAGEMENT**

The Otto Group's long-term Human Resources Strategy also includes extensive health and occupational safety management. This is increasing in importance, particularly in view of demographic change which is raising the need for flexibility and performance at the same time. In accordance with the WHO (World Health Organization) definition, we consider health as being a state of complete physical, mental, and social well-being. As such, a focus area of the Group's health management system is on prevention and therefore ensuring our employees are able to continue performing at their best. Our multi award-winning health programmes help us play a leading role in the retail industry in this regard.

### **Integrated health promotion: aktiv.net**

The Otto Group's Centre of Excellence for Group-wide health management system is aktiv.net, the network founded in 2000 by OTTO, with a health offering developed by an interdisciplinary team of experts. Across Germany, aktiv.net supports 16,000 employees from 16 Group companies at 249 locations and also organises the 33 areas of our Group's sports offering.

All eleven reporting companies also run their own health management systems, offering their employees extensive preventative measures such as influenza vaccinations, back-care training and dedicated sports groups.

### **OTTO Health Index 2010**

In collaboration with the Mannheim Institute of Public Health, in 2010 for the first time OTTO surveyed the state of health and

performance of individual employee groups to adjust its offerings to meet actual demand even better. A parallel objective was also to increase awareness among managers for this topic. The annual OTTO Health Index result shows at a glance whether and where a course correction needs to be made or how effectively this was implemented. Of the almost 5,500 employees invited to participate, 57% took part in the survey.

The results were positive: in 2010 and 2011 employees felt well supported by their team and managers, and they also felt their work was appreciated – including in terms of being fairly remunerated. Employees also assessed their own performance to be high, thereby standing out positively versus comparable companies. The Index also revealed the need for action in terms of subjectively experienced health, employees' ability to revitalise themselves as well as their work-life balance. We communicated the results Group-wide and derived corresponding measures such as workshops, target-group specific programmes and campaigns.

### Cooperation with health insurer Techniker Krankenkasse

In 2010 OTTO also expanded its cooperation with German health insurer Techniker Krankenkasse (TK). At the TK Fitness Lounge, the company's own sports centre, over 700 OTTO employees train to build up their strength and stamina, and make use of TK's preventative courses – irrespective of whether they are insured by TK or not. Since 2011 the offering has been further expanded to include courses on healthy eating and stress prevention.



Through its extensive 'UNITO – we link family' programme, this company specifically supports parents with young children. The core elements are flexible working-hour models which are agreed with employees for the long-term, so that personal needs can be incorporated into their working hours. Here, employees can choose between morning and afternoon models and a relatively adaptable, flexitime-based working structure.



From autumn 2011, ideas on how to improve work-life balance will be gathered in an ideas exchange specifically set up for this purpose – with the best ideas going on to be published in the employee newsletter. In addition, once a year UNITO organises a Family Day where employees' children and family members get to see their workplaces and find out more about their wor-

king environments. The company also maintains contact with employees on parental leave by sending them the employee newsletter. It also plans to invite parents to a quarterly shared breakfast which managers also attend. When they return from parental leave, they have the opportunity to gradually ease themselves into the working environment again and

integrate themselves into everyday working life. If needed, they are offered personal or specialist professional development further training courses. In 2010, UNITO was recognised by the Verband österreichischer Mittel- und Großbetriebe des Handels (Austrian Association of Medium and Large Retailers) as being a particularly family-friendly company.





Running groups are part of the prevention programme in many Group companies. In June 2010, 200 OTTO employees ran for the children's charity 'Kinder helfen Kindern'.

### A focus on prevention

Growing demands on employee's work and private lives are leading to an increase in subjectively experienced stress. To prevent burn-out and exhaustion among our employees and to help them find a healthy work-life balance, Otto Group companies place particular focus on preventative offerings as part of the Group's integrated health management system.

For instance, in 2010 Baur offered the 'Stress Pilot' programme which allowed chronic stress to be diagnosed at an early stage based on a heart scan, and corresponding preventative measures to be taken. In addition to this offer, Baur Witt and SportScheck offer courses on combating stress; Witt also offers yoga courses and presentations on relaxation and work-life balance. Furthermore,

since summer 2011 UNITO has been expanding its programme to promote mental health.

OTTO, Baur, bonprix, Hermes, Witt, UNITO, SportScheck and Schwab also offer their employees individual ergonomic consultations so they can avoid incorrect body posture and suffering health problems in the workplace. Utilising Witt's 'moving' programme specifically designed to prevent back problems, employees can relax at their computer workstations by taking short exercise breaks during the working day. And to ensure they don't forget, a pop-up window notifies participants – in 2010 that was around a quarter of PC users – that they need to exercise, and guides them through the process. In 2010 Hermes launched a massage programme for relaxation during the course of the working day.

### Help for those affected

We also help our employees in the event of serious illness. Special counsellors form a key point of contact, and can be contacted via [aktiv.net](http://aktiv.net) for instance. They provide specific and personal advice on psychological or social problems. In 2010/11, the reporting companies provided 1,344 consultations on health-related topics.

 Further development of intercultural competencies and integration  
[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)  
 [aktiv.net](http://aktiv.net)  
[www.otto-aktiv.net](http://www.otto-aktiv.net)



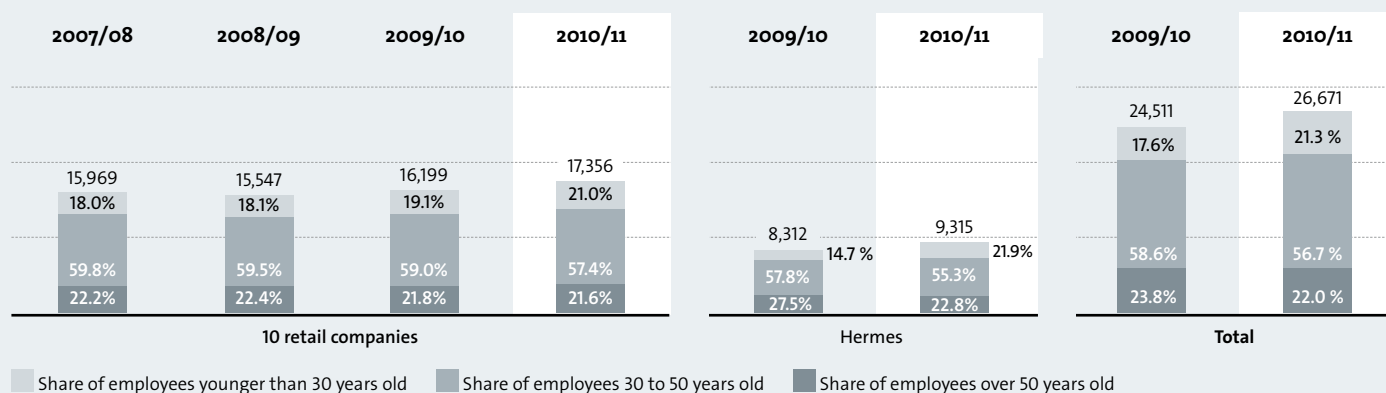
# FACTS AND FIGURES

Unless indicated otherwise, all details concerning employee numbers relate to the headcount determined on the balance-sheet date of 28 February 2011 of the eleven companies covered by this report. The biggest change in figures in the current reporting period compared to financial years 2007/08 and 2008/09 is due to the inclusion of Hermes in our Corporate Responsibility Report 2011. The logistics service provider, whose business model focuses on logistics services, warehouse handling, order picking and returns proces-

sing, requires more flexible employment solutions owing to strong seasonal fluctuations such as Christmas business. Furthermore, as a high proportion of work at Hermes is physically demanding, the share of women in the workforce is lower than at the retail companies. For the same reason, the accident rate at Hermes is higher owing to the nature of physically demanding work involved than at the retail companies where office-based commercial activities are the norm.

## Employee Structure

### NUMBER OF EMPLOYEES

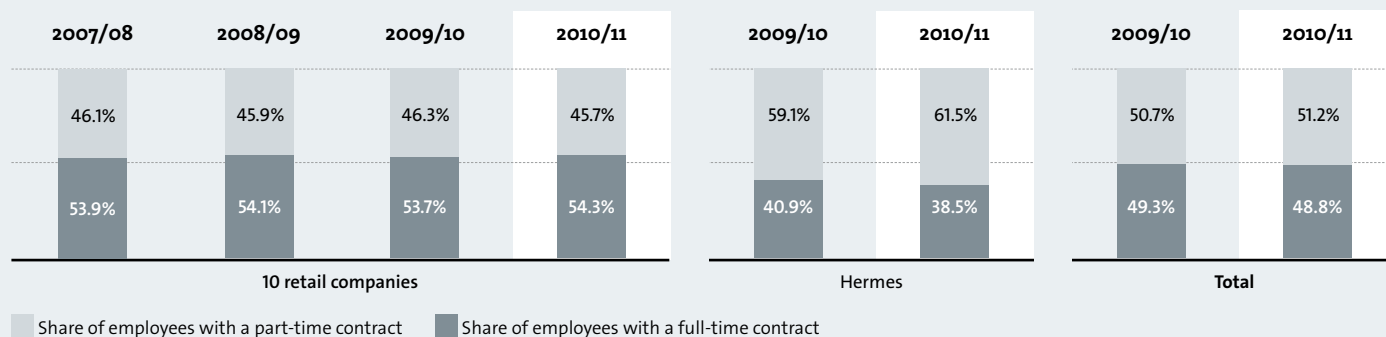


## Impact of growth on employment

In the reporting period, there was only a slight initial increase in headcount, in line with the turnover development of the ten retail companies; however, in financial year 2010/11 headcount grew by 7.1%.

The cumulated headcount figures of the reporting companies in the reporting period rose by around one half, as a result of the inclusion of Hermes.

### EMPLOYEES BY EMPLOYMENT STATUS (FULL TIME/PART TIME)

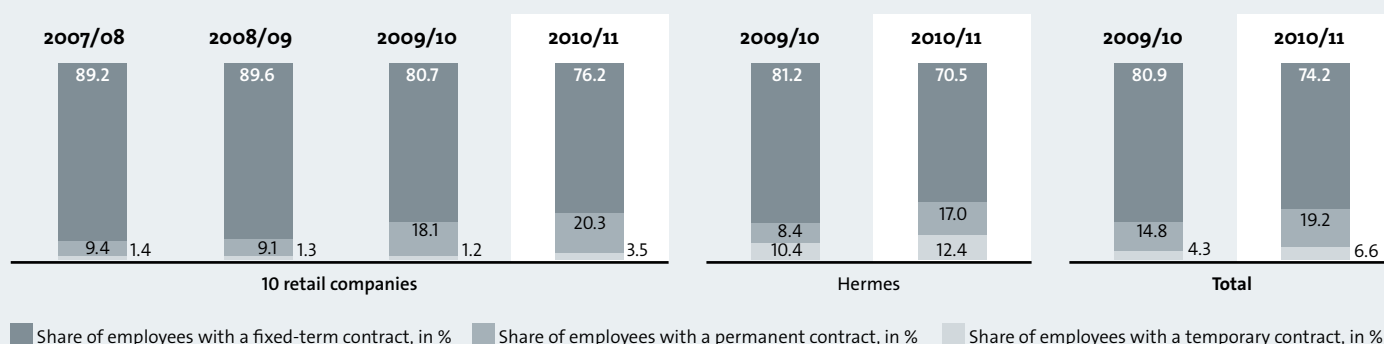


## Logistics requires flexible working-hour models

The ratio between part-time and full-time employees in the ten retail companies has remained fairly consistent over the past few years; however, the inclusion of Hermes has caused a shift in

the figures towards part-time contracts. To cushion employment peaks, Hermes also applies a relatively high number of seasonal contracts.

## EMPLOYEES BY EMPLOYMENT STATUS (CONTRACT TYPE)



## Increase in fixed-term and temporary contracts

The number of fixed-term and temporary contracts increased significantly in the reporting period. In terms of types of employment status, this increase is in line with the general economic trend. The Otto Group's field of business has become more dynamic, with the demand and competition situation changing faster today than even

just a few years ago. This results in an increase in the share of fixed-term contracts. Adding to this are experiences gained from the economic crisis of 2009, which required that the companies act flexibly. The high number of temporary contracts at Hermes is specific to the transport and logistics industry.

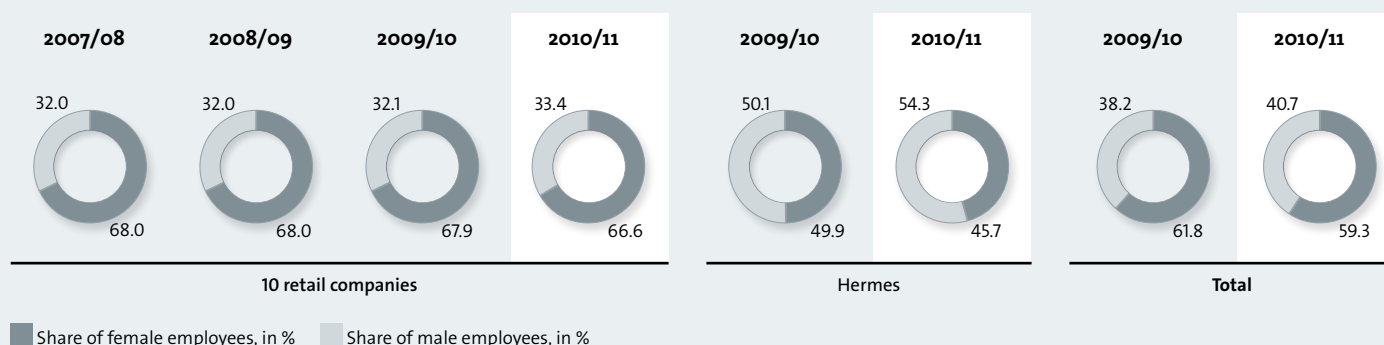
## TEMPORARY AGENCY EMPLOYEES

	2009/10	2010/11
Number of temporary agency employees	1,099	1,964
Share of temporary agency employees in the overall workforce, in %	4.6	7.4

## Increase in demand for temporary agency employees

Given the increase in market dynamism, the Otto Group is increasing its utilisation of temporary agency employees to respond flexibly to sales-turnover fluctuations. Correspondingly, in both the last financial years the share of temporary agency employees in terms of our overall workforce increased by 78.7% to 1,964.

## EMPLOYEES BY GENDER

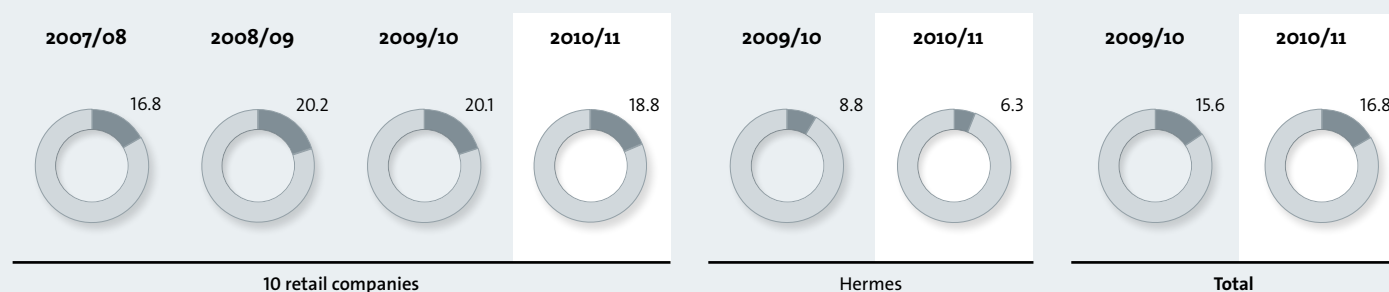


## Increase in the share of male employees

While the share of female employees in the previous ten reporting companies remained almost constant, Hermes reported a drop of 4.2% in financial year 2010/11 versus the previous year. As a transport and logistics company, Hermes traditionally has a high share of male employees. Extensive new hirings in male-dominated IT

and physically demanding jobs are the reason for the further reduction in the share of female employees at Hermes. At the newly constructed Hermes hubs, women therefore only account for 13% of employees due to the type of work involved.

## FEMALE MANAGERS



■ Share of female managers (employees with managerial responsibility, directors, managing directors), in %

## Small share of female managers in the logistics area

The share of female managers has remained almost constant in the ten reporting companies included in the previous report. However, due to the inclusion of Hermes, which as a logistics service provider traditionally has a significantly lower share of female employees

across all hierarchical levels, the overall share of female employees also fell. To counter this development, we aim to increase the share of women in managerial positions, as well as on all further hierarchical levels, to 20% by financial year 2015/16.

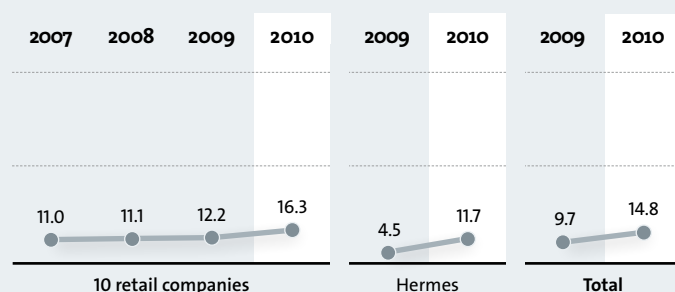
## SHARE OF EMPLOYEES OF FOREIGN NATIONALITY

	2009/10	2010/11
in %	5.3	5.3

## Share of employees with foreign nationality unchanged

The proportion of foreign employees is a new inclusion in our Corporate Responsibility Report 2011 and therefore only displays the development in the current reporting period. Only employees of foreign nationality were counted; characteristics such as migratory background or dual nationality were not recorded.

## EMPLOYEE FLUCTUATION\* (TOTAL)



● Fluctuation rate, in %

\* The reporting companies' core data is based on calendar years. Only UNITO's figures were gathered and analysed based on the financial year.

## FLUCTUATION RATE\* BY GENDER, IN %

	2009	2010
Male employees	9.3	11.5
Female employees	9.9	17.0

## FLUCTUATION RATE\* BY AGE, IN %

	2009	2010
Employees younger than 30 years old	24.7	26.5
Employees 30 to 50 years old	7.0	11.5
Employees over 50 years old	4.9	13.7

## Higher fluctuation in female and younger employees

While the fluctuation rate hardly changed in terms of men, the fluctuation rate in female employees increased significantly from 10% to 17%. As part of our market-orientated realignment of the Otto Group's warehousing logistics (see p. 57), female employees in particular took advantage of a voluntary redundancy package that included severance

pay. The fluctuation rate was also high among employees younger than 30 years old, as this age group generally shows a higher willingness to change employers. In 2010, an above-average number of employees aged over 50 made use of the phasing-out of the statutory partial-retirement regulation, as part of restructurings in warehouse logistics.

SHARE OF SEVERELY DISABLED EMPLOYEES	2009/10	2010/11
in %	4.6	4.1

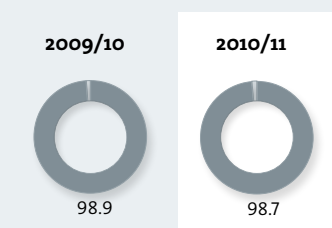
### Falling share of severely disabled employees

The fall in the proportion of severely disabled employees within the reporting period is, among other factors, due to numerous over 50s making

use of the phasing-out of the statutory partial-retirement regulation as part of the restructurings.

As severely disabled employees make up a much greater percentage of older Otto Group employees compared to other age groups, this effect was also noticeable in the reduction in the share of severely disabled employees.

### SHARE OF EMPLOYEES COVERED BY COLLECTIVE WAGE AGREEMENTS



■ Share of employees covered by collective wage agreements, in %

### Binding agreements

With the exception of upper management, all of the reporting companies' employees are covered by collective agreements, as part of collective wage and works agreements. The proportion remained almost unchanged from its high level in the previous reporting period.

### ABSENTEE RATE

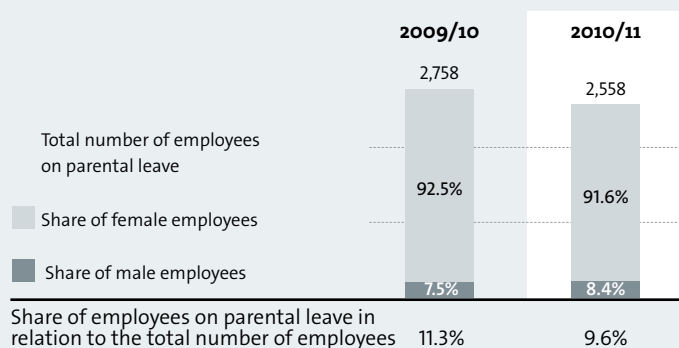
	2009	2010	2009	2010	2009	2010
in %	5.6	5.4	7.3	7.3	6.2	6.1
	10 retail companies		Hermes		Total	

\* The reporting companies' core data is based on calendar years. Only UNITO's figures were gathered and analysed based on the financial year.

### Absentee rate remains constant

Overall, the reporting companies' absentee rate remains at around 6%; however, the rate at the transport and logistics service provider Hermes was slightly higher, as is usual for the industry, compared to the ten retail companies. The reason for this is because physically demanding work accounts for a greater share of activities compared to the predominantly office-based commercial activities in retail companies.

### EMPLOYEES ON PARENTAL LEAVE



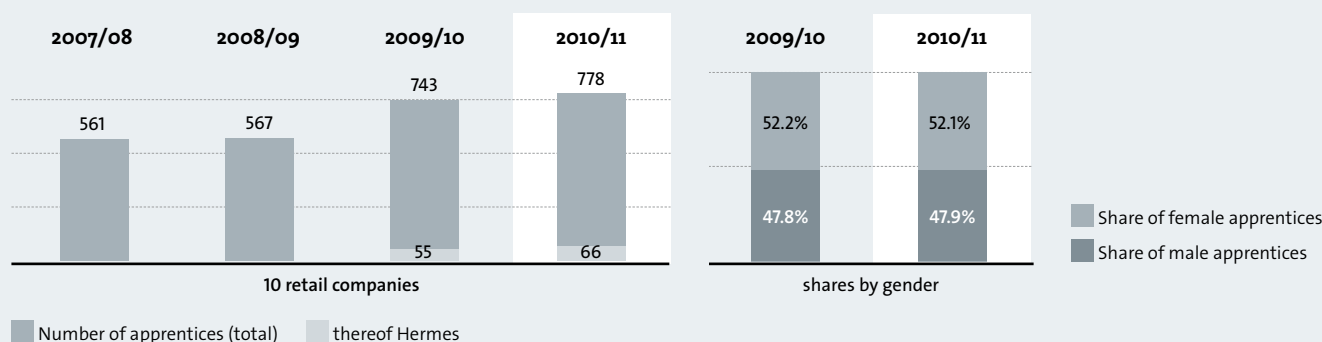
### Number of employees on parental leave in slight decline

At the reporting companies in the 2010/11 financial year, 2,558 employees took parental leave. The share of female employees was over 90%.



## Educational and Further Training

### NUMBER OF APPRENTICES (TOTAL)



### Moderate increase in the number of apprentices

The number of apprentices was also analysed by gender for the first time in this reporting period. Overall, the number of apprentices increased slightly.

### More trainees, less working students

The number of trainees increased from 24 to 32 in financial year 2009/10. At 65.6%, the share of female trainees was slightly higher than that for apprentices in financial year 2010/11. The number of interns and working students fell slightly in terms of the yearly average, from 226 in financial year 2009/10 to 191 in financial year 2010/11.

### FURTHER TRAINING SEMINARS

	2007/08	2008/09	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
<b>Number of seminars</b>								
Further training seminars for employees	629	773	1,342	1,254	295	152	1,637	1,406
Further training seminars for managers	168	249	244	283	15	92	259	375
<b>Number of participants</b>								
Employees	10,750	10,530	8,483	8,746	400	535	8,883	9,281
Managers	3,298	2,724	1,787	2,160	221	594	2,008	2,754
<b>Number of training days used</b>								
Employees	9,511	10,212	12,280	13,069	173	473	12,453	13,542
Managers	3,069	3,122	2,670	4,111	338	626	3,008	4,737
	10 retail companies				Hermes		Total	

### Expansion of further training offerings

The reporting companies expanded their seminar offerings for the further training of managers and employees. This was done to raise the level of qualifications and in doing so, the companies' competi-

tiveness – particularly in 2009, the year of the economic crisis. The number of training days used consequently rose, although there was a reduction in the number of participants in absolute terms.

### EXPENDITURE ON EDUCATIONAL AND FURTHER TRAINING

	2009/10	2010/11
Expenditure on training, in €	7,895,333	8,868,945

### Expenditure on educational and further training

The reporting companies increased their expenditure on educational and further training in financial year 2010/11 – in line with the increase in apprentices – versus the previous year by 12.3% to 8.9 mn€. Expenditure on further training in financial year 2010/11 was approximately 5.1 mn€.

## Health Management

### WORK-RELATED ACCIDENTS

	2007/08	2008/09	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Number of work-related accidents and injuries per 1,000 employees	16.1	17.5	20.7	17.4	35.1	61.4	25.6	31.0
Number of accident-related lost days	3,606*	4,018*	3,896	3,242	2,631	4,964	6,527	8,206
Number of work-related fatalities	0	0	0	1	0	0	0	1
	10 retail companies				Hermes		Total	

\*Excluding bonprix

### Variations in accident figures between the commercial and industrial areas of activity

There is a significant difference between the accident figures of Hermes compared to the ten retail companies. While the number of reportable accidents per 1,000 employees among the retail companies within the last four financial years ranged between 16 and 21, at Hermes this figure was 35 and 61 for the last two financial years respectively. The reason for this higher accident number is the higher risk of injury that physically demanding warehousing work entails – a bigger factor at Hermes – compared to commercial activities.

The increase in accident numbers at Hermes in financial year 2010/11 was on the one hand due to the opening of the hubs in Friedewald and Langenhagen and the associated increase in physical activity; on the other hand it was due to the reduction in activities with a low accident risk, such as order picking, as part of the restructurings at Hermes within the new market-orientated realignment of the Otto Group's warehousing logistics (NmL) (see p. 57).

In financial year 2010/11 there was one commuting fatality at OTTO.

### HEALTHCARE PROVISION

	2007/08	2008/09	2009/10	2010/11
<b>Preventative schemes</b>				
Number of employees taking preventative check-ups	1,332	1,203	877	2,211
Number of employees receiving influenza vaccinations	1,363	1,275	2,361	1,345
Number of employees attending first-aid courses	449	605	534	1,139
Number of employees attending presentations on health-related topics*	359	258	497	1,344
Number of employees utilising company sports offers**	2,008	2,071	2,063	2,022
Number of employees receiving ergonomic assessments	691	504	217	421
Number of employees taking driver-safety courses	36	33	108	45
Number of employees taking safety-training courses in the workplace	43	210	5,237	7,802
Number of employees attending further preventative schemes	898	920	838	374

\* In financial years 2007/08 and 2008/09, the number of employees attending seminars on health-related topics as well as presentations on disease-related topics were gathered and analysed separately. To improve comparability, the figures were added together here, as they have been gathered together since 2009/10.

\*\* Only employees making use of aktiv.net offers (provided to OTTO, bonprix, SportScheck and OTTO Office employees)

### Comprehensive healthcare provision

The healthcare-provision figures fluctuate due to a change in the offer-and-demand situation. For instance, employees were offered additional shots against the swine-flu virus in financial year 2009/10. The increased number of first-aid courses can be explained by the training of new employees at Hermes locations.

There was also a significant increase in safety-training courses in the workplace. As these figures also include evacuation exercises in buildings, the number of participants fluctuates considerably. For instance, such exercises involving some 5,000 employees were held at Hermes locations in 2010.

## Occupational pension provision and stock ownership plan

### COMPANY CONTRIBUTION TOWARDS EMPLOYEES' PENSION PROVISION

	2007/08	2008/09	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Total of occupational pension provision, in €	16,609,804	9,775,141	7,893,729	8,534,672	3,390,890	3,944,013	11,284,619	12,478,685
Employer's contribution as a percentage of wages	2.9	1.8	1.5	1.5	1.7	1.7	1.6	1.6
Participation rate, in %	82.3	82.4	80.2	75.7	91.1	87.3	83.9	79.1
* Excludes Hermes Einrichtungen Service (HES).				10 retail companies		Hermes*		Total

### Expenditure increases on occupational pension provisions

In the reporting period, expenditure on occupational pension provision rose again slightly, following a fall in the previous financial years. This effect resulted mainly from the dependency on the calculated contribution in terms of the technical interest rate under IFRS (International Financial Reporting Standards) rules.

The participation rate fell from 83.9% to 79.1% in the reporting period. This was due mainly to the strong increase in headcount in those Group companies that no longer offer occupational pension benefits to new employees, as well as the departure of employees as part of our market-orientated realignment of the Otto Group's warehousing logistics project (see p. 57) at one Hermes Group company.

### EMPLOYEE CAPITAL-STOCK OWNERSHIP PROGRAMME

	2007/08**	2008/09**	2009/10	2010/11
Total participation capital mn €	56.3	55.1	49.8	49.3
Newly subscribed participation capital, in mn€	4.1	3.9	2.9	4.1
Average subscribed capital contributions, in €	985	980	803	1,012
Number of participants in the employee capital-stock ownership programme	4,131	3,989	3,592	4,089
Participation rate, in %	22.3	21.8	19.1	20.6

\* Figures relate to the 26 Group companies that participate in the programme. Requirement for participation is a majority holding by the Otto Group and the company being economically stable over the long term.

\*\* Following closure of the stock-ownership subscription period on 31.03 in each case, and closure of the financial year.

### Employees as stock-owners

Fewer employees subscribed to participation capital than in either of the previous financial years. This is attributable to the financial and resulting personal insecurity caused by the economic crisis.

50





# CLIMATE AND ENVIRONMENTAL PROTECTION IN CORE PROCESSES

The Otto Group seeks to avoid negative effects on the climate and the environment due to its business activities. Especially with regard to transporting goods and at its facilities, the company has implemented numerous climate and environmental protection measures. The CR database introduced in 2010 ensures a measurable and targeted approach.

With its Climate Protection Strategy the Otto Group not only responds to climate risks but also increases its own independence from rising energy costs, thereby ensuring its competitiveness in the long term. The various business models implemented by Group companies, and the correspon-

dingly heterogeneous Group structure, make this a challenging task.

As a globally active multichannel retailer with worldwide purchasing markets and a range of more than 100,000 articles, the Group causes most of its CO<sub>2</sub> emissions in the transport of goods (where CO<sub>2</sub> emissions are

mentioned in the text of this chapter, they refer to adjusted values. For more on absolute values, please see p. 86.). Economically as well as ecologically, it is therefore vital to control inventory as closely as possible. Short-term orders of articles with an unexpectedly high demand can often only be fulfilled by using air freight, which leads to particularly high additional CO<sub>2</sub> emissions.

Another important source of CO<sub>2</sub> emissions for the Group is energy consumption at its locations – around a third of total emissions are caused by running offices, warehouses and logistics buildings, as well as physical stores. Emissions from the use of company cars and corporate travel are comparatively low.

To achieve its demanding climate protection targets, the Otto Group is focused on increasing efficiency in the areas of transport, facilities and mobility.

“It is the Otto Group’s stated goal to reduce its 2020 CO<sub>2</sub> emissions by **50%** compared to 2006/07, and by 70% for 2040. The realisation of our ambitious Climate Protection Strategy is a key to innovation, and therefore our long-term business success.”

Hanjo Schneider, Member of the Executive Board,  
Services Otto Group

## CLIMATE PROTECTION

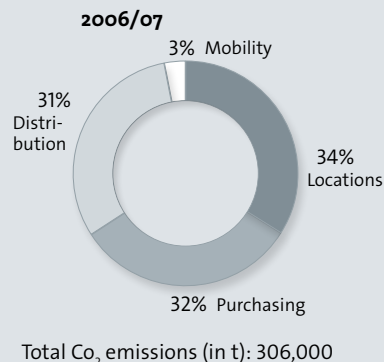
Advancing climate change requires decisive action from everybody, including companies. Scientists estimate that warming the Earth's atmosphere by an average two degrees Celsius is a critical risk limit beyond which the consequences cannot be calculated. To avoid crossing this limit, CO<sub>2</sub> emissions must be lowered, especially in industrialised countries. The Otto Group has adopted a demanding Climate Protection Strategy to make its contribution.

### Goal: 50% reduction of adjusted CO<sub>2</sub> emissions by 2020

The Climate Protection Strategy adopted by the Otto Group Executive Board is aimed at lowering adjusted CO<sub>2</sub> emissions due to transport, facilities and mobility. By the year 2020, we plan to reduce CO<sub>2</sub> emissions by 50% compared to the 2006/07 financial year, and by 70% in 2040.

#### Distribution of CO<sub>2</sub> emissions

of the 18 companies covered by the Climate Protection Strategy



Climate-friendly energy: Witt and Hermes heat with wood chips, amongst other systems.

For the implementation of its Climate Protection Strategy the Otto Group has formulated two premises. Firstly, the reduction of CO<sub>2</sub> emissions should be as efficient and cost-effective as possible, and be achieved primarily through increasing energy efficiency. Secondly, the operative realisation of the required measures should be decentralised as a rule and carried out by individual Group companies.

### Systematic realisation of climate protection measures

From 2012 we will control climate protection measures consistently across the Group: these will in future be identified systematically, classified and prioritised Group-wide according to their effectiveness and cost. One important step in this direction was the introduction of CO<sub>2</sub> benchmarking, for which the key energy figures for the German and Austrian Group buildings have been recorded since 2010.

The Climate Protection Strategy is currently implemented in 18 German Otto Group

companies. The aim is to expand the Strategy as part of the Group-wide CR Rollout by 2012 (see p. 42) gradually to all Group companies with an annual turnover of more than 50 m€, which currently includes more than 40 companies. Their share of the Otto Group's total turnover is more than 90%.

### Implementation status: -4% CO<sub>2</sub>

In the benchmark year 2006/07, CO<sub>2</sub> emissions from the 18 companies included here came to a total of around 306,000 t (see also chart on the left). The adjusted CO<sub>2</sub> emissions of around 293,000 t during financial year 2010/11 represent a percentage improvement of 4% for the companies compared to the benchmark year.

A clear improvement in CO<sub>2</sub> and energy efficiency was achieved at company locations (-7%), in distribution logistics (-10%) and in mobility (-10%). In purchasing logistics, however, CO<sub>2</sub> emissions rose due to the continued high share of air freight (see p. 78) of 5% compared to the benchmark year.

### Efficiency increases for transport, locations and mobility

The core principle in our approach for achieving Group-wide climate protection targets is increasing energy efficiency. In freight transport we distinguish between purchasing and distribution logistics. Some Group companies have already managed to realise efficiency increases in the transport of the articles they market by reducing the proportion of air freight in the goods they purchase. In distribution, Hermes lowered its greenhouse gas emissions through the use of new, more economical vehicles and alternative fuels, as well as better utilisation of transport capacity and more efficient route planning. At our locations and facilities, CO<sub>2</sub> emissions are caused mainly by energy consumption from the use of electricity, gas, heating oil and district heating. Conveyor-belt systems in logistics buildings as well as lighting, information technology, heating and air-conditioning are being switched over to energy-saving technologies. In addition we are extending the use of solar power, geothermal heat and biomass. The area of Mobility includes all business travel, operation of the company-car fleet. As part of our new Company Car Guideline, the Otto Group has committed to the progressive reduction of CO<sub>2</sub> values per kilometre driven in company cars.

### Central importance of logistics for achieving climate protection targets

Purchasing and distribution logistics is a particularly CO<sub>2</sub>-intensive area, and is handled mainly by our subsidiary Hermes. Hermes' range of services follows the logistics value chain. Goods are transported by purchasing logistics from the sourcing markets via sea and air freight, and by truck or rail to the

Group's warehouses and distribution centres. Once orders are received, they are dispatched via Hermes from there as parcels to the end customers. On the German parcel market, Hermes moved more than 304 mn deliveries during the 2010/11 financial year.

There is a long tradition of climate protection at Hermes. As early as 1994 the company implemented CO<sub>2</sub> controlling to manage greenhouse gas emissions. Since its introduction, CO<sub>2</sub> emissions per actual delivery have been lowered from 0.43 kg to 0.25 kg, a reduction of around 42%.

#### Hermes WE DO!

Since 2010 Hermes has bundled its climate, environmental and nature protection measures under the WE DO! label.

The core of WE DO! is its CO<sub>2</sub> Masterplan, which stipulates an annual reduction in CO<sub>2</sub> of 3.5% at facilities, as well as 2% in the transport area. With regard to the latter, the company maintains a modern truck fleet and participates in research projects on extending the use of alternative mobility power plants, for example fuel cells.

Hermes also includes its business partners in the WE DO! strategy. One important component is comprehensive CO<sub>2</sub> controlling, which breaks down transport-related emissions precisely and therefore increases

transparency. CO<sub>2</sub> values are calculated on the basis of real-time data and communicated to business clients automatically on every invoice.

#### PURCHASING LOGISTICS

Around 32% of the Otto Group's CO<sub>2</sub> emissions are caused in purchasing logistics. In the benchmark year, these were portioned into 24% from air freight, 5% from sea freight, and just under 3% from road transport. Although sea freight covers around 80% of our goods transport requirements, it results in only about 17% of CO<sub>2</sub> emissions through purchasing. Air freight only accounts for about 15% of transport volume, but is the cause of nearly 80% of CO<sub>2</sub> emissions in purchasing logistics.

The reduction of air freight – which in turn depends strongly on purchasing behaviour in the Group companies – is therefore a key lever for lowering the Otto Group's CO<sub>2</sub> volumes. Whereas initial orders from suppliers in distant purchasing markets are generally transported by ship, repeat orders are often delivered by plane. The Otto Group needs to find a balance between keeping its promise to customers of constant availability of goods on the one hand, and the challenge of accurately forecasting actual sales volumes and therefore transporting goods in the most climate-friendly way on the other hand.

*PROTECTING THE ENVIRONMENT PROTECTS  
THE FUTURE. PRESERVING NATURE,  
PROTECTING HABITATS AND MAINTAINING  
THE DIVERSITY OF NATURAL FORMS OF  
LIFE PROTECTS THE BASIS OF OUR OWN  
EXISTENCE.*

DR MICHAEL OTTO,  
CHAIRMAN OF THE OTTO GROUP SUPERVISORY BOARD



Consumption analyses at Baur showed that more than a third of CO<sub>2</sub> emissions at its locations were due to the use of electrical energy. Through various measures to lower electricity use, Baur managed to achieve annual CO<sub>2</sub> savings of just under 700 t CO<sub>2</sub> in the reporting period.



A substantial proportion came from the purchase of more efficient conveyor and sorter systems at the Altenkunstadt site. The compressed-air unit was also renewed and improved in terms of its energy use. To achieve energy-saving lighting

that adjusts to demand, Baur installed motion detectors and dimmers in its administrative offices. Both measures led to annual savings of approximately 530 t CO<sub>2</sub>. As part of the Energy Management for Companies Project

in cooperation with the Oberfranken Energy Agency, conventional fluorescent tubes and incandescent lights at the Altenkunstadt and Burgkunstadt sites were replaced with energy-saving fluorescent lighting.

### Group companies reduce the use of air freight

bonprix plays a pioneering role across the Group in our drive to reduce CO<sub>2</sub> emissions due to air freight. An increasing emphasis on the sea route is intended to lower the proportion of air freight to 12% of self-sourced goods volumes by the 2012/13 business year; this is equivalent to halving the proportion of air freight since the 2006/07 financial year.

OTTO has set itself a target of reducing the proportion of air freight by 30% by the 2012/13 financial year. During the same period, Witt intends to lower its adjusted CO<sub>2</sub> emissions in purchasing logistics by 20% and, together with its transport partners, has introduced the CO<sub>2</sub>-PERATION Project. Its goal is to determine and realise CO<sub>2</sub> saving potentials. For example, goods from Turkey are increasingly being transported by train and ferry. Witt also uses more combined sea and air transport as a CO<sub>2</sub>-saving transport alternative. Since 2010, the company has required its logistics partners to employ low CO<sub>2</sub> engines. The Group companies' measures to reduce air freight in favour of other transport types contribute measurably to achieving climate protection targets.

### DISTRIBUTION LOGISTICS

From receipt of the products in the distribution centres to their delivery to the end customer, responsibility for distribution logistics lies primarily with Hermes. There is potential for saving CO<sub>2</sub> mainly in the use of modern CO<sub>2</sub>-efficient vehicles and through continuous improvements in logistics processes.





Quiet and environmentally friendly: an electrically powered Mercedes-Benz E-CELL transporter in the Hermes fleet.

### Use of CO<sub>2</sub>-efficient vehicles in distribution

Hermes' own fleet is among one of the most modern in the sector: its approximately 1,300 vehicles are on average a maximum of one-and-a-half years old and meet the strict Euro 4 – and increasingly Euro 5 – emissions standards. A special leasing model also gives contract partners the option of using new, low-emission vehicles. In addition, Hermes has been committed to the development of alternative fuels since the 1990s: as a test partner in the Clean Energy Partnership, the company participates in one of the largest fuel-cell demonstration projects in the world. Since 2008, it has also used 20 transporters with dual-fuel petrol and natural gas engines in distribution delivery.

Since 2010, Hermes has been a cooperation partner of Mercedes-Benz in the use of the first electric Vito E-CELL vans. The joint pilot project in urban Berlin is designed to run for a period of four years.

A similarly high potential for reducing CO<sub>2</sub> lies in improving route planning with

GPS management, which has been used at Hermes as standard since 2008. Furthermore, around 420 transporters in the fleet will be equipped with automatic start/stop engines by 2012. At the start of 2011, 220 vehicles already had this efficiency system.

### FACILITIES

The CO<sub>2</sub> emissions caused by running facilities constitute about 34% of the Otto Group's total emissions, of which the use of electricity accounts for around 24%, and the use of heating about 10%. The energy mix used in each country is the most relevant factor in calculating CO<sub>2</sub> emissions due to electricity consumption in the Otto Group, consisting for example of coal, gas, nuclear power and renewable energy.

### CO<sub>2</sub> benchmarking to reduce emissions

To determine and control location and facility-related CO<sub>2</sub> reduction potential, the Otto Group introduced a classification of its buildings according to efficiency grading in

2010. CO<sub>2</sub> benchmarking is based on the newly introduced CR database and was developed and implemented by a Group-wide working group. It has determined 50 energy-related key figures for different types of buildings.

With the aid of these data, the buildings with the highest potential for efficiency increases are identified, and the effects and costs of any measures are then determined through detailed analysis. Priority is given to implementing measures with the best cost-benefit ratio. In the reporting period, the key figures for around 400 buildings owned by the Otto Group in Germany and Austria were recorded.

Detailed analyses have been carried out since 2011, and the initial investment decisions on this basis are planned for 2012.

### Increasing energy efficiency in facilities

During the reporting period, individual Group companies have realised numerous decentralised measures to increase energy efficiency as part of facility management.

## Energy efficiency at facilities

### Hermes

- Installation of lighting and heating controls in communal areas
- Replacement of light source
- Certification of newly constructed company locations by the German Society for Sustainable Construction (DGNB e.V.)

### Schwab

- Construction of a Green Building-certified logistics building in Langenselbold
- Partial switching-off and technological improvements in the sorter system at the Hanau site

### Witt

- Installation of heat-recovery systems in the ventilation plant
- Installation of a centrally connected building control system for running heating, ventilation and lighting according to demand

### Frankonia

- Replacement of interior lighting
- Thermal-insulation glazing and roof insulation
- Exchange of an unregulated heating boiler for a high-efficiency boiler
- Virtual servers

### OTTO

- Renewal of lighting systems at the Hamburg-Bramfeld site

### Heine

- Progressive refit of workplace lighting to on-demand operation since 2006

### UNITO

- Conversion of the Salzburg site under environmental guidelines, including concept for use of natural light and LED lighting systems

## Use of own low-CO<sub>2</sub> energy sources in reporting companies

The reporting companies realised a proportion of their energy-saving potential at their locations by using low-CO<sub>2</sub> energy sources. Hermes improved its energy efficiency on the one hand through installing photovoltaic systems at its northern hub in Langenhagen as well as at its Ohrdruf facility (generating 1,251 MWh annually). On the other hand, Hermes uses a solar thermal system to heat the required hot water.

SportScheck also uses renewable energies and has ensured the hot water supply at its Unterhaching location by harnessing geothermal energy.

Witt applies a further form of harnessing alternative energy. In the reporting period this Group company exchanged three of its conventional heating systems for a local-network heating system fired with wood chips, thus cutting around 476 t CO<sub>2</sub> emissions per year.

In the spring of 2011 UNITO connected its central warehouse in Bergheim to the local biomass heating plant and through this was able to reduce its CO<sub>2</sub> emissions significantly.

## MOBILITY

Mobility – that is, the operation of the company-car fleet and business trips for Otto Group employees – is of lower importance for total emissions, with a share of 3%. All the same, the Company Car Guideline contributes materially to raising awareness, since it assigns responsibility to top-level management and is often debated due to its symbolic value.

## Company Car Guideline in force since 2010

In January 2010, the Otto Group's new Company Car Guideline came into force, which applies to company cars in the German

Group companies. The permitted level of emissions is defined as 200 g CO<sub>2</sub> per kilometre driven. It is reviewed every two years, and will be lowered gradually.

## Group companies reduce mobility-related CO<sub>2</sub> emissions

Some individual companies introduced further measures in the reporting period for reducing mobility-related CO<sub>2</sub> emissions. For example, UNITO uses more video conferencing to replace business trips, and also encourages its employees to form drive-shares for the many journeys between its sites in Graz and Salzburg. In the reporting period, Frankonia swapped ten diesel cars in its own fleet for natural-gas fuelled vehicles.

## Climate protection solutions for delivery and distribution of catalogues

Several Group companies have made their catalogue distribution climate-friendly with the help of CO<sub>2</sub> compensation: OTTO used the Deutsche Post DHL's GoGreen Service to send out all of its addressed catalogues in a climate-neutral way. Likewise, bonprix uses GoGreen for its climate-neutral mailing. Overall, these investments compensated for 1,300 t CO<sub>2</sub> through climate protection projects.

Additional CO<sub>2</sub> emissions were saved through shortening the channels between production and distribution of catalogues: in 2009, bonprix moved the manufacture of gravure-print paper from a Finnish to a German facility.



Climate and environmental protection are firmly anchored in Hermes' core business. Moreover, Hermes is committed amongst other things to preserving biodiversity. In cooperation with the local chapters of NABU, the German Nature and Biodiversity Conservation Union, the company has set itself the goal of designing and running its logistics and warehousing facilities in as nature-friendly a way as possible.



As part of this cooperation, for example, Hermes created nesting for swallows, defined green areas and installed insect hotels at its Hanover-Langenhagen site. The company

additionally created habitats for bats, two each for summer and winter. These animals are strongly endangered in their natural habitat: as they cannot build their own nests, they

depend on sheltering in small spaces in roofs, hollows behind claddings or in attics. For its commitment, Hermes was awarded the 'Bat-Friendly Building' plaque by NABU in 2010.

## BIODIVERSITY

In its commitment to biodiversity, the Otto Group fulfils its corporate Vision regarding acting responsibly for people and nature. As an internationally active trading company, we ensure our offer of sustainably produced articles is constantly extended; furthermore, we work across companies to promote networking between politics and industry with the goal of maintaining biodiversity (see p. 104).

### Corporate initiative Biodiversity in Good Company

In February 2008, together with the German Federal Environment Ministry (BMU) and other companies the Otto Group launched the cross-sector initiative Biodiversity in Good Company. More than 40 international member companies are committed to integrating the preservation of biodiversity in their corporate management systems and to positioning the topic on the socio-political level.

### Michael Otto Foundation for Environmental Protection

The Michael Otto Foundation for Environmental Protection is among other things dedicated to protecting the natural diversity of species. The focus of its work is the protection and preservation of natural bodies of water and adjacent habitats (see p. 132).

 **Hermes Group**  
[www.hermesworld.com/int/about\\_us/environment/environment.html](http://www.hermesworld.com/int/about_us/environment/environment.html)

 **German Society for Sustainable Construction (DGNB e.V.)**  
[www.dgnb.de/\\_en/index.php](http://www.dgnb.de/_en/index.php)

 **Michael Otto Foundation**  
[www.michaelottostiftung.de](http://www.michaelottostiftung.de)  
 **Biodiversity in Good Company**  
[www.business-and-biodiversity.de/en](http://www.business-and-biodiversity.de/en)

## ENVIRONMENTAL MANAGEMENT

Awareness of the need for corporate environmental protection has been anchored in the Otto Group's company culture for many years: as early as 1986 the single company OTTO declared environmental protection as a corporate goal. All environment-relevant processes at its locations are controlled by the Group-wide Environmental Management System.

### Controlling based on CR database

The Otto Group's environmental management is supported by an extensive system of key figures. The Group improved its environmental management controlling significantly by introducing a central CR database in 2010 (see p. 42): the central availability of all environmental data now enables systematic controlling for the whole Group. Every reporting company is required to submit all environmental data on a continuous basis; for example, this includes the number of appliances disposed of, and the paper consumption in its offices.

This system not only ensures a high degree of transparency and comparability, but also allows deviations and irregularities to be discovered quickly and corrective measures to be derived and implemented.

### Disposal of used electrical appliances

In accordance with the German Recycling and Waste Management Act, the Otto Group's waste management ensures the efficient and economical disposal of electrical appliances such as washing machines and refrigerators. When a new appliance is delivered by Hermes, customers have the option of returning their old one at a low fee. Acting for other Group companies as well, OTTO and Hermes

coordinate the collection of old appliances, the elimination of harmful substances and recycling of usable materials. Thanks to special offers, increased turnover and growing customer acceptance, the number of returned appliances rose markedly in the reporting period: with a total of 140,987 in 2010, it was 45% higher than the 2009 total.

### Reduce, reuse, recycle

In its use of valuable materials such as paper and cardboard, the Otto Group subscribes to the 'reduce, reuse, recycle' principle. Primarily, resources should be used as sparingly as possible. If that is not possible, the used materials are recycled. Implementing this principle requires the qualification and personal commitment of employees as a critical factor. Therefore, in this reporting period the Otto Group strengthened its training and awareness campaigns for the careful use of resources in the office. In the reporting period, the focus was on training new employees, trainees and subcontractors.

The Group companies use sustainably produced office supplies. At all OTTO sites, all technical appliances such as printers, photocopiers and computers have been awarded the Blue Angel environmental seal. The company uses 100% FSC® and recycled paper exclusively. OTTO has received several awards for environmental protection at its sites. In 2009 OTTO was awarded second place in the 'Businesses with more than 500 Employees' category in the German Environmental Management Association's (B.A.U.M.) Office & Environment competition.

For the use of resources, most Group companies can show a recycling rate of over 95% at their locations; at Hamburg-Bramfeld, the site with the most staff, the rate is over 99%. Overall, total waste for the Group in 2010 was 33,503 t, of which 985 t were responsibly disposed, and 32,518 t were able to be recycled. Across the Group, the rate is therefore 97%. Dangerous waste only occurs in small amounts at the Group companies' facilities, as these are mostly office buildings

**445** tonnes of FSC and recycled paper

were used by the reporting companies in their offices during the 2010/11 financial year. As a proportion of total office paper, that is 87.2%.





High recycling ratio in 2010: the reporting companies submitted 97% of their waste for recycling.

and warehouses. If dangerous waste is produced, this is generally old fluorescent tubes, petrol separator contents and discarded electric appliances.

#### Further reduction of damage cases

Overall, the risk of environmental damage resulting from the Group's activities is relatively low, as the reporting companies are involved in trading goods, or in the case of Hermes, work as logistics service providers and do not manufacture goods themselves. The main risk of damage lies with Hermes, for example through transport accidents and the related risk of an oil spill.

At Hermes' main hubs, partner companies use specialised vehicles with hydraulic lifting mechanisms for loading and unloading swap-body trucks. These vehicles generally use mineral-oil based hydraulic fluid, which can cause ground contamination in case the systems leak. For this reason, since 2006 Hermes has required its partners to progressively equip their vehicles' systems with biodegradable hydraulic fluids. Currently, 98% of Hermes' partner companies' specialised vehicles have been converted.

In the reporting period, there were a total of twelve incidents at the reporting companies' facilities, during which small

amounts of oil or diesel fuel leaked. All spills were professionally remediated.

#### Fulfilling the DIN EN ISO 14001 Environmental Management Standard

By adhering to the DIN EN ISO 14001 Environmental Management Standard, companies commit to voluntary self-control of their Environmental Management Systems. The management system is audited and certified annually by external assessors. Four of the eleven reporting companies received their audit certificate under this internationally recognised standard. The Otto Group therefore has a pioneering role in its competitive environment, as trading companies are not usually ISO 14001-certified. OTTO was successfully audited as the first trading company in the world to this standard in 1997.

At Baur, the successful recertification of the Environmental Management System for its Altenkunstadt, Burgkunstadt and Weismain locations took place in July 2010. In May 2010, the German facilities in Hamburg-Bramfeld (OTTO), as well as Hamburg, Halbinsleben, Löhne and Ohrdruf (Hermes) and the UNITO Central Warehouse in Bergheim were recertified. Hermes is one of the few logistics companies worldwide to hold the TIP

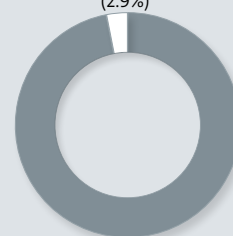
(Trust Improvement Program) ISO 14001 certificate for its Environmental Management System. The requirements of this process exceed those determined in the ISO 14001 Environmental Management Standard, and can therefore only be applied to highly evolved environmental management systems. Hermes achieved certification to this standard for the first time in 2003.

#### Environmental Management

##### Waste

2010

985 t Waste removed (2.9%)



32,518 t Waste submitted for recycling (97.1%)

Total waste  
33,503 t



Environmentally friendly packaging: customers receive around 130,000 parcels from OTTO, Schwab, Baur, bonprix and SportScheck each day bearing the FSC® label.

## RESOURCE EFFICIENCY

Among the most significant environmental burdens arising from the Otto Group's business activity is its use of resources. Ensuring the responsible handling of key resources such as timber and cotton is therefore one of our essential goals (see p. 104).

Furthermore, the business model of trading companies within the Otto Group requires the consumption of large amounts of paper to produce catalogues and advertising materials. Despite our steadily increasing online share of turnover, around half of all orders are still triggered through catalogues. Many online shop customers continue to rely on our catalogues for inspiration, so it remains an important marketing instrument.

The distribution of goods also generates waste packaging materials, such as cardboard, filler material and plastic foils. To limit the resulting negative effects on the environment, we are continually extending the resource-efficient use of paper and packaging Group-wide. For example, catalogue formats and page grammage have been reduced over

the years. The proportion of recycled paper remains at a maximum of 25% of paper used, so that the perception of a high-quality catalogue is maintained.

For all paper manufactured from fresh fibre pulp, the Otto Group guarantees through contracts with its paper suppliers that this does not originate from illegal felling.

### Print products from responsible forestry

In the production of printed items, the Group works closely with the Forest Stewardship Council (FSC®) (see p. 105, p. 113). The FSC label is applied to products whose timber content is produced through responsible forestry.

Since 2007, OTTO has been FSC-certified for the production of and trading in printed products. In subsequent years, Schwab, Baur, bonprix and SportScheck have joined as part of an FSC Multi-Site Certification. Currently, the proportion of FSC-certified catalogue paper within the reporting companies is around 7%.

The OTTO main catalogue is the Group's largest print product by far, and is printed ex-

clusively on chlorine-free (TCF) paper. OTTO also uses FSC-certified paper in seven other European countries. Baur and Schwab also use FSC-certified paper in the production of catalogues, flyers and mailings. Since the start of the cooperation with the FSC, the label has been applied to around 500 mn printed materials, catalogues, advertising materials and shipping boxes – making the Group a European leader in applying the FSC label.

### FSC Global Partner Award for comprehensive customer information

To raise awareness among its customers of the importance of responsible forestry, the Otto Group informs them extensively about the FSC label and the resulting environmental benefits. In September 2010, it was the first company to receive the FSC Global Partner Award in the mail-order category. Within four years, the Group has realised more than 500 projects with 60 FSC-certified partner companies, most of them printers and paper suppliers. The Group fully intends to expand these activities.

### Resource-saving packaging

Another field for the application of resource-efficient measures is packaging, which is used both for internal distribution of goods as well as mail order. Cardboard products, which make up a large proportion of the packaging used, consist almost 100% of recycled materials. Group companies such as OTTO, Baur, Frankonia, Heine and Schwab are also changing over their shipping materials gradually to FSC®-certified recycled materials. Every day, OTTO, Schwab, Baur, bonprix and SportScheck distribute around 130,000 parcels with FSC labels. OTTO Office has likewise set itself a target of changing over all of its shipping cartons to FSC-certified materials. Reusable packaging is increasingly being used for internal goods traffic.

### Reusable trays and thinner foils reduce use of plastics

OTTO also continued developing the mail packaging for its catalogues. The foil thickness has been reduced gradually: overall, the foil used since 2010 is 32% thinner than before, yet still durable. UNITO has been using second-hand corrugated board from old cardboard packaging as parcel filler material since 1995. From autumn 2011, OTTO Office plans to begin using Flo-Pak GREEN made from 100% recycled polystyrene as in-transit protection and filler material.

### Reducing waste water volume and own water supply

Globally, water is increasingly becoming a scarce resource. Looking at the whole value chain, Otto Group companies use a large amount of water; this is mainly in article production stages, such as textile production. Individual companies already carry articles produced using less water: for example, the

cotton used for textiles from the Cotton made in Africa initiative may not be artificially irrigated (see p. 105, p. 112). For many other products, however, water consumption in the supply chain is not known. The Otto Group is therefore participating in the development of a Product Sustainable Footprint (see p. 39): amongst other goals, this will make the water consumption for selected products over the whole product lifecycle transparent.

In those regions where the reporting companies' facilities are located, significantly more ground water is produced than extracted. The reporting companies, which do not have their own production and whose water requirements arise almost entirely from administrative activities, concentrate on the use of water-saving technology and the prevention of accidents. They cover their water demand mainly from external supplies. One exception is the Hamburg-Bramfeld site, where only 20% of water comes from the public water supply, 13% from rain water and about 67% from its own well.

### Reducing noise pollution

No production takes place at the reporting companies' sites, so there is no significant noise pollution. Only HGV noise at the Bramfeld site and at the Hückelhoven hub caused several complaints from residents in the reporting period, due to HGV traffic for OTTO and Hermes. The cardboard presses used by waste contractors also caused high sound levels. To remedy this, a noise pollution wall was erected in Hückelhoven in 2009.

Individual Group companies achieved progress in protection from noise emissions during the reporting period: employee surveys at Witt showed that in some areas of logistics handling there was noise pollution and this was confirmed by measuring sound

levels. The installation of sound absorbers lowered the noise levels.

With the goal of reducing noise emissions at the Altenkunstadt site, in 2010 Baur began the construction of an enclosure for the freight centre; this was completed in May 2011.

With its extensive measures, the Otto Group takes responsibility for people and nature and minimises the negative impacts of its trading activities.



**Forest Stewardship Council**  
www.fsc.org



**German Environmental Management Association B.A.U.M. e.V.**  
www.baumev.de

# FACTS AND FIGURES – CLIMATE

The information presented in the chapter on climate protection refers to the eleven reporting companies and is financial-year data, unless otherwise stated. The applicable CO<sub>2</sub> key figures have been gathered and analysed for 18 German companies as part of the Climate Protection Strategy since the 2006/07 financial year (see chapter 'Climate and Environment'). Because UNITO was not included in the Climate Protection Strategy at that point, its CO<sub>2</sub> key figures are only available from 2009/10 and relate only to mobility and facilities.

CO<sub>2</sub> emissions are adjusted on principle, that is, shown relative to the performance units explained below. Against the background of a dynamic business development, evident for example in the strong rise in distribution logistics freight volumes, an absolute view delivers a distorted image. Nevertheless, the table 'Total CO<sub>2</sub> Emissions' shows both adjusted and absolute CO<sub>2</sub> emissions.

For the calculation of location-specific CO<sub>2</sub> emissions, a new adjustment method is used retroactively from the financial year 2009/10. This is why, aside from the 2006/07 benchmark year, only the financial years within the reporting period, i.e. 2009/10 and 2010/11, can be shown in the comparison.

CO<sub>2</sub> emissions were adjusted using the following performance units, which makes them comparable with the 2006/07 benchmark year:

- distribution logistics: shipment volume (for example, deliveries to customers and returns)
- locations and facilities (new adjustment method from 2009/10):
  - distribution logistics: shipment volume
  - mobility: journeys and/or passenger kilometres (pkm)
  - offices: number of staff and size
  - logistics buildings: parcel turnaround per year
  - warehouses: gross capacity of buildings
  - shops: opening hours and sales area
  - other uses: surface area

Some of the values given for the 2006/07 benchmark year vary from those given in the Sustainability Report 2009. This is due on the one hand to the inclusion of Hermes in the reporting scope, and on the other hand to the change of method in the CO<sub>2</sub> adjustment for locations.

Since the Otto Group only maintains physical stores, administration and logistics buildings, environmentally relevant gases such as SO<sub>2</sub> or NO<sub>x</sub> which would typically arise from production are not emitted in meaningful quantities and are therefore not shown.

## Energy consumption at locations and facilities

### ENERGY CONSUMPTION AT LOCATIONS AND FACILITIES

		2006/07	2009/10	2010/11
Total energy demand*	MWh	265,456	280,634	287,548
of this, supply of electrical power	MWh	134,581	146,305	140,258
of this, EcoPower supply	%	0	0	0
of this, heating-power demand	MWh	130,874	134,329	147,291
of this, district-heating supply	MWh	21,597	21,991	19,959
of this, heating generated with heating oil	MWh	6,455	5,615	5,335
of this, heating generated with natural gas	MWh	102,822	103,463	117,160
of this, heating supply and generation based on regenerative energy	MWh	0	3,260	4,836
Own regenerative power generation	MWh	204	145	750

\* Number of buildings used as basis varied slightly over the years.  
2006/07: 278 buildings; 2009/10: 280 buildings; 2010/11: 290 buildings.

### Increased energy consumption due to raised heating demand

The reporting companies' energy demand rose markedly during the reporting period. This was largely due to increased demand for heating at locations and facilities during the harsh winter of 2010/11. However, progress was made in energy and CO<sub>2</sub> efficiency by performance unit, which becomes apparent in the adjusted representation of 'CO<sub>2</sub> emissions at locations and facilities' (see p. 76).

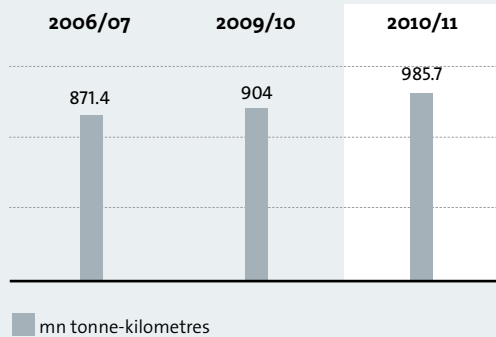
From financial year 2012/13, the Otto Group plans – within the context of long-term supply contracts – to switch part of its electrical power supply to green electricity.



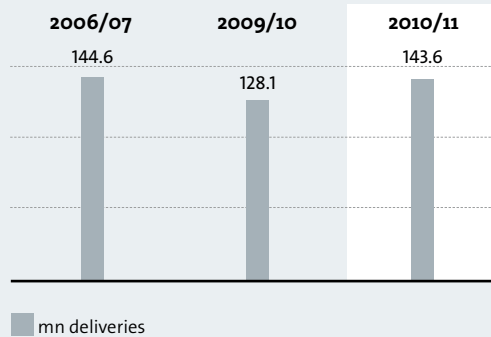
## Transportation performance

### PURCHASING AND DISTRIBUTION LOGISTICS TRANSPORTATION \*

#### PURCHASING LOGISTICS\*\* TRANSPORTATION PERFORMANCE (SHIP, PLANE, HGV, TRAIN)



#### DISTRIBUTION DELIVERY VOLUME (HGV, LIGHT VEHICLE)\*\*\*



\* Excluding UNITO.

\*\* In purchasing logistics, only self-performed or commissioned transportation is considered; freight transportation by importers is not taken into account.

\*\*\* Through Hermes, incl. delivery of large pieces.

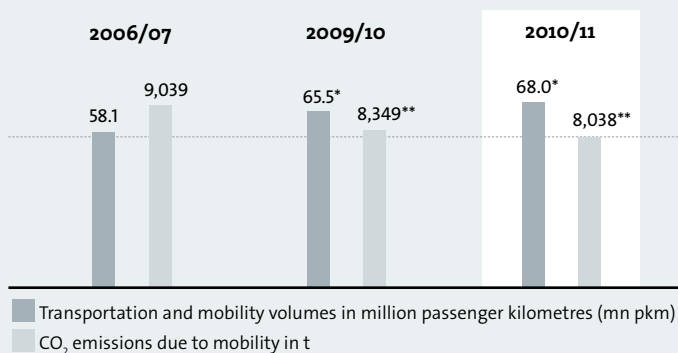
### Increasing freight volume requires adjusted transportation solutions

The reporting companies' transportation performance increased significantly in the reporting period. This development applies to both purchasing and distribution logistics, and as the result of positive business development, is reflected in higher transportation volumes.

Since the importance for the Otto Group of the sourcing markets in the Far East has constantly increased, transportation performance in purchasing logistics has also increased steadily since 2006/07.

## Mobility

### TRANSPORTATION AND MOBILITY VOLUMES, VEHICLE FLEET/ COMPANY CARS/BUSINESS TRIPS AND CO<sub>2</sub> EMISSIONS DUE TO MOBILITY



\* Total mn pkm values for company cars based on projections for 2009/10 and 2010/11.

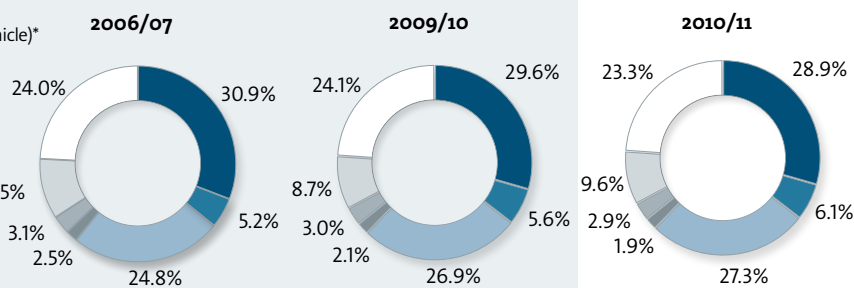
\*\* Adjusted CO<sub>2</sub> emissions.

### Lower CO<sub>2</sub> emissions and increased transportation and mobility volumes

The volume of corporate mobility transportation has increased significantly within the last few years. This reflects the increasingly international orientation within the Otto Group as well as the positive business development, which are leading to increased volumes of travel. At the same time, a decrease in CO<sub>2</sub> emissions from mobility is evident: the cause of this is a reduction in CO<sub>2</sub> per pkm, for example due to more efficient company cars.

**TOTAL CO<sub>2</sub> EMISSIONS**

- Distribution logistics share (Heavy Goods Vehicles 'HGV'/light vehicle)\*
- Purchasing logistics share (ship)\*
- Purchasing logistics share (plane)\*
- Purchasing logistics share (HGV/rail)\*
- Mobility share (company cars, business trips, vehicle fleet)
- Heating share (natural gas, heating oil, district heating) at locations and facilities
- Electrical energy share at locations and facilities



Total CO <sub>2</sub> emissions (adjusted)	in t	291,633	283,268	280,09
Total CO <sub>2</sub> emissions (absolute, not adjusted)	in t	291,633	284,756	294,043

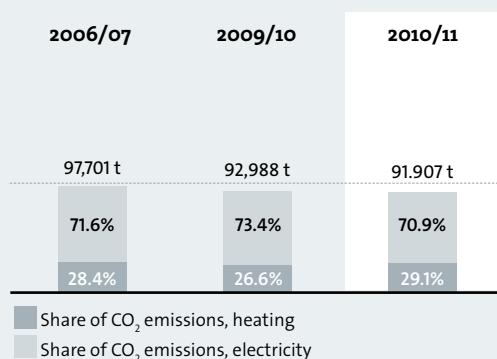
\* excluding UNITO.

**Partial success in reducing CO<sub>2</sub>**

The reporting companies' adjusted CO<sub>2</sub> emissions decreased by approximately 4% in the 2010/11 financial year compared to the 2006/7 benchmark.

CO<sub>2</sub> emissions decreased disproportionally at locations and facilities, in distribution logistics via Hermes and for corporate mobility (business trips, company cars and vehicle fleets). Below average, however, were developments in purchasing logistics, with continued high proportions of air freight.

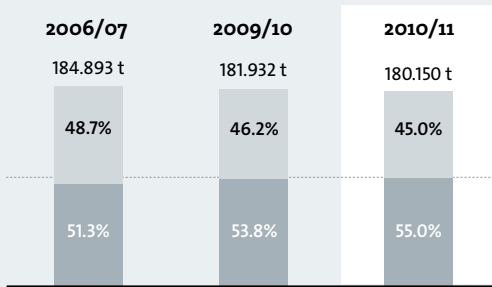
The absolute CO<sub>2</sub> emissions for 2009/10 and 2010/11 given for comparison are strongly influenced by respective business developments; corresponding variations in purchasing and distribution transportation volumes influence these figures. An efficiency analysis as an interannual comparison is not possible here, which is why the Otto Group has been using adjusted figures since the 1990s.

**OVERALL CO<sub>2</sub> EMISSIONS AT LOCATIONS AND FACILITIES (ADJUSTED)****Efficiency increase improves CO<sub>2</sub> balance at locations and facilities**

Measures to improve efficiency and avoid CO<sub>2</sub> emissions in buildings as well as the increased use of alternative heating energy (for example, geothermal heat, wood chips) markedly lowered CO<sub>2</sub> emissions at locations.

**Conversion factors:**

Electricity mix Germany: 520g CO<sub>2</sub>/kWh (2006/07); 508g CO<sub>2</sub>/kWh (2009/10, 2010/11)  
 Austria: 251g CO<sub>2</sub>/kWh (2009/10, 2010/11); natural gas: 201g CO<sub>2</sub>/kWh; heating oil: 266g CO<sub>2</sub>/kWh;  
 district heating: varies, depending on local district-heating utility, between 77g CO<sub>2</sub>/kWh and 250g CO<sub>2</sub>/kWh.

**TOTAL VOLUME OF CO<sub>2</sub> EMISSIONS DUE TO TRANSPORTATION AND MOBILITY (ADJUSTED FOR PARCEL VOLUME)\***


Emissions in t, therefrom.

 purchasing logistics share
 distribution logistics share

\* Excluding UNITO.

**Conversion factors:**

Air freight: 0.537 kg CO<sub>2</sub>/tkm (2006/07), Lufthansa 2007 and 2009  
0.536 kg CO<sub>2</sub>/tkm (2009/10 and 2010/11)  
Sea freight: 0.023 kg CO<sub>2</sub>/tkm (2006/07), TUI/Hapag-Lloyd 2007 and 2009  
(overseas) 0.021 kg CO<sub>2</sub>/tkm (2009/10 and 2010/11)  
Road freight: 0.11 kg CO<sub>2</sub>/tkm, IFEU 2008  
Rail freight: 0.02 kg CO<sub>2</sub>/tkm, DB Schenker 2009

**Stagnation in CO<sub>2</sub> emissions due to transport**

There was clear progress in distribution, in particular in the delivery of shipments to customers via Hermes: CO<sub>2</sub> emissions here fell by approximately 10%. These efficiency improvements, however, are offset to a large extent in the overall balance by increased CO<sub>2</sub> emissions in purchasing logistics, in particular due to the continued high share of air freight.

**VEHICLE FLEET BY EURO EMISSIONS STANDARD\***

	2009/10	2010/11
EEV	0	0
Euro 1	0	0
Euro 2	0	0
Euro 3	180	9
Euro 4	1,727	942
Euro 5	41	334
Euro 6	0	0

\*Hermes' own fleet

**Number of low-emission vehicles increased**

Most deliveries to end customers are carried out at Hermes through contract partners and freight forwarders. Hermes' own fleet of commercial vehicles and transporters, including transfer vehicles, was reduced to 1,285 vehicles in the 2010/11 financial year from 1,948 in the previous year. The reason was a significant limitation in the number of transfer vehicles. 26% of the vehicle fleet already fulfilled the demanding Euro 5 standard in the 2010/11 financial year.

**HERMES CO<sub>2</sub> BALANCE FOR LONG-HAUL**

	2009/10	2010/11
in kg CO <sub>2</sub> /du*	0.219	0.191

\* du = delivery unit (parcel or mailing bag)

**HERMES CO<sub>2</sub> BALANCE FOR 'LAST MILE'**

	2009/10	2010/11
in kg CO <sub>2</sub> /du	0.259	0.246

**Relative CO<sub>2</sub> emissions in distribution lowered**

In its CO<sub>2</sub> balance, Hermes distinguishes on the one hand between long-haul transport, the distances covered by HGVs from central depots via main parcel-turnaround points (hubs) to local Hermes depots, and transports for the 'last mile' from Hermes locations and satellite depots to the end customer on the other. On both types of journey, CO<sub>2</sub> emissions per delivery unit were reduced in the reporting period.

# FACTS AND FIGURES – ENVIRONMENT

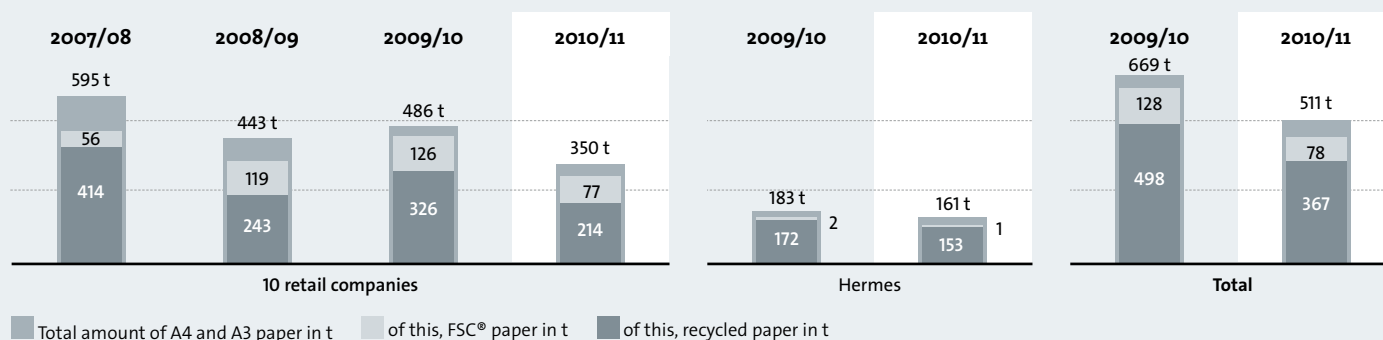
The Otto Group's environmental key figures were collected for the first time with the help of the new Group-wide CR database. This has strongly improved data quality. All locations with a minimum consumption period of six months and a consumption area of more than 5,000 m<sup>2</sup> as well as all main administrative locations of the reporting companies were taken into account. Rented spaces were also included. Overall, there are 35 locations. Not included in

the data are those locations that were relinquished in 2009 and 2010, including Billbrook, Norderstedt, Rheinmünster and Kalsdorf. Likewise, the new location Südhafen in Haldensleben was not included.

The benchmarks were either financial years or calendar years, depending on the key figure. The relevant time period for the data is shown in each table.

## Locations

### OFFICE-PAPER CONSUMPTION

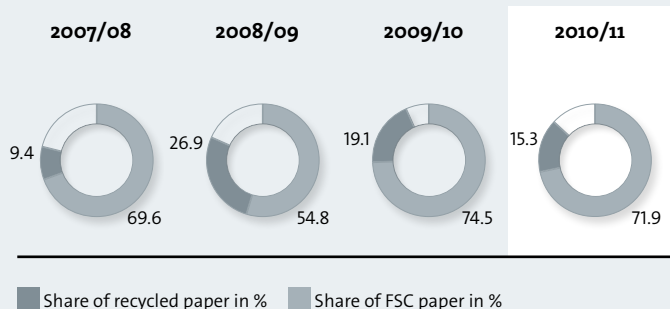


### Constant consumption over the long term despite cyclical fluctuations

The Otto Group determines its use of office paper indirectly through ordered amounts. Since the Group orders large volumes for longer periods, the annual statistics show fluctuations or waves. This can be seen in the order amounts for the single company OTTO, which buys the largest amount of paper within the Group. For example, in

the financial year 2009/10 OTTO ordered 306 t of office paper, but only 134 t in 2010/11. Hermes used almost exclusively environmentally friendly recycled paper and has the largest share of overall paper consumption in the total amount.

### SHARE OF FSC® PAPER AND RECYCLED PAPER IN THE TOTAL AMOUNT OF OFFICE PAPER

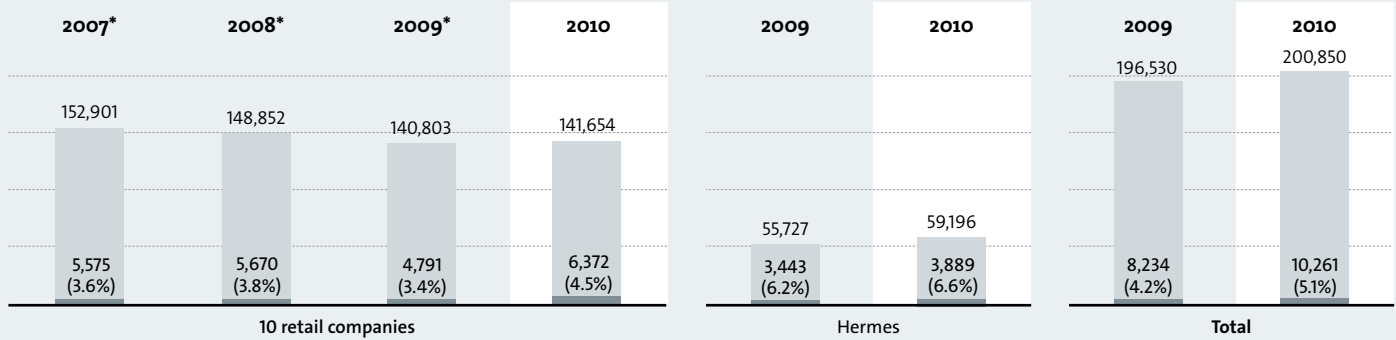


### High share of recycled paper

In the previous two financial years, the reporting companies ordered a large quantity of recycled and FSC paper compared to conventional paper. However, this development should be differentiated: whereas consumption figures for recycled paper stabilised at a high level, the share of FSC paper declined after a peak in the 2008/09 reporting year. The cause of the fluctuation is the development at the single company OTTO: the total amount of office paper ordered by OTTO declined significantly in the 2010/11 reporting year compared to the previous year. Whereas the percentage of FSC paper ordered at OTTO in the overall reporting period fell from 19.8% to a final 3.7%, the share of more environmentally friendly recycled paper increased to 95.2%.



## WATER CONSUMPTION AT LOCATIONS AND FACILITIES



Water consumption per year (drinking and rainwater) in m³ of this, rainwater consumption in m³ (Share of rainwater consumption in %)

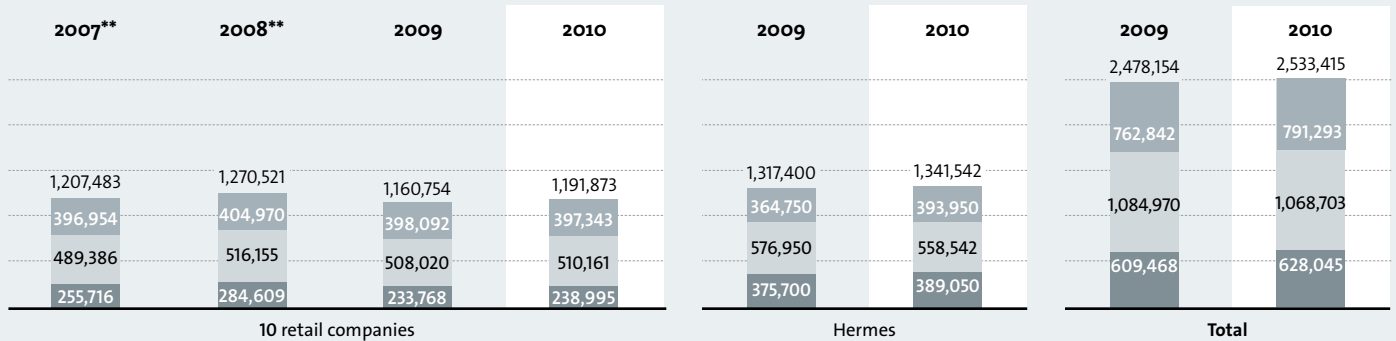
\* The figures for 2007, 2008 and 2009 differ from those given in the previous report. Due to double counting and/or faulty data gathering at two reporting companies, they were corrected downwards.

## No uniform trends in water consumption

At the retail companies, water consumption sank from 2007 to 2009. This was mainly due to the closure of UNITO's Kalsdorf location. In the reporting period, water consumption rose slightly – both at the retail

companies as well as at Hermes, due to the higher volume of business and number of employees.

## LAND USE\*



Total surface area in m² of this, constructed area\*\* of this, sealed area\*\* of this, greened non-sealed/constructed area\*\*

\* The three subfigures do not always add up to the total surface area. The difference corresponds to the rented area, the use of which is not calculated precisely.

\*\* Excluding OTTO Office and UNITO's Salzburg location.

## Land use increased slightly

In 2010, the reporting companies in the Otto Group purchased around 55,000 m² of new real estate. This expanded the Group's total amount of real estate by 2.2% compared to the previous year. The

reduction in total surface area of the ten retail companies from 2008 to 2009 is mainly due to the closure of UNITO's Kalsdorf location.

## WASTE VOLUMES BY CATEGORY

	2007	2008	2009	2010	2009	2010	2009	2010
Total waste in t	20,666	17,505	16,401	17,472	13,846	16,031	30,246	33,503
Volume of dangerous waste in t	162	180	207	70	47	25	254	95
Share of dangerous waste in %	0.8	1.0	1.3	0.4	0.3	0.2	0.8	0.3
Volume of non-dangerous waste in t	20,504	17,325	16,193	17,402	13,799	16,006	29,992	33,408
Share of non-dangerous waste in %	99.2	99.0	98.7	99.6	99.7	99.8	99.2	99.7
Removal amount in t	2,460	2,441	973	787	559	198	1,532	985
Removal share in %	12.0	14.0	5.9	4.5	4.0	1.2	5.1	2.9
Recycling amount in t	18,208	15,066	15,428	16,685	13,287	15,833	28,714	32,518
Recycling share in %	88.0	86.0	94.1	95.5	96.0	98.8	94.9	97.1
	10 retail companies				Hermes		Total	

## High recycling rate increased further

In 2010, the total volume of waste from the ten retail companies fell slightly below the values of 2007 and 2008. In 2010, the volume of generated waste and/or packaging waste increased, due to raised turnover.

The fluctuations in the area of dangerous waste were due to the two-year service intervals for petroleum separators, systems which separate mineral-oil components from waste water. These components must be disposed of as dangerous waste following the ser-

vice. In total, the share of dangerous waste types in 2010 was 0.3% of total waste (95 t). The share of recycled waste increased slightly, to reach over 97%.

With the inclusion of Hermes in the CR reporting, the total amount of waste almost doubled from 17,505 t (2008) to 33,503 t (2010). Hermes reports an extraordinarily high share of recycled waste at 98.8%.

## Contamination

None of the locations reported contamination. There is suspicion of contamination at OTTO at the Hamburg-Bramfeld location, over an area of approximately 50 m<sup>2</sup>. This area includes two cleaned and

backfilled underground tanks. There is a possibility that there is contamination underneath the tanks.

## DISPOSAL OF OLD APPLIANCES

	2007	2008	2009	2010
Number of old appliances returned directly by customers (not via local authority)*	71,445	92,091	97,446	140,987

\* Refrigerators, televisions, washing machines, dishwashers.

## Incentives to return old appliances successful

When customers purchase particular electrical appliances, Otto Group companies support them in returning old appliances by paying the transportation costs. This practice, as well as general turn-

over increases, have almost doubled the number of old appliances returned by customers since 2007. In 2010, at around 141,000 appliances the number was 44.7% higher than in the previous year.

**NUMBER OF INCIDENTS AT LOCATIONS INVOLVING THE RELEASE OF CHEMICALS, FUELS, OILS**

	2009	2010
	6	6

**Very low release of fuels at logistics locations**

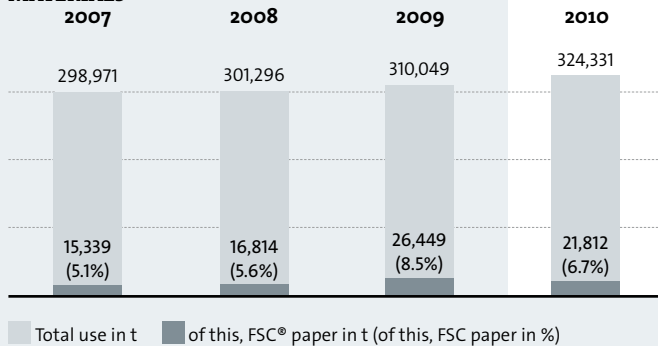
In this reporting period, for the first time the Otto Group discloses the number of incidents during which chemicals, fuels and oils were released at reporting companies' locations. Within the reporting period there were six incidents reported each year; these occurred mainly at logistics locations. In 2009, however, there was an incident at the Baur location in Altenkunstadt: during manoeuvring, the fuel tank of an HGV was damaged. Despite immediate intervention, approx. 200 l of biodiesel entered the sewage system.

**NUMBER OF COMPLAINTS BY EMPLOYEES/ NEIGHBOURS DUE TO NOISE**

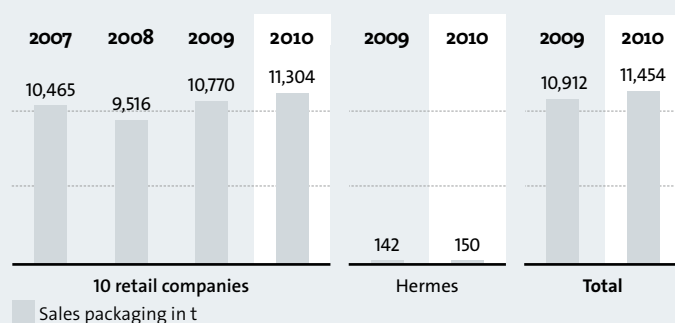
	2009	2010
	6	4

**Complaints due to noise**

In 2009 there were six, and in 2010 four complaints due to noise, which affected OTTO, Baur and Hermes. The cause for complaints was primarily HGV traffic at OTTO and Hermes facilities.

**Catalogues and advertising materials****PAPER CONSUMPTION FOR CATALOGUES AND ADVERTISING MATERIALS****Increasing paper consumption for catalogues and advertising**

Paper consumption due to the production of catalogues and advertising materials in the reporting companies increased steadily in the reporting period, as in previous years. Despite an increasing share of online retail, catalogues still remain essential communication media for Otto Group companies.

**Sales-packaging consumption****SALES-PACKAGING CONSUMPTION****Higher consumption of packaging due to increasing unit sales**

The volume of sales packaging, the recycling of which depends on Otto Group companies, increased in 2010 compared to the previous year by almost 5% to 11,454 t. The main cause of increased consumption was rising turnover in the reporting companies (see p. 44). Additional sales packaging, for which manufacturers of articles are responsible as the originators, are not included in these figures.

70





# HIGH STANDARDS AND STRONG ALLIANCES

The Otto Group's retail companies want to offer their customers goods that have been produced in compliance with specific social and environmental standards. The Group therefore continues to extend the auditing and qualification of its suppliers and takes part in alliances to improve local working conditions.

As an international trading group, the Otto Group is active on the global market, an intensely competitive environment with many players and correspondingly high pressure on costs. Due to strong global demand for raw materials such as cotton and the scarcity of supply due to natural catastrophes and speculation on the com-

modity exchanges, raw material prices rose considerably in this reporting period. At the same time, domestic demand increased in many emerging countries. And because our range includes well over 100,000 articles, the Otto Group orders lower amounts from each supplier than a competitor with a more focused range would. As a result, it has be-

come harder for the Otto Group to purchase at stable prices while at the same time ensuring socially and environmentally sustainable production.

To ensure our suppliers' compliance with specific social and environmental standards in the production of goods despite the above, the Otto Group participates in international coalitions. Together with our competitors, we can insist standards are fulfilled without causing a disadvantage for individual companies. For suppliers from risk countries with limited government supervision such as Bangladesh and India, we created our Social Programme in 1999 which consists of inspections and qualification for suppliers. The Otto Group aims to alleviate social grievances for the long term. Beyond this, we are actively committed to improving socio-political circumstances in our sourcing countries, in dialogue with government representatives and non-governmental organisations (NGOs).

**“The Otto Group buys goods from more than **70** sourcing countries and works with more than 5,000 suppliers. We therefore bear a particular responsibility, both for humane working conditions at our suppliers globally, and the sustainable use of raw materials in production. It is our aim to integrate all suppliers from risk countries in our Social Programme.”**

**Dr Michael Heller, Member of the Executive Board,  
Merchandising & Category Management OTTO**



The Otto Group supports improved working conditions with its Social Programme.

## SOCIAL RESPONSIBILITY IN PURCHASING MARKETS

The Otto Group introduced its Social Programme as early as 1999. It is based on the suppliers' Code of Conduct launched in 1996, and we regularly check compliance with this.

### Otto Group purchasing in risk countries

The Otto Group purchases goods in more than 70 production countries worldwide. In most of these countries, compliance with social and environmental standards is regulated by national law and checked by the state – and this is where we source the majority of our goods. However, in some purchasing markets compliance with these standards is not completely guaranteed, so that the violation of human rights and socially unacceptable working conditions cannot be excluded. Among these countries are China, India, Turkey, Bangladesh, Thailand, Indonesia, Pakistan, Vietnam, the United Arab Emirates and Mauritius. The Business Social Compliance Initiative (BSCI) – a union of more than 650 global trading companies, manufacturers and importers, which in-

cludes the Otto Group (see p. 102) – considers these regions to be countries at risk for trade. The Otto Group therefore integrates its suppliers in these markets into its Social Programme. Since 2010, this has also applied to Egypt, Brazil, Bulgaria, Morocco and Romania – in part, because these countries have gained in importance as buying markets for the Otto Group, and in part because they were first defined as risk countries by the BSCI in 2010.

### Purchasing structures in reporting companies

The reporting companies Baur, bonprix, Frankonia (from summer 2010), Heine, OTTO, OTTO Office, Schwab, Witt and SportScheck are responsible for their own purchasing on the global markets, and some also transfer goods to other Group companies. In most markets these companies are supported by the market organisation Hermes-OTTO International (HOI), a fully owned subsidiary of the Otto Group. In countries such as Pakistan or Morocco where HOI is not represented, the Group relies on external market organisations, which we call agencies, instead. However, UNITO sources the majority of its

goods from Purchasing at OTTO and Baur, drawing only a small percentage of its articles itself from suppliers located in the EU.

### Mandatory guidelines for suppliers

The Otto Group's Social Programme is based on our Code of Conduct, which applies to all employees and suppliers of the Group. All business partners are required to accept it when agreeing contracts. At the same time, they commit to passing on the requirements of the Code of Conduct to their own sub-contractors. Initially only applicable to the suppliers of merchandising goods, in March 2009 we also made our Code of Conduct obligatory for suppliers of non-merchandising goods such as office equipment.

### Requirements aligned with international standards

Maximum working hours of 60 hours per week, paid overtime and minimum remuneration of at least the legal minimum wage are central requirements of the Code of Conduct. It also includes a ban on child and forced labour and upholds freedom of association, workers' right to unionise. In addition, trading partners must specify measures against discrimination, bribery and corruption; they must detail their programmes for occupational health and safety and the environment, and prove these during audits. The required standards are based on the guidelines from the International Labour Organization (ILO) as well as on the UN Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination against Women. BSCI guidelines and the OECD Guidelines for Multinational Enterprises were also included in the formulation of our Code of Conduct.

**bon  
prix**  
*it's me!*



New cuts, seasonal colours, changing fabrics: the textile industry is highly dynamic. Therefore the processes in the period between the initial design for an item of clothing to its serial production need to be as efficient as possible.



To shorten product development cycles substantially and boost employees responsibility in production countries, bonprix re-allocated process responsibilities in 2010: in three Asian pilot regions – Hong Kong, Qingdao and Shanghai – responsibilities were shifted to the local market offices, which are now in charge of quality

control and approval for almost all ranges. They can decide whether to fall back on the expertise of their colleagues in Germany or to grant approval themselves. The new distribution of tasks has several advantages: it avoids duplication of effort, which speeds up the process. It also makes better use of the technical competencies

of employees in the production countries. This in turn leads to improved quality and higher motivation in the local teams, but also to relief for quality development staff at bonprix; these specialists can now concentrate on their core tasks, despite an increasing number of products in the assortment.

### Employee awareness of the Code of Conduct

A four-part series of reports in the Otto Group's internal media starting in October 2009 showed the importance of the Code of Conduct from different perspectives. The practical implementation of the Code was demonstrated through a portrait of the Social Officers (see p. 98) and their responsibilities. Another contribution explained the Code of Conduct in its relationship to the internal Anti-Corruption Guideline. The aim of this series was to raise awareness of the Code in employees who might otherwise not come into contact with it in their daily work.

### Hermes' own Code of Conduct

In addition to the Otto Group's Code of Conduct, in spring 2011 Hermes introduced its own Code of Conduct which takes the specific requirements of a logistics company into account. Hermes' Code defines social standards and working conditions and applies to all Hermes employees as well as its self-employed contract partners working in parcel distribution. The Code of Conduct guarantees payment in line with legal or industry standards. For example, the Code of Conduct excludes all direct or indirect disciplinary measures in form of payment deductions. Furthermore, this Group company supports its contract partners in corrective measures to solve any problems that arise, within the spirit of the Code of Conduct. Serious violations of the Code, for example illegal employment, lead to an immediate end of the contractual relationship. In suspicious cases, employees and contract partners can contact an ombudsman in full confidence.





Before establishing a business relationship, Social Officers inspect working conditions at production sites.

## THE OTTO GROUP'S SOCIAL PROGRAMME

The Social Programme of the Otto Group ensures that suppliers follow the Code of Conduct. It rests on three pillars: supplier audits, supplier qualification, and intensive dialogue with the stakeholders involved locally.

All Otto Group companies in Germany, Austria and the United Kingdom that source centrally through market organisations are required to implement our Social Programme. The Group's Corporate Responsibility area develops, steers and controls the Programme, leads the dialogue and defines responsibilities. Alongside this, it documents and communicates the processes.

### Extending the Social Programme

In recent years, the Otto Group has extended its Social Programme significantly. Since the start of 2009, suppliers of durable goods such as decorative articles and electrical appliances have been inspected as part of the Social Management System – and thus all product groups traded by the Otto Group that it has sourced from risk countries.

In addition, we have inspected at least three production facilities for every supplier

since 2010. If the supplier only manufactures at one or two facilities, these are checked in any case. This extension is in response to several factories increasingly producing for one supplier, and therefore indirectly for the Otto Group.

### Social Officers: key role in implementing the Social Programme

Since 2007, Social Officers have supported the adherence to our Code of Conduct in risk countries. These employees belong to Hermes-OTTO International's market organisations or agencies and function as a link between the Otto Group and its suppliers; they have prior knowledge of quality assurance or have worked as auditors. They carry out pre-scans for the selection of suppliers, during which they inform potential business partners about the social requirements and carry out a pre-inspection of their production facilities. Their goal is to determine whether cooperation is feasible with the new supplier, i.e. whether they already fulfil, or could fulfil, the requirements of the Code of Conduct. Social Officers also take part in training and qualification measures, for example by selecting factories needing

improvements for training programmes and accompanying suppliers during the implementation of these. Furthermore, the Social Officers maintain regular contact with the factories as part of follow-up audits. 23 Social Officers currently work for the Otto Group and are trained annually, most recently in March 2009 in Bangkok and in June 2010 in Hong Kong.

### Audit to BSCI Standard

If the pre-scan does not find any fundamental breaches of the Code of Conduct, the business relationship can commence. By signing the contract, the supplier commits to adhering to the Otto Group's Code of Conduct. From the third season onwards, that is, after twelve months of active cooperation, the supplier is obliged to let their production sites be inspected by an auditor to check adherence to the Code of Conduct. Auditors are selected by the BSCI and must be able to show accreditation by the non-profit organisation Social Accountability Accreditation Services (SAAS). If the supplier passes the audit, the business relationship – conditional on regular follow-up inspections by the Social Officers – is extended for



another three years. Suppliers who make a particularly good impression in the BSCI audit are recommended by the Otto Group to gain certification under the internationally recognised SA8000 standard from SAI (see p. 102), which places high demands on the working conditions in production. This includes the manufacturer's guarantee of liveable wages as well as their responsibility for humane working conditions along their entire production chain.

Where suppliers are assessed with 'improvements needed' or 'non-compliant', they are supported by the Otto Group through an extensive qualification programme. Suppliers are graded as 'non-compliant' if they fail to fulfil more than 50% of the requirements or one of the crucial criteria, such as paying minimum wages and permitting one day off following six working days.

After half a year, there is a re-audit to check progress. By the second re-audit (within twelve months) at the latest there must be a clear improvement in order for the business relationship to continue. All audit results are recorded centrally in the Group's Social Database (see p. 100).

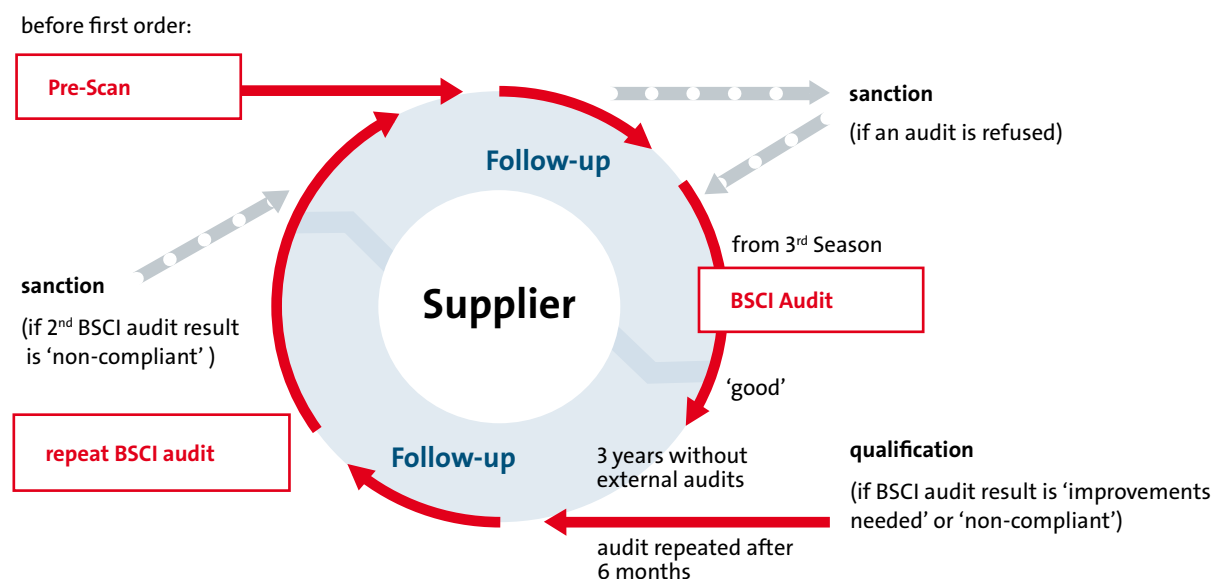
### Focus on qualification and development

In cases where suppliers refuse an audit of their sites, we terminate the business relationship. The same applies if a supplier assessed as 'non-compliant' does not implement measures for improving working conditions, despite being offered help and given a warning. However, since the focus of the Social Programme is on the development and qualification of partners, this is only a last resort. To achieve permanent im-

provements locally, the Otto Group instead prefers stable and long-term relationships with its suppliers.

In total, we worked with 450 audited companies in risk countries during 2010. Of these, 90.4% received an audit result of 'improvement needed' or better. A total of 408 breaches of the requirements in the Otto Group Code of Conduct were recorded in this set of audits (see p. 97). For 125 suppliers, individual training and qualification measures were carried out to ensure adherence to the Otto Group's Code of Conduct.

## CORE PROCESSES IN THE OTTO GROUP SOCIAL PROGRAMME



### Step-by-step inclusion of importers

As of the 2012/13 financial year, further factories and market agents such as importers, which do not belong to the Otto Group and are active in critical sourcing countries, will gradually be included in the Social Programme. Implementation had been planned for the 2011/12 financial year, but the various decentralised purchasing processes in the Group companies required further harmonisation. In March 2011, the Executive Boards of the main German trading companies in the Otto Group were presented with a proposal for integrating the importers. A working group consisting of representatives from OTTO, Heine, Baur and SportScheck as well as Hermes-OTTO International was created to clarify detailed questions about implementation. The goal is to develop a practical proposal for including importers to which all participants can agree by autumn 2011.

### Demanding targets for implementation of the Social Programme

To increase the transparency of social management processes, the Otto Group created an extensive Social Database during the reporting period and set clear targets for the Purchasing areas in their selection of suppliers: Group companies' Purchasing areas and the market organisations have to generate 75% of their turnover with suppliers in new risk countries who have achieved a 'pass'. For the other risk countries, a target turnover ratio of 98% has been established. Since the extension of the Social Programme, a 'pass' is only awarded to suppliers whose main production sites – and where applicable, up to two further factories – are assessed at least as 'good' or 'improvements needed' during auditing.

The Social Database contains data on suppliers, factories and audit results, can be

viewed by all participants in the buying process and hence serves as a Group-wide control and steering instrument. Since its completion, quarterly reports based on key figures from the Social Database have been sent to the Group's Executive Board, in-market organisations and Group companies to inform them of the current progress towards targets as well as areas of improvement potential.

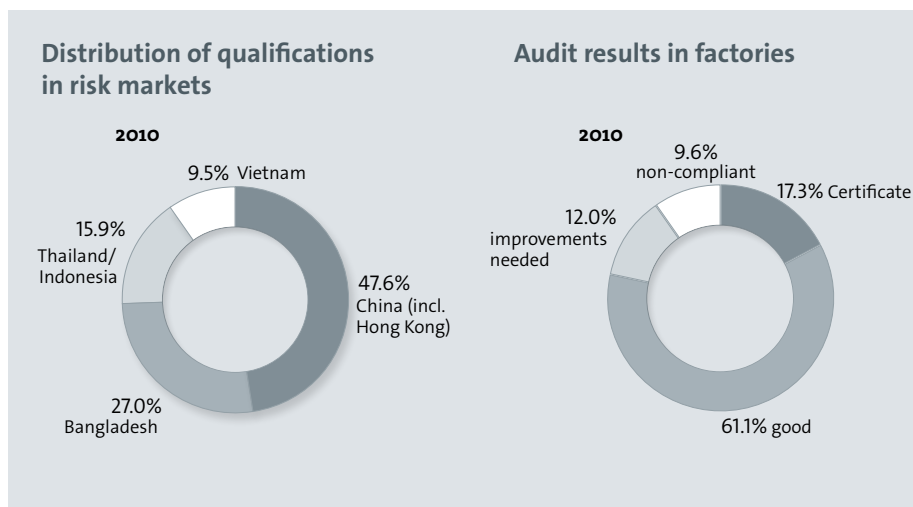
The data recorded in 2011 fall short of the targets the Group set itself. This was due to the extension of the scope of application of the Social Programme to the entire article assortment as well as the increase of the number of production sites to be inspected in 2010, many of which do not fully comply with the requirements of the Code of Conduct or have not yet carried out an audit. The relevant suppliers are being trained by the Otto Group as part of the Social Programme to eliminate any shortcomings.

### Supplier development

We want to improve production conditions through constructive cooperation and stable supplier relationships. As the second pillar of its Social Programme, the Otto Group therefore carries out extensive qualification programmes for its suppliers. The training courses take place within the Group's own Market Development Programme (MDP) and through external BSCI programmes. The latter carries out approximately 100 courses annually for staff in leadership and middle management positions as well as for employees at an operational level.

### Qualifications in supplier countries

The MDP is aimed at suppliers and potential partners in risk countries that were assessed



as 'improvement needed' or 'non-compliant' during pre-scans and BSCI audits. The goal is to advise and direct them in adherence to the Code of Conduct.

The advice is based on a factory inspection by Systain Consulting, a consultancy belonging to the Otto Group, to check the working conditions and management systems in the factories. Significant problems often exist in the systematic documentation of working hours, and in the areas of occupational health and safety and in dealing with overtime. To solve these, the Otto Group carries out intensive training courses, supports the creation of solid management structures and bears the cost of the qualification processes.

In the reporting period, 125 qualifications were carried out for suppliers. Because of the importance of the Chinese market, the focus of qualifications in 2009 and 2010 was on China.

### **Social Programme works for long-term successes**

To achieve permanent changes in our purchasing markets, the Otto Group's Social Programme is set up for the long term and focuses on a process of continuous improvement. The current three-year plan ends during the 2012/13 business year. One year before its end in 2011, the Otto Group will commission Systain to carry out a status report, bearing the requirements of both internal and external stakeholders in mind. We will also consider the possibility of extending the Social Programme in parallel with the CR Strategy to further Group companies and deeper into the supply chain (see p. 42).

## **Systain Consulting supports the Otto Group**



The qualification of suppliers plays a key role in the Otto Group's Social Programme for improving working conditions at production sites in the long term. At production sites where a need for improvements has been identified, Systain Consulting takes on the task of advising and supporting.

With its own local employees, Systain visits the factories and develops the required corrective measures in close coordination with factory management and workers. The task primarily requires good knowledge of local circumstances and tact in discussing sensitive

topics. Systain staff also use their experience in training the local Social Officers. Apart from its active participation in the Social Programme, Systain supports the Otto Group in the development of a sustainability footprint for selected products, as part of

the commitments of the Sustainable Apparel Coalition (see p. 39). In addition, Systain advises the Group on strategic decisions about the development of the Social Programme and the concept development for climate-protection measures in the supply chain.

## ALLIANCES AND COOPERATIONS

To have an impact on complex global markets and apply pressure to political demands, in addition to its own activities the Otto Group forms alliances with other important market players to improve working conditions. The Otto Group's CR Representative for Purchasing Markets also represents the Group's interests in these markets and coordinates the dialogue locally. In addition, the Group lends practical help, for example by supporting a project for the terre des hommes charity working against child poverty (see p. 128).

### BSCI improves social standards in the supply chain

One of these alliances is the Business Social Compliance Initiative (BSCI), founded in 2004 with the Otto Group's participation. Its goal is to improve working conditions in international supply chains. Dr Johannes Merck, Director of the Corporate Responsibility area in the Otto Group, has represented the interests of German member companies on the BSCI's Steering Committee since the start of 2009. All members are committed to generating two-thirds of turnover through audited suppliers after three years. After five years, all suppliers are required to be assessed as 'improvement needed' or 'good'. BSCI has strict criteria for the audits: only auditors accredited by the Social Accountability Accreditation Services (SAAS), a non-profit organisation, and trained by Social Accountability International (SAI) are admitted. The BSCI ensures that members uphold their voluntary commitment and carries out an annual review on this. It also collects the results of all audits, which are available to all members for their respective suppliers. BSCI also organises seminars on specific topics such as occupational

health and safety, which are also open to the suppliers of all members.

### Cross-sector commitment to high social standards

In addition to its commitment to the BSCI, the Otto Group is a sustaining member of Social Accountability International (SAI), one of the world's most influential independent multi-stakeholder initiatives for improving working conditions and workers' rights. SAI assists companies in the systematic development of their procurement management. It also awards the internationally recognised social standard SA8000 certificate for manufacturing sites.

### Alliance for minimum wages in Asia

The Otto Group welcomes and supports the Asia Floor Wage Campaign (AFWC). The organisers' goal is the introduction of a standardised minimum wage for Asia's textile sector, measured against the respective country's specific purchasing power. The campaign has become necessary because in some Asian countries, wages are not sufficient to cover the livelihoods of workers and their families. Previous initiatives by the Otto Group and individual stakeholders have so far not managed to achieve widespread living wages. The solution can therefore only lie in regulating labour costs in Asian buying markets with the inclusion of all market participants, thus making it competitively neutral. The Otto Group has recognised the urgency of the situation and together with other strong partners is using its influence, for example at Round Tables with government representatives, trade unionists and NGO representatives in Bangladesh and China, to influence decision-makers in the Asian textile sector.

## Round Table on Codes of Conduct

Dialogues in the Purchasing markets, but also at Group locations, contribute to the debate on current issues and the development of solution approaches. The Round Table on Codes of Conduct is a multi-stakeholder forum of German companies, trade associations, unions, NGOs and Federal Ministries. All participants agreed in March 2011 on a position paper with which they demand the payment of living wages in developing countries. The participants also developed practical recommendations and action plans for implementing the living wage in the Asia region. As a next step, in autumn 2011 there will be a meeting to discuss companies' experiences in ensuring living wages in risk countries.

### Developing a sustainable product footprint

In March 2011, together with international clothing companies and stakeholders in the shoe and textile sectors as well as with scientific experts, the Otto Group founded the Sustainable Apparel Coalition. The aim of the Coalition is the development of a Product Sustainable Footprint, which will be an international measure for assessing the sustainable quality of products and improving transparency in the value chain. Apart from the Otto Group, Gap, H&M, Levi Strauss, Nike, Timberland, Wal-Mart, Patagonia, Marks & Spencer and Li & Fung are among the more than 30 founding members (see p. 39).

### Limits of transparency in the value chain

In August 2010 consumer protection experts from Stiftung Warentest (a leading independent German product and service





Joint solutions for improved working conditions: the Otto Group participates in international alliances and stakeholder forums.

quality foundation) examined the quality of cotton tops from 20 fashion retailers, including an organic cotton top from OTTO. They also checked the working conditions under which the products had been manufactured. Stiftung Warentest was only able to certify that the Group company demonstrated the rudiments of social and environmental commitment. Criticism was levelled in part at the behaviour of a subsupplier, an Indian spinning and dyeing company which had refused the auditors nominated by the Foundation access to its production sites. Another criticism was that the Otto Group's Social Programme had not integrated this pre-processing stage of production.

As there was no direct contractual relationship between the Otto Group and the relevant spinning works, it was not possible to exert sufficient influence on the company. Neither did Stiftung Warentest recognise internal documents as proof of organic cotton and queried gaps in the external inspection. Whereas in the past certified organic cotton was used and its actual processing in products was ensured through an internal safety system, independent certificates will be used in future (see page 134).

### Cooperation with critical media

Corporate action in finding a balance between attractive purchasing conditions and social as well as environmental demands in developing countries was the topic of a report by the ZDF TV channel entitled 'Sew until you drop'. The report was filmed at Otto Group suppliers' facilities for textiles, furniture and shoes in Bangladesh and South China, and broadcast in December 2010. The film team accompanied the Otto Group's CR Representative Purchasing Markets while inspecting working conditions and safety standards. The pieces on Bangladesh and South China focused on critical points such as overtime in production sites, but also mentioned positive changes in the manufacturing conditions through controls implemented by the trade. The report shows the daily struggle for progress in upholding social standards, and makes clear that only continued cooperation will lead to improvement in local production conditions.

### Otto Grameen Textile Company created as Social Business Type II

Together with the Grameen Trust, a charitable NGO founded in 1989, the Otto Group

plans to operate the Otto Grameen Textile Company in Bangladesh. The aim of the Joint Venture is to produce export goods under competitive conditions. An existing factory will be rebuilt and extended according to environmental and social criteria.

The factory will function as a Social Business Type II: while it repays the loan granted by the Otto Group, part of which is interest-free, 20% of profits and later 80% of profits will be managed by a foundation and used for projects to improve living conditions for the employees, their families and their home communities. 20% of profits will be reinvested into the factory. The development of the organisational structure in Bangladesh was delayed in the reporting period, however.



The cultivation of organic cotton protects the soil and contributes to maintaining biodiversity.

## RESPONSIBLE SELECTION OF RAW MATERIALS

For an assortment policy aligned with high environmental and social standards, the selection of responsibly produced raw materials is fundamental. Although the Otto Group does not produce any goods itself, it is nevertheless responsible as a trading company for the sustainable production of the articles it sells. It has committed itself to strict procurement policies, such as the Timber Sourcing Policy and the Sustainability guideline, which prohibit the use of particular raw materials.

### Strict Directives for the textile trade

From autumn 2011, all of the main Group companies in the Otto Group's trading segment will be subject to their own Sustainability Directive, which brings together previously separately regulated CR requirements for products with working conditions for suppliers (see p. 42). Among others it contains rules on animal protection, bans real fur from the entire assortment and prohibits the use

of live plucking of down and feathers. In November 2010, the 'Report Mainz' programme by the ARD TV channel and the 'Four Paws' animal protection organisation reported on live plucking at suppliers for OTTO, Baur, Witt and Schwab. The Otto Group rapidly removed all products from this supplier from the assortment and terminated the supply relationship (see p. 48).

### Challenges in cotton cultivation and opportunities for organic cotton

The Otto Group not only observes animal protection regulations in the production of textiles; by using organic cotton, it also contributes to promoting biodiversity. The utilisation of non-degradable chemical and synthetic pesticides, insecticides and fertilizers is prohibited in the cultivation of organic cotton. Likewise prohibited is the use of genetically modified organisms. Organic cultivation respects annual crop rotation in the fields, pests may only be removed by natural methods and only organic fertilizer may be

used. These measures avoid monocultures and protect biodiversity in cultivation areas.

OTTO's and Witt's organic cotton ranges are among the pioneers in the textile market. Both offer their organic cotton textiles through the PURE WEAR brand (see p. 113). Textiles bearing this label must contain fibre mixes with a minimum of 50% organic cotton, and while other natural and synthetic fibres are allowed, no conventionally produced cotton may be used. PURE WEAR as a brand will in future only be available at Witt; a new brand will be developed for OTTO and potentially for other companies in the Otto Group. The new safeguard, agreed by the Otto Group Executive Board, prescribes certification of the range through one of the two internationally recognised standards: the Otto Group accepts Organic Exchange as the basic standard, and Global Organic Textile Standard (GOTS) as the premium standard.

Apart from these requirements, suppliers must be able to show a BSCI audit result of at least 'good' or SA8000 certification (see p. 99).

### **Development opportunities for African cotton**

The developmental aid initiative 'Cotton made in Africa' (CmiA) was founded in 2005 by the Aid by Trade Foundation (see p. 133). CmiA is not organic cotton, but it is harvested by hand and in its cultivation great care is taken with the effective and responsible use of pesticides and fertilizers.

The trade partners in this initiative form a Demand Alliance and are thus able to offer the cotton producers reliable sales channels and prices above the market average for their products. In addition, they support the smallholder farmers in the transition of their production to environmentally friendly processes.

### **Transparent value chain in the cultivation of CmiA cotton**

By the end of 2010, 237,000 smallholder farmers were taking part in the project and farming a total of 330,000 ha. CmiA offers its trade partners the benefit of a transparent value chain and with its Global Sourcing Unit has created a unique service for this. Control systems ensure that the initiative's quality and manufacturing standards are adhered to and developmental aid goals are fulfilled. For example, Impact Monitoring observes changes in the farmers' income as well as the social and environmental development of their community. In May 2010, this data was used to complete the first full and independent verification of all CmiA cultivation areas. In addition, the quality of CmiA cotton is inspected every two years (see p. 134).

### **Policy rules out use of Uzbek cotton**

In Uzbekistan, pupils still in childhood and students are forcibly recruited for the cotton

harvest. Therefore the Otto Group adopted a policy in mid-2011 that discourages all its suppliers and their sub-suppliers from processing cotton cultivated in Uzbekistan. In addition, the Group has banned the purchasing of all Uzbek textile products. The Otto Group is aware that a complete enforcement of the ban is a very difficult task, due to the complexity of the supply chain, and has formally required its manufacturers to instruct their sub-suppliers accordingly.

### **Wood products from responsible forestry**

In Otto Group companies' assortments, timber is of great importance. The Otto Group is therefore committed to responsible forestry in order to prevent overexploitation of forests. Since 2007, the Timber Sourcing Policy has regulated the sourcing of furniture and accessories from solid wood. The Otto Group demands that the legally sound origin of timber is proven by providing documentation of the timber's botanical name and its region of origin. Five companies in the Otto Group are pioneering the Timber Sourcing Policy, and have taken on responsibility for the origin of solid wood ranges in the absence of legal regulations. European timber regulators – based on the EU's FLEGT (Forest Law Enforcement, Governance and Trade) action plan – will introduce mandatory laws in this area from 2013. The Otto Group, along with WWF, campaigned for legal regulation. The work completed as part of the Timber Sourcing Policy provides a good basis for fulfilling the requirements of European timber regulation from 2013 onwards. Until these regulations come into force, the Otto Group will continue to critically accompany the FLEGT

process through regular dialogue with politicians and NGOs.

### **Heine achieves FSC® certification of wood products**

Since October 2010, seven new Heine suppliers in Latvia, Romania and Indonesia have been certified to FSC standard for solid wood fibreboard and recycled teak. Latvia, one of the most important timber suppliers to the Otto Group, decided in 2010 to suspend certification for the Spring/Summer season 2011 due to the economic crisis. However, Heine successfully argued for retention of the certification process in Latvian national forests. Thanks to the strong pressure of the market agency in Riga, the decision was reversed for the following season: from Autumn/Winter 2011, certification will once again be verified. During 2011, Heine and the market agency in Riga held several workshops with Latvian suppliers to drive forward the issue of sustainable industrial timber furniture production.



# FACTS AND FIGURES

The Otto Group runs a broad-based Social Programme to consistently monitor and improve production conditions for goods from risk countries and traded by the Otto Group. Apart from textiles, shoes and toys, durable goods such as decorative items and furniture have been included since 2009. In the reporting period, the Social Programme was applied in China, India, Turkey, Bangladesh, Thailand, Indonesia, Pakistan, Vietnam, United Arab Emirates, Mauritius and, as of 2010, in Egypt, Brazil, Bulgaria, Morocco and Romania. The key figures in this chapter relate to calendar years from 2007 to 2010 inclusive. In a consolidated format, they provide information on measures and results in the companies included in the Otto Group Social Programme, which are Alba Moda, Apart\*, Baur, bonprix, Frankonia, OTTO UK, Heine, OTTO, OTTO Office, Schwab, SportScheck, UNITO and Witt (including Sieh an!, see p. 8).

In parallel to the extension of the group of risk countries, supplier evaluations were developed methodically in 2010 to respond to changing conditions. As part of continuing globalisation and order diversity, the number of production sites used by each supplier has increased. This requires an extension of the inspection practice to further production sites.

In summary, the following factors influenced the number of factories to be audited, and therefore the audit status of suppliers:

- extension of the Social Programme to durable goods
- integration of further risk countries
- inclusion of additional Group companies in the Social Programme
- audit of up to three factories per supplier.

\* As of May 2010, Apart no longer belongs to the Otto Group.

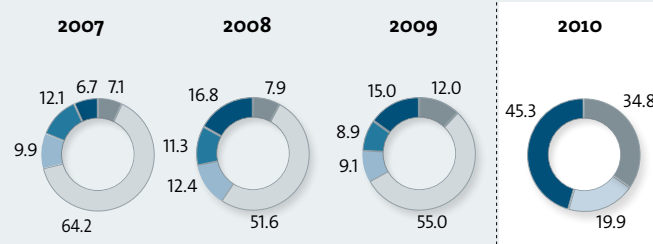
## ORDER VOLUME\* BY RISK COUNTRY

in %

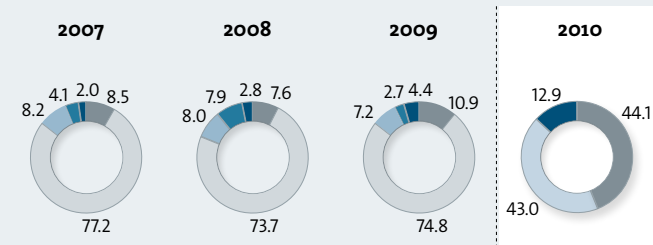
	2007	2008	2009	2010
Egypt	n.d.	n.d.	n.d.	0.8
Bangladesh	3.7	2.9	5.0	4.6
Brazil	n.d.	n.d.	n.d.	0.2
Bulgaria	n.d.	n.d.	n.d.	1.5
China (incl. Hong Kong)	55.8	61.5	56.5	55.5
India	14.5	13.0	15.7	10.5
Indonesia/Thailand	1.9	2.7	2.3	3.8
Morocco	n.d.	n.d.	n.d.	0.8
Mauritius	3.4	2.1	0.8	0.3
Pakistan	1.1	1.8	3.2	2.0
Romania	n.d.	n.d.	n.d.	0.7
Turkey	15.9	11.3	11.8	15.1
United Arab Emirates (UAE)	2.7	3.8	3.9	2.7
Vietnam	1.0	0.9	0.8	1.5

\* Audit-relevant order volumes = from 3rd season

## SUPPLIERS\* BY SUPPLIER PERFORMANCE



## ORDER VOLUME BY SUPPLIER PERFORMANCE \*\*



in %

certificate (SA8000/ICTI)  
 good  
 improvements needed  
 critical  
 not audited

in %

pass  
 incomplete  
 not audited

\* Audit-relevant suppliers = from 3rd season.

\*\* Audit-relevant order volumes = from 3rd season

## Developing supplier evaluations

In 2010, the Otto Group expanded its evaluation method for supplier performance. Whereas until 2009, the audit result from one factory per supplier was sufficient, from 2010 the audit results of up to three factories per supplier are taken into account. The evaluation categories were also adjusted: since 2010 the Otto Group distinguishes between a

‘pass’ (all factories satisfactorily audited), ‘incomplete’ (not all relevant factories audited or not all satisfactory) and ‘not audited’ (the relevant factories have not yet been audited).

The extension of the inspection spectrum up to three factories per supplier has meant that the proportion of order volume from suppliers with

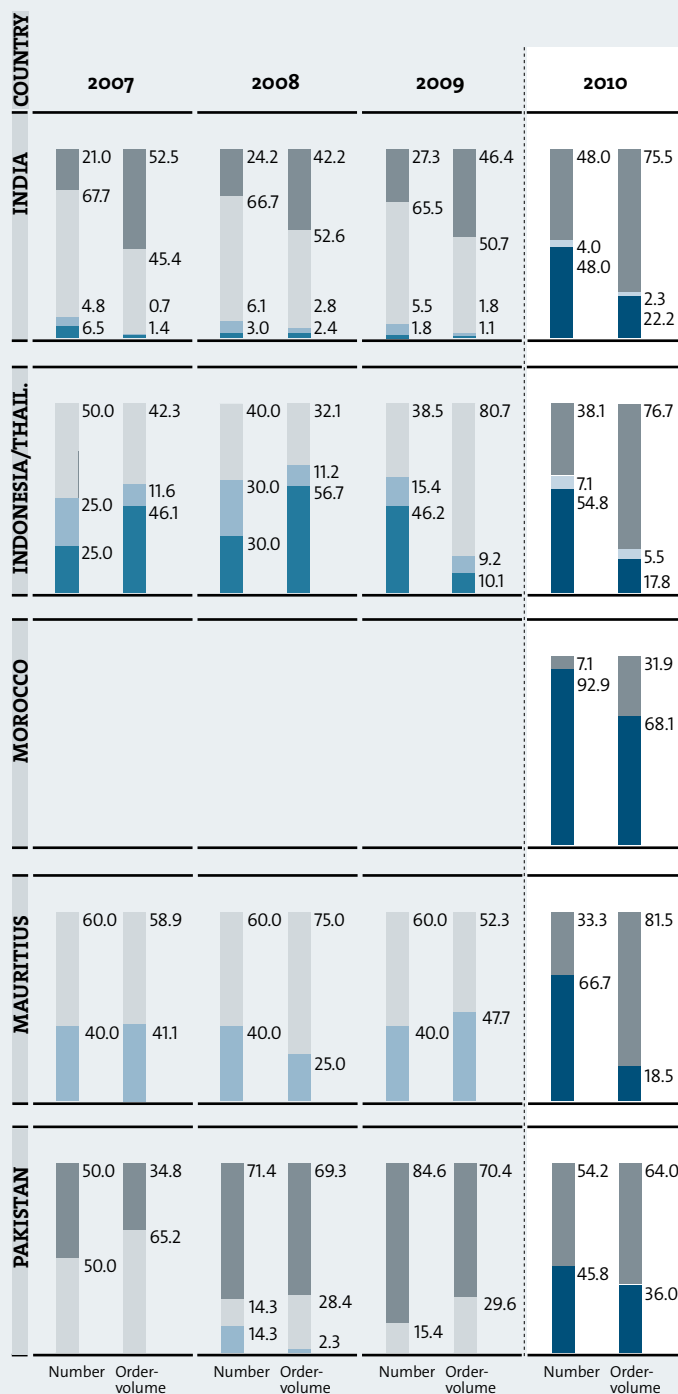
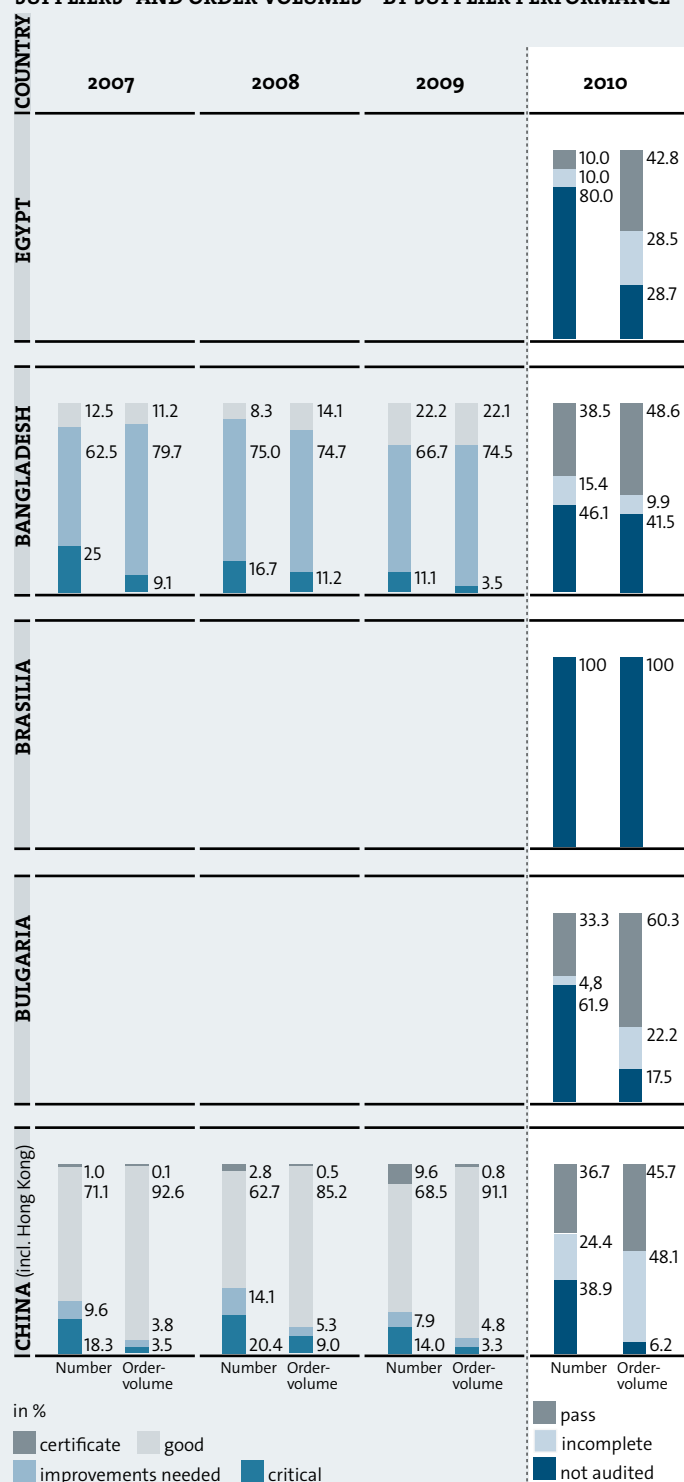


a 'pass' mark was very low during 2010, at 44.1%. There are two material reasons for this: even one 'critical' audit result at one of a supplier's relevant factories leads to an overall supplier evaluation as 'incomplete'. Another cause of this low result is the new risk countries, in which the audits generally still need to be carried out. In total, 45.3% of suppliers

in risk countries were not audited in 2010. Of these, only 12.9% were included in the order volume.

In 2009, before the change in supplier evaluation, the order volume from suppliers with audit results of 'improvement needed', 'good' and/or 'certification' came to a total of 92.9%.

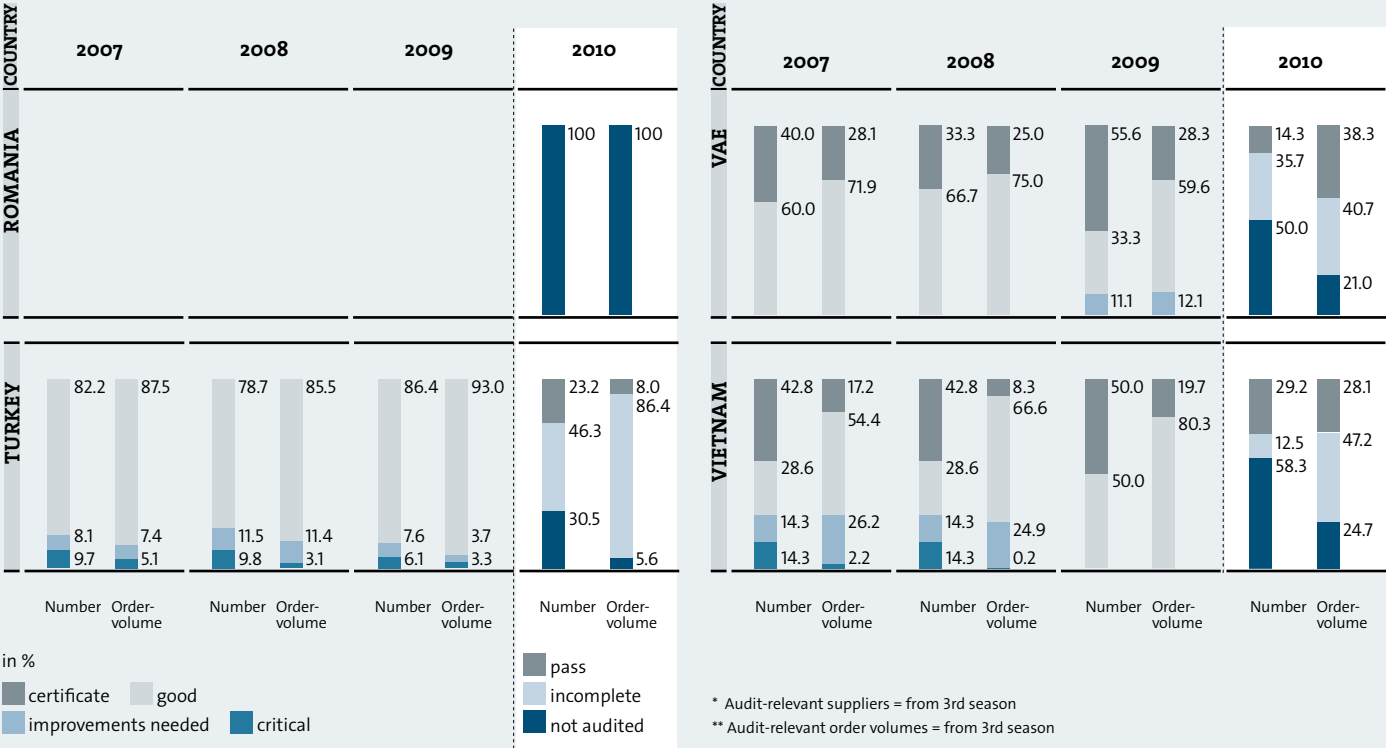
### SUPPLIERS\* AND ORDER VOLUMES\*\* BY SUPPLIER PERFORMANCE



\* Audit-relevant suppliers = from 3rd season

\*\* Audit-relevant order volumes = from 3rd season

SUPPLIERS\* AND ORDER VOLUMES\*\* BY SUPPLIER PERFORMANCE (CONTINUATION)



Suppliers and order volumes by risk countries

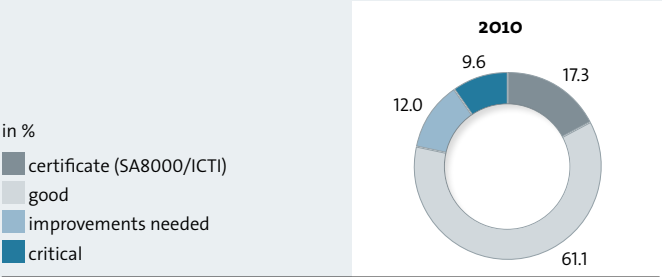
The development of supplier evaluations in 2010 required audit results to be presented in a different way. As of 2010, the new evaluation categories of ‘pass’ and ‘incomplete’ are in use. Also, the unaudited factories and suppliers per country are given for 2010, whereas for the period from 2007 to 2009 only the distribution of audit results is shown.

Due to the inclusion of new risk countries and the increase in the number of suppliers in individual risk countries, the number of audit-relevant suppliers increased significantly from 2009 to 2010. This development can be seen in the example of the figures for Indonesia

and Thailand: whereas in 2009 17 suppliers were audit-relevant, this number increased in 2010 to 42. China, the Otto Group’s largest sourcing market, also saw a clear increase in suppliers from 2009 to 2010. Nevertheless, the proportion of not audited order volumes for China in 2010 was only 6.2%.

The introduction of the Otto Group’s Social Programme to the new risk countries during 2010 achieved differing rates of progress: Brazil and Romania were unable to report audit results in this period, while in Morocco, Bulgaria and Egypt the first audit results were able to be delivered.

DISTRIBUTION OF AUDIT RESULTS BY FACTORY



Audit results along the supply chain

The evaluation of supplier performance with ‘pass’ or ‘incomplete’ (see legend p. 106–108, figures from 2010) is detailed to the factory level in this representation. The factories’ audit results are given in line with the evaluation categories of ‘critical’, ‘improvements needed’, ‘good’ and ‘certificate’. Overall, this evaluation is based on 450 valid BSCI audits and certificates in the risk countries.

## DISTRIBUTION OF VIOLATIONS OF STANDARDS

	2007	2008	2009	2010
Management system	37	44	30	31
Documentation	44	65	44	69
Maximum working hours	37	51	35	62
Wages	41	49	36	49
Child labour/young workers	10	13	10	15
Forced labour	3	2	1	2
Freedom of association and right to collective bargaining	15	20	13	13
Discrimination	1	2	1	2
Working conditions (cleanliness, ventilation, etc.)	10	9	4	18
Health and social arrangements	32	42	19	32
Occupational health and safety	40	57	39	75
Accommodation	10	15	9	10
Environmental requirements	13	14	13	30
<b>Total number of violations</b>	<b>293</b>	<b>383</b>	<b>254</b>	<b>408</b>

## Increased detections of violations of standards by suppliers

From 2009 to 2010, the number of audited factories with which the Otto Group cooperated increased by 24%. Thus, more violations were also identified.

The reported violations relate to factories that received evaluations of 'critical' or 'improvements needed' in BSCI audits. As in previous years, in this reporting period the majority of violations were in the areas of documentation, health and safety regulations (with the majority classified as 'improvements needed') as well as in maximum working hours and wages (with the majority classified as 'critical'). In the area of child labour/young workers, there were no critical violations in the reporting period. In the area of forced labour, there was one critical violation in 2009. The Otto Group no longer works with this supplier. Two critical violations were reported in the area of freedom of association and the right to collective bargaining in 2010: for example, one supplier was unable to guarantee that employees were able to report infringements of their rights anonymously.

## DISTRIBUTION OF QUALIFICATIONS BY RISK COUNTRY

	2007/08*		2008/09*		2009/10*		2010/11*	
	Number	Share in %	Number	Share in %	Number	Share in %	Number	Share in %
Egypt	0	0	9	8.6	0	0	0	0
Bangladesh	48	24.0	8	7.6	10	16.1	17	27.0
China (incl. Hong Kong)	27	13.5	72	68.5	36	58.1	30	47.6
India	86	43.0	0	0	0	0	0	0
Indonesia/Thailand	0	0	7	6.7	11	17.7	10	15.9
Pakistan	3	1.5	0	0	5	8.1	0	0
Turkey	36	18.0	0	0	0	0	0	0
Vietnam	0	0	9	8.6	0	0	6	9.5
<b>Total</b>	<b>200</b>	<b>100%</b>	<b>105</b>	<b>100%</b>	<b>62</b>	<b>100%</b>	<b>63</b>	<b>100%</b>

\* These figures were reported on a financial-year basis.

## Fewer qualifications in the reporting period

As part of its Market Development Programme, the Otto Group carries out factory visits and runs workshops for its suppliers to ensure their qualification and compliance with social-programme standards. In the reporting period, fewer qualifications were carried out compared to both the preceding years, because, contrary to the original plan, larger parts of the budgets were used for stakeholder dialogues locally in the sourcing markets.

The focus of activities was on China, the largest sourcing market. As Bangladesh is a market requiring intensive supervision, a total of 27 qualifications took place here in the 2009/10 and 2010/11 financial years. Due to the increasing importance of the Indonesia/Thailand market, a total of 21 qualification measures were implemented here in the same period.



3,600



# EXPANDING OUR SUSTAINABLE ASSORTMENTS

The Otto Group aims to raise awareness among and inspire as many consumers as possible for sustainable products. To achieve this, the Group produces attractive, easily accessible product offers, communicates the added value of sustainability clearly and expands its relevant assortments continually.

“With an assortment of over **3,600** products in our ECOREPUBLIC online shop, we are enabling our customers to make a conscious decision in favour of sustainable products. We aim to make this assortment attractive and available to as many people as possible – which is why we are continually expanding our sustainable assortments.”

Dr Rainer Hillebrand, Vice Chairman  
of the Executive Board, Brand,  
Service & E-Commerce OTTO

Our central position at the interface between manufacturers and customers allows us to bring our influence to bear on both sides. As part of this, we see an opportunity and duty to promote ethical consumption further.

When shopping, an increasing number of customers now pay attention to where the goods on offer are made and the conditions under which they are produced. Demand for responsibly produced products continued to grow even during the global economic crisis of 2009. Despite this positive market development the Otto Group is faced with a huge challenge, as the majority of its customers still predominantly buy conventional products. This is why we have set ourselves the aim of raising awareness among as many consumers as possible and inspiring them with the advantages of sustainable products. Natural resources

involved in the production of sustainable goods are treated with care – for instance, the land used to cultivate organic cotton is not contaminated with artificial fertilisers and pesticides. However, that brings with it an increase in effort which, in conjunction with rising prices on raw material markets, leads to higher purchasing costs.

For this reason, the Group considers it as one of its main duties to make it easier for our customers to choose a product which may sometimes be slightly more expensive. We display and describe the relevant sustainability aspects directly on or next to the product. In our online shops and catalogues, these Eco Facts bundle together the relevant information and also make products easier to identify. Furthermore, OTTO's entire assortment of sustainable goods is clearly presented in its online shop ECOREPUBLIC.



Top quality with social added value: continual expansion of the Group's textile offering in Cotton made in Africa quality.

## SUSTAINABLE PRODUCT WORLDS

To promote ethical consumption, Group companies are continually expanding their sustainable assortments and raising awareness among their customers about these products.

### Expanding our sustainable assortments

While we produce the majority of our assortments using conventional means, we subject them to rigorous minimum requirements (see p. 105) such as testing textiles for harmful substances. That said, compared to our conventional assortments, the share of certified sustainable products is still mostly relatively small. To increase this share, within the framework of our CR Strategy eight Group companies have set themselves individual aims, tailored to and targeting the relevant assortment spectrum, to further expand their sustainable assortments. We intend to increase the share of sustainable products both in terms of our own brands (such as Hanseatic) where the Otto Group has brand rights and associated responsibilities, as well as third-party brands (including Puma, for example).

### Cotton made in Africa textiles

In the financial year 2010/11 the Otto Group companies covered by this report offered a total of 813 different Cotton Made in Africa

(CmiA) articles. These articles are produced to a social and ecological standard, and we predominantly offer these articles in our own-brand assortments (see p. 104) where they account for a 0.7% share of our overall textile assortment. Based on a new counting procedure, 2010/11 saw an increase from 102 to 260 t over the previous year in the quantity of CmiA cotton processed (see p. 123). In 2009 we set ourselves the aim of achieving 750 t by the end of 2011, although this was based on a data-collection process that has since been revised (see p. 143). CmiA products can be found in the assortments of eight of the reporting companies. As part of our CR Strategy (see p. 39), four of the reporting companies have set themselves individual aims to further expand their share of CmiA assortments by 2012/13: OTTO in-

tends to achieve a target of 10%, Schwab 10% in terms of its own and third-party brands, and bonprix 5%. In contrast, Heine is basing its 10% target in terms of its own and third-party brands on using CmiA and organic cotton (see p. 143).

### Expanding our organic cotton assortment

So far organic cotton still plays a secondary role in global cotton cultivation, accounting for just 1.1% of the total cotton harvest. Some leading textile retail companies are already achieving much higher organic cotton shares in their textile assortments. Concerning the Otto Group companies covered by this report, the share of organic cotton quality is currently just 1.5%, and in terms of their own-brand assortments 2.1%. At the single company OTTO, the share of its own-brand assortment is 4.4%; the share of organic cotton in terms of third-party brands is still very low.

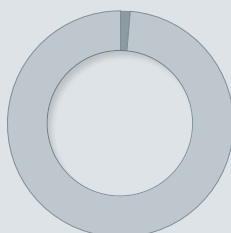
Based on our new counting process, seven Group companies sold a total quantity of 364 t of organic cotton in their assortments in the financial year 2010/11. The Otto Group is aiming to increase the amount of organic cotton processed to 450 t by the end of 2011 (see p. 122, p. 143). OTTO, SportScheck,

#### Share of organic cotton articles offered

in the whole assortment

2010/11

1.5%

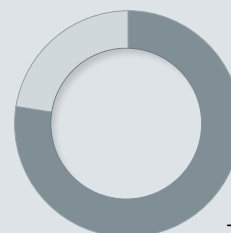


#### Share of energy-efficient large household electrical appliances

in the whole assortment

2010/11

77.5%



## Witt-Gruppe



Every Otto Group reporting company that carries organic cotton displays this range separately in their catalogues and online shops. In relative terms Witt dedicates a lot of advertising space to organic cotton and has been playing a pioneering role within the Otto Group for many years.



The company uses the PURE WEAR brand name to market organic cotton articles. Once again, Witt's Spring/Summer 2011 catalogue features an extensive range of PURE WEAR fashions. In addition the articles are advertised bundled together over six catalogue pages with a new design and with their own logo in the form of a green leaf. The range is highligh-

ted right in the foreword. Since March 2009 Witt has also been regularly providing information on the sustainable quality of its individual article groups – ranging from the skin-friendliness of PURE WEAR articles to supplier audits – on the inside-cover pages of its catalogues. These measures are supplemented by a four-page brochure which is regularly inclu-

ded with the catalogues. Since 2008, Witt has also been advertising PURE WEAR articles on the Internet in a separately themed section of the online shop. Witt carried 1,004 PURE WEAR articles in its range and as a result used around 118 t of organic cotton in 2009, equating to a 4.1% share of its overall textile assortment.

bonprix and Witt have set themselves individual aims within the framework of our CR Strategy: by the end of financial year 2012/13 OTTO is planning to increase the amount to 5% in terms of its own brands; bonprix is aiming for a 2% share in its own and third-party brands, SportScheck for a 3% increase in these brand groups, while Witt intends to increase the share of organic cotton to 6% in relation to the overall textile assortment of its core brand WITT WEIDEN.

### Extensive range of energy-efficient, large household electrical appliances

Otto Group companies already carry a very good range of energy-efficient products in the large electrical household appliances segment. OTTO, Schwab and Baur have now systematically removed fridges, freezers, washing machines and dishwashers from their assortments that do not have an energy-efficiency rating of at least an 'A'. Furthermore, since 2006 many appliances offered by OTTO and UNITO, such as freezers, have borne the EcoTopTen seal awarded by the Öko-Institut Freiburg (Eco Institute). This seal is only awarded to high-quality products that offer a significant environmental benefit and which at the same time represent good value for money.

### Wood from sustainable forestry

After cotton, wood is the Otto Group's second most frequently used raw material. It is used in the production of catalogue and advertising materials as well as products in our furniture assortments. The Group companies are continually increasing the share of certified wood products that meet the internationally recognised criteria of the Forest Stewardship Council (FSC®) (see p. 105).



Eco Facts offer the customer orientation in ethical consumption.

Of the reporting companies, Heine, OTTO, Baur, OTTO Office, bonprix, UNITO and Schwab offered a total of 338 different FSC® articles in their assortments in the financial year 2010/11. In the same financial year, the share of FSC®-certified products increased from just under 4% to 7% compared to the year before – with OTTO achieving a share of almost 13% based on its overall furniture range. The FSC target share for 2012/13 in line with our CR Strategy is 15% of solid wood furniture for OTTO, 20% of the overall wood assortment including wooden components for Heine and 15% for Baur, also based on its entire wood assortment.

### **Sustainability in our footwear assortment**

When it comes to shoes, sustainability still plays a secondary role and the existing sustainably produced footwear segment is thus relatively small. As such, the Otto Group aims to close this gap as part of its CR Strategy. As Baur purchases a significant proportion of the shoe assortments within our Group, the company is focusing on expanding its sustainable shoe range as part of the Group's CR Strategy: by 2012/13 this share is to account for 2% of the overall shoe assortment. Here, key sustainability criteria include using

vegetable-tanned leather as well as certified natural rubber, organic cotton and recycled materials.

### **Close collaboration with brand suppliers at SportScheck**

In spring/summer 2011, SportScheck expanded its assortment of third-party branded outdoor articles by 240 sustainable products – equating to a share of 36% of all newly incorporated products. The purchasing criteria include organic cotton quality and a recycled-materials ratio of at least 50%. This total included 166 bluesign-standard certified products, which SportScheck markets in its online shop and in prominent places within its stores. The requirements of this standard guarantee compliance with strict criteria in terms of resource productivity, labour law as well as emissions, watercourse and consumer protection. To enable SportScheck to further expand its assortment of bluesign-certified outdoor articles it is working closely with manufacturers and suppliers. During the planning phase of a new collection the company focuses on dialogue, bringing together its brand manufacturers and bluesign-standard representatives around the table. The goal of these

discussions is to encourage manufacturers to increase their implementation of this standard. Furthermore, SportScheck holds an advantageous position in the outdoor clothing market thanks to its high order quantities, allowing it to encourage suppliers to align their portfolio more with the bluesign standard.

### **Energy-efficient living**

The Otto Group's sustainable assortments do not consist only of consumer goods; they also include property. Since early 2011 UNITO has offered 50 different passive-house models in its assortment. These houses primarily cover their heating requirements from sunlight as well as from waste heat generated by people and equipment in the home. The houses don't need traditional heating even in the winter, thanks to their excellent insulation, an air/water heat pump which extracts heat from the ambient air and a ventilation system which also recovers heat.

### **Positioning sustainability as a selling point**

The Group companies intend to raise customer awareness about the advantages of sustainable products, as the purchasing



conditions for our Group's companies can only improve if demand increases – which in turn can have a positive impact on end-customer prices.

Only limited space is available to the Group companies to put forward selling points both in the online shops and in their catalogues. Besides including product qualities that are decisive for customers, such as price, size and brand, little space therefore remains next to products for communicating sustainability aspects. Nevertheless, our Group companies are also seeking ways to present sustainable product qualities in a clear way to offer customers easy guidance.

For this purpose, since as far back as 2009 OTTO has been bundling its sustainable product ranges in a dedicated online shop: ECOREPUBLIC. This shop is aimed at a broad base of consumers who are increasingly interested in ethical consumption and sustainable products. To address this target group, OTTO has developed accompanying marketing and communication campaigns in its CR Strategy. Consequently, the homepage of the online shop otto.de has been permanently linked to the ECOREPUBLIC shop since March 2011 and it has been displaying its ranges increasingly on site banners. UNITO also continually places ECOREPUBLIC shop articles on the homepage of its online shop. OTTO also promotes the topic in its catalogues, where it presents sustainable fashion collections – made from organic and CmiA cotton, among other products – on multiple double-page spreads. In addition OTTO has developed the Eco Facts customer-guide system: this is a collection of modern, eye-catching symbols that highlight the sustainability value of products.

# OTTO



In July 2009 OTTO launched the online shop ECOREPUBLIC. This shop bundles together and presents the single company's entire assortment of sustainable products – in February 2011 this totalled more than 3,600 products from the areas of fashion, living and technology. Here, our Eco Facts system provides guidance and information on each item's sustainability-related quality.

OTTO mainly uses social media and blogs to raise awareness of its online shop. On OTTO's 'Two for Fashion' blog, in the ECO Top 5 section ECOREPUBLIC's Purchasing Manager gives monthly updates on the latest trends in sustainable fa-

shion, plus further current news. At utopia.de, the web portal for sustainable consumption, OTTO presents the ECOREPUBLIC shop and other CR activities for discussion to a critical group of consumers. The ECOREPUBLIC range continues to grow, with

the aim of offering OTTO customers sustainable product alternatives covering as many areas of their lives as possible. Its success justifies the concept: in the financial year 2010/11 it had already generated turnover of over 270 mn€.



### Eco Facts state sustainability added value

Eco Facts meet customers' need for guidance when digesting the numerous sustainability labels already on the market. Today, many consumers feel overwhelmed by the flood of eco labels, whereas in other areas they are missing essential information. OTTO, Schwab, UNITO and Baur therefore place Eco Facts directly next to the product in their online shops and catalogues to give customers a quick overview of the particular key sustainability aspects in each case. Eco Facts are divided into five categories:

- Eco Bio denotes the use of natural raw materials with noticeable ecological advantages such as organic cotton or FSC®-certified timber.
- Eco Recycling denotes the use of recycled materials, for instance when textiles are made from recycled materials by the brand PYUA.
- Eco Engagement denotes products which, when purchased, support social or non-profit initiatives; products include textiles from the CmiA initiative.
- Eco Energie is used to denote particularly energy-efficient devices and appliances; the evaluation is based mainly on energy-efficiency ratings of the European Energy Label.
- Eco Vital denotes products that promote or protect health. Among others this includes low-radiation phones, or products specially developed for those suffering from allergies and which have been awarded the Seal of Approval, for instance.

We only assign a product to one of our Eco Fact categories if it has been awarded a trustworthy label attesting to a quality check by the Otto Group, or an external certification. Working with external labels is important to

us, as these build trust among consumers in the quality of the products and their sustainable added value. In turn this has a positive effect on how we are perceived as a responsible Group of companies.

The aim of Eco Facts is not to replace existing labels, but rather to allow consumers to make better use of them. Eco Facts improve guidance when dealing with labels, make it easier to identify sustainable products and, as a result, make it simpler for the consumer to make sustainable purchasing decisions.

### Prominent partners as ambassadors of sustainable fashion

When marketing sustainable products, OTTO also counts on the credibility of recognised partners. In collaboration with the designer Michael Michalsky and the World Wide Fund for Nature (WWF), OTTO has been showcasing its Protect! fashion line since August 2010 in the ECOREPUBLIC shop at otto.de. The collection is devoted to protecting endangered species and these are represented as printed designs on organic cotton t-shirts. For every t-shirt sold, 5 € goes to the WWF. Since October 2010, the collection of musician Thomas D, member of the German band Die Fantastischen Vier (The Fantastic Four), has also been available in the ECOREPUBLIC shop: he has put together a unique, recyclable collection made from organic cotton for the eco label PYUA.



#### Quality seals

[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)



#### Cotton made in Africa

[www.cotton-made-in-africa.com/en](http://www.cotton-made-in-africa.com/en)



#### Ecorepublic

[www.otto.de/Ecorepublic](http://www.otto.de/Ecorepublic)

### PRODUCT QUALITY AND SAFETY

The Otto Group subsidiaries are responsible for the quality of the products they directly import in their function as trading companies. We have high standards when it comes to evaluating product quality: we do not measure this only in terms of qualities such as durability, finish and aesthetics, but also in terms of the production process.

### Systematic spot checks in all textile assortments

By conducting systematic spot checks, we monitor compliance with statutory requirements to certify the safety of our textile clothing assortments. In addition, since 2008 (or as far back as 2004 in the case of Witt) the companies covered by this report have placed specific requirements on the testing of the textile assortments for harmful substances based on the Öko-Tex Standard 100. Several accessories and decorative items which do not directly touch the skin when worn, as well as certain rug products, are among the things excluded from testing. The eco material requirements include testing for formaldehyde, heavy metals as well as carcinogenic and allergenic dyes. The threshold values are determined using the latest scientific knowledge and technology available. Even stricter testing parameters apply to children's clothing. If the textiles are within statutory thresholds – and if our Group subsidiary wishes – the textiles are awarded our own company seal 'hautfreundlich, weil schadstoffgeprüft' (skin-friendly, tested for harmful substances). Almost 100% of the textiles offered in the assortments of OTTO and Schwab bear this seal. Overall, textiles tested for harmful substances accounted for 70% of the textile assortment offered by the reporting companies in the financial year 2010/11.



Quality control by Hansecontrol: textiles are checked against strict criteria for harmful substances and their skin-friendliness.

### Testing for harmful substances by Hansecontrol

The Otto Group implements its product quality and safety requirements using corresponding supplier-requirement profiles (see p. 104). Here, our German companies call on the expertise of the testing institute Hansecontrol, which is also part of our Group. Companies monitor compliance with the Group's requirements by means of internal quality checks. The Hansecontrol testing institutes in Hamburg and Dongguan in Southern China, as well as testing partners nominated by Hansecontrol such as SGS or Texanlab and Ecolab in India, conduct harmful-substance testing for our entire Group.

### Product recalls according to defined guidelines


Despite our high standards and rigorous safety checks, defects in terms of product quality and safety cannot be completely ruled out. For this reason, we have defined a standard procedure for all Group companies when it comes to dealing with product recalls. If production responsibility lies with the Group company itself, such as when clothing is sourced directly from the Far East, the particular company conducts the product recall itself in consultation with the authorities involved. However, if responsibility – as is often the case – lies with the brand supplier, then the supplier is responsible for conducting the recall. We support suppliers in fulfilling this responsibility

by allowing them to access customer information necessary for the recall, after signing a corresponding confidentiality agreement.

In the reporting period, there were four incidents in which Group companies recalled own-brand articles: a soft-shell girls' jacket from OTTO where a cord did not meet the required breaking-point standard; a glass table from bonprix which broke for no obvious reason; Hanseatic-brand bicycles at Baur where there was a potential risk of the frame breaking; and at OTTO, a service provider exchanged a furniture-light LED set which had a poorly isolated power supply unit.

### Test enquiry relating to REACH chemicals poorly answered

A test enquiry by BUND (nature and environmental protection federation Germany) concerning the chemical composition of wellington boots which fall under the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation was incorrectly forwarded by Schwab and as a result was not answered appropriately. Under the REACH regulation, companies are required to respond to customer enquiries concerning the chemical composition of products within 45 days. Following this incident, Schwab reviewed its entire customer service process chain and, in cooperation with Hansecontrol, retrained managers and customer centre employees. Furthermore, a policy was produced on how to deal with the REACH regulation and a procedure was defined. Both entered into force in 2010.

 **Hansecontrol**  
[www.hansecontrol.de](http://www.hansecontrol.de)  
 **REACH**  
[www.reach-info.de](http://www.reach-info.de)



# OTTO OFFICE



OTTO Office specialises in selling office equipment, communications technology and office furniture to small and medium-sized business customers. In this segment, purchases are primarily made under economic considerations, the main purchasing criteria being quality and price. It is a bold move to offer sustainable products here – something which OTTO Office decided to do, based on conviction.

The company has achieved particular success in the price-sensitive product area of toners, where it has successfully launched own-brand articles bearing the 'Blauer Engel' (Blue Angel) environmental seal. The Blue Angel is regarded as the highest and most stringent requirement in this

product segment. As part of our CR Strategy, OTTO Office has also set itself individual aims to expand its sustainable assortment. By the end of financial year 2012, 5% of all wooden articles, including wooden materials, are to be FSC® certified and 10% of its product offer is to be climate-efficient.

Since as far back as 2009, OTTO Office has bundled its range of sustainable goods in a dedicated, themed section on the Internet. Here, simply by clicking on the environmental qualities customers can find out about what makes the particular article especially environmentally friendly or healthy.



## CUSTOMER ORIENTATION

The stated aim of Otto Group companies is to offer customers first-class service. To achieve this, among other things they train those employees who are in direct customer contact. Our objective is to achieve a high level of customer satisfaction and in doing so positively influence the willingness of customers to recommend us, and also to influence their purchasing decisions.

### Customer satisfaction study and training measures

In September 2009 we conducted an internal study of ten of the eleven reporting companies to measure the quality of customer service and support, both in terms of telephone and e-mail contact. As part of our study, customers who contacted the customer centre were asked to assess the discussion they had had. The services offered by our Group across all categories of questions, such as friendliness, contactability and expertise, were assessed as positive by the study participants and we achieved a well above-average score at Group level. Here Witt did extremely well, placing itself above the overall good level of the Group in many categories including friendliness, contactability and overall satisfaction with telephone-based customer contact. Furthermore, OTTO Office and Frankonia regularly review their competitors' telephone-based customer service to compare this against their own quality.

To improve customer satisfaction further still, OTTO focuses on direct contact: every new employee spends the first two weeks in the company's customer centre. There, they conduct one-to-one discussions as well as answer e-mails and enquiries to raise their understanding of what custom-



ers need. Schwab ensures the quality of its customer service by means of a new training concept which includes communicating via social media. Witt, Frankonia and bonprix also continually train their customer service employees.

### Regular customer surveys for quality assurance

Eight of the eleven reporting companies regularly measure their customers' satisfaction and willingness to recommend. In addition to the monthly satisfaction surveys it conducts, in 2010 Baur gathered customer feedback relating to quality and assortment-based topics on two occasions, as part of its Consumer Appraisal event. For this purpose Baur established its Service and Customer Department in March 2010. Schwab also conducts regular customer surveys to measure satisfaction with the company's services and e-mail service via its internal Telephone Marketing Department.

### Answering customer enquiries promptly

Besides the customer approach, other factors including call-waiting times play a key role in terms of customer satisfaction. This is why UNITO and bonprix defined standards in 2010 to keep this waiting time as short as possible. At UNITO, 80% of incoming calls must be answered within 20 seconds; inbound e-mails are responded to within 24 hours at the latest. At bonprix, the average caller-waiting time of 15 seconds must not be exceeded. bonprix, Witt, UNITO and Frankonia also use a database-supported e-mail management system for efficient and prompt processing of e-mail enquiries. Since 2009, Baur has used its Mantis system to forward enquiries and complaints regarding online shop usage



With the customer's needs firmly in focus: Hans-Otto Schrader presents the 'OTTO Home Affairs Catalogue' iPad app.

directly to its E-Commerce Department, thus allowing problems to be solved quickly, as all e-mail enquiries are already answered within twelve hours.

### Improved delivery information and new dispatch services

In the past, imprecise delivery time information frustrated customers. This is an area where our Group companies achieved significant improvements in the reporting period. Since August 2010, the estimated delivery time of articles that are currently unavailable is also displayed in Frankonia's online shop. In the same year, OTTO already increased the reliability of its delivery information by 95%. Since the middle of the year, alternative articles are also proposed to customers if the displayed delivery times are too long. In the large-goods assortment area, which includes items such as fridges and furniture, Hermes has provided OTTO customers with a new delivery service since the start of 2010: on the day of dispatch, customers can view the location of the delivery vehicle as well as the estimated delivery time.

### M-commerce as a new sales channel

Along with Amazon, the Otto Group is one of the world's largest online retailers, already generating some 50% of its overall turnover via the Internet. Even in this rapidly changing sales channel, the individual companies are continually adapting their offerings to match new technological developments. For instance, in June 2010 OTTO upgraded its online shops with a new operating concept, technical improvements and additional service offerings for smartphone users. SportScheck customers have also been able to shop using their smartphones since October 2010 – and UNITO customers too since February 2011. OTTO and SportScheck have also provided assorted apps for mobile shopping on the iPad since 2010. SportScheck offers its customers a special type of mobile shopping in the form of in-store order terminals which offer access to the company's entire online range and allow those articles which are unavailable in-store to be ordered directly in the store.



In the purchasing processes for high-quality furniture assortments, Heine goes far beyond usual industry standards as the company's engagement doesn't end at the stage of raw-material selection. As far back as 2008, after rigorously auditing its suppliers in the key purchasing market of Latvia, Heine launched a cooperative project together with its suppliers aimed at producing environmentally friendly furniture.

Since that time Heine has only been working with those suppliers that accept the company's internal, ecological product-design requirements which stipulate, among other things, that FSC®-certified timber is to be used. As part of the project, further criteria were developed to ensure production is sustainable – includ-

ing the use of environmentally friendly dyes, adhesives and varnishes. Additionally, a documenting and monitoring system was established which is intended to help further improve the use of resources. Currently, several factories are already using it to also log their energy and materials consumption. In the next stage of the

project, Heine plans to launch a special environmental auditing system at the Latvian production sites. During the course of the overall project, Heine has done a lot of work to convince its suppliers and has supported them extensively. If the system proves a success, Heine plans to roll it out in other countries and to cover other suppliers.

## DATA PROTECTION

Otto Group companies manage a host of personal details about their customers, staff and job applicants. Quite rightly, these people expect us to take all the necessary measures to protect their personal information from misuse. We manage data protection through Group-wide policies and monitor compliance with them by conducting external and internal security checks.

### Central coordination of data protection

Our Group IT Security Guideline, most recently updated in 2009, guarantees that data is protected in all eleven of the companies covered by this report. Furthermore, it is supplemented by our Data Protection Guideline which places additional requirements on the Group's eleven reporting companies. Both Guidelines are consistent with the requirements of the German Federal Data Protection Act. In compliance with this Act, in 2009 under an Executive Board resolution data protection and IT security were separated from the operational areas and consolidated in our new organisational unit Data Protection and IT Security, under the responsibility of our Chief Data Protection Advisor.

At Group level, the Chief Data Protection Advisor coordinates the single companies' officers and instructs them on how to deal with specific data-protection issues. Both parties are in regular contact with each other, such as at our annual two-day Data Protection Conference. In addition, in 2009 we set up a central 'data-protection wiki' on our intranet, where data protection and IT security policies, checklists and procedures can be viewed.

### Internal and external data-protection and IT-security controls

The Otto Group's IT Security Guideline sets out how we protect personal information against unauthorised access and theft, as well as the security requirements on our IT systems. Since 2001, our Group Audit area has regularly checked whether the reporting companies are complying with these provisions and whether key data-processing systems are protected against unauthorised access. Furthermore, it checks whether the accountable specialist areas are implementing the measures stipulated by the Chief Data Protection Advisor.


We supplement our Group-internal data-security checks with external checks. For instance, seven of the eleven reporting companies have the security of their online shops certified by external companies: Baur, OTTO and OTTO Office were awarded the TÜV (German Technical Inspection Association) seal, Witt and Schwab received the quality seal

from the Bundesverband des Deutschen Versandhandels (German E-Commerce and Distance Selling Trade Association), UNITO was awarded by the österreichischen Handelsverband (Austrian Trade Association), and at bonprix, the Trusted Shop seal confirms that personal information is protected.

Our IT Core Security Suite is a further tool to ensure IT security. Before IT projects with a value of over 50,000 € can be launched, all questions listed must be answered and IT security requirements met. At the same time, this is used to document the security measures of the individual IT systems. Our IT Core Security Suite currently applies to the majority of reporting companies, but we intend to roll this out Group-wide from 2012. In February 2011 an extended version of our IT Core Security Suite came into force at OTTO. It places greater focus on e-commerce topics, such as additional security requirements for integrating social media into the online shop.

### Answering data-protection enquiries at OTTO

The single company OTTO received some 600 data-protection enquiries from customers in 2009. To enable the company to respond as quickly and definitively as possible to such enquiries, OTTO established a central point of contact together with the Customer Dialogue Department to answer sales-related, data-protection questions.

 **Award for outstanding customer orientation**  
[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)

**338** articles made  
of FSC®-certified  
timber

were offered by the reporting companies in the 2010/11 financial year – more than seven times as much as in the 2006/07 financial year. Apart from furniture, this also included home accessories.

# FACTS AND FIGURES

Unless indicated otherwise, all of the reporting companies' key figures relating to the Assortment and Customers field of action have been collected on a financial-year basis. The data relates to the ten reporting companies from the Multichannel Retail segment.

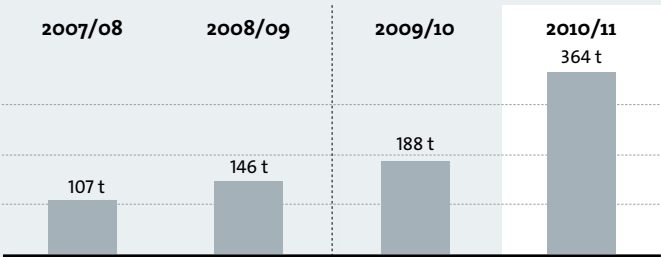
The scope of the key figures changed between financial years 2008/09 and 2009/10 as it took into account the assortments of all sales channels, whereas the focus had previously been on the (main) catalogue offer. Besides all catalogues, since the 2009/10 financial year the current scope of the key figures includes the Internet and over-the-counter retail. Furthermore, cross-selling assortments have also been incorporated: these cover all articles that the companies offer their customers by cross-selling them from other Group companies, instead of sourcing them themselves. For this reason, in the Cotton made in Africa (CmiA) cotton, organic cotton and Forest Stewardship Council (FSC®)-certified timber key-figure explanations a distinction is made between those articles that the company has sourced itself and offers the customer, and the total number of articles offered in each case (including cross-selling assortments). More-

over, besides own-brand products (Otto Group owns brand rights) the new key-figure scope also includes external brands (brand rights owned by third parties).

Products carried over from the previous season's assortments were also included in the data-gathering process. For example, if an article is offered in both the Spring/Summer and Autumn/Winter seasons, it is only counted once. Another new development is the introduction of a minimum sales criterion of 20 pieces in order to forego the need to include articles such as those sold online in smaller quantities. These adjustments have improved the key figures' validity. At the same time, however, in two instances (amount of organic and CmiA cotton processed) the previous years' comparative figures had to be modified to ensure the necessary level of transparency and to allow a comparison to be made.

To improve the transparency and raise the comparability of different sustainable assortment groups, from financial year 2009/10 details are also given on the number of articles for organic cotton and CmiA key figures, besides details on the amount processed.

AMOUNT OF ORGANIC COTTON PROCESSED



### Organic cotton on a growth trend

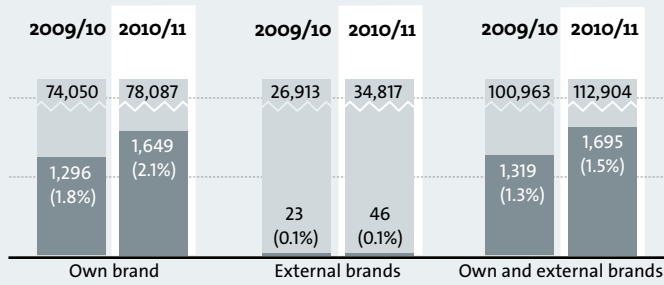
To gather data on the amounts of organic cotton processed, a new, fundamentally modified method was used in the reporting period, whereby only half of the determined weight of the textiles was assessed in each case. This method conservatively assumes that textiles only meet our minimum standards for organic cotton (minimum

share of 50%). This is necessary, as some organic cotton textiles contain additional non-cotton fibres. Even though in practice the organic cotton share is typically well over 50%, the Otto Group cannot assess this for each individual product; we therefore use this conservative method to determine the key figure. To bring transparency to this development over the past four years and allow the values to be compared, the figures from financial years 2007/08 and 2008/09 have been adjusted to follow this method. As such, the figures are not consistent with those stated in the last report.

On the basis of the new method, it is clear that there has been a considerable increase in the amount of organic cotton used, with figures almost doubling in the reporting period. Behind this, OTTO's figures are particularly impressive as, under the new method of data gathering, it almost quadrupled the amount of organic cotton used from 64 t in financial year 2009/10 to 254 t in 2010.



#### AMOUNT OF ORGANIC COTTON ARTICLES\*



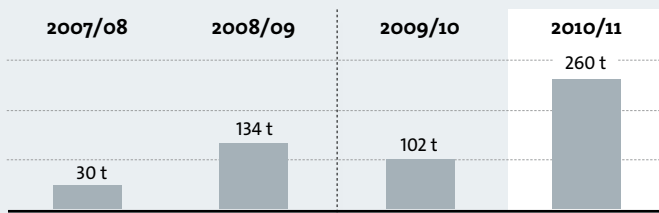
Number of textile articles in the entire assortment  
 Number of organic cotton articles (share of the overall textile assortment)

\* Figures correspond to those articles sourced by the Group companies themselves on the market.

#### Increasing diversity of organic cotton articles

This reporting period was the first time the Otto Group collected data on the number of organic cotton articles. It showed that the range of organic cotton articles offered, particularly in terms of the Group's own brands, has increased considerably. As Group companies responsible for their own purchasing activities, OTTO and Witt had the Group's greatest share of organic cotton articles in financial year 2010/11 at 968 and 536 articles respectively. Besides self-sourced articles, OTTO also cross-sells articles from other reporting Group companies (cross-selling assortments). Of the total number of 1,649 organic cotton articles offered by the reporting companies, OTTO carries the greatest assortment with 1,170 different articles. This is followed by Schwab with 703 articles and Witt with over 543. Overall, in financial years 2009/10 and 2010/11, the number of Group companies offering their customers organic cotton articles rose from six to seven respectively.

#### AMOUNT OF COTTON MADE IN AFRICA FIBRE PROCESSED



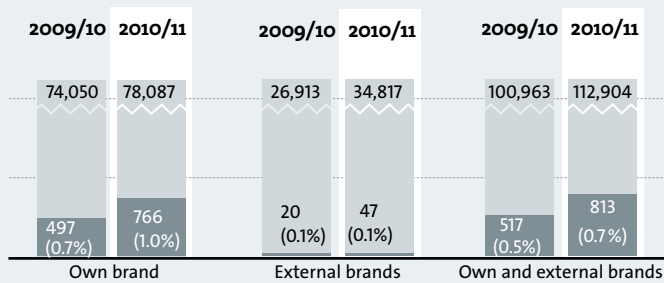
#### Doubling of the amounts of Cotton made in Africa (CmiA)

To gather data on the amounts of CmiA cotton fibre processed, the Otto Group opted for the same conservative calculation method as for organic cotton. This method assumes that all products only meet the Group's minimum standards for CmiA cotton (minimum share of

50% in terms of fibres processed). Accordingly, products are calculated to only be produced half with CmiA cotton and half with non-cotton fibres. In practice the percentage of cotton may, in many cases, also be significantly higher in the case of CmiA products. To bring transparency to this development over the past four years and allow the values to be compared, the figures from financial years 2007/08 and 2008/09 have been correspondingly adjusted. As such, the figures are not consistent with those stated in the last report.

On the basis of the new method, it is clear that there has been a strong increase in the amount of CmiA cotton quantities used, with the tonnage of CmiA cotton more than doubling in the reporting period from 102 t in financial year 2009/10 to 260 t in 2010/11 under the new data-gathering method.

#### NUMBER OF COTTON MADE IN AFRICA ARTICLES\*



Number of textile articles in the entire assortment  
 Number of CmiA articles (share of the overall textile assortment)

\* Figures correspond to those articles sourced by the Group companies themselves on the market.

#### Range of CmiA articles expanded

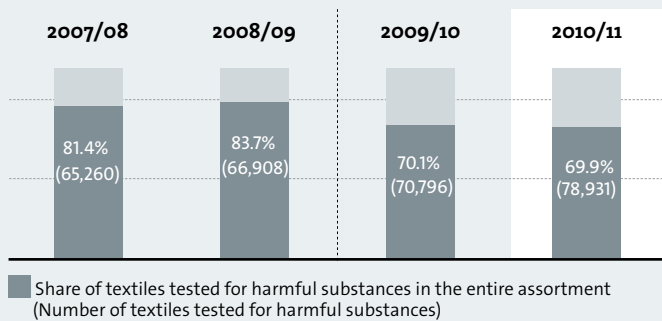
The number of CmiA articles offered by Group companies is a new inclusion in this report. The development of the Group's own-brand

and external-brand offering has been positive, with the number of articles offered increasing by 57% from 517 in financial year 2009/10 to 813 in 2010/11.

Among the Group companies, OTTO offered the widest assortment depth with 428 different, self-sourced CmiA articles. OTTO also had the largest overall offering of CmiA products of all the reporting companies (including cross-selling assortments and external brands) at over 700 articles in financial year 2010/11. Schwab and Baur also carried more than 500 different CmiA articles each in their assortments in 2010/11 (including cross-selling assortments and external brands). Overall, in financial years 2009/10 and 2010/11, the number of Group companies offering their customers CmiA cotton articles rose from seven to eight respectively.

At 0.1%, external brands are still playing a minor role in the area of CmiA cotton among the reporting companies offering these products.

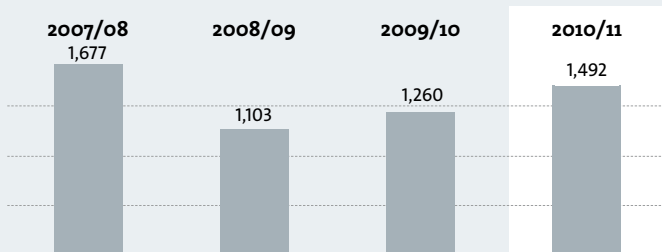
#### TEXTILES TESTED FOR HARMFUL SUBSTANCES



#### Modified data-gathering method

There are principally two reasons for the fall in the share of textiles tested for harmful substances: firstly, there has been a strong increase over the last four financial years in the reference value used to determine the key figure. The reason for this is the broadening of the key figure's scope to include textile projects in all sales channels which, besides catalogues, also includes over-the-counter retail and especially the Internet. Second, a more rigorous data-gathering method was introduced which was applied to the Group companies in the reporting period.

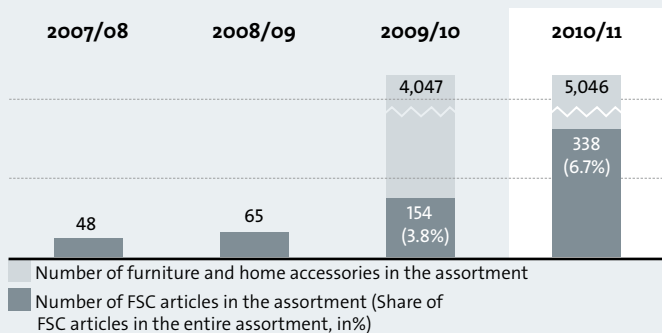
#### NUMBER OF RUGS OFFERED BEARING THE RUGMARK/GOODWEAVE SEAL



#### Further increase in the number of certified rugs in the reporting period

In 2010, RugMark became GoodWeave. It takes up the work of RugMark and in doing so builds on its 15 years of experience in preventing child labour. Since 2010, handmade rugs from Nepal and India have been awarded the GoodWeave label. We have increased the number of certified rugs since financial year 2008/09.

#### FSC®-CERTIFIED ARTICLES\*



\* Furniture and home accessories (solid wood, veneered wood and MDF) articles. Figures correspond to those articles sourced by the Group companies themselves on the market.

#### Continued rise in responsible forestry products

The Group's assortment of articles certified to the Forest Stewardship Council (FSC) standard is continuing to increase, with the number of FSC articles increasing sevenfold over the past four financial years. OTTO, the largest retailer of FSC articles, more than doubled its range from 154 products in financial year 2009/10 to 320 in financial 2010/11. In total, the number of Group companies offering their customers FSC articles increased from five to six from financial years 2009/10 to 2010/11.

#### PRODUCT RECALLS

	2007/08	2008/09	2009/10	2010/11
Product recalls*	n.d.	n.d.	2	2

\* Product recalls, where the Otto Group is obliged to conduct these in its own name.

#### Low number of recalls

In the last two financial years the Otto Group took responsibility for conducting two recalls in each year. These included a soft-shell girls' jacket from OTTO, in which a cord did not meet the required breaking-point standard (see p. 117).

### Assortment adjustment reduces share of energy-efficient electrical appliances

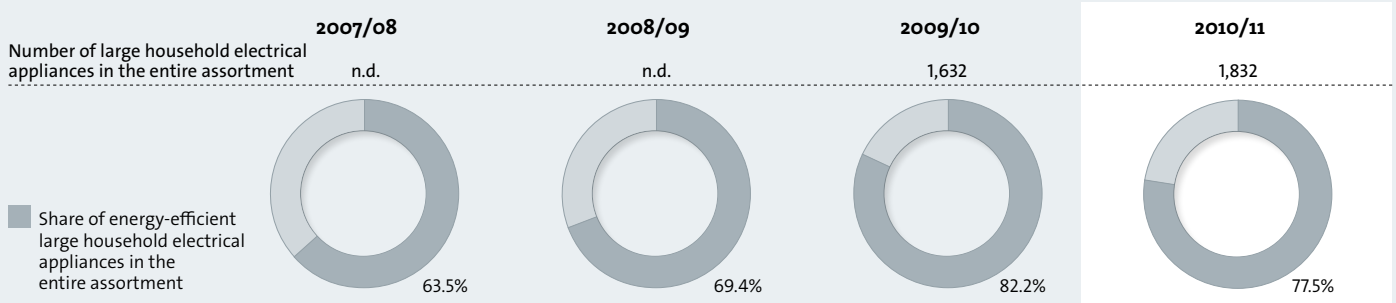
OTTO and UNITO account for almost all purchases of our energy-efficient large household electrical appliances assortment, with Baur, Frankonia and Schwab offering electrical equipment as cross-selling assortments.

A clear reduction in the number of more costly appliances with above-average energy efficiency led to a fall in the share of energy-efficient large household electrical appliances in several sub-assortments in the 2010/11 financial year. The cumulated share across all product groups was 77.5% in financial year 2010/11, compared to 82.2% the year before.

By contrast, UNITO increased its share of energy-efficient refrigerators and dishwashers from financial year 2009/10 to 2010/11, starting from a low level.

Since the reporting period, washer-driers and tumble-driers have been included for the first time in calculating the share of energy-efficient large household electrical appliances. This also led to a fall in the share in 2010/11, as there are still relatively few energy-efficient tumble driers available on the market.

#### ENERGY-EFFICIENT LARGE HOUSEHOLD ELECTRICAL APPLIANCES\*



#### ENERGY-EFFICIENT LARGE HOUSEHOLD ELECTRICAL APPLIANCES\* BY PRODUCT GROUP

	2007/08	2008/09	2009/10	2010/11
Total number of refrigerators/freezers	282	344	422	744
Share of refrigerators/freezers with an energy-efficiency rating of A+ or better, in %	49.6	56.7	84.4	86.0
Total number of washing machines**	268	271	430	403
Share of low-consumption washing machines** (using less than 45 l of water for a 5 kg wash and with an energy-efficiency rating of A or better, in %)	75.7	80.4	84.4	72.7
Total number of electric ovens	103	93	325	312
Share of electric ovens with an energy-efficiency rating of A or better, in %	73.8	89.2	97.2	93.6
Total number of dishwashers **	120	84	307	240
Share of low-consumption dishwashers (using less than 14 l of water, with a standard machine width and with an energy-efficiency rating of A or better, in %)	60.0	64.3	80.8	62.5
Total number of washer-driers **	n.d.	n.d.	30	32
Share of tumble-driers with an energy-efficiency rating of A or better, in %	n.d.	n.d.	83.3	65.6
Total number of tumble-driers**	n.d.	n.d.	118	101
Share of tumble-driers with an energy-efficiency rating of A or better, in %	n.d.	n.d.	28.0	22.8

\* Tumble-driers, washer-driers, electric ovens, washing machines dishwashers, refrigerators and freezers, fridge-freezers.

\*\* Efficiency criteria also include water-consumption figures.

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# TAKING ACTION BEYOND OUR BUSINESS CASE

The Otto Group also assumes its social responsibility beyond its business activities. In particular, the Group places educational opportunities for young people at the focus of various projects and initiatives.

Engagement for the good of society is a longstanding tradition for the Otto Group and its affiliated companies. Its numerous activities are shaped to a major extent by the exemplary commitment of leaders such

as the company's founder, Prof. Werner Otto and the current Chairman of the Otto Group Supervisory Board, Dr Michael Otto. Many of the Group's executives and employees are also personally committed to social causes.

“The Otto Group takes a position on socio-political issues and actively pushes developments. Consequently, we engage with these issues within initiatives and associations, for example with the Goinger Kreis. Together with our partners we want to create and raise awareness of social issues such as young people's right to an education, and create tangible solutions. In the year 2010 alone, **165** youths participated in job training courses at Otto Group companies.”

Dr Winfried Zimmermann, Member of the Executive Board,  
Human Resources & Controlling Otto Group

The Hamburg Secondary School Model ('Hamburger Hauptschulmodell') – is another example of the successful engagement of the Otto Group to improve education opportunities for young people. This transregionally established project supports secondary school graduates with a successful transition from school to professional life.

The Otto Group is involved not only in the local areas of its various locations, but also for young people in critical purchasing markets. For instance, we are working with the child aid organization terre des hommes against child labour in India.

The commitment of the Otto Group is complemented by the activities of the individual Group companies, which are responsible for their own projects, align those projects with local needs and customise them individually.

## SOCIETAL ENGAGEMENT OF THE OTTO GROUP AND ITS REPORTING COMPANIES

Within the activities of the Otto Group and the variety of its individual companies there is a broad spectrum of social, cultural and athletic project sponsorship. A focus is on improving educational opportunities for children and adolescents - both near the companies' own locations in Germany and also in sourcing countries.

### Future opportunities for child workers

In India, a significant sourcing market for our Group's companies, we promote the project 'A Future through Education' in cooperation with the child aid organization terre des hommes. While the financial sponsor is the Otto Group, terre des hommes manages the project. Since March 2008, the project partners have been working against child labour in the northern Indian state of Bihar and in the slums of New Delhi at a structural level: child workers are integrated into the state schools and their families are assisted in setting up their own small businesses.

The children are approached by project staff members and motivated to attend a study centre; here, they are prepared for school attendance through instruction in reading and writing. Connected to the educational programme are also youth clubs and libraries. The project provides adolescents with a course of vocational training as an alternative to unskilled manual labour.

### Success and expansion of the project A Future through Education

Since its launch in 2008, A Future through Education had made considerable progress by 2010: in New Delhi, around 675 children are integrated into the range of educational and

recreational activities on offer, with 76% of them attending educational institutions on a regular basis by 2010. In the province of Bihar in the same period of time, 1,150 children aged five to 14 years were already enrolled. Also, the affiliated vocational training system is well adopted there, with 132 adolescents currently in training. In 2010, 44 adolescents successfully completed training in the tailoring trade, which also conveyed personalized expertise in how to set goals and how to structure their days on their own. Thirteen boys began with studies at a technical school. Likewise, the training centres and youth clubs are very popular in both districts. Additionally, during the period 2008 to 2010 microloans supported 27 women's self-help groups in Bihar that now operate a small business independently and no longer depend on the labour of their children.

In November 2010 representatives of the Otto Group invited journalists to travel with them to New Delhi. They wanted to get an on-site impression of how it is possible to successfully release people from the cycle of poverty and to help them secure an independent life. On this trip the media representatives were able to engage the children and their families in personal discussions.

### Financial assistance for Indian school for the deaf

The individual company bonprix has also been involved in India for years through improving educational opportunities. bonprix employees conduct regular fundraising events on their own initiative for the benefit of a school for deaf children in the southern Indian town of Tirupur and sponsor individual children there. In 2009 and 2010, in addition to material donations, more than 25,000 € were donated for the development and maintenance of this school.

### Student enthusiasm for classical music: The Young ClassX

The Otto Group takes another approach to promoting education in Hamburg with its unique youth music project, The Young ClassX, that intends to inspire children and young people to enjoy classical music. In collaboration with the ensemble Salut Salon, The Young ClassX launched after a successful pilot phase in January 2010 with Dr Michael Otto as its patron. The project encourages children and adolescents to approach classical music in a playful way and aims to motivate them to become musically active. In cooperation with the Salut Salon Ensemble, Group Executive Board Member Alexander Birken has developed this project's ambitious educational approach.

The young participants have the opportunity to participate in a neighbourhood choir, to learn an instrument, to play in an orchestra, or to attend concerts. A specially-provided Music Mobile brings them to these musical learning opportunities and auditions with the numerous cooperation partners. The youngsters' self-confidence, team spirit and perseverance are strengthened through group musical rehearsals. The assistance of prominent musicians adds further value to the project: one of the highlights during the reporting period was a workshop with the internationally renowned percussionist Martin Grubinger from Austria. No less successful was the annual concert in June 2010, in the organization of which 50 Otto Group employees participated voluntarily. Since its inception, The Young ClassX project has developed very well, with 25 Hamburg schools and more than 1,600 students already involved and with the commitment of new project partners such as the Hamburg State Opera and the company

# SportScheck



Lack of physical activity and related motor impairment in children is widespread. With its sports programme SportScheck therefore takes up the challenge to help primary school children rediscover their in-born joy of movement.



The initiative was launched in 2008 in cooperation with the Technical University of Munich; it supports children and youth day-care centres throughout Germany in building a self-developed, age-appropriate exercise programme for one year. This is now already running in 20 facilities.

In April of 2010, the first After-School Club Sports Festival was held in Mu-

nich, in which children were encouraged to exercise alongside students and employees of the Technical University of Munich. In the Festival's second year, the primary goal was to integrate the concept in the state children's education system: physical education students were supported in developing and implementing a repertoire of movement games for children in After-School Club Sports. Since 2009,

SportScheck has also used its well-established city races for the benefit of After-School Club Sports: per kilometre that each participant runs, the company donates five euro-cents to the initiative. In its first year, twelve city races raised donations totalling 31,495 € with 32,864 € donated the following year. Since its inception, SportScheck has invested a total of just under 80,000 € in this project.

Steinway & Sons. The project is to be further developed and a growing number of students to be actively involved. In 2011, The Young ClassX was honoured by the German Federal Ministry of Education and Research in the competition 365 Locations in the Land of Ideas as a 'Selected Location 2011'.

## Facilitating career entry:

### Goinger Kreis

The Goinger Kreis ("Going Group") sees itself as a forum and think-tank for innovative personnel and sociopolitical issues. One of this initiative's functions is to develop and bring into public debate new approaches to personnel management. Dr Winfried Zimmermann, Member of the Executive Board, Human Resources and Controlling Otto Group, is personally and actively involved in driving this initiative. In addition to the 'Environment' working group he directs the project Quo Vadis? which promotes the development of new ideas for the employer-employee partnership.

The Goinger Kreis' 'Fit for Application' campaign helps youths with vocational guidance and is comprehensively supported by Otto Group companies. For example, SportScheck invited around 70 secondary and junior high students to its Munich head office for job-application training during the German nationwide campaign days in 2009 and 2010, where they received targeted advice from company representatives. The young participants had the opportunity to receive a simulated job interview, receive a subsequent evaluation and to create a customized strengths and weaknesses profile. Baur, Witt, Schwab and Heine also participate in these annual Advice Days and in 2010 assisted a combined total of 125 students from the region with job-application training.

# FRANKONIA

As an outfitter for hunters and foresters, Frankonia and its customers are committed to helping protect domestic species.



The company has already resumed and continued its successfully run Nesting Boxes Campaign with numerous local partners in 2011. In this way, Frankonia not only makes a practical contribution to protecting indigenous songbirds, but also contributes to raising awareness of the conser-

vation of species. A variety of local organizations works together preparing the nesting boxes: under the supervision of local hunting associations and forest agencies, workshops for the disabled construct boxes appropriate to the respective species, while schools and kindergartens can assu-

me responsibility for individual nesting boxes. The children care for placing the nesting boxes as well as checking and maintaining them regularly; they also accept responsibility for tracking the nesting and reproduction of the birds. The activities are documented with photos and reports.

## Hamburg Secondary School Model offers career jump-start

One example of a model project is the Hamburg Secondary School Model, introduced by Dr Michael Otto in 2000. This project has succeeded in increasing the number of Hamburg secondary-school leavers who subsequently enter unsubsidized training from 6.7% in 2000 to 20.1% in 2010. Including the students who

received special transitional help, such as preparatory courses at companies, the rate in Hamburg even reached 28% in 2011. One in three of the Hamburg job-starters has an immigrant background, meaning this project is also achieving top results in this regard nationwide in Germany.

The success of the Hamburg Model relies on the close connection between school,

vocational guidance and business, as well as on the fact that a search for an apprenticeship will be conducted on the students' individual strengths and interests. Meanwhile, all 91 schools in Hamburg take part in the Model, from which secondary-school pupils graduate. The Model has already been adopted in 19 cities and communities throughout Germany, and once in Switzerland too. Four additional regions are in the establishment stage. Even in London, there is already interest in the Hamburg Secondary School Model concept.

In 2010 a total of some 1,600 secondary-school leavers in the project were also accepted in unsubsidized training, who would otherwise have ended up in so-called 'on-hold' programmes. The single company OTTO continually develops the Model, ensures its dissemination, assists other regions in its implementation and organizes a nationwide exchange of experience.

## School uniforms with added social value

When it comes to school uniforms, opinions are divided fairly evenly in Germany. Whereas proponents emphasize the positive impact in a sense of community, opponents fear egalitarianism. With its contemporarily designed and sustainably produced concept collection of various school uniform items for the Hamburg School Hegholt in 2009, OTTO succeeded in convincing even sceptics of the advantages of school uniforms.

The new school clothes are based on designs by OTTO designers, made with Cotton made in Africa and sewn by employees of 'Hamburger Arbeit' (Hamburg Labour Union) (see p. 112) – an employment service for long-term unemployed people and people with disabilities. Thanks to this ini-





tative ten seamstresses have already been accepted into employment relationships providing statutory social insurance. At the same time, instruction will highlight sustainable manufacturing processes for clothing and sharpen students' awareness of the importance of ethical consumption at an early stage.

### **Joint sporting events for health and community spirit**

Exercise is healthy, and shared sporting activities strengthen a sense of community – two good reasons for Otto Group companies to also get involved in sports and physical activity. Baur organized the tenth Kaufwelt-Baur Triathlon, with about 250 athletes competing each year. On its anniversary in 2010, people with physical disabilities also participated for the first time, so that the sporting event was co-designated as the official Bavarian Championship of Handicapped Triathletes. In the preliminary programme the company also organised children's 400 and 800 metre races to benefit a needy family in the district of Lichtenfels.

### **Societal engagement: Children's Hospice and Children's Safe Haven**

In the years 2009 and 2010, bonprix introduced numerous charity events for its long-standing commitment to the Stern-enbrücke Children's Hospice in Hamburg. In both years the staff collected nearly 18,000 € for terminally ill children and adolescents, above all through proceeds from flea markets and sales promotions. Thanks to this support, in 2010 this care facility was expanded and is now open to young adults as well. In Hanau, Schwab engages in a prevention project, run by the city and the local police, for children who require

assistance in their daily lives. As a result, Schwab has designated its corporate building as a Safe Haven for children. Youngsters who feel uncomfortable, are at risk or are injured can take refuge there.

### **Transport and logistics for social projects**

Hermes provides logistics services for social projects: for example, for the association Schüler Helfen Leben e. V. ('Schoolchildren for Social Solidarity'), the company supplies free information and registration materials for a nationwide campaign day at schools – some 4,000 letters and packages every year. Students can work on that day instead of going to school and can donate their wages to charity projects in south-eastern Europe. Since March 2010, Hermes has also been involved in a project to re-use bicycles in South African SOS Children's Villages. For this project, the company transports donated bicycles from throughout Germany to the project partner's logistics centre (fahrrad.de).



### **Rapid assistance for victims of natural disasters**

Otto Group companies and their employees respond quickly and with minimal red tape in providing assistance to victims of natural disasters such as the earthquake in Haiti and the floods in Pakistan, both in 2010. For example, following an intranet call for donations, employees gave about 27,000 € for the earthquake victims in Haiti, an amount the company doubled to 54,000 €. Heine presented the European Well Company with employee contributions of 2,000 € towards the construction of a water-supply system in Haiti. The Otto Group maintains close ties with Pakistan as a key sourcing market for raw materials; when that country was affected

by disastrous flooding in August 2010, employees donated 10,000 € for the victims to the Malteser Hilfsdienst aid organisation, for which the company also doubled the sum. The money will be used to give the population access to clean water.

### **Aid for earthquake victims in Japan**

After the massive earthquake in Japan and the tsunami it triggered in March 2011, the Otto Group asked all employees to donate to the children's rights organization Save the Children, which cares for children in disaster areas. The Group has pledged to subsequently double the total sum donated. In addition, the individual company OTTO launched a t-shirt sales promotion at its online shop in late March 2011 that was adopted by other Group subsidiaries: 50% of the sale price of each t-shirt bearing the 'Help for Japan' logo also went to the children's rights organisation.

 **terre des hommes**  
[www.terredeshommes.org](http://www.terredeshommes.org)  
 **The Young ClassX**  
[www.theyoungclassx.de](http://www.theyoungclassx.de)

## FOUNDATIONS AND ENTREPRENEURIAL ENGAGEMENT

The two major Otto Group-related foundations – the Michael Otto Foundation for Environmental Protection and the Aid by Trade Foundation – are pathfinders for social change. Both foundations were established by Dr Michael Otto, but their functions and actions far exceed the interests and needs of the corporate Group.

### Award for long-term engagement

In 2010 UNESCO awarded Dr Michael Otto a prize for his many years of exceptional involvement in climate protection: the sculpture 'Support' by the artist Lorenzo Quinn. The same year, Dr Otto received the Theodor-Heuss Award for exemplary achievements in economic and social activities.

## Leading the field in environmental protection: the Michael Otto Foundation

Established in 1993, the Michael Otto Foundation for Environmental Protection advocates pioneering projects and perspectives in nature conservation and with its involvement aims to lead the field and motivate further exemplary initiatives. With this objective it supports major nature conservation projects, promotes innovative education measures and initiates various dialogue events. Its support focuses on effective long-term projects for the protection and preservation of rivers and wetlands in Germany, Eastern Europe and in Northern and Central Asia. It is supported both organisationally as well as financially by the single company OTTO.

## Primary-school children for the responsible use of water

In spring of 2010, the Foundation launched its educational programme AQUA AGENTS in Hamburg, which playfully trains primary-school children to become water experts and which has received an award from the UN. This programme, developed with partners in the educational, economic and nature conservation fields, aims to motivate children to question their use of water resources and to advocate their protection and responsible coexistence. The most important medium is the AQUA AGENTS briefcase, containing projects on topics such as water supply and sanitation, water as a habitat, Harbour City Hamburg, or even hidden water consumption in the production of goods. Field trips to select water sites in Hamburg complement the programme. Students can subsequently apply for funding from the Foundation for their own projects, such as adopting a stream. In 2010, teachers at more than 80 Hamburg schools were trained in this educational concept and 250 schoolchildren were able to deepen their knowledge over 40 field-trip days.

## Interdisciplinary dialogue on conservation policy issues

Once a year, the Michael Otto Foundation invites influential representatives from government, industry, conservation organisations and science for an interdisciplinary dialogue on the latest conservation policy issues. The 'Hamburg Forum on Nature Conservation' series of discussions aims to develop results-orientated approaches to solutions.

In 2009, the participants debated the risky handling of natural resources under the title 'Nature – a free-for-all?'. The speakers, who included the Czech Environment

# 100 primary schools

in Hamburg have trained around 2,000 students to be AQUA AGENTS since 2010.



Dr Michael Otto supports school children in their educational training to become AQUA AGENTS.

Minister Dr Ladislav Miko and the recipient of the Alternative Nobel Prize, Prof. Michael Succow, presented ways to make the supposedly free resources of nature calculable. In the following year, experts debated the opportunities and risks for ecosystems associated with increased urbanization; the approaches developed can be viewed on the Michael Otto Foundation's website.

### Initiative 2° – German CEOs for Climate Protection

The majority of international climate scientists agree that climate change with unforeseeable consequences is unavoidable if man-made greenhouse gas emissions are not drastically reduced within the next few decades. In the initiative 2° – German CEOs for Climate Protection, launched by Dr Michael Otto in 2007, leading business executives have joined forces in order to decisively address climate change. This initiative actively supports the German Federal Government in implementing a globally orientated and market-based climate policy. It also promotes the development of technologies, processes and services that can

be employed globally for the effective reduction of greenhouse-gas emissions. This initiative works with scientists, politicians and civil societies on long-term solutions to climate protection.

### The Aid by Trade Foundation

The Otto Group partners the Aid by Trade Foundation, which initiates pioneering projects in developing countries to improve local people's living conditions as well as to protect the environment. This Foundation was founded by Dr Michael Otto.

According to the developmental approach of 'helping people help themselves', the Foundation promotes regional sustainable cultivation of agricultural and forestry products, so as to enable small farmers to improve their living conditions through their own efforts. These principles were implemented in an exemplary way in its first initiative Cotton made in Africa (CmiA) (see p. 112), which is now also supported by several Group subsidiaries as well as by numerous other trading and manufacturing companies.

### Demand Alliance guarantees the success of Cotton made in Africa

The key to this initiative's success lies in building an extensive Demand Alliance. This consists of more than 20 international trading and manufacturing companies, including major brand retailers such as Tchibo, REWE Group and Puma, which buy textiles made specifically from CmiA cotton and market them to their customers. In 2010, the partners jointly sold more than 10 mn items of clothing of CmiA quality. Through licensing fees, the companies taking up CmiA cotton also make a contribution to improving living conditions in the CmiA-producing regions. Thus training courses are financed locally, for example, in which smallholder farmers in the five project regions Benin, Burkina Faso, Ivory Coast, Malawi and Zambia learn efficient and environmentally friendly farming methods for growing cotton that will help them to boost quality and bottom-line earnings. These training courses in conjunction with higher incomes allow the farmers to develop independent new perspectives. The initiative's efforts to improve the educational situation of local people as a whole also play an important role.





Promoting education in India: the Otto Group supports school projects run by terres des hommes.

### Social projects within the Cotton made in Africa initiative

The CmiA initiative is also intended as facilitator for social public-private partnership (PPP) projects to strengthen the social infrastructure. With this in mind, in the autumn of 2009 jointly with partners from industry and public agencies the initiative launched a literacy project for adults in the project region of Burkina Faso. An evening school co-financed by the Otto Group provides 5,000 adults with the opportunity to learn to read and write. During a trip to the project region of Benin in December 2010, Dr Michael Otto laid the foundation stone for a new school building. He travelled with representatives of the Foundation and partner companies in order to gain first-hand knowledge of progress made by the CmiA initiative.

### Close cooperation with smallholder farmers in the verification process

The CmiA label guarantees that the cotton-production process respects social, environmental and economic aspects in equal measure. In order to manage this process efficiently and cheaply with more than 200,000 smallholder farmers in five different countries, the Aid by Trade Foundation – in cooperation with the Dutch University of Wageningen, the auditing and consulting firm PwC, various developmental and environmental policy actors as well as African cotton companies included in the initiative – developed a verification system and presented it to the public in May 2010. Its effectiveness depends on close cooperation between smallholder farmers and the cotton companies: as superordinated units the

latter collect comprehensive data, such as payment to the smallholder farmers, and forward this to the auditors; this simplifies verification and lowers costs. The first complete and independent verification of all CmiA regions was concluded in May 2010.

#### Dialogue processes

[www.ottogroup.com/cr-report](http://www.ottogroup.com/cr-report)

#### Michael Otto Foundation

[www.michaelottostiftung.de](http://www.michaelottostiftung.de)

#### Aid by Trade Foundation

[www.cotton-made-in-africa.com/en](http://www.cotton-made-in-africa.com/en)

#### Initiative 2° – German CEOs for Climate Protection

[www.initiative2grad.de/index.php?lang=en](http://www.initiative2grad.de/index.php?lang=en)



# THOUGHT-LEADER IN SUSTAINABLE DEVELOPMENT

## Interview with Dr Michael Otto

**The Otto Group has promoted environmental protection for 25 years. Do you see today's globally networked economy as an opportunity, or as more of an obstacle in this effort?**

**Dr Michael Otto:** As both. Global trade implies an enormous burden on the global climate and environment, of course, merely due to the long freight routes and the associated CO<sub>2</sub> emissions. On the other hand I am convinced that the business community has many opportunities in this area to improve the situation – through the intensified global transfer of know-how, for example. Companies can and must make a major contribution here. For instance, with its Climate Strategy the Otto Group set itself the objective in 2007 to halve its Group-wide CO<sub>2</sub> emissions by 2020. And in recent years many companies have set out to combine ambitious ecological and societal goals with their business requirements. I sincerely hope that many more will do the same.

the one hand, companies have to ensure they provide suitable offers and convince consumers of the added value of ecologically and socially sustainable products. And on the other hand it is important that as many consumers as possible develop a clear awareness of the



Dr Michael Otto, Chairman of the Otto Group Supervisory Board

**The media have highlighted a new conscious-consumer movement over**

**the last couple of years, with the so-called LOHAS – followers of a Lifestyle of Health and Sustainability – at the forefront. How do you see this trend developing?**

**Dr Michael Otto:** We see this trend spreading further through society and establishing itself. Many customers are changing their buying behaviour and critically questioning product quality and production conditions. What is key here is that this change in attitude is taking place on both sides: on

effect of their own buying decisions, and purchase sustainable products – even if these are sometimes a little more expensive.

**With your climate protection initiatives and most recently also with Sustaineo, the Founders' Alliance for Developmental Cooperation, you are working specifically to bring politics and business together around the table. What is the thinking behind this?**

**Dr Michael Otto:** I am in no doubt whatsoever that the public and private sectors need to network far more closely to make change happen. Our initiative 2° – German CEOs for Climate Protection illustrates one approach to this issue. As entrepreneurs in

this initiative we work to support political decision-makers, on both a national and an international level, in their efforts to protect the climate. With Sustaineo we have transferred this principle to the field of developmental cooperation and are working to form close national and international cooperations here too.

**Your strong personal engagement is well known, and you have received many awards for this. What drives you – and how do you find the time for all your initiatives?**

**Dr Michael Otto:** Reading the Club of Rome's report 'The Limits of Growth' at the beginning of the 70s was a powerful inspiration. This was the trigger for me to commit to environmental and climate protection. Naturally this implies dedicating a significant amount of time, but given my

personal convictions I am more than happy to do this! Today I have a little more time available for my foundations' engagement than I had in my time as Chairman of the Otto Group Executive Board. For instance, I was recently able to travel to the Aid by Trade Foundation's project regions in Zambia and Benin, and to talk to the cotton farmers there in person. I was deeply impressed by their progress and to see how the Foundation's work is making a secure existence possible for them.



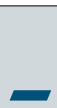













# GRI-G3 CONTENT INDEX

The Corporate Responsibility Report 2011 of the Otto Group and its eleven reporting companies is based on the requirements of the Global Reporting Initiative (GRI) and completely fulfils the requirements of the G3 Guidelines. The GRI has examined this Corporate Responsibility Report and has confirmed its compliance with the Guidelines by awarding it the highest Application Level, 'A+'. The following GRI-G3 Content Index details where in this report the individual indicators are











fulfilled. At the same time it shows to what extent the Group companies provide information on the respective GRI indicators for the reporting period. In addition, the Otto Group explains why no further details are provided in this Corporate Responsibility Report on certain indicators. Additional indicators whose fulfilment is not obligatory as core indicators for Application Level 'A+' are marked in blue type. To comment on the required information, the Otto Group refers both to the informa-

tion given in this Corporate Responsibility Report and to the Group's Annual Report 2010/11. The GRI Index is intended to serve simultaneously as the Otto Group's Communication on Progress regarding its adherence to the United Nations Global Compact: the Group gives an account here of its commitment to fulfilling the Global Compact's Ten Principles. References to the corresponding Principles are integrated in the left-hand column of the GRI-G3 Content Index.












Global Compact	GRI Indicator	Reported	Reference / Direct Answer
STRATEGY AND ANALYSIS			
	1.1 Statement from the most senior decision-maker of the organisation		p. 3
	1.2 Key impacts, risks, and opportunities		p. 29, p. 30-34, p. 36-39, p. 140; Otto Group Annual Report 2010/11, p. 6 et seq., p. 35 et seq., p. 45 et seq., p. 48 et seq.
ORGANISATIONAL PROFILE			
	2.1 Name of the organisation		Foldout 3-4, p. 4-8
	2.2 Core brands, products, and/or services		p. 4-8
	2.3 Organisational structure		p. 4-8, Otto Group Annual Report 2010/11, p. 12 et seq.
	2.4 Headquarter location		p. 4-8
	2.5 Countries in operation		p. 4-8, Otto Group Annual Report 2010/11, p. 12 et seq.
	2.6 Nature of ownership and legal form		p. 4-8
	2.7 Markets served		p. 4-8, Otto Group Annual Report 2010/11, p. 12 et seq. Reporting companies of the Otto Group are characterised by various customer profiles that in total, both in B2C and in B2B, cover a broad-ranging customer base (see Otto Group Annual Report 2010/11, p. 28-30, p. 32-33)
	2.8 Scale of the organisation		p. 4-8, p. 43-45
	2.9 Significant changes regarding size, structure, or ownership		p. 4-8, p. 30, p. 31-32, p. 67, Otto Group Annual Report 2010/11, p. 12 et seq.
	2.0 Awards received		p. 132-134, p. 53, www.ottogroup.com/cr-report > Assortment and Customers, www.ottogroup.com/cr-report > Employees, Otto Group Annual Report 2010/11, p. 27 et seq.
REPORT PARAMETERS			
	3.1 Reporting period		Foldout 3-4
	3.2 Date of most recent previous report		Foldout 3-4
	3.3 Reporting cycle		Foldout 3-4, p. 51-52
	3.4 Contact point for questions		Foldout 7
	3.5 Process for defining report content		Foldout 3-4, p. 47-51
	3.6 Boundary of the report		Foldout 3-4
	3.7 Limitations on the scope or boundary of the report		Foldout 3-4
	3.8 Joint ventures, subsidiaries, and outsourced operations		Foldout 3-4, p. 4-8, Otto Group Annual Report 2010/11, p. 12 et seq.
	3.9 Data measurement techniques		Foldout 3-4, p. 67, p. 86, p. 106, p. 122
	3.10 Effects of re-statement of information provided in earlier reports		Foldout 3-4, p. 67, p. 86, p. 106, p. 122
	3.11 Significant changes in the scope, boundary, or measurement methods		Foldout 3-4
	3.12 GRI Content Index		p. 136-140
	3.13 External assurance		Foldout 3-6
GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
	4.1 Governance structure		p. 34-35, p. 39-42
	4.2 Indicate whether the chairperson is also managing director		German company law stipulates that the tasks of the Chairman of the Otto Group Executive Board and the Chairman of the Supervisory Board be strictly separated from one another.
	4.3 Independent members on the board		This indicator only refers to organisations that do not have a Supervisory Board; it is therefore not relevant to the Otto Group.

Global Compact	GRI Indicator	Reported	Reference / Direct Answer
	4.4		p. 57 As the legal and liable entity for the Otto Group, Otto (GmbH & Co KG) is 100% owned by the Otto family, the point 'Shareholders'/Minority Shareholders' recommendations' does not apply. Employees' representatives for making recommendations to the Executive Board are the Group Works Council and the individual Group companies' Works Councils. Employees may also make recommendations to the Executive Board via the Supervisory Board of the Otto Group, half of which is composed of Works Council and trade-union representatives. Moreover, at the Annual Works Meeting and also at the invitation of the Executive Board to an annual information event, all employees have the opportunity to direct questions and make recommendations personally to the Executive Board.
	4.5		p. 58, Otto Group Annual Report 2010/11
	4.6		This indicator is not relevant to the Otto Group, as the company group is owned by the Otto family and Dr Michael Otto is Chairman of the Group's most senior decision-making body.
	4.7		p. 40-42
	4.8		p. 31 (graphic), p. 34, p. 39-40, p. 76, p. 83, p. 96-101, p. 104, p. 112
	4.9		p. 35, p. 40-42, p. 82, p. 98
	4.10		The performance of Executive Board members is assessed by the Supervisory Board, which also takes into account the environmental, occupational safety and socially related aspects embedded in the company's objectives.
7	4.11		p. 35-38, p. 116-117, p. 120-121, Otto Group Annual Report 2010/11, p. 35 et seq.
	4.12		Foldout 3-4, p. 53, p. 81, p. 84, p. 96-97, p. 102-103, p. 112, p. 136
	4.13		p. 39, p. 52, p. 96-97, p. 102, p. 132-133
	4.14		Foldout 3-4, p. 47, p. 53
	4.15		p. 48 The Otto Group chooses relevant stakeholders in close accordance with the Group's CR areas of corporate action. Further professionalisation will occur with the introduction of procedural instructions in autumn 2011.
	4.16		p. 49-52, p. 57-61, p. 119
	4.17		Foldout 3-4, p. 49

## ECONOMIC PERFORMANCE INDICATORS

1, 4, 6, 7			p. 4-8, p. 30-34, p. 36-38, Otto Group Annual Report 2010/11, p. 10 et seq.
	EC1		p. 128-131, Otto Group Annual Report 2010/11, p. 92
7	EC2		The costs of possible climate change effects cannot currently be forecast. However, the Otto Group sees direct as well as indirect financial risks that may result from climate change. p. 36-37, p. 133
	EC3		p. 58, p. 73; Otto Group Annual Report 2010/11, p. 84, p. 208
	EC4		In this reporting period, the eleven companies covered by this report received no significant public financial subsidies.
1	EC5		Otto Group Annual Report 2010/11, p. 92 Otto Group salaries are generally bound to a collective wage agreement. Even for non-salary scale employees, salaries are above average.
	EC6		p. 96-99, p. 106-108; Otto Group Annual Report 2010/11, p. 12 et seq. The Otto Group is a globally active group of companies that also procures its goods internationally. With its extensive social programmes, the Group contributes to social development in countries where legal regulations do not guarantee sufficient protection for workers.
6	EC7		p. 62-64, p. 69
	EC8		p. 128-134
	EC9		Against the backdrop of its comprehensive sustainability approach, this single indicator is not a priority for the Otto Group.

## ENVIRONMENTAL PERFORMANCE INDICATORS

7, 8, 9			p. 3, p. 34-35, p. 39-40, p. 76-85, p. 104-105, p. 116-117, p. 132-134, Otto Group Annual Report 2010/11, p. 46
8	EN1		p. 79-80, p. 82-85, p. 90-92, p. 105, p. 122-124
8, 9	EN2		p. 82-83, p. 84-85, p. 90, p. 92, p. 114
8	EN3		p. 86 To ensure comparability within the organisation and in relation to other companies, energy consumption is collected and reported in MWh.
8	EN4		p. 86 To ensure comparability within the organisation and in relation to other companies, energy consumption is collected and reported in MWh. The proportion of renewable and non-renewable energy sources reflects the particular energy mix of the country.
8, 9	EN5		p. 76-81, p. 86-89, p. 125
8, 9	EN6		p. 3, p. 29, p. 39-41, p. 76-81, p. 112-116
8, 9	EN7		p. 3, p. 29, p. 39-41, p. 74-80, p. 84-85, p. 112-116
8	EN8		p. 84-85, p. 91 The main source of water consumption is the public drinking water supply as well as collected rain water.
8	EN9		Within its water management, the Otto Group takes no water from sensitive ecosystems.
8, 9	EN10		This indicator is not relevant to the Otto Group, as the Otto Group is not a production company. As a rule, the only waste water generated is comparable to domestic waste water. There is no waste water recovery or reuse.

## Status



 completely covered
 partially covered
 not material

Global Compact	GRI Indicator	Reported	Reference / Direct Answer
8	EN11	Land assets in or adjacent to protected areas	This indicator is not relevant to the Otto Group, as the plots of land it uses are not – nor are they immediately adjacent to – protected areas.
8	EN12	Impacts on biodiversity	p. 81, <a href="http://www.ottogroup.com/cr-report">www.ottogroup.com/cr-report</a> > Society
8	EN13	Habitats protected or restored	p. 81
8	EN14	Strategies for biodiversity	p. 50, p. 81, p. 84-85, p. 104, p. 116, p. 132
8	EN15	Endangered species affected by the organisation's business activities	The new sustainability directive ensures that materials from animals or types of wood that are classified according to the IUCN as endangered are not used. A quantitative listing of the number of species is therefore not carried out by the Otto Group.
8	EN16	Greenhouse gas emissions	p. 76-78, p. 87-88, p. 89
8	EN17	Other greenhouse gas emissions	It is not possible for the Otto Group to provide information extending beyond the reporting of CO <sub>2</sub> emissions (e.g., NO <sub>x</sub> , SO <sub>x</sub> and other emissions), as the Group reporting companies' locations are administrative and logistics facilities where, aside from noise, no additional emissions are generated.
7, 8, 9	EN18	Initiatives to reduce greenhouse gas emissions	p. 102-103, p. 133, p. 141-143
8	EN19	Emissions of ozone-depleting substances	Because the Otto Group is not a production company, this key figure is not material.
8	EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other air emissions	Because the Otto Group is not a production company, this key figure is not material.
8	EN21	Water discharge	There is no direct routing to surface water. As there are no production plants within the Otto Group, its take-up of water almost corresponds to the volume of waste water it generates (minus the volume of water that is used for air humidification in air-conditioning systems).
8	EN22	Waste by type and disposal method	p. 82-83, p. 92
8	EN23	Significant spills	p. 82-83, p. 87, p. 89
8	EN24	Waste deemed hazardous under the terms of the Basel Convention	p. 92
8	EN25	Impacts of discharges and runoff on biodiversity	Waste water is not generated by the production process; it corresponds to normal domestic waste water. Waste water is channelled into the local waste water (sewage) system. In this reporting period there were neither any significant emissions of water-polluting substances nor any stress placed on water reserves by waste water emissions and/or emissions to surface water.
7, 8, 9	EN26	Initiatives to mitigate environmental impacts	p. 3, p. 75-77, p. 83-85, p. 86-93, p. 102-103, p. 116-117
8, 9	EN27	Packaging materials	p. 85, p. 92-93, p. 141-143
8	EN28	Sanctions for non-compliance with environmental regulations	Otto Group Annual Report 2010/11, p. 41
8	EN29	Environmental impacts of transport	p. 76-80
7, 8, 9	EN30	Environmental protection expenditures and investments	As the Otto Group carries out integrated environmental and climate protection measures, the costs of the environmental protection activities of the eleven Group companies in this report cannot be isolated.











## SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICES AND HUMANE WORK

1, 3, 6	LA1	Disclosure on management approach	p. 29, p. 34-35, p. 39-40, p. 55-65, Otto Group Annual Report 2010/11, p. 42
	LA1	Entire workforce by employment type, contract and region	p. 67-70  Financial year 2009/10: part-time contracts: 12,257 employees, full-time contracts: 11,940; fixed-term contracts: 3,696, permanent contracts: 20,165, temporary contracts: 1,074 Financial year 2010/11: part-time contracts: 13,659, full-time contracts: 13,013; fixed-term contracts: 5,242, permanent contracts: 20,272; temporary contracts: 1,792
6	LA2	Employee turnover	p. 67, p. 69 A breakdown by gender is expected to be reported in the next Corporate Responsibility Report.
	LA3	Benefits to full-time employees	p. 57-61, p. 67-68, p. 72-73
1, 3	LA4	Employees with collective bargaining agreements	p. 70
3	LA5	Minimum notice period(s) regarding operational changes	p. 57-58 The stated goal of the Group's human resources policy is to inform both employees and their representatives as early as possible about planned changes in the company. The other eleven companies in this report also adhere to this principle, depending on the nature of the change.
1	LA6	Workforce represented in joint health and safety committees	The reporting Otto Group companies have different occupational committees in which employees and employers are all included.
1	LA7	Occupational diseases, lost days and number of fatalities	p. 64-66, p. 70, p. 72
1	LA8	Training on serious diseases	p. 64-66, p. 72
1	LA9	Trade union agreements on health and safety	p. 64-65 Health protection and occupational safety at the eleven Group companies in this report are in line with applicable EU regulations as well as with respective national stipulations. Humane working conditions as well as social aspects are defined in works agreements established in cooperation with the Works Councils and their Working Committees. At the Group's head office, an occupational Health Management System has been introduced, which is considered to be a management instrument.
	LA10	Training per employee	p. 55, p. 59-61, p. 71 The Otto Group collects continuing education data in days. The conversion factor amounts to 7.5 hours for one day.
	LA11	Knowledge management and programmes for lifelong learning	p. 55, p. 57-63, p. 71, p. 141-143
	LA12	Regular performance and career development review	p. 59 Performance assessment is a core human resources instrument of the Otto Group. Assessment frequency is governed by the different human resources systems in place at each company, however. As a rule, junior staff are assessed every six months, executives and employees with managerial responsibility are assessed annually, and salary-scale employees every three years. An annual or date-specific rate of assessment is therefore not a meaningful indicator.












Global Compact	GRI Indicator	Reported	Reference / Direct Answer
1, 6	LA13		p. 63-64, p. 67-70 In the Otto Group's governing bodies (Executive Board and Supervisory Board), out of 29 members, five are female. No further details are given in order to respect privacy protection regulations.
1, 6	LA14		Given the current status of Otto Group data, it is not possible to make a meaningful statement on gender-based variations in compensation. Compensation is particularly dependent on the specific professional function of male and female employees, but based on experience, also depends on length of employment and age. To determine a possible gender-related dependency, differentiated, multivariate analyses would be required. Furthermore, within the Otto Group the percentage of women at Division Manager and Board level is comparatively small, meaning that individual cases have a disproportional influence on the overall picture and render a meaningful statement impossible. In pursuing the goal of a consistent, Group-wide compensation policy, the Otto Group applies so-called 'analytical position gradings' in many Group companies. Compensation for a particular position is thus orientated by the value of the function carried out and the corresponding salary benchmark determined by an independent external provider.











## SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS

1-6			p. 29, p. 39-40, p. 96-101
1-6	HR1		In this reporting period, the Otto Group made no investments in areas where it was necessary to take human rights aspects into account beyond the essential validity of the relevant stipulations of the Group's Code of Conduct.
1-6	HR2		p. 98-101, p. 106-108
1-6	HR3		p. 98, p. 100-101, p. 109
1, 2, 6	HR4		p. 109 A case of discrimination within the reporting period does exist. In this case, measures were taken on a personal level and not communicated externally with respect for individual rights.
1, 2, 3	HR5		p. 70, p. 96, p. 109
1, 2, 5	HR6		p. 96, p. 105, p. 109, p. 124, p. 128
1, 2, 4	HR7		p. 96, p. 105, p. 109
1, 2	HR8		p. 98, p. 100-101, p. 109
1, 2	HR9		This indicator is not generally relevant to the Otto Group.

## SOCIAL PERFORMANCE INDICATORS: SOCIETY

10			p. 34-35, p. 49-51, p. 96-97, p. 104-105, 120-121
	SO1		p. 96-97, p. 104-105, p. 128, p. 132-134
10	SO2		p. 35 Each department manager updates his/her employees regularly on Group policy. Compliance is audited by random sampling on a regular basis. During the reporting period, there were no suspected cases prompting more comprehensive examination.
10	SO3		p. 35 Each department manager updates his/her employees regularly on Group policy. Compliance is audited by random sampling on a regular basis. During the reporting period, there were no suspected cases prompting more comprehensive examination.
10	SO4		p. 35
1-10	SO5		p. 49
10	SO6		The Otto Group does not donate to political parties.
10	SO7		p. 45; Otto Group Annual Report 2010/11, p. 41
	SO8		p. 45; Otto Group Annual Report 2010/11, p. 41

## SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY

1, 8			p. 34-35, p. 116-121
1	PR1		p. 116-117, p. 120-12, p. 124
1	PR2		p. 45, p. 109, p. 124
8	PR3		p. 90, p. 112, p. 116-117, p. 124
8	PR4		p. 45, p. 124
	PR5		p. 118-119
	PR6		p. 34, p. 45, p. 97, p. 120-121
	PR7		p. 45
1	PR8		p. 45, p. 120-121
	PR9		p. 45



## Statement GRI Application Level Check

GRI hereby states that **Otto Group** has presented its report "Corporate Responsibility Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 9 August 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because Otto Group has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 July 2010. GRI explicitly excludes the statement being applied to any later changes to such material.

# CR PROGRAMME 2011

Comprehensive CR reporting requires the formulation of clear objectives. The Otto Group's CR Programme details all the Group's material CR objectives and their implementation status during the reporting period. The Programme is organised into five top-level fields of action: Strategy and Management, Employees, Climate and Environment, Suppliers as well as Assortment and Customers. The activities within the Society field of ac-

tion are carried out decentrally on the initiative of individual Group companies, and are not therefore included in the Group CR Programme. For each top-level field of action the CR Programme nominates a major, Group-wide strategic objective as well as operative objectives with corresponding implementation timeframes. These are made measurable at relevant points in the Programme by the inclusion of key figures. Furthermore, the

Programme refers to relevant text passages in the current Corporate Responsibility Report 2011 as interfaces to sections of the reporting content. The content of the Programme is linked to the preceding reporting cycle: the goals which were achieved by February 2009 are no longer included and operative objectives as yet unachieved have been assimilated in the current Programme and partly adjusted in textual terms.

Objectives		Objective timeframe	Status	Page/comment
STRATEGY AND MANAGEMENT	Ensuring long-term profitability through strategic CR management			
	Further development of the existing <b>CR Strategy</b> ; production of Group and company-specific CR concepts (10 Group companies)	FY 2010/11		2010 replaced by new CR Strategy p. 39 et seq.
	Revision and updating of the objectives of the 10 Group companies (GCs) within the framework of the <b>CR Strategy</b> , as well as integration of at least 2 further GCs in the CR Strategy	FY 2012/13		p. 40
	Executing the <b>CR Rollout</b> in German and international Group companies	2012		p. 42
	Expansion of the <b>CR organisation</b> : nomination of a Managing Director responsible for CR and implementation of CR Coordinators at all Group companies included in the CR Rollout	2012		p. 42
	Development and implementation of a <b>Sustainability Guideline for all retail companies in the Otto Group</b>	2011		p. 42
	Introduction of an integrated <b>CR Data Management System</b> for all reporting companies and a management process based on this	FY 2009/10		p. 42
	Establishment of an integrated <b>Compliance Management System</b>	2012		p 34 et seq.
	Implementation of a <b>Stakeholder Management Systems</b>	2010		Introduction of the process instructions delayed (to autumn 2011)
	Continuation and expansion of existing stakeholder contacts	FY 2010/11		p. 46
	Introduction of implementation controlling and definition of a management process for the <b>Code of Conduct</b> (Merchandising/Non-Merchandising goods); checking of its implementation status in all contracts, and reporting to the Compliance Committee; employee sensitisation	2010		Implemented via the Social Database; annual reporting to the Compliance Committee since 2011 p. 35, p. 97
	Establishment of the new position ' <b>Data Protection and IT Security</b> ' (reports to Member of the Executive Board, Finance and IT)	2009		p. 120 et seq.
	Expansion of the scope of the <b>IT Core Security Suite</b> to cover the entire Group	2012		p. 121
EMPLOYEES	Promoting Diversity, work-life balance as well as employee qualification and development			
	Development and implementation of a social plan to mitigate social hardship and reduce workforce redundancies resulting from company <b>restructuring measures</b>	FY 2009/10		p. 57
	Improvement of <b>employee loyalty</b> through a work-life balance programme (e.g. flexible working hours and locations)	FY 2010/11		p. 63
	Production of a Group-level Vision to promote next-generation <b>management talent</b>	2010		In the reporting period the objective was integrated in the following reporting period
	Production of a Group-level Strategy for Group-wide <b>careers promotion and personal development</b>	FY 2012/13		p. 56
	Implementation of a digital system for Group-wide <b>talent management</b>	FY 2010/11		p. 59
	Further development of <b>employee qualification programmes and offers</b> (focal points: E-Commerce, internationalisation, innovation)	FY 2010/11		p. 59 et seq.
	An intensified <b>employee recruitment</b> effort through harnessing digital media (Internet portals, video interviews)	FY 2010/11		p. 60 et seq.
	Expansion of segment-related <b>university and technical university cooperations</b> (to recruit next-generation specialist managers)	2012		p. 99































Objective achieved   Objective partially achieved   Objective not achieved   New objective




Objectives		Objective timeframe	Status	Page/comment
EMPLOYEES	Production of a Group-wide <b>Diversity Strategy</b> and development of corresponding measures	2012		p. 64 p. 34
	Development and establishment of internal <b>Diversity controlling</b> (annual Progress Report incorporating Diversity key figures)	2012		p. 64
	<b>Percentage</b> of at least <b>20% women as well as at least 20% men</b> in management positions and on all further hierarchical levels	FY 2015/16		p. 63 et seq.
Responsible use of resources and increasing resource-efficiency				
CLIMATE AND ENVIRONMENT	Reduction of adjusted <b>CO<sub>2</sub> emissions by 50%</b>	2020		p. 76
	Integration of the international companies of the Otto Group with annual turnover of >50 mn€ in the <b>Climate Protection Strategy</b> , incl. completed data-gathering for the base year	2010		Integration of the international GCs delayed; to be carried out within the CR Rollout by 2012 p. 76
	Reduction of CO <sub>2</sub> emissions in <b>purchasing logistics</b> : • Hermes: at least -17% in purchasing-related freight • OTTO: 30% reduction in share of air freight • bonprix: reduction in share of air-freight to 12% • Witt: -20% CO <sub>2</sub> /t of imported merchandising goods	2020 FY 2012/13 FY 2012/13 FY 2012/13		p. 77 et seq.
	Reduction of CO <sub>2</sub> emissions in parcel <b>distribution transport</b> : • Hermes: at least -30% (-2%/year)	2020		p. 79
	<b>Re-examination of management methodology</b> for the Climate Protection Strategy by an external company consultancy	2009		Audit carried out by PwC
	Detailed analysis of potential areas of location- and facility-related CO <sub>2</sub> reduction, within the framework of <b>CO<sub>2</sub> benchmarking</b> <sup>1</sup> ; derivation of possible measures/ costs as well as definition of the order of investment by CO <sub>2</sub> -avoidance cost	2012		p. 79
	Reduction of CO <sub>2</sub> emissions at <b>locations and facilities</b> : • Hermes: -50% (-3.5%/year) • SportScheck: +10% energy-efficiency increase	2020 FY 2012/13		p. 79 et seq.
	Implementation of the Leadership Declaration of the ' <b>Business &amp; Biodiversity</b> ' Initiative and <b>presentation of related measures</b> to the 10th Meeting of the Conference of the Parties to the CBD 2010, Japan	2010		p. 81
	Certification of <b>Environmental Management Systems (EMS)</b> to ISO 14001 Standard: • Recertification for Baur, OTTO, Hermes and UNITO • Initial certification for Schwab and SportScheck	FY 2010/11 FY 2010/11		p. 83 Not achieved by SportScheck and Schwab, as their internal EMS were assessed as sufficient
	Expansion of <b>FSC® certifications and activities</b> in paper products (catalogues, advertising materials, packaging): • Application of over 200 mn FSC logos on paper products • Schwab, Baur, bonprix and SportScheck: multi-site certification • OTTO, Baur, Frankonia, Heine, Schwab, OTTO Office: changeover to FSC cardboard parcel packaging • OTTO Office, SportScheck: changeover to FSC or recycled paper	2009 2009 FY 2012/13 FY 2012/13		Until the end of FY 2010/11 application of 500 mn FSC logos p. 84
	Lowering of <b>packaging quantities</b> through weight reduction – test at Hamburg location	2009		As a result of transfer of the parcel distribution centre from Hamburg to Haldensleben, the project was cancelled
	Continued use of recognised <b>forestry certification systems</b> for <b>timber tracing</b> and therefore the exclusion of illegally felled timber	FY 2010/11		p. 105
	Adjustment of the <b>timber-tracing system</b> to meet the new EU (Illegal) Timber Regulation	2012		p. 105
Expansion of social management and increase of transparency in the supply chain				
SUPPLIERS	Implementation of the <b>Social Programme</b> ('Pre-scans', audits, qualifications, training courses)) in the newly defined risk countries Israel, Egypt, Brazil, Bulgaria, Morocco and Romania	FY 2010/11		Israel is no longer defined as a risk country, due to BSCI modification; audits in Romania, Brazil only from 2011 onwards p. 96
	<b>Expansion of the Social Programme</b> by at least two further Group companies (so far 13) within the framework of the CR Rollout and the three-year plan	FY 2014/15		p. 101
	Assortment: implementation of the Social Programme for <b>Durable Goods suppliers</b>	FY 2010/11		Integration of Hard Goods suppliers in the Social Programme since 2010 p. 98
	Implementation of a database, together with Hermes Otto International, that enables the visualisation of the entire supplier structure incl. subcontractors, as well as serving the further expansion of the systematic <b>implementation controlling/reporting organisation</b>	2010		p. 99
	<b>Approval</b> of a concept for the systematic integration of <b>importers</b> in the Social Programme	2009		p. 100
	<b>Implementation</b> of a concept for the systematic integration of importers in the Social Programme	FY 2010/11		Implementation delayed until the end of 2011 due to differing purchasing processes in Group companies

Objective achieved   Objective partially achieved   Objective not achieved   New objective

<sup>1</sup> Individual location and facility-related measures to increase energy efficiency from the CR Programme 2009 were integrated in the CO<sub>2</sub> benchmarking process.



	Objectives	Objective timeframe	Status	Page/comment
SUPPLIERS	Development of a <b>training concept</b> for the Social Programme: • Knowledge dissemination and anchoring in the Group companies • Expansion to all employees in the buying offices (not only Social Officers)	FY 2010/11		CR Representative for Buying Markets carried out training courses on-site in buying offices p. 98
	Development and implementation of a policy governing relationships with suppliers' <b>subcontractors</b>	2010		 Delayed due to other current focus topics (e.g. Usbek cotton, see p. 105)
	<b>Audit objectives</b> for Purchasing and Import organisations: • New markets: audit result 'pass' for <b>75%</b> of order volume and <b>50%</b> of number of suppliers • Existing markets: audit result 'pass' for <b>98%</b> of order volume and <b>85%</b> of number of suppliers	2011 2011		 Modification of the evaluation methodology for auditing suppliers. Audit results at least "need for improvement" and comparable to suppliers' performance 'pass', current status see p. 106 et seq.
	Continuation of the <b>Market Development Programme</b> with suppliers	FY 2010/11		 p. 100
ASSORTMENT AND CUSTOMERS	Promoting conscious consumerism through the expansion of sustainable assortments and the clear communication of ecological and social product characteristics			
	Introduction of a new <b>organic cotton label</b>	2012		 p. 104 et seq.
	Increase of cotton <b>processed for Cotton made in Africa</b> to a total of 750 t/year	2011		2010: 260 t, stricter data-gathering procedure introduced for CmiA: only explicitly certified CmiA cotton is counted p. 112
	Increase in the percentage of <b>Cotton made in Africa</b> cotton taken up by individual companies (basis): • OTTO: 10% (own brands) • bonprix: 5% (own and third-party brands) • Heine: 10% (target incl. organic cotton, cotton assortment) • Schwab: 10% (own and third-party brands)	FY 2012/13 FY 2012/13 FY 2012/13 FY 2012/13		 p. 112
	Increase of the processed quantity of <b>organic cotton</b> to 450 t/year	2011		FY 2010/11 364 t/year  p. 112 et seq.
	Increase in the percentage of <b>organic cotton</b> taken up on an individual company level (basis): • OTTO: 5% (own brands) • bonprix: 2% (own and third-party brands) • Heine: 10% (incl. CmiA cotton) • SportScheck: 3% (own and third-party brands) • Witt: 20% (all cotton / Modal textiles)	FY 2012/13 FY 2012/13 FY 2012/13 FY 2012/13 FY 2012/13		 p. 112 et seq.
	Increase in the percentage of other <b>sustainable textiles</b> : • SportScheck: 10% ecologically advantageous synthetic fibres (own and third-party brands) • Baur: 2% of footwear assortment classified as sustainable • First climate-neutral products at OTTO, Frankonia and SportScheck • OTTO Office: 10% climate-efficient products	FY 2012/13 FY 2012/13 FY 2012/13 FY 2012/13		 p. 114  p. 118
	Increase in the offers of <b>FSC® certified wooden products</b> to 100 products Group-wide annually, with the majority in the OTTO assortment	2011		FY 2010/11 351 articles; more on  p. 122
	In parallel to this, joining the WWF's 'Wood Group'	2011		Did not join the Wood Group; promotion of FSC instead by means of CR objectives and implementation of the EU (Illegal) Timber Regulation
	Increase in the <b>percentage of wooden articles with FSC certification</b> on an individual-company level (as % of an assortment): • OTTO: 15% FSC certified (solid-wood assortment) • Heine: 20% FSC certified (wooden-articles assortment) • Baur: 15% FSC certified (wooden-articles assortment) • OTTO Office: 5% FSC certified (wooden-articles assortment)	FY 2012/13 FY 2012/13 FY 2012/13 FY 2012/13		 p. 114  p. 118
	Increase in the percentage of efficient <b>household electrical appliances</b> (refrigerators and freezers, washing machines, dishwashers, electric ovens) to 85%	2011		FY 2010/11 78%, due to assortment adjustment in 2009 following the economic crisis, disadvantaging energy-efficient appliances
	Promotion of the topic of CR in <b>customer communication</b> on individual-company level (e.g. increased application of goods quality seals and labels, or Eco Facts)	FY 2010/11		 p. 114 et seq.
	Increase in the percentage of textiles tested for harmful substances to a total of <b>95%</b>	2011		FY 2010/11 70% due to introduction of a stricter data-gathering procedure in the reporting period
	Strengthening of <b>data protection</b> : • Development and implementation of a new IT concept (encryption of customer data in the Enterprise Resource Planning system and in the Enterprise Data Warehouse)	2010		Delay in the introduction of new IT systems implementation by the end of 2011

 Objective achieved
  Objective partially achieved
  Objective not achieved
  New objective

# GLOSSARY

**AccountAbility1000** AccountAbility1000 is a series of international, freely available standards. These support companies in establishing indicators and targets within their CR activities and their stakeholder engagement, in measuring progress and reporting on this.

**BSCI** The Business Social Compliance Initiative (BSCI) was founded in 2004 under the umbrella of the European Foreign Trade Association (FTA). It is an association of companies whose objective it is to ensure their suppliers comply with a consistent social standard.

**Code of Conduct** The Otto Group's Code of Conduct sets out principles and aspects of Corporate Responsibility that are in harmony with international conventions. As the umbrella of the Otto Group's social programme it is an integral component of every supplier contract and commits them to upholding clear social and environmental standards.

**Compliance Management** Compliance Management ensures that laws and Otto Group guidelines as well as voluntary commitments, for instance the Group's Code of Conduct, are upheld.

**CR Rollout** Through the 'Rollout Corporate Responsibility 2011–2012', the Otto Group is establishing and implementing consistent sustainability standards in its companies.

**Diversity Management** Diversity Management refers to the strategic integration and leveraging of the individual differences of employees, within the context of their activity for the Group company. It aims to create a productive overall working climate through the positive valuation of individual differences, to prevent social discrimination of minorities and to improve the equality of opportunities.

**Ethical consumption** Ethical consumption describes consumer behaviour in which the buying decision is no longer exclusively influenced by perceived value for money. Rather, the customer takes other aspects into consideration, including the fair treatment of employees and suppliers as well as the responsible use of natural resources in the production and use of articles.

**FSC® Multi-Site Certification** The non-governmental organisation FSC was set up in 1993 with the objective of ensuring environmentally, socially and economically sustainable forestry. The FSC Multi-Site Audit enables the certification of several locations within a company group under a single certification number.

**Greenhouse-gas emissions** Greenhouse-gas emissions describe the release of various gases (such as carbon dioxide, methane, nitrous oxides) into the atmosphere and which partly reflect the heat radiated by the

Earth. An increase in the concentration of greenhouse gases causes a rise in the Earth's surface temperature and is a contributing factor in climate change.

**International Labour Organization (ILO)** The International Labour Organization (ILO) is a special organisation established by the United Nations to promote and monitor social equality as well as human and employee rights.

**Materiality matrix** A materiality matrix provides two-dimensional representation of sustainability-related topics along two axes, according to their relevance to companies as well as their stakeholders. The basis for the matrix is a precise analysis of stakeholder expectations, to support the development of strategies at an early stage to manage possible opportunities and risks to the company.

**Mobility** In this report, 'mobility' refers to the operation of Otto Group company vehicle fleets, the use of company vehicle pools, as well as employees' business trips by plane, train and rented car.

**Multichannel provider** 'Multichannel' is a business model based on multiple sales and communication channels. The Otto Group sells products and services via three channels: catalogue, e-commerce and over-the-counter retail. Multichannel Retail, Financial Services and Services form the Otto Group's three business segments.

**OECD** The Organisation for Economic Co-operation and Development (OECD) is an international organisation with 34 member states which are committed to the principles of democracy and market economy. The objective of the OECD is to harmonise sustainable economic development with raising living standards and supporting the economic development of other countries.

**Öko-Tex® Standard 100** Öko-Tex Standard 100 is an independent, internationally consistent monitoring and certification system for raw, intermediate and end-consumer textile products. It sets out comprehensive criteria and strict limit values for the testing of textiles for harmful substances.

**Ombudsman** In cases of conflict, for instance when suspicion of corruption is reported, an ombudsman fulfils the role of an independent and confidential arbitrator. He is obliged to maintain absolute confidentiality concerning the identity of the individuals who contact him, and supports the search for a solution to the reported issue.

**Public Private Partnership** A public-private partnership describes a partnership between private business and the state, in which both partners invest know-how and capital in order to carry out an enterprise or initiative on the state's behalf.

**REACH** REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the European Community Regulation on chemicals and their safe use. It came into effect on 1 June 2007 and regulates the registration, evaluation, authorisation and restriction of chemical substances.

**SA8000** SA8000 is an internationally recognised, certifiable standard for social management systems developed by Social Accountability International (SAI). Founded in 1997, SAI is a non-governmental organisation dedicated to ensuring that ethical and humane labour conditions are upheld throughout the entire supply chain. SAI has developed effective systems to audit social standards. The SA8000 standard is used by the BSCI as the best-practice standard.

**Social Business Type II** The objective of a Social Business is not to maximise profits. Its priorities are the pursuit of sustainable social and often ecological objectives. In contrast to a Social Business Type I, a Type II takes a profit-orientated approach. However, profits are not paid out as returns on capital but are returned to its employees in the form of a 'social profit'. The objective is to improve the living standards of the local population for the long term.

**Social Media** 'Social media' describes digital platforms that enable users to network as well as to exchange information and opinions.

**Sustainable Apparel Coalition** The Sustainable Apparel Coalition was established in March 2011 by international manufacturing and retailing companies, stakeholders and scientific experts to drive forward the development of a Product Sustainable Footprint. The Coalition's objective is to establish an international benchmark for the qualitative evaluation of products under sustainability criteria. The Otto Group is a founder member of the Sustainable Apparel Coalition.

**Sustainability Guideline** The Otto Group has established binding guidelines for Group-internal processes and procedures. The Sustainability Guideline bundles all sustainability-related processes and procedures for the purchasing and sale of merchandising goods. It applies to all retail companies in the Group.

**Thinktank** A 'think-tank' is a not-for-profit orientated research organisation, whose main task is to pursue scientifically based, often interdisciplinary research on politically relevant topics and to publish related findings and comments.

**TIP** The Trust Improvement Program (TIP) is a certification procedure aimed at companies that place high on a (or an environmental) management system.

# ASSURANCE STATEMENT

## Independent Assurance Statement<sup>i</sup>

To Otto Group, Hamburg

We have been engaged to perform a moderate assurance engagement<sup>ii</sup> on the adherence to the AA1000 AccountAbility Principles with respect to the eleven Group companies covered by this report (hereinafter “the reporting companies”) and on specified quantitative sustainability-performance information selected by the Otto Group from its ‘Sustainability Report 2011’ (hereinafter “the sustainability report”) <sup>iii</sup>

### MANAGEMENT’S RESPONSIBILITY

Otto Group’s management is responsible for

- the adherence to the Principles of Inclusivity, Materiality and Responsiveness set forth in AA1000 AccountAbility Principles Standard (2008) (the “AA1000 AccountAbility Principles”) in the Corporate Responsibility management and
- the preparation of sustainability-performance information in the sustainability report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3 (pp. 7-17) of the Global Reporting Initiative (GRI).

This responsibility includes the design, implementation and maintenance of systems and processes to ensure adherence to the AA1000 AccountAbility Principles and to prepare the sustainability report using assumptions and estimates which are reasonable in the circumstances.

### ASSURANCE PROVIDER’S RESPONSIBILITY

Our responsibility is to express a conclusion based on our work performed as to whether any matters have come to our attention that cause us to believe that, in all material respects,

- the systems and processes implemented by the Otto Group for the eleven reporting companies are not sufficient to fulfil the requirements the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness, or
- the selected specified quantitative sustainability-performance information in this sustainability report has not been prepared in accordance with the abovementioned criteria of the Sustainability Reporting Guidelines Vol. 3 of the GRI.

Within the scope of our engagement we considered the following quantitative sustainability-performance information from the sections ‘Facts and Figures’ of the sustainability report selected by the Otto Group: Share of FSC articles within the chapter Assortment and Customers, CO<sub>2</sub>-Emissions from Otto Locations within the chapter Climate and Environment and within the chapter suppliers supplier performance on the basis of order volume, supplier performance on the basis of supplier count, supplier performance on the basis of risk countries, supplier count per risk country and distribution of factory audit results.

We also have been engaged to report on recommendations for the further development of Corporate Responsibility management and reporting.

We conducted our work in accordance with AA1000 Assurance Standard (AA1000AS) 2008 and additionally observed the International Standard on Assurance Engagements (ISAE) 3000.

Those standards require that we comply with professional requirements and plan and conduct the engagement, under consideration of materiality, to express our conclusions with moderate assurance<sup>iv</sup>, the level of assurance requested by the Otto Group. We are independent in the meaning of section 3.2 of AA1000AS (2008). Based on our skills and experiences within non-financial assurance, sustainability management, social and environmental issues, as well as expertise in the retail and consumer goods industry we possess the required competencies to perform this assurance engagement.

In a moderate-assurance<sup>v</sup> engagement the evidence-gathering procedures are less extensive than in a high-assurance engagement<sup>vi</sup> and therefore less assurance is obtained than in a high assurance engagement.

The procedures selected depend on the assurance provider’s professional judgment.

With respect to the adherence to the AA1000 AccountAbility Principles regarding the reporting companies we performed the following procedures on the level of corporate headquarters of the Otto Group, amongst others:

- Inquiries of management.
- Inspection of relevant documentation.
- Evidence-gathering procedures on the implementation and suitability of relevant systems and processes on a sample basis.

With respect to the selected specified sustainability-performance information of the sustainability report we performed the following procedures, amongst others:

- Inquiries of employees at group level responsible for CR Communication and Controlling, Social Responsibility, Sustainable Products, and Climate Protection.
- Inspection of procedures for collection, calculation and reporting of sustainability-performance information.
- Testing of controls implemented to ensure the data quality of sustainability information.
- Analytical procedures on selected sustainability information.
- Site visits at Hamburg (bonprix, Hermes Logistik) and Burkunstadt (Baur).

## KEY FINDINGS AND CONCLUSION

Findings in relation to the AA1000 AccountAbility Principle of Inclusivity:

- Specific commitments to the stakeholders of the reporting companies are implemented and communicated at all levels of the organization.
- Whereas some elements of the group wide Stakeholder Management practices have been formalized in the reporting period, the documentation of group wide standards is still to be improved.

Findings in relation to the AA1000 AccountAbility Principle of Materiality:

- Systematic procedures are implemented at corporate level to determine the relevance and significance of sustainability topics for the reporting companies. Exchange on material issues takes place through group wide communication channels.
- The results of the materiality assessments and the status of engagement of priority topics are included in the sustainability report.

Findings in relation to the AA1000 AccountAbility Principle of Responsiveness:

- Processes and procedures are established and reproducible to deal with and respond to material topics and stakeholder concerns.
- The reporting companies follow up on relevant topics and thus complement the group wide coordinated stakeholder communication of corporate functions.
- By applying the Sustainability Reporting Guidelines of GRI suitable principles for stakeholder reporting are applied.

Based on our moderate assurance engagement, nothing has come to our attention that causes us to believe that, in all material respects, the systems and processes implemented by the eleven reporting companies of the Otto Group are not suitable to adhere to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.

Furthermore, nothing has come to our attention that causes us to believe that, in all material respects, the selected specified quantitative sustainability-performance information of the sustainability report has not been prepared in accordance with the criteria of the Sustainability Reporting Guidelines Vol. 3 (pp. 7–17) of GRI.

## RECOMMENDATIONS

Without qualifying our conclusions above, we recommend for the further development of Corporate Responsibility management and reporting the following:

- We recommend to systematize the group wide stakeholder management activities as part of the planned CR-Rollout in the German and international Group entities. Otto Group should document basic requirements as instructions for management.
- We also recommend to further improve the group wide sustainability data collection processes and to formalize the use of underlying methods and internal controls.

Hamburg, 27<sup>th</sup> of July 2011

**PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft**

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Accountant

ppa. Mark Fabisch

<sup>i</sup> Translation of the independent assurance report, authoritative in the German version.

<sup>ii</sup> The moderate level of assurance in AA1000AS (2008) is consistent with limited assurance respectively in ISAE 3000.

<sup>iii</sup> Our engagement applies to the German version of the sustainability report.

<sup>iv</sup> The high level of assurance in AA1000AS (2008) is consistent with reasonable assurance respectively in ISAE 3000.



# IMPRINT

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