



UN Global Compact

Communication on Progress for the 2011/12 financial year

Dear Readers,

in the sustainable economic management of a global trading Group and service provider, three different areas of business, individual Group companies and complex supply chains are a great challenge for us. The Otto Group had already chosen the route towards greater sustainability over twenty-five years ago – a route we have continued to pursue ever since. We have set ourselves global economic, environmental and social change as the basis for our vision and mission – an inspiration that puts responsibility for people and nature at the centre of our business activity.

We are fully and constantly aware of this responsibility. For this reason, since 2002 we have been promoting the ten principles of the UN Global Compact – in the areas of human rights, labour standards, environmental protection and fighting corruption – wherever we have any influence. We have firmly anchored these ten principles within our corporate structure and business activity through binding objectives and cross-company programmes. Consequently we do not just take responsibility for the

well-being of our 53,000 employees in 20 countries, but also for humane production conditions throughout our complex supply chain.

The preceding communication on progress for the UN Global Compact is part of our Corporate Responsibility (CR) Report for 2011. We will inform you about changes and progress in our next CR Report, which is scheduled to appear in September 2013. This, together with our website, is an important source of information for our stakeholders.

Hamburg, September 2012,
on behalf of the Otto Group Executive Board

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



Progress made by the Otto Group in the implementation of the ten principles of the UN Global Compact 2012

The Otto Group is an internationally active company with a market presence in the three segments of Multichannel Retail, Financial Services and Services. The Group comprises 123 main companies in more than 20 countries. The Otto Group increased its sales in the 2011/12 financial year by 1.7% over the previous year to almost 11.6 billion euros. The Multichannel

Retail segment contributed a share of 85.6% to the Group sales in the 2011/12 financial year. The share in sales from the Financial Services and Services sectors were 4.6% and 8.9% respectively.

The Otto Group declared environmental protection as a company objective as long ago as 1986. Having taken this stand, it has been anchored throughout the Group as a systematic CR Management objective. In December 2011 the formation of a CR Board was approved. To date, two Otto Group Executive Board

Members have constituted this decision-making body, which meets three times a year from the 2012/13 financial year onwards. The new body is there to ensure more efficient operative implementation of the CR objectives and to bring them in line with other company objectives at an early stage. To achieve substantial and measurable advances in our CR fields of action – Assortment and Customers, Climate and Environment, Suppliers, Employees as well as Society – in 2010 we agreed on plans of measures with the Group companies involved for achieving objectives by the end

of the 2012/13 financial year. In future, the most important non-financial Otto Group key figures will be published annually, beginning with this year's Communication on Progress for the UN Global Compact.

The following table shows the systems we have set up for implementing the UN Global Compact and its principles, which measures we have realised in the last year and which results we have achieved from this.

Principles	Systems	Measures	Results ¹
Human rights			
Principle 1 Supporting human rights	<ul style="list-style-type: none"> • Otto Group Vision and mission • Code of Conduct • A Social Programme for compliance with labour standards and human rights in high-risk countries 	<ul style="list-style-type: none"> • Implementation of qualification measures for compliance with the Code of Conduct • Training courses to sensitise employees towards the implementation of the Code of Conduct 	<ul style="list-style-type: none"> • Training of employees active in purchasing markets in compliance with the Code of Conduct • Carrying out of 72 supplier-qualification processes for compliance with Social Programme standards
Principle 2 Exclusion of any human rights abuses			

¹ Quantitative data is based on that of the 2011/12 financial year and, unless otherwise indicated, applies to the 13 reporting companies baumarkt direkt, Baur, bonprix, EOS, Frankonia, Heine, Hermes, OTTO, OTTO Office, Schwab, SportScheck, UNITO and Witt.

Principles	Systems	Measures	Results ¹
Labour Standards			
Principle 3 Upholding freedom of association	<ul style="list-style-type: none"> • Code of Conduct • Social Programme • Code of Conduct of the Hermes Logistik Gruppe Deutschland 	<ul style="list-style-type: none"> • Continuous auditing of suppliers regarding the standards of the Business Social Compliance Initiative (BSCI) • Renewal of the Social Programme approved: extension of the development programme for improving labour conditions, along with an excellence programme for the development of innovative, holistic supplier strategies 	<ul style="list-style-type: none"> • Cooperation with 565 production facilities in high-risk countries which can produce a valid BSCI audit report or a certificate (SA8000/ICTI)
Principle 4 Elimination of all forms of forced labour	<ul style="list-style-type: none"> • A uniform Group Sustainability Directive (to be introduced in the 2012/13 financial year) 	<ul style="list-style-type: none"> • Successive reduction of the supplier portfolio, to enable more extensive qualification of the remaining suppliers 	<ul style="list-style-type: none"> • Supplier performance: 88.4% of order volume is produced by suppliers who work with audited production facilities (87.1% in the previous year)²
Principle 5 Abolition of child labour		<ul style="list-style-type: none"> • Decision by the Management Board to extend the scope of the Social Programme to include all suppliers' production facilities and all importers • Informing Hermes Logistik Gruppe Deutschland's contractual partners about the Code of Conduct introduced in 2011 • Development of a catalogue of requirements for contractual partners to help them fulfil the Hermes Code of Conduct, along with compliance checks with all of the 400 transport partners of the Hermes Logistik Gruppe Deutschland • Development of a Sustainability Directive that is uniform throughout the Group, with binding regulation of the framework conditions under which merchandising and non-merchandising goods may be sourced and sold (as well as social standards, this also includes a ban on wood products from illegal forestry); to be introduced in the 2012/13 financial year 	<ul style="list-style-type: none"> • 98.1% (98.7% in the previous year) of Otto Group employees covered by collective agreements
Principle 6 Elimination of discrimination	<ul style="list-style-type: none"> • Group Agreement to promote diversity and protect against discrimination 	<ul style="list-style-type: none"> • Implementation of training on the General Law on Equal Treatment (German federal law) • Introduction of an e-learning tool to combat discrimination • Development of a Diversity Strategy including specific goals • Introduction of a regular reporting procedure with the key diversity figures to the Group Executive Board 	<ul style="list-style-type: none"> • Training of all new employees regarding the General Law on Equal Treatment • A judicial rejection of the complaint against discrimination in the 2011/12 financial year • Defining objectives, key figures and measures in the area of diversity through the reporting companies • The proportion of women (in upper and middle management): 15.6% (16.8% in the previous year) • Share of severely disabled employees in Germany: 4.1% (4.1% in the previous year)

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² Excluding baumarkt direkt.

Principles	Systems	Measures	Results ¹
Environment			
Principle 7 Precautionary environmental protection	<ul style="list-style-type: none"> • Code of Conduct • Group Directive on Risk and Crisis Management • Climate Protection Strategy with the objective of a 50% reduction in the relative CO₂ emissions in transport, locations and mobility by 2020 	<ul style="list-style-type: none"> • Extension of the Climate Protection Strategy to the bonprix companies in France, Italy and Poland and to Hermes in the UK • Creation of a CO₂ benchmarking process for the locations of the German Otto Group companies to identify potential energy and CO₂-saving options and their economic viability 	<ul style="list-style-type: none"> • Reduction in adjusted CO₂ emissions³ in the 2011/12 financial year (extrapolated) from 280,094 tonnes to 268,721 tonnes compared with the previous year
Principle 8 Initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> • Establishing a CR Board, meeting three times a year since 2012, to accelerate the implementation of CR objectives in all areas of the company 	<ul style="list-style-type: none"> • Reduction of CO₂ emissions in the global value chain through participation in the CPI2 industry initiative as a founder member and by implementing a pilot phase with 15 suppliers in Bangladesh and China 	<ul style="list-style-type: none"> • The reduction in adjusted CO₂ emissions over the base year (2006/07) is consequently 12% (with a reduction over the previous year of 9%)
Principle 9 Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> • Setting an Otto Group objective to increase the proportion of sustainable cotton in the own-brand cotton assortment progressively to 100% 	<ul style="list-style-type: none"> • Reduction in purchasing transport by air freight • Implementation of a pilot project for ascertaining sustainability indices with own-brand products (Product Sustainable Footprint) within the framework of the Sustainable Apparel Coalition (www.apparelcoalition.org) 	<ul style="list-style-type: none"> • A reduction in energy consumption at company locations in the 2011/12 financial year of 3% compared with the previous year • The share of FSC®-certified paper in catalogue and advertising materials in the 2011/12 financial year: 6.3% (6.8% in the previous year) • The proportion of sustainable cotton (organic cotton, Cotton made in Africa) in the overall textile assortment: 2.8% (2.2% in the previous year) • The share of FSC®-certified articles in the furniture assortment: 11.8% (6.7% in the previous year)
Korruptionsbekämpfung			
Principle 10 Anti-corruption measures	<ul style="list-style-type: none"> • Code of Conduct • Group Anti-Corruption Directive • Group Gifts Directive • Group Corporate Giving Directive • Group Procurement Directive • Group Risk and Crisis Management Directive • Group Data Protection Directive • Group IT Security Directive 	<ul style="list-style-type: none"> • Set-up of a structured training system for employees • Introduction of a globally valid Compliance Management system of checks and prevention • Participation by all employees in a standardised (e-learning) training measure concerning the giving and receiving of corporate gifts • A Data Protection Officer has been a permanent member of the Compliance Committee since 2010 	<ul style="list-style-type: none"> • A commitment on the part of all employees to attend the e-learning course on giving and receiving gifts • Training in antitrust law for all employees in the German Group companies • Extension of the criteria in the IT Core Security Suite for IT projects with a volume of Euro 50,000 or more on the topics of outsourcing and cloud computing

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³ CO₂ emissions are adjusted using performance units to make them comparable with the 2006/07 base year. For the adjustment method, see pg. 86 of the 2011 CR Report.