

FLO-ID 26838



CERES-007



CSR REPORT

# A GOOD FEELING FOR TEXTILES



# CSR Report acc. ISO 26000

## COLOPHON

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The Dibella group of companies  
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## Preface

The pages that follow serve to present the first sustainability report of the Dibella group of companies.

Numerous disastrous environmental and economic events over the past few years (Fukushima, Deepwater Horizon, the Lehman bankruptcy and Kyoto – to name just a few) have induced us to develop our own sustainability directives and firmly to entrench these in our corporate philosophy. This sustainability report serves to document the relevant outcomes and results.

The report is aimed at all groups with an interest in our economic, ecological and social performance.

We seek to provide all interested parties with a clear picture and self-critical information concerning our ecological and socio-societal conduct.

Within the area of contract textiles, we are the first business to compile a sustainability report.

We relied for guidance on ISO 26000 with regard to the selection of core topics and the structure of reporting during this process.

In line with the Brundtland report of 1987, we interpret sustainability to mean that the opportunities of future generations to satisfy their needs must not be endangered as a result of the current generation satisfying its particular needs. In the process, we interpret sustainability as an aspect of the perception of social responsibility, defined as the responsibility of an organisation for the consequences of its decisions and actions on society and the environment pursuant to ISO 26000.

The terms sustainability and social responsibility are used synonymously in the report.

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# 1.0 Company profile

## 1.1 CORPORATE PORTRAIT OF THE DIBELLA GROUP OF COMPANIES

The Dibella group of companies, consisting of the companies Dibella b.v., Dibella GmbH and Prolinnen b.v., supplies durable contract textiles suitable for industrial processing and that are optimised for utilisation in the hotel industry, the restaurant/catering industry and the healthcare sector throughout Europe. These include bed sheets, bed linen, terry goods and table linen.

## 1.2 HISTORY

Dibella b.v. was established as an independent commercial enterprise for contract textiles in the Netherlands in 1986 by partners of BIMECO Garnhandel GmbH & Co. KG. This step resulted from the increasing desire of a variety of weaving mill customers to purchase made-up textiles and woven fabrics from BIMECO instead of yarns, because increasing pressure on prices in the Netherlands was beginning to make local production of simple contract textiles (e.g. bed sheets) unprofitable. Dibella took over the production of woven fabrics and bed sheets according to customer-specific requirements and parameters in Egypt. The delivery of contract textiles to Dutch

customers is carried out via the newly established Dibella b.v. in the Netherlands. In order to facilitate better supply and service to the German-speaking regions, Dibella GmbH was established in Bocholt in Germany in 1995, which takes care of the distribution regions of Germany, Austria and Switzerland to this day.

Business activities were expanded to include the "hotel textile" product group at the end of the 90s. Due to the pronounced, high quality requirements of the target group involved, the making up of merchandise takes place exclusively within Europe. Prolinnen b.v., established in 2007, organises the contract manufacturing of hotel textiles in its entirety. Prolinnen b.v. is a wholly owned subsidiary of Dibella b.v.

The figures and data indicated within this report are provided in summary form.

## 1.3 BUSINESS MODEL

At the time it was established, the production of articles by Dibella b.v. was exclusively carried out in Egypt. Meanwhile the procurement of items takes place worldwide, with substantial value being attached to a partnership between producers and Dibella.

Current manufacturers have already been

**‘SIGNIFICANT ITEMS ARE EXCLUSIVELY PROCURED FROM THE RELEVANT PRODUCTION COMPANIES.’**

supplying Dibella for many years or even decades. Significant items are exclusively procured from the relevant production companies. The manufacturers produce textiles in line with the specifications stipulated by Dibella. These encompass all product parameters and production methods from the fibres right through to the making up of products. All manufacturing steps are continuously monitored, with checks being carried out on site by Dibella employees, by individuals entrusted with quality responsibilities by the manufacturer or by external auditing and inspection institutes. Owing to business relationships in place for many years now, the decision-makers at the production sites are sufficiently familiar with the specifications and quality requirements of Dibella.

**1.4 PRODUCTS**

In the early years, articles were predominantly produced for the healthcare market. Increasing pricing pressure within the healthcare sector led to margins being squeezed. In addition, the quality parameters within the healthcare sector were continuously downgraded. High-quality merchandise was less and less frequently in demand. Significant parameters like “cost

per use” and sustainability were hardly ever still taken into consideration by the relevant purchasing departments – the purchase price was and still is the crucial decision-making criterion. At the end of the 1990s, Dibella increased its activities within the “hotel textile” product group, for which quality requirement specifications are far more rigorous. In order to be able to satisfy fluctuating demand within the hotel market, Dibella outsourced the making up of more and more articles to European subcontractors. Two facilities in the Czech Republic have already exclusively carried out work for the Dibella group of companies for several years now. Spikes in demand for production are bridged by way of additional partner facilities.

**1.5 KEY FIGURES**

**1.5.1 EMPLOYEES**

The size of the workforce employed by the Dibella group of companies has continually increased for years. At present, 25 employees are engaged. The average employment duration has also increased in recent years. The following chart illustrates the average employment duration trend over the past six years.

**‘THE SIZE OF THE WORKFORCE EMPLOYED BY THE DIBELLA GROUP OF COMPANIES HAS CONTINUALLY INCREASED FOR YEARS.’**

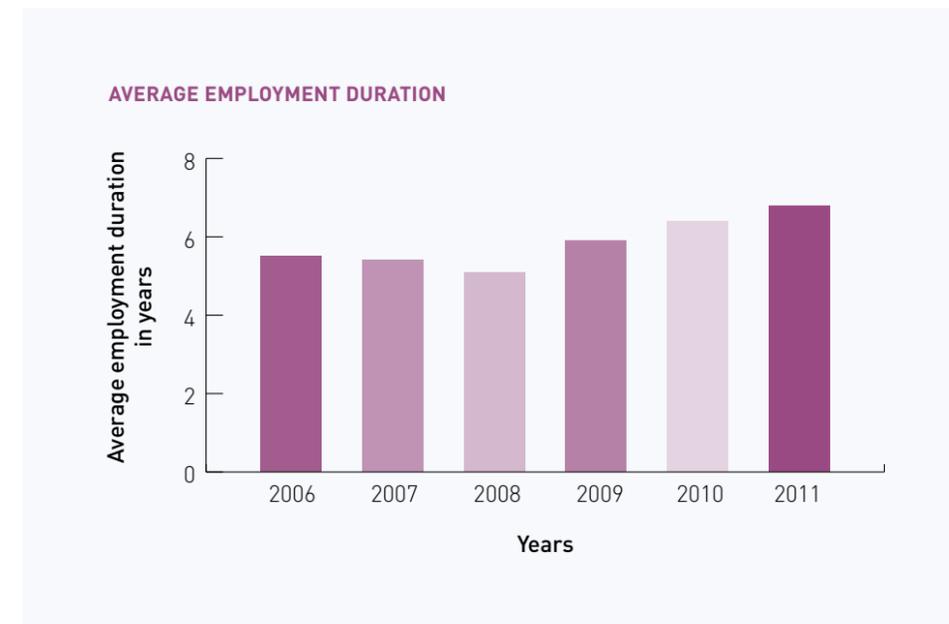


Fig. 1: Average employment duration at the Dibella group of companies

The chart below represents the average number of employees per annum in the form of a five-year overview from 2006 to 2011.

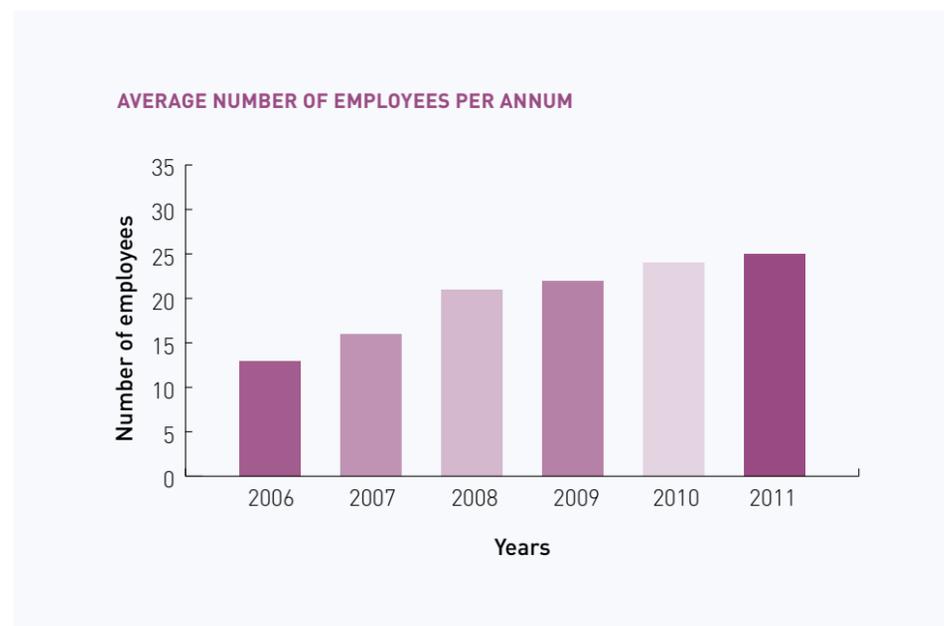


Fig. 2: Average number of employees per annum of the Dibella group of companies

**1.5.2 SALES**

The sales figures of the Dibella group of companies have exhibited organic growth since its establishment. The diagram that follows provides a graphic depiction of the positive sales trend over the five-year period from 2006 to 2011. Sales for 2011 are estimated at € 19.5 million.\*

\* Prior to the preparation of the annual financial statements

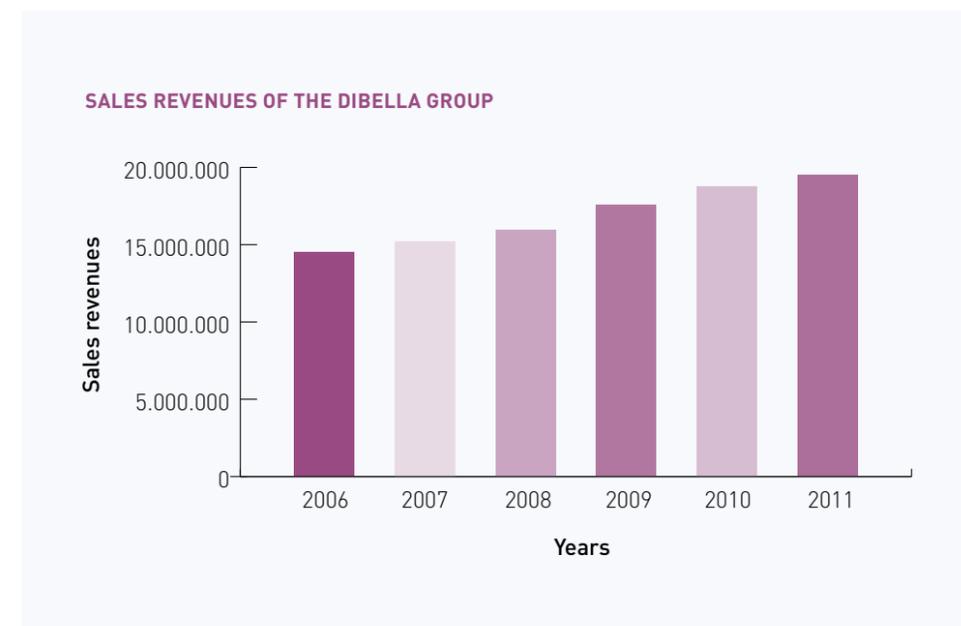


Fig. 3: Sales revenues of the Dibella group of companies in EUR million

Sales within the healthcare market remained stable, but without any growth, whereas sales of articles for the hotel industry, as well as the restaurant and catering trade (HORECA) reflect steady growth. The healthcare market, which originally accounted for 100% of sales at Dibella, now amounts to a sales share of approx. 30%, and the HORECA market has exhibited continuous growth, by now equivalent to a sales share of approx. 70%.

**1.5.3 FINANCES**

Since the establishment of Dibella b.v., the accumulation of equity has been firmly entrenched within corporate policy. The original target was an equity ratio of 40 per cent. In order to achieve this target, all profits were originally reinvested in reserves. This original corporate policy is being continued. The equity ratio by now exceeds 40%.

‘THIS POSITIVE RATING ENHANCES THE LEVEL OF TRANSPARENCY AND INCREASES THE FINANCIAL LATITUDE AVAILABLE TO THE BUSINESS.’

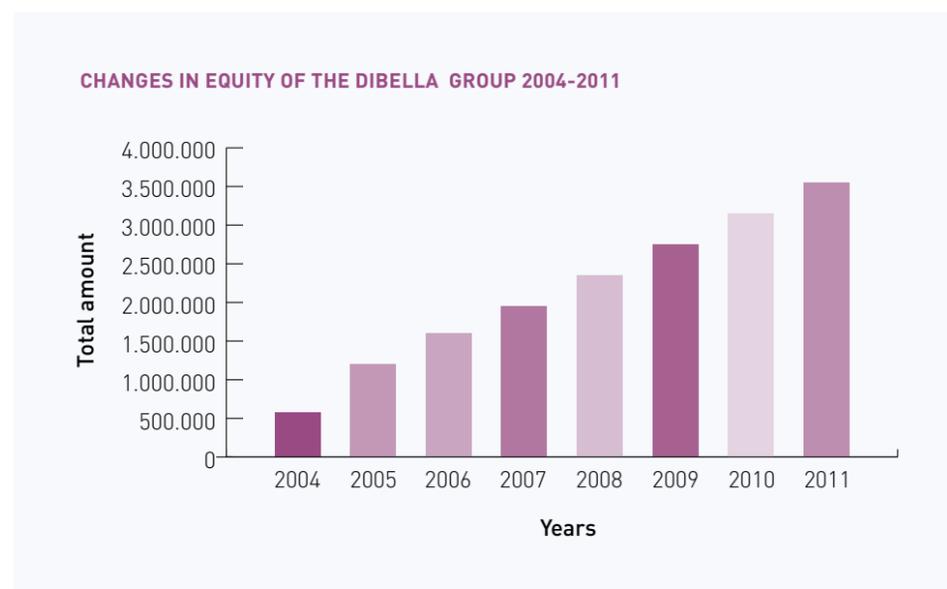


Fig. 4: Changes in equity of the Dibella group of companies in EUR million from 2004 until 2011

**1.5.4 CREDIT RATING**

Rating is a method used to assess a business in a comprehensive and future-oriented way with respect to its success and risk factors. Amongst other things, the results serve to determine credit terms commensurate with the risk involved. The current rating for the Dibella group of companies by financial institutions for the 2010 financial year is depicted below:< 0}

- IDF Volksbank rating category: 1D
- Standard & Poor’s: AAA-BBB\*

These rating results bear testimony to the prime credit standing of the Dibella group of companies and also illustrate its strengths and scope for potential. This positive rating enhances the level of transparency and increases the financial latitude available to the business.

\*According to Volksbank Bocholt eG

**1.6 STRATEGIC BENEFITS EMANATING FROM A POSITIVE RATING**

STRATEGIC BENEFITS EMANATING FROM A POSITIVE RATING	
Employees: increased motivation, loyalty	Customers: easy acquisition and lasting retention
Suppliers: Improved credit and payment terms	Competitors: positive image, benefit through financial flexibility

Fig. 5: Strategic benefits of a positive ranking

Ratings also provide information on the probability of default, i.e. they forecast the degree of likelihood that businesses will be able to meet their payment obligations to their creditors promptly and in full in the future.

The assessments of Volksbank Bocholt eG show a low likelihood of default, not exceeding 0.3%, for Dibella. Besides current equity of EUR 3.55 million (as at 31/12/2011), the business has access to sufficient funds from third parties. Further dynamic growth is therefore assured.

**1.7 BRANCHES/SUBSIDIARIES**

Besides businesses in the Netherlands and in Germany, the Dibella group of companies is also represented in France. In Italy, distribution is carried out via Dibella Italia SAS.

Dibella Middle East Ltd. will be established in Dubai at the beginning of 2012. This is a joint venture with a Pakistani firm and an enterprise from the United Arab Emirates. Dibella is represented in the following countries by way of distribution partners and contact persons:

- Egypt, Argentina, China, Iceland, Malta, Pakistan, Portugal, Sweden, Slovenia, Spain, the Czech Republic, Ukraine, Russia and the U.S.



## 2.0 Strategy and vision / management

### 2.1 CORPORATE MISSION STATEMENT AND VALUES

Corporate mission statements create an orientation and identity internally – in other words, within the business. Externally – in other words, in relation to customers, suppliers and partners – they impart transparency and signal a willingness to adopt social responsibility.

The Dibella group of companies has set itself the provision of functional and high-quality contract textiles at an appropriate price-performance ratio as a target. The longevity of products, which is deeply entrenched within the corporate mission statement, is reflected in the slogan “longlife textiles” that forms part of the corporate logo.

The stipulation of production parameters and their monitoring during all stages of manufacturing guarantees compliance with quality standards for goods, which is a prerequisite for sustainable business activity and corporate governance amongst all participating partners.

Beyond this, to the Dibella group of companies sustainability means observance of and compliance with ecological and socio-cultural principles. At Dibella, we see our responsibility for sustainable forms of action to exist in the following respects:

- in relation to our customers
- in relation to our producers and suppliers
- in relation to our employees
- in relation to the environment and society

### 2.2 MEASURES AIMED AT THE FULFILMENT OF CORPORATE VALUES

The textiles of Dibella are manufactured with a demand for high performance, i.e. for regular laundry care under commercial washing conditions, in mind. These circumstances demand lasting product quality, due to the chemical, temperature related and mechanical forces they entail. Dibella textiles obtain their required stability through the use of long-stapled and combed cotton as the basic material for yarns and woven fabrics.

Coloured goods are predominantly dyed using indanthrene dyes. This refers to a select, chlorine-fast class of dyestuff that achieves the highest level of colour fastness, even under hot wash cycle conditions.

The wet treatment and drying processes of all fabrics largely take place tensionless, which is the reason why contract textiles by Dibella are dimensionally stable and maintain their size and do not become

**'THE EXPANSION OF THE BUSINESS IS INEXTRICABLY TIED TO SUSTAINABLE COURSES OF ACTION.'**

deformed or distorted. As a result, no problems occur at the laundry and during the utilisation of the textiles.

Seams and stitching are implemented to satisfy the requirements of high reliability and lifespan. Terry goods are predominantly manufactured using double seams.

As a result of these measures, contract textiles by Dibella are very durable and have a high degree of strength and tenacity. Rented textiles are therefore capable of being subjected to countless wash, dry and fold service cycles without any sacrifices in quality. This corresponds to the cost efficiency envisioned by our customers. At the same time, this high lifespan, which embodies the quality concept of Dibella, also corresponds to the concept of sustainability: the long lifespan of contract textiles minimises any follow-on procurement requirements on the part of our customers. Excessive new manufacturing processes and the unnecessary squandering of resources are avoided. Additionally, quantities of waste are simultaneously reduced. This on the one hand results in ecological benefits, and on the other in substantial economic benefits for the purchaser.

### 2.3 LONG-TERM BUSINESS OBJECTIVES

Our long-term objective is to position the Dibella group of companies and the Dibella brand in a sustainable manner on an international scale. Internationalisation is to take place within a sensible time frame. During this process we place value on organic growth.

The expansion of the business is inextricably tied to sustainable courses of action. As a responsible partner for our customers, we exclusively trade in materials that have not been produced under inhumane working conditions. Our courses of action are aimed at having products manufactured while taking into account ecological, social and economic considerations, and sharing our sense of responsibility with our customers. We advocate a stance that ensures that the creation of prosperity and jobs in prosperous countries may not become at the expense of the weakest members of the supply chain. It is important to us that our international contractual partners comply with social standards and respect human rights.

In addition, we have set ourselves the goal of continuously increasing the proportion of organic cotton certified



in accordance with the Global Organic Cotton Standard (GOTS) and traded under fair conditions used for Dibella contractual textiles.

Through environmentally and socially acceptable actions, we are pursuing the goal of utilising natural resources as efficiently and sparingly as possible. In addition, we espouse the securing of social justice, equality of opportunities, health, earning capacity and opportunities, educational and training opportunities, as well as appropriate retirement benefits for everyone in a relationship with our business. Besides social responsibility in relation to our own employees, the Dibella group of companies therefore also assumes responsibility for the employees of our suppliers.

### 2.4 ECOLOGICAL AND SOCIAL CONSEQUENCES OF BUSINESS ACTIVITIES

The business activities of the Dibella group of companies rely to a significant degree on contractual textiles containing cotton. Over the past few years, however, a trend that has significant ecological and social consequences and is a cause of concern for us as a business has established itself within this field.

Business mergers in the healthcare sector and the hotel industry are having the effect of bolstering the purchasing might of procurement departments. These networked groups of companies and chains increase pressure on prices, which has an effect on the entire supply chain and ultimately right through to the cotton farmers. They are the weakest link in the chain of suppliers, and pricing pressure has an enormous impact on them:

- Industrial cotton cultivation in the form of mono-cultures
- Use of genetically modified cotton, cotton plants incapable of reproduction but with a high harvesting potential
- Excessive soil fertilisation
- Dropping groundwater level through high water requirements of plants
- Constant use of expensive pesticides
- Health related effects of pesticides on the entire farming family

The regular deployment of ever more expensive pesticides in particular is devouring earnings from the harvesting of cotton. The high costs of seeds and fertiliser further diminish incomes. In addition to these, there are the expenses

**‘DIBELLA UNDERTAKES TO APPLY THE PRINCIPLES OF SOCIAL RESPONSIBILITY TO ITS MANAGEMENT OF THE BUSINESS AND TO REFLECT THESE WITHIN ITS STRUCTURE AND CULTURE.’**

for medications that result from the use of pesticides, in order to remedy health issues.

In order to counter these developments tangibly, Dibella offers fair trade and biologically cultivated cotton products in a targeted manner. Farmers receive an appropriate price for fair trade cotton. In the case of organic cotton, the entire cultivation of plants is subject to strict guidelines that serve the purpose of maximum environmental and health protection.

The carefully selected partner operations at which the contract textiles are manufactured according to the specifications of Dibella have ultra-modern machinery in place that is particularly resource efficient. They also take the latest insights pertaining to occupational health and safety into account in order not to endanger the health of employees. We demand that our subcontractors comply with stipulated working standards based on the „International Labour Organisation“ (ILO) convention and the Human Rights Ordinance.

**2.5 DEPICTION OF FIELDS OF ACTIVITY TO BE DERIVED FROM THIS**

The management and partners commit themselves to sustainable business management.

We have put concrete criteria and instructions in place for this approach to sustainable business management in day-to-day operational practice. Social responsibility has been stipulated in the form of organisational policy-based parameters, the organisational culture, the corporate strategy, structures, as well as work processes.

This concept of sustainability also incorporates the economic dimension. Economic measures aimed at ensuring competitiveness, maintaining levels of employment and promoting economic growth are not neglected. As a result, the positive economic position of the business and the accompanying job security within the business and at subcontractors of the Dibella group of companies are maintained.

The Dibella group of companies has documented its code of conduct, labour practices and ethics, as well as the self-imposed commitment of the business to adopt social responsibility in writing. All employees of the business are familiar



with these rules; these are available for inspection at any times. Beyond this, they have also been put in place on the [www.dibella.de](http://www.dibella.de) homepage under the heading „CSR – MCLP“ in English, as well as in other important European languages.

Dibella undertakes to apply the principles of social responsibility to its management of the business and to reflect these within its structure and culture. These are to be verified at regular intervals.

Dibella provides assurances that its contractual partners follow the standards outlined in this code of conduct and labour practices and – where required – also submit to monitoring measures that serve to verify that standards are being met.



Dibella reserves the right to undertake unannounced visits at all suppliers, and at all times to be entitled to instruct independent third parties to carry out checks and inspections at all their suppliers. All suppliers undertake at all times to notify Dibella where their products are being manufactured. Dibella stipulates that contractual partners proven to have violated one or more of the stipulated standards carry out appropriate measures to guarantee that the situation is improved. Where necessary, such misconduct is sanctioned by rescission of contracts.

'THE DIBELLA GROUP OF COMPANIES HAS RECOGNISED SOCIAL AND ECONOMIC CONSEQUENCES OF CORPORATE ACTIVITY AND HAS ADAPTED ITS FORMS OF CONDUCT ACCORDINGLY.'

**2.6 SUSTAINABILITY AS PART OF THE CORPORATE DECISION-MAKING PROCESS**

Sustainability forms part of the responsibility of corporate management. It is committed to the development and realisation of appropriate fields of action. It is responsible for compliance with all measures aimed at ensuring sustainable actions.

The Dibella group of companies has recognised social and economic consequences of corporate activity and has adapted its forms of conduct accordingly. Consequences for the supply chain, customers, employees, the environment and society are taken into account during corporate decisions. This is welcomed by both management and the partners and taken into account in forms of conduct.

THE DIBELLA GROUP OF COMPANIES HAS RECOGNISED SOCIAL AND ECONOMIC CONSEQUENCES OF CORPORATE ACTIVITY AND HAS ADAPTED ITS FORMS OF CONDUCT ACCORDINGLY. CONSEQUENCES FOR THE SUPPLY CHAIN, CUSTOMERS, EMPLOYEES, THE ENVIRONMENT AND SOCIETY ARE TAKEN INTO ACCOUNT DURING CORPORATE DECISIONS.



## 3.0 Targets and target achievement

The objective of the Dibella Group is to demand sustainable forms of action in all fields of corporate activity and to underpin these by its own conduct.

Sustainable economic activity with respect to social aspects to us means a just distribution of life opportunities, honouring human rights and education for all.

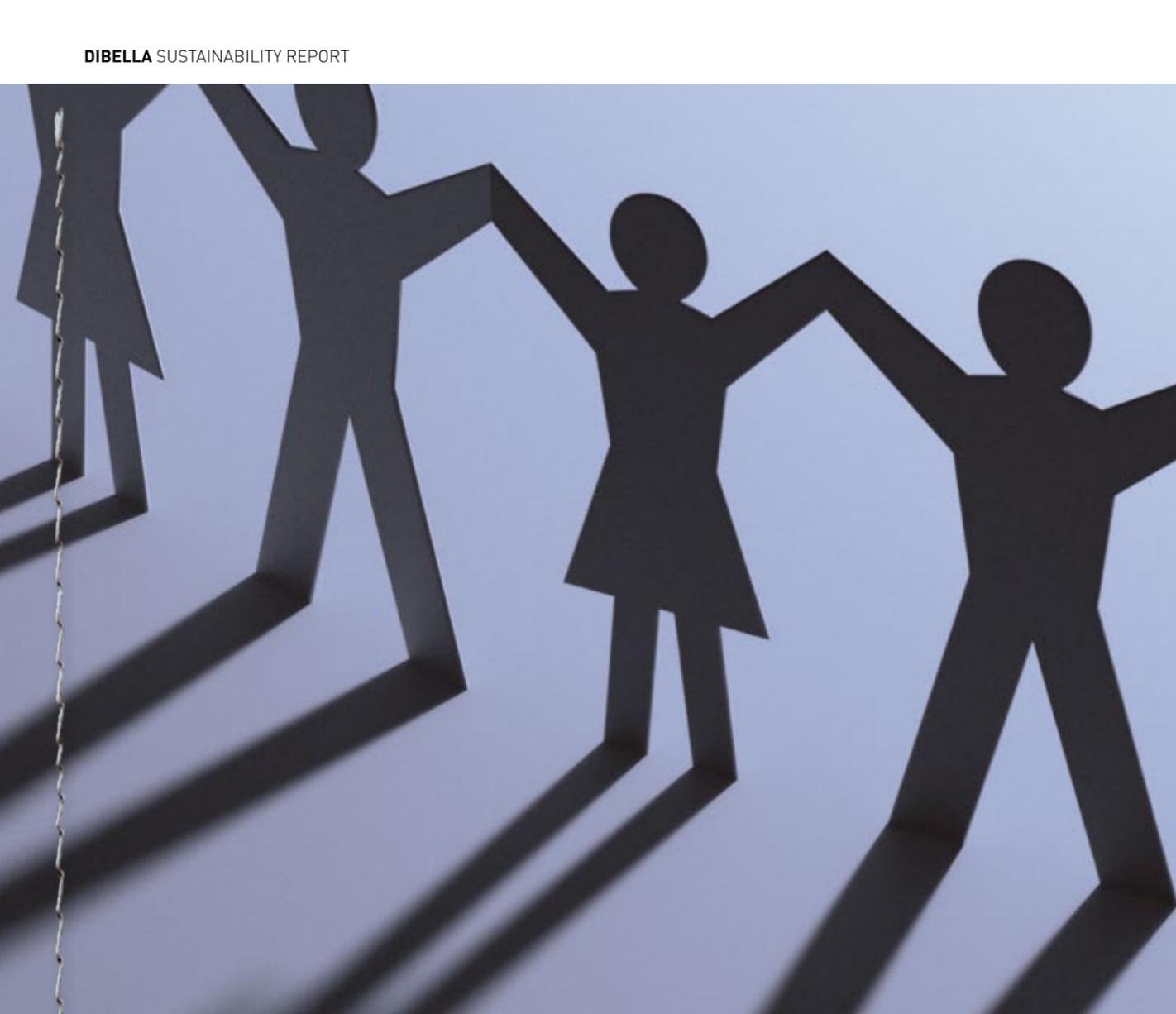
A resource conserving manner of business management and the protection of the environment are aspired towards to achieve ecological balance.

For an economically stable system, in the interests of our customers an excellent price-performance ratio, external

sector balance, as well as a high level of employment are set as targets.

The implementation of social responsibility pursuant to ISO 26000 is to help entrench these objectives into corporate actions in the long term and to turn them into a natural component of our business activities.

**'A RESOURCE CONSERVING MANNER OF BUSINESS MANAGEMENT AND THE PROTECTION OF THE ENVIRONMENT ARE ASPIRED TOWARDS TO ACHIEVE ECOLOGICAL BALANCE.'**



# 4.0 ISO 26000

#### 4.1 AN INTRODUCTION TO ISO 26000

ISO 26000 is a standard that outlines the backgrounds of socially responsible action and formulates recommendations concerning how sustainability should be implemented within an organisation. ISO 26000 is not a certification based management system standard, such as ISO 9001 or ISO 14001, but is based on voluntary application.

This standard serves to merge standards that already exist within the field of sustainability, e.g. the UN Declaration of Human Rights or the core labour standards of the International Labour Organisation (ILO), and optimises guidelines and directives pertaining to social responsibility. Unlike the multitude of attempts to define sustainability in a uniform way at a national level, ISO 26000 is an internationally agreed standard.

#### 4.2 RELEVANCE OF SUPPLIERS

Since the producers of Dibella contract textiles are predominantly established outside of Europe, the selection of producers enjoys the highest priority while taking into account the sustainability criteria of ISO 26000. During decision-making, criteria such as the honouring of

human rights, decent working conditions, occupational health and safety and environmental issues enjoy preferential consideration.

Suppliers who have already performed work for the Dibella group of companies for many years have previously committed themselves to the Dibella code of conduct and labour practices. This serves to fulfil substantial portions of our requirements. Continuous improvements are aspired towards for the coming years and have been approved by the relevant forms of corporate management.

As a matter of principle, businesses that are not as yet tested Dibella suppliers are to fulfil and comply with the following minimum criteria:

- GOTS or SA8000 certification
- Acceptance and implementation of the Dibella code of conduct and labour practices

Dibella considers it to be its duty to call upon all commissioned production businesses to follow responsible working practices. These requirements stipulate contractual obligations for suppliers and subcontractors and also encompass conducting unannounced visits and inspections.

**‘THE GLOBAL ORGANIC TEXTILE STANDARD REGULATES THE ENTIRE CREATION PROCESS OF A TEXTILE FROM THE CULTIVATION OF THE COTTON RIGHT THROUGH TO THE FINISHED END PRODUCT.’**

Over and above this, we recommend production oriented towards the criteria of ISO 26000 to our partners. To the extent that this standard has not already been implemented, prompt, progressive implementation is to take place at the existing production plants.

Additional social audits, e.g. pursuant to SA8000, are to be carried out. (SA8000 is an international standard aimed at improving the working conditions of employees.)

During the implementation of the sustainability criteria, country-specific particularities and a necessary learning process that has already been underway for a number of years in western countries are, however, also to be taken into account.

Stipulated, sustainable courses of action on the part of producers require constant continuing education and training and the involvement of the entire workforce in these considerations. We encourage our suppliers towards an appropriate qualification of employees.

**4.3 GOTS AND FAIRTRADE**

Dibella achieved GOTS certification during 2011 and obtained a FAIRTRADE

licence. For the sale of certified or, where applicable, licensed contract textiles complying with strict criteria, the Dibella group of companies exclusively works with accredited traders and producers who in turn are required to be certified and approved themselves.



GOTS certification represents one of the strictest eco-labels. The Global Organic Textile Standard – or GOTS – is an international quality standard for natural textiles emanating from controlled organic cultivation. It regulates the entire creation process of a textile from the cultivation of the cotton right through to the finished end product. It imposes restrictions relating to the chemicals used during processing. For example, only substances that pose no health and environmental risks may be used.

**‘THE FAIRTRADE LABEL ADVOCATES FAIRER TRADE RELATIONS AND THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS FOR PEOPLE IN DEVELOPING COUNTRIES.’**

In addition, requirements pertaining to resources are in place: excessive water and energy consumption, as well as waste and emissions are to be avoided. All businesses participating in the textile chain undertake to meet these criteria. They hold certification and are subjected to checks at regular – as a rule annual – intervals.

The FAIRTRADE label advocates fairer trade relations and the improvement of living and working conditions for people in developing countries. Defined standards that take economic, social and environmental aspects into account are required to be met by both by manufacturers and traders. In return, they are permitted to use the FAIRTRADE mark. Through the acquisition of FAIRTRADE items, Dibella improves the income and living conditions of farmers in cultivation areas.

**4.4 SIGNIFICANCE OF CERTIFICATION AND LICENSING**

All partners of the Dibella group of companies have been and are encouraged to pursue certification and, where applicable, licences. Beyond this, new suppliers who have

obtained GOTS certification and/or a FAIRTRADE licence with a corporate policy orientated towards ISO 26000 gain the opportunity to become a production partner of the Dibella Group. In the course of 2011, two businesses have already succeeded in this quest.

All certifications play an extraordinary role in terms of the sustainable approach of partners and lead to a more positive ranking during the assessment of suppliers.

The status quo of all Dibella suppliers was determined on 31/07/2011. Within the next 12 months, a supplier rating related improvement is to be achieved.

We are confident that we will be able to win over our production partners in favour of our sustainability strategy, and that we will achieve substantial forms of progress over the next few years.



## 5.0 Organisational governance

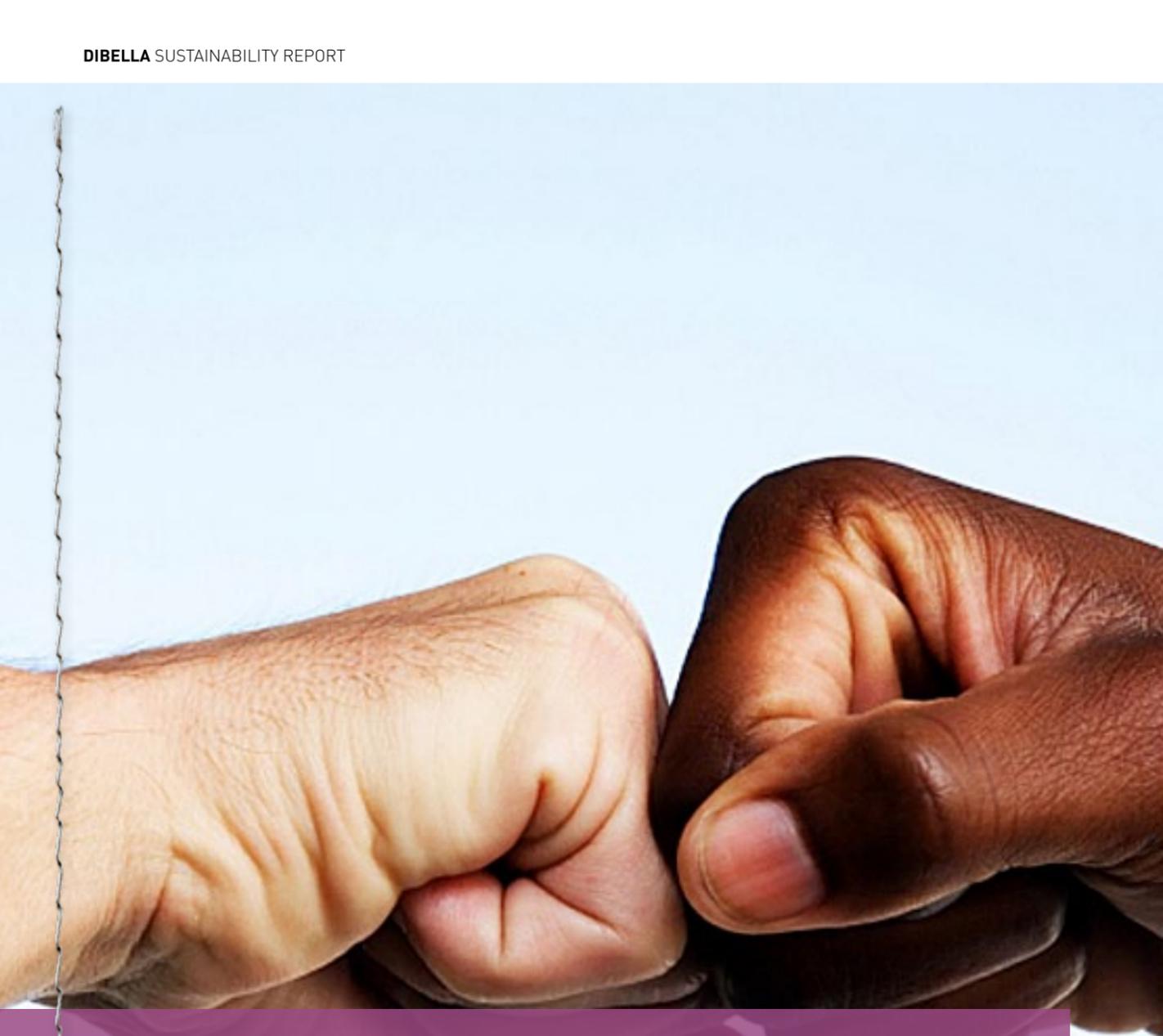
The corporate management and partners commit themselves to business activities based on sustainability.

The principles of sustainability are to be complied with by everyone involved in corporate activity.

Due to a flat hierarchy and short routes within all businesses of the Dibella Group, no independent sustainability organisation is in place. All measures are therefore steered and communicated centrally by the corporate management.

All employees have the opportunity to become actively involved in all spheres of activity pertaining to sustainable responsibility within society as a whole due to the open corporate structure. Corresponding activities on the part of employees are expressly welcomed by the

corporate management and the partners. The efforts pertaining to corporate activity oriented towards sustainability have been and continue to be communicated to employees within the scope of training sessions/meetings. At intervals of 6 months, progress reports provide information concerning targets and measures that have been achieved. Rounds of discussions twice yearly provide employees with the opportunity to become actively involved in sustainability activities and to depict their own expectations.



## 6.0 Human rights

The Dibella group of companies respects and protects the human rights of all individuals and groups involved in corporate activity and the supply chain.

### 6.1 DUE DILIGENCE

Respect for human rights within our own business is a matter of course and is also seen as a basic requirement for co-operation when it comes to business partners.

The honouring of human rights on the part of producers who have a direct supply relationship with Dibella is immediately subjected to checks on the part of Dibella within the scope of existing feasibilities. Dibella reserves the right to undertake unannounced visits at all suppliers, and at all times to be entitled to instruct independent third parties to carry out checks for compliance with the signed Dibella code of conduct and labour practices at all its suppliers. Seine Einhaltung wird im Rahmen visueller Eindrücke überprüft und bewertet. Compliance with this is checked and assessed on the basis of visual impressions.

At the same time, Dibella also strives to ensure that human rights are honoured by vendor suppliers by exerting influence on their contractual partners. Beyond this, Dibella relies on the assessment of contractual partners within the scope of GOTS, FAIRTRADE,

social audits (e.g. SA8000 based), who are regularly audited and awarded certifications by assessors/auditors.

### 6.2 ASSESSMENT OF CRITICAL SITUATIONS

Particularly in third world countries, there are no established structures in place or, where applicable, no governments elected in line with western standards. It can therefore not be ruled out that human rights violations could perhaps be carried out on the part of the state. Dibella therefore sees it as its task to assess critical situations within the regions of producers and to respond to these. Critical situations also relate to disasters. During the flood disaster in Pakistan during 2010, Dibella transferred aid funds to suppliers, thus permitting groceries to be purchased.

### 6.3 DISCRIMINATION AND GROUPS REQUIRING PROTECTION

The employment criteria of Dibella are non-discriminatory. The personnel performing work in the Netherlands and Germany is employed from within the region.

**'THE DIBELLA GROUP OF COMPANIES HONOURS THE RIGHT TO WORK BY VIRTUE OF ITS EDUCATION AND TRAINING POLICY.'**

#### **6.4 ECONOMIC, SOCIAL AND CULTURAL RIGHTS**

The Dibella group of companies respects and promotes the economic, social and cultural rights of its employees and calls on its business partners to act in the same way.

The Dibella group of companies honours the right to work by virtue of its education and training policy: every two years, an intern is accepted and employed upon completing education and training. We intend to continue with this in the future. The production processes of suppliers are carried out on a state of the art and resource efficient basis. In this way, the burden on supplies of fresh water within the production countries is lowered. Dibella is taking an additional step in this direction through the increasing use of GOTS certified products. At the GOTS operations, water consumption figures are analysed and, in the case of inefficiencies, are reduced to the required degree. This serves to guard against wasting water within countries with scant reserves of this resource. By buying in FAIRTRADE cotton, Dibella is participating in a sustainable improvement in the living and working

conditions of cotton farmers. Dibella pays an appropriate price that, amongst others, serves to sponsor community projects and forms of preliminary financing within the region. FAIRTRADE additionally prescribes specific environmental standards that need to be met during production, both on the part of peasant farmer families and plantations.

#### **6.5 BASIC PRINCIPLES AND RIGHTS AT THE WORKPLACE**

The right to free assembly applies within the Dibella group of companies.

The establishment of a works council was rejected by the workforce by way of a secret ballot.

The Dibella group of companies demands the honouring of human rights, including by its producers and traders. The code of conduct and labour practices of Dibella is compulsory and is required to be signed by partner companies.

Certification by GOTS and licensing by FAIRTRADE ensure the freedom of assembly, as well as the prohibition of forced labour, child labour and discrimination within the entire supply chain.

THE CODE OF CONDUCT AND LABOUR PRACTICES OF DIBELLA IS COMPULSORY AND IS REQUIRED TO BE SIGNED BY PARTNER COMPANIES. CERTIFICATION BY GOTS AND LICENSING BY FAIRTRADE ENSURE THE FREEDOM OF ASSEMBLY, AS WELL AS THE PROHIBITION OF FORCED LABOUR, CHILD LABOUR AND DISCRIMINATION WITHIN THE ENTIRE SUPPLY CHAIN.

**'BY BUYING IN FAIRTRADE COTTON, DIBELLA IS PARTICIPATING IN A SUSTAINABLE IMPROVEMENT IN THE LIVING AND WORKING CONDITIONS OF COTTON FARMERS.'**

## 7.0 Conditions of employment

### 7.1 EMPLOYMENT AND WORKING RELATIONSHIPS

No fixed term working relationships are in place within the Dibella group of companies. As a matter of principle, these are always converted into permanent contracts of employment upon completion of the applicable probation period.

Over the past few years, there has only been one instance of a resignation, on the part of a female employee. She left Dibella at her own request, as she had decided to study. Two new sales employees have left the business. In sales, fluctuation within the customary range is observable.

The fluctuation rate\* at the Dibella group of companies is very low in comparison to the merchandise and consumer goods sector (Germany 2007), where it was 10.3% (source: Kienbaum).

It comes to 2.5% and is an indicator of a positive work climate.

Taxes and social security contributions are deducted for all employees in line with requirements.

Wages that are paid exceed the collectively agreed tariff range. Beyond this, depending on the annual profit

situation, additional bonuses are paid out to employees.

In essence, our business model is geared towards sustainability, and within a new market, sales successes only set in after a longer acquisition phase.

Start-up financing has been put in place for the Spanish distribution partner. Quick sales successes are not to be expected within a new market in the short term. In the long term it is, however, possible to establish an existence, given a successful market entry, and with increasing sales, additional jobs can be created within the region.

Similar start-up financing is also being provided to Dibella Italia SAS in order to avoid excessive short-term pressure to succeed.

### 7.2 WORKING CONDITIONS AND SOCIAL PROTECTION

At the Dibella group of companies, the statutory provisions in force in each particular instance are observed.

Hours of overtime that may potentially accrue are compensated for by way of time off and, in exceptional cases, financially. Apart from this, these are also taken into account for bonuses.

\* Fluctuation rate = departures/average headcount x 100 (period: 2006-2011)

**'AT THE DIBELLA GROUP OF COMPANIES, THE STATUTORY PROVISIONS IN FORCE IN EACH PARTICULAR INSTANCE ARE OBSERVED.'**

The proportion of female employees forming part of the overall workforce is 68% (as at 31/12/2011). Five mothers are employed, all in the form of part-time employment. Mothers are provided with the opportunity to work on a flexible basis at the Dibella group of companies. Short-term alterations are possible at all times (e.g. in the event of children falling ill). Two mothers are currently on parental leave and intend to return to the business once parental leave has been used up. This is welcomed and desired by the corporate management.

#### **7.3 OCCUPATIONAL HEALTH AND SAFETY**

No hazardous substances are handled at the Dibella group of companies. Workplaces comply with current German employer's liability insurance association requirements. In 2010, new PCs and height-adjustable screens were purchased for all employees. In the course of travel activities on behalf of the Dibella group of companies, only more minor passenger vehicle accidents (involving bodywork damage) have occurred in years past, but not any accidents involving personal injury.

#### **7.4 DEVELOPMENT AND TRAINING AT THE WORKPLACE**

Advanced education and training measures are advocated for employees at the Dibella group of companies. All employees are regularly informed about the current advanced education and training on offer at Deutscher Industrie- und Handelskammertag e.V. (DIHK) and other educational institutions. All employees are able to select and register for courses on a voluntary basis. The costs involved are absorbed entirely by the Dibella group of companies. In order to improve driving safety, driving safety training was held for all employees with a company vehicle in 2010.

ALL EMPLOYEES ARE REGULARLY INFORMED ABOUT THE CURRENT ADVANCED EDUCATION AND TRAINING ON OFFER AT DEUTSCHER INDUSTRIE- UND HANDELSKAMMERTAG E.V. (DIHK) AND OTHER EDUCATIONAL INSTITUTIONS. ALL EMPLOYEES ARE ABLE TO SELECT AND REGISTER FOR COURSES ON A VOLUNTARY BASIS. THE COSTS INVOLVED ARE ABSORBED ENTIRELY BY THE DIBELLA GROUP OF COMPANIES. IN ORDER TO IMPROVE DRIVING SAFETY, DRIVING SAFETY TRAINING WAS HELD FOR ALL EMPLOYEES WITH A COMPANY VEHICLE IN 2010.



## 8.0 Environment

### 8.1 AVOIDANCE OF ENVIRONMENTAL BURDENS

Ecologically friendly office materials are increasingly being used in the offices of the Dibella group of companies. During the selection of all utensils, attention is paid to ecologically sound manufacturing, the absence of harmful substances and suitability for recycling.

Since the autumn of 2011, the purchase of paper items has been switched over to recycled material, which distinguishes itself on the basis of environmentally efficient manufacturing as result of reduced timber, water and energy consumption. Required printing output, such as advertising materials, flyers, catalogues, etc., has since December of 2011 exclusively been produced using paper from sustainable forestry that comes with a Forest Stewardship Council (FSC) certificate.

Forms of packaging had already been reduced to the essentials over the past few years. Smaller types of cardboard packaging are purchased in the form of recycled material. Larger types of cardboard packaging are not available as recycled material due to the stability these need to provide.

The posting of letters has been carried out on a CO<sub>2</sub>-neutral „GoGreen“ basis since 1/12/2011 using Deutsche Post AG. The business activities of the Dibella group of companies to a significant degree rely on contractual textiles that contain cotton. Dispensing with conventional cotton entirely is currently not feasible due to customer requirements for products that are justifiable from a profitability perspective. It is, however, the long-term objective of the Dibella group of companies to achieve a 10% share of sales for our textiles made of organic cotton (GOTS). Through GOTS certification, we offer items that incorporate all aspects of environmental protection in the course of cotton cultivation and the additional processing of cotton. The decision in favour of purchasing such items falls to customers. During personal discussions, we inform customers about the benefits and consequences of purchasing GOTS articles.

The transportation of goods from production sites to the Dibella warehouse predominantly takes place by sea. Air transportation is only carried out in exceptional cases.

**'DURING THE NEW CONSTRUCTION OF THE DUTCH DIBELLA OFFICE BUILDING, THE NEED FOR A CONVENTIONAL HEATING SYSTEM USING FOSSIL FUELS WAS DISPENSED WITH ENTIRELY.'**

An additional option for reducing the environmental burdens connected to Dibella products is a „cycle of life“ improvement. To us, this refers to a long and unrestricted utilisation period of our products at customers. Our textiles are therefore developed and manufactured with an extensive lifecycle in mind. Through the use of long-stapled cotton fibres and ring-spun yarns manufactured from these, the „cycle of life“ is virtually doubled when compared to inexpensive items manufactured from open-end yarns or, where applicable, yarns made from short-fibred and medium-fibred cotton. As a result, the production cycle and the connected environmental burdens are halved. It is true that Dibella articles are expensive from a manufacturing price perspective, but in our assessment it is feasible for this to be more than compensated for by the considerably longer „cycle of life“ provided.

**8.2 SUSTAINABLE UTILISATION OF RESOURCES**

During the new construction of the Dutch Dibella office building, the need for a conventional heating system using fossil fuels was dispensed with entirely.

Instead, heating takes place by means of air heat pumps operated with electricity. Since August of 2011, only eco-electricity that has been proven to be generated using wind, solar and hydraulic energy is purchased. Consequently, the office building is heated and cooled in an entirely CO<sub>2</sub>-neutral manner. The waste heat produced in the server room is additionally diverted into the building corridors. As a result of this additional heating of corridors, it is largely possible to dispense with the operation of the air heat pumps here during heating periods. Three vehicles forming part of the vehicle fleet have already been converted to use light petroleum gas (LPG), thus reducing CO<sub>2</sub> emissions. One of the converted vehicles was replaced with a TOYOTA HYBRID PRIUS in 2011. As a result, it is already possible to drive short distances using electrical power, and the average fuel consumption of the vehicle is under 5.6 l/100 km. Three additional vehicles are scheduled to be completely converted to electrical propulsion at the beginning of 2013.

During new acquisitions of vehicles, low CO<sub>2</sub> emissions and low fuel consumption are the decisive purchasing criteria.

Some employees already use a bicycle for their daily route to and from work. A reward scheme for hazardous substance free driving to work is being prepared and will be implemented by the spring of 2012.

In addition, employees are constantly being sensitised to use the resource of electricity in an appropriately frugal way.

**8.3 CLIMATE CHANGE MITIGATION**

For the domestic transportation of goods, Dibella uses a haulier firm that has already converted its fleet of vehicles to comply with the current European standard. Over 70% of the vehicle fleet already meets the Euro 5 standard. The average value of the entire vehicle fleet is the Euro 4.63 standard.

Driving journeys are already optimised, and loading surfaces are being used effectively.

Besides dispensing with a heating system that uses fossil fuels and using an air heating pump based heating system, the CO<sub>2</sub> emissions produced by Dibella through air and vehicle journeys annually are completely offset via the atmosfair GmbH non-profit initiative in Bonn, Germany. The first offsetting is to take place for 2011, and certificates to this effect are available. The funds from offsetting are used to finance projects aimed at CO<sub>2</sub> reduction in developing nations. Additional information, including about current projects, is available at the [www.atmosfair.de](http://www.atmosfair.de) website.

**'THE CO<sub>2</sub> EMISSIONS PRODUCED BY DIBELLA THROUGH AIR AND VEHICLE JOURNEYS ANNUALLY ARE COMPLETELY OFFSET VIA THE ATMOSFAIR GMBH NON-PROFIT INITIATIVE IN BONN, GERMANY.'**



# 9.0 Decent forms of conduct

### 9.1 ANTI-CORRUPTION MEASURES

No cases of corruption have ever occurred during the business history of the Dibella group of companies. Executives are shareholders in the Dibella group of companies and hold a capital interest of 32%. They therefore share directly in the successes and failures of the business.

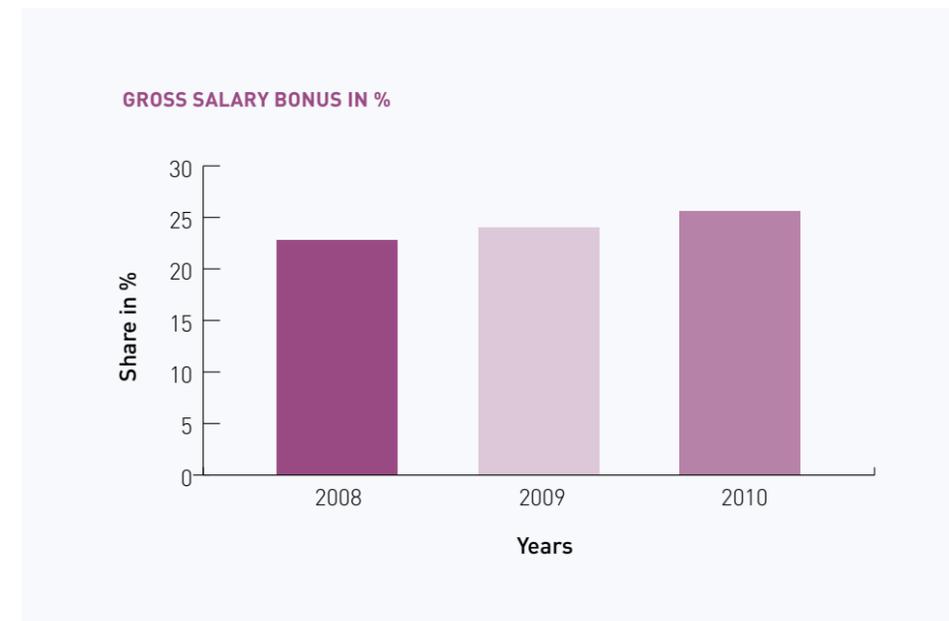


Fig. 6: Gross salary bonus percentage

**'NO FORM OF POLITICAL INFLUENCE IS EXERTED ON EMPLOYEES ON THE PART OF DIBELLA.'**

All employees receive an appropriate salary. The sales salary system is designed in such a way as to minimise the allure of corrupt deeds. Anti-corruption guidelines and processes are being prepared and will be implemented as of March 2012, and the purchasing and sales departments will receive appropriate training. The self-imposed obligation to counter corrupt conduct and not to condone corruption on the part of the business will also be adopted into the existing Dibella code of conduct and labour practices in March 2012. This supplementation will be communicated to the workforce.

**9.2 POLITICAL PARTICIPATION WITH RESPONSIBILITY AWARENESS**

Dibella, as a matter of principle, avows to be politically neutral, but is a sponsoring member of the intex association (intex e.V.), which champions minimum wages, amongst other things. No contributions have been or are made to any political parties. No proximity or connection to local government officials, political personalities and/or parties exists. No form of political influence is exerted on employees on the part of Dibella.

**9.3 FAIR COMPETITION**

It is in line with the business policy of the Dibella group of companies to promote and ensure fair competition. When it comes to competition, Dibella concentrates on quality, sustainability and customer orientation.

We observe all anti-trust legislation, as well as legislation prohibiting dishonest and unfair competition and also expect this from our competitors.

The Dibella group of companies predominantly obtains its goods from businesses that undertake to honour the Dibella code of conduct and labour practices, as well as – insofar as this has not taken place already – to obtain certification and licensing pursuant to GOTS, FAIRTRADE or SA8000 in the medium term. In this way, Dibella seeks to avoid consciously or unconsciously profiting from inadequate socio-ethical and ecological conditions in the production site countries.

**9.4 SOCIAL RESPONSIBILITY WITHIN OUR SPHERE OF INFLUENCE**

Dibella encourages its suppliers to participate in certifications such as GOTS, SA8000 and FAIRTRADE and seeks

to procure an increasing proportion of products from production that is already GOTS certified.

Beyond this, producers are encouraged to become more aware of their social responsibility and to drive forward measures for accepting their social responsibility.

All business partners are in particular encouraged to undertake to comply with anti-corruption measures and with measures to ensure fair trade.

**'WE OBSERVE ALL ANTI-TRUST LEGISLATION, AS WELL AS LEGISLATION PROHIBITING DISHONEST AND UNFAIR COMPETITION AND ALSO EXPECT THIS FROM OUR COMPETITORS.'**



10.0

# Customers / consumers

## 10.1 PROTECTION, HEALTH AND SAFETY OF CONSUMERS

In order to protect the health of consumers in the best possible way, we recommend the use of GOTS textiles. The processing of ecologically sound cotton and additional processing under strict requirements offer the consumer the highest possible level of protection. The Dibella range already encompasses a variety of GOTS certified textiles that is to be expanded further.

In the course of a test carried out at ITV Denkendorf Produktservice GmbH in Denkendorf, Germany, the GOTS certified bed linen items of Tioba and Galifera were shown to be „not cytotoxic during the cytotoxicity test of the body tolerance testing system.“

## 10.2 SUSTAINABLE CONSUMPTION

All GOTS items are labelled to ensure definite and unmistakable identification. These can be identified on the basis of the protected „white shirt within a green circle“ logo and Dibella code CERES-007 or, where applicable, CERES-013:



All FAIRTRADE articles can be recognised on the basis of the protected logo of the international FAIRTRADE Labelling Organizations International (FLO) umbrella organisation. Use of this logo – as is the case for GOTS – is bound to strict awarding rules.



Dibella is not a direct supplier to the retail trade, but an exclusive supplier to industrial consumers and the wholesale trade. As a result, appropriate large cardboard boxes are used as forms of transportation packaging. These are pallet compatible and can be reused. These large cardboard boxes are not available in the form of recycled cardboard, since a specific degree of sturdiness is required here, and this cannot be met on the basis of recycled cardboard.

All used cardboard boxes can be recycled. A large proportion of Dibella products is channelled into recycling once their lifecycle has been completed. These used textiles are, for example, used to manufacture cleaning rags that are utilised as part of a new product cycle.

**10.3 CUSTOMER SERVICE, COMPLAINT AND CONFLICT RESOLUTION**

The Dibella group of companies distinguishes between customer complaints (traders, textile service providers) and complaints at suppliers. Every objection/complaint is documented in writing along with the most important complaint parameters, assigned a processing reference code and submitted

to corporate management using a workflow system.

Complainants receive feedback from an employee entrusted with responsibility for this within 24 hours (during working days).

Influenced by the financial crisis of 2009, there was an unusual increase in complaints.

Through the capturing and processing of complaints, weak points within the overall Dibella process are analysed, recognised and rectified. An appropriate quality management system is in place.

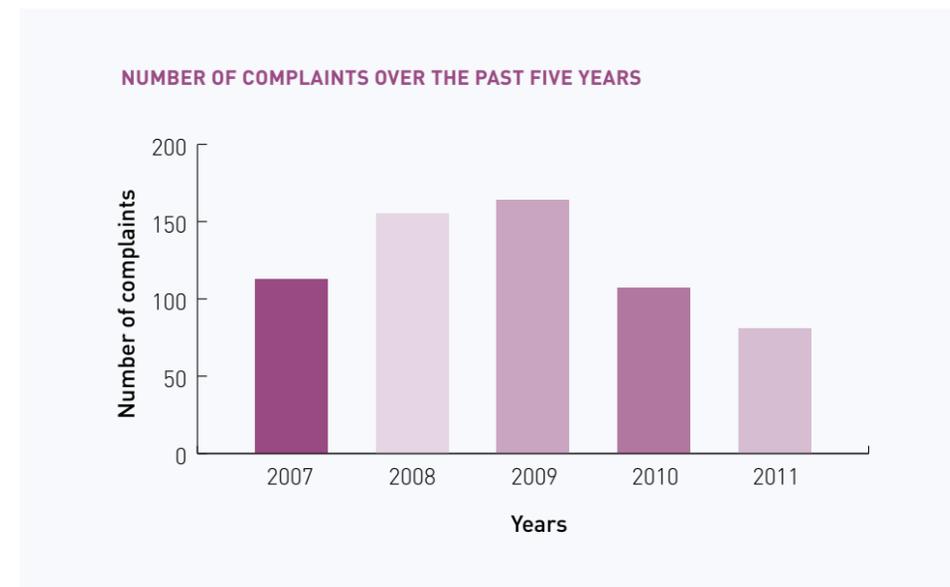


Fig. 7: Number of complaints over the past five years

**‘THROUGH THE CAPTURING AND PROCESSING OF COMPLAINTS, WEAK POINTS WITHIN THE OVERALL DIBELLA PROCESS ARE ANALYSED, RECOGNISED AND RECTIFIED.’**



# 11.0 Regional development and integration of our environment

## 11.1 REGIONAL INTEGRATION

In line with neutrality, no regional integration into representative groups and local communities takes place on the part of the Dibella group of companies. In part, free deliveries to aid organisations like the German Red Cross (DRK) take place.

## 11.2 EDUCATION AND CULTURE

Dibella is a sponsoring member of the textile museum in Bocholt, Germany. In this way we seek to create a bridge to the historical development of the Bocholt region as a leading textile centre within the larger region. Dibella financially participates in traffic training measures for children. So called starter kits that draw attention to road traffic hazards are supplied annually for school beginners. They are aimed at helping children make their school journeys safely. As an incentive, employees are provided paid leave when participating in eligible cultural and traditional events.

## 11.3 JOB CREATION AND DEVELOPMENT OF CAPABILITIES

Over the past few years, thanks to the organic growth of the Dibella group of

companies, new jobs have consistently been created (see 1.5.1).

## 11.4 DEVELOPING TECHNOLOGY AND FACILITATING ACCESS TO THIS

Within the scope of the sustainability strategy, work on an innovative type of bed linen made of TENCEL fibres is currently taking place. This development is taking place in co-operation with the Austrian fibre manufacturer LENZIG AG. Within the scope of this project, TENCEL regenerated cellulose fibres are to act as a replacement for cotton. TENCEL is lyocell fibre made from sustainable pulp (wood). The production process is based on a solvent spinning process, under which the solvent can be recycled to nearly 100%. The manufacturing process was awarded the „European Award for the Environment“ by the European Union. Tencel is traded as a type of eco-fibre, since the water and pesticide consumption during forestry is markedly lower than for cotton cultivation. In addition, cellulose fibres are entirely biologically degradable. Lenzing is currently adapting the energy generation at the lyocell plant in Heiligenkreuz, Burgenland, Austria. As





# Appendix

**Translation**

of the independent assurance report of the  
sustainability report 2011

Dibella GmbH, Bocholt;  
Dibella b.v., Aalten (NL) und  
Prolinnen b.v., Aalten (NL)

## Independent assurance report

To the management of Dibella GmbH, Bocholt; Dibella b.v., Aalten (NL) und Prolinnen b.v., Aalten (NL):

This report is an English translation of a report that was originally prepared in German. The translation has been prepared to facilitate the communication with your shareholders. The report originally prepared in German remains valid where the English translation is not as precise as the German version.

I have performed an assurance engagement on selected data of the sustainability reporting of the Dibella Group (hereinafter abbreviated to "sustainability report"). The sustainability report covers the period between 1 January to and 31 December 2011 and was prepared in accordance with the ISO 26000 ("Guidance on social responsibility") principles of social responsibility, which are presented in the sustainability report. The responsibility for the correct preparation of the sustainability report lies solely with the management of the above mentioned companies.

My responsibility is to express a conclusion based on the assurance procedures performed regarding the statements in the sustainability report. I conducted my procedures in accordance with the auditing standard IDW PS 821 on German auditing and reviewing principles of sustainability reports of the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer in Deutschland e.V.). The auditing standard requires that the audit is planned and performed in order to conclude whether the statements in the sustainability report are in compliance with the selected sustainability principles in all material respects. The effectiveness of the information systems as well as the evidence supporting the data published in the sustainability report was evaluated on a sample basis. I believe that the audit procedures performed provide a reasonable basis for my conclusion.

Based on the procedures performed, I conclude that the statements made in the sustainability report comply, in all material respects, with the principles of social responsibility.

Lindau, February 17, 2012

  
Karl-Christian Bay  
Wirtschaftsprüfer

