



United Nations Global Compact Communication on Progress 2007



Group Profile

- | Arcandor AG, which has its headquarters in Essen (Germany), is active in the key business fields of tourism, home shopping and stationary retail sales. Arcandor AG is committed to continuous growth in its three core divisions: Thomas Cook, Primondo and Karstadt. The Group's domestic and international activities in its different areas of focus stand for ideas, service high-value products and services in all fields.

Declaration of Support

Dear Sir or Madam,

Arcandor's aim is to create sustainable development for our Group, the environment and society.

In doing so, commercial success and sustainable behaviour go hand in hand for us.

We are convinced that good corporate governance will pay off for our Group both financially and in terms of ideals.



Dr. Thomas Middelhoff
Vorstandsvorsitzender Arcandor AG



Declaration of support

In the medium term, we aim to position Arcandor as an international leading tourism and retail company in sustainable management.

We consider improving the sustainability profile of our Group after its renaming in July 2007 to be an urgent task and are working systematically to ensure that our social and ecological responsibilities are met throughout the Group.

Building on the many years of experience and the successes of our affiliated companies, we began the restructuring of our sustainability organisation and the renewal of our sustainability strategy in 2007.

In the process, we have strengthened central committees and increased responsibilities in sustainability management.



Declaration of Support

In our strategic renewal process, we adhere to the values in practice within our Group in relation to our claim that we are “Committed to creating value” and we also comply with international standards for responsible company management.

Arcandor therefore acknowledges the principles of the United Nations Global Compact, which we have actively supported since May 2006.

On behalf of the Executive Board,

A handwritten signature in blue ink, appearing to read 'Th. Middelhoff'.

Dr. Thomas Middelhoff
CEO Arcandor AG

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

- | By performing reviews on a regular basis, Arcandor AG ensures compliance with legal requirements relating to work safety and health protection.
- | In the reporting period, the Group distinguished itself through proactive participation in the “Round Table Codes of Conduct” and in the “National Round Tables”, and by holding workshops (awareness raising) with the Business Social Compliance Initiative (BSCI) in supplier countries. In addition, in cooperation with Deutsche Investitions- und Entwicklungsgesellschaft mbH (German Investment and Development Company) and TÜV Rheinland, the Group has supported the continuing education program in South China.
- | The Group has also participated regularly in the meeting of the German Global Compact Network, in which Arcandor has been actively involved since 2006.
- | In the Pearl River Delta (South China), Arcandor AG began a pilot project that is intended to prevent violations of social standards. As part of this, training sessions took place in areas such as human resources, corporate communications, production, health and safety.

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- | Another project encouraged by Arcandor AG is dedicated to creating awareness among employees of suppliers in China of the necessity of taking preventative measures against HIV/AIDS and tuberculosis. To achieve this, HIV/AIDS – TB workplace programmes (WPPs) were developed and carried out at four suppliers in China. Employees of non-governmental organisations (NGOs) located in China were trained to inform company employees about the transmission of HIV/AIDS and tuberculosis and about preventative measures. The teaching material that was compiled is being made available to other suppliers and NGOs. Other companies that want to offer WPPs can also use the materials.
- | In addition, stakeholder dialogues are held on the subject of HIV/AIDS and media reports are also made on this subject. Through these activities, we reach approximately 2,000 employees, who through their knowledge about the transmission and prevention of HIV/AIDS and tuberculosis contribute to a reduction of infections in the region.

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- | As an active founding member of the Business Social Compliance Initiative (BSCI) since 2003, we have used the methodological instruments and all other opportunities offered by the BSCI to live up to the responsibility we have taken on. Our common goal is coordinating the multifaceted endeavours the company undertakes to improve working and living conditions in the factories and organising them more efficiently. Within the framework of its membership in the BSCI, Arcandor has worked actively for the further development of the code of conduct for suppliers.
- | Even after outsourcing the organisation of procurement for worldwide imports to the purchasing agent Li & Fung in 2007, Arcandor continues to fulfill the requirements of the BSCI on the maintenance of minimum social standards. Li & Fung is also responsible for ensuring that the social standards of Arcandor's code of conduct "Acting Responsibly" are upheld. However, as in the past, the strategic objectives and the focus on particular classes of goods or markets originate from Arcandor corporate headquarters, which continues to bear ultimate responsibility for supplier management. The Group's aim is that by 2010 approximately 90 percent of imports from high-risk procurement markets will come exclusively from suppliers who have been audited on the basis of social standards.



Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

- | Arcandor AG's employees have the right to freedom of association, particularly the formation of unions and corresponding union organising efforts. In its procurement measures, the Group also considers social standards to be fundamental, including the right to freedom of association and particularly the formation of unions and corresponding union organising efforts.
- | We enjoy a regular, constructive dialogue with employee representatives, including the new Group works council, which was founded in 2007. We have also actively implemented the new General Equal Treatment law throughout the Group and trained staff in exactly what it means. An independent complaints office will also be set up soon for any queries or problems staff may have.



Labour Standards

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

- | The companies that belong to Arcandor AG have made a commitment to observing a code of conduct that applies throughout the world. In its procurement efforts, Arcandor AG considers social standards, including the ban on degrading prison labour and the proper regard for the respect and dignity of employees, to be fundamental. The rules for behaviour established in the code of conduct are based on the core conventions of the International Labour Organization (ILO) and are binding for all suppliers and their subcontractors.
- | They are therefore a precondition for every business relationship with the companies that belong to Arcandor AG. In this way, the Group ensures that the ban on compulsory labour is upheld, as well as the ban on exploitive or otherwise degrading prison labour.

Labour Standards

Principle 5: Businesses should uphold the effective abolition of child labour

- | The ban on all forms of child labour, in particular child labour that is exploitive, harmful to health or under slavelike conditions, is a component of Arcandor AG's procurement guidelines, which are valid throughout the world, and is anchored in our group-wide sustainability strategy.
- | Within the reporting period, Arcandor AG's operational business divisions have taken an active position against the use of child labourers. The observance of the legal social minimum standards for the respective production and purchasing country, including the ban on child labour, has been stipulated in Arcandor AG's code of conduct, "Acting Responsibly".

Labour Standards

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

- | Under no circumstances will Arcandor AG tolerate discrimination, harassment or defamation based on gender, origin, race, religion, age, disability or sexual orientation.
- | We recognise the cultural diversity of our international workforce as a wonderful opportunity. For this reason, people with various cultural backgrounds, ways of thinking and experiences are given the opportunity at Arcandor to develop their individual potential. We will only be able to deliver innovative and creative solutions across the Group if every employee feels valued, as demonstrated by our motto: "Everybody counts".
- | In our diversity management, we bring about the transfer of know-how among different departments and generations within the Group and the promotion of talent at the Arcandor Academy. In June 2008, Arcandor will sign the Charter of Diversity, underlining its aim of creating a work environment that is free from prejudice and where all employees are valued – regardless of their gender, race, nationality, ethnic origin, religion, world view, disability, age, sexual orientation or identity.

Labour Standards

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

- | In its procurement measures, the Group considers social standards such as the ban on discrimination to be fundamental. The observance of these documented obligations is monitored by independent auditing companies that have been accredited by Social Accountability International (SAI) of New York.
- | Within the reporting period, Arcandor AG supported hospitals in the Hangzhou region of China and the Dhaka region of Bangladesh. In these countries, immigrant workers in particular usually receive inadequate healthcare. Arcandor provides financial support to clinics of the Bangladesh Garment Manufacturers Association (BGMA), which makes it possible for several hundred workers to receive medical care every month. Pregnant women are also able to receive regular medical checkups.

Environmental Protection

Principle 7: Businesses should support a precautionary approach to environmental challenges

- | As an intermediary between producers and consumers, Arcandor is in a position to influence eco-friendly production processes on the one hand and sustainable consumer behaviour on the other. By responsibly selecting the range of products it offers, the Group ensures that aspects of climate and environmental protection are taken into account during as many phases of the overall product life cycle as possible.
- | Arcandor AG promotes the conservation of biological species diversity: within the reporting period, Arcandor joined the "Nature Alliance" under the patronage of the German Federal Ministry for the Environment, Nature Protection and Reactor Safety and, in December 2007, it actively participated in the expert debate on the implementation of a national biological diversity strategy at the first national forum on biological diversity in Berlin.

Environmental Protection

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

- | Responsible interaction with the environment is part of Arcandor's self-image. This means not only that we follow environmental legislation, but that our Group makes an additional effort to protect natural resources and to develop environmentally friendly solutions.
- | Arcandor AG considers environmental protection to be an essential component in sustainable corporate development and has therefore integrated environmental protection into all its operations.
- | Arcandor AG's Group executive board bears overall responsibility for the sustainability policy and directs its business policy towards the demands of ecologically and socially responsible management. Furthermore, sustainability managers in all operational business divisions ensure that sustainability is a subject that is given the highest priority throughout the entire Arcandor Group.



Environmental Protection

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

- | The economical handling of natural resources such as energy and water, the reduction of the flow of material by minimising packaging and by waste management and the optimisation of logistics are integrated into the procedures of all Arcandor AG's operational business divisions.
- | Within the reporting period, the Group's efforts have contributed to a significant reduction of CO₂ load, packaging production, traffic noise and the consumption of natural resources.
- | Arcandor AG also ensures that customers and employees are appropriately informed of the environmental and social policy aspects of its product range.

Environmental Protection

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

- | Arcandor AG considers encouraging the development and diffusion of environmentally friendly technologies to be a special concern. With various initiatives (including energy-saving lighting materials and pots, and the distribution and purchasing of energy-efficient large and small electronic appliances), the operational business divisions also make a significant contribution here.
- | In October 2007, a test run of seven fuel-efficient, environmentally-friendly fleet vehicles allowed us to educate staff as to the importance of this type of vehicle. On the basis of convincing consumption rates and the positive reaction of our staff, we introduced sustainable vehicle fleet management. This has seen us change the models of our fleet vehicles and establish new environmentally-conscious vehicle regulations.



Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

- | The rules of free and fair competition are a fundamental prerequisite for a performance-based market economy. Arcandor therefore declares in its code of conduct that it is committed without reservation to fair and unrestricted competition and fair contractual arrangements with all its business partners.
- | The Group consistently advocates the observance of established rules of conduct: When in contact with suppliers, other business partners or officials, no employee may demand or accept anything that would be to his or her personal advantage such as payments, gifts or other donations of value.
- | Employees of other companies may not be offered or promised any personal advantages as compensation for preferential treatment in connection with their official duties.

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- | In exercising their social responsibilities, the leading entities and committees of the Arcandor Group rely to a large extent on the German Corporate Governance Codex for guidance. We work continuously on the further development of our efforts to implement the code and review the effectiveness of these efforts at regular intervals.
- | In December 2007, based on the recommendation of the Codex, we created a fourth supervisory committee, the nomination committee. We ensure transparency regarding dates and financial data by providing a financial calendar as well as comprehensive investor relations and press information on the Group's website. Remuneration of the entities of the Arcandor Group is likewise subject to the principles of transparency.

Communication on Progress 2007



Stakeholder dialogue

- | The United Nations Global Compact Communication on Progress 2007 by Arcandor AG is a vital component of continuing sustainability communication with our stakeholders.
- | More information about Arcandor AG's commitment to sustainability can be found in Arcandor AG's 2007 sustainability report. These and other publications are available for download as PDFs at www.arcandor.com. Our sustainability report is based on the guidelines of the Global Reporting Initiative (GRI).



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