

KEY MILESTONES IN THE REPORTING PERIOD (MARCH 2011 - FEBRUARY 2013)

03/2011

Commissioning of the world's largest automated returns warehouse by Hermes Fulfilment in Haldensleben, Germany

04/2011

Launch of ottogroupnet, a global Group intranet featuring virtual team rooms, social-media tools and news from across the Group

12/2011

Death of the company founder, Prof. Werner Otto, on 21 December at the age of 102

12/2011

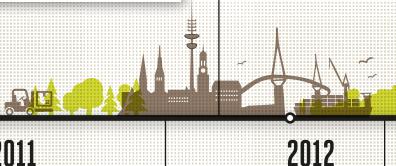
Entry as an investor in the Project A Ventures incubator for e-commerce start-ups

04/2012

Founding of DBR, a joint company with Brazilian mail-order retailer Posthaus, to expand e-commerce activities in Brazil

04/2012

Second place in the 'Working in Fashion 2012' employer-ranking by the journal TextilWirtschaft



2011

09/2011

Implementation of a Stakeholder Management System

10/2011

Integration of EOS and baumarkt direkt into the CR reporting process

11/2011

Sale of 49% of the shares in Otto Freizeit und Touristik

01/2012

Co-founding of the 'CPI₂' climateprotection initiative to reduce CO_2 emissions in the supply chain

02/2012

Inaugural meeting of the CR Board; resolution to halve the share of air-freight by 2020

03/2012

Founding of Yapital, a European cashless cross-channel payment solution, to expand innovative payment services

05/2012

Initial publication of a Declaration of Compliance with the German Sustainability Code of the Council for Sustainable Development

05/2012

Founding of the Senior Experts Consultancy to pass on the experience of retired employees to young colleagues

05/2012

Deferral of the planned CO₂ compensation project in Belarus

05/2012

Critical report on dealing with parceldelivery companies also affects Hermes. Commencement of certification of all contractual parcel-service partners in collaboration with the testing, auditing, verifying and certifying company SGS-TÜV Saar

06/2012

Announcement of the goal of '100% sustainable cotton for own and licensed brands by 2020' at the Group's Annual Financial Statements press conference

11/2012

Acquisition of the brand rights and domains of the online shop Neckermann.de

11/2012

Young ClassX awarded German CSR prize for cultural engagement

01/2013

Resolution to expand the CR Strategy 2020; the Paper and Durable Goods Strategy is newly incorporated

02/2013

Completion of OTTO's pilot project on the development of the Higg Index, an industry-wide benchmark devised by the Sustainable Apparel Coalition (SAC) to evaluate textile sustainability

09/2012

Discontinuation of the 'Passion for Performance' (P4P) IT project to standardise software across the Group; instead, decentralisation of IT

09/2012

Launch of the forward-looking FOKUS project to profile the OTTO, Baur and Schwab brands in the intensely competitive online market; in total, 647 full-time positions will be affected by 2015 by the approved restructuring

10/2012

Approval of the new Social Programme, which for the first time also integrates importers

2013

11/2012

Received the Corporate Health Award 2012 under the auspices of the Federal Ministry of Labour and Social Affairs

12/2012

'CO₂ Accounting Tool' rolled out at Hermes to collect accurate data on procurement-shipment CO₂ emissions

02/2013

Result of the CR Strategy 'Best Multi-Discipline Player' (2010 to 2012): half of the individual goals were not fully achieved and carried over into the current CR Strategy 2020

ABOUT THIS REPORT

The Otto Group's Corporate Responsibility Report 2013 presents a full account of its Corporate Responsibility (CR) activities, its business activities' impact on people and nature, including goals and measures to manage its activities.

Reference framework: The Corporate Responsibility Report 2013 follows on from the Otto Group's Corporate Responsibility Report 2011, covering the period from 1 March 2011 to 28 February 2013 (financial years 2011/12 and 2012/13). The key figures collected relate to 13 Group companies unless stated otherwise, including the eleven Group companies which were already included in the previous reporting period: Baur, bonprix, Frankonia, Heine, Hermes, OTTO, OTTO Office, Schwab, SportScheck, UNITO and Witt – with the addition of baumarkt direkt and EOS for the reporting period 2011/12 and 2012/13. Details about the businesses belonging to the Group companies as well as their legal structures are provided in the company profiles from p. 8 onwards.

The inclusion of EOS marks the first time the Financial Services segment has been included. In doing so, this report covers companies from all three of the Otto Group's business segments. All companies in the CR Report 2013 have their headquarters in either Germany or Austria and an annual turnover of over 100 mn€. One exception is the company myToys.de: while it meets all the criteria, it is not included in the CR Report 2013. Overall, the 13 reporting companies account for 53% of the Group's turnover.

Reporting structure and contents: To produce this CR Report, the Otto Group conducted a Materiality Analysis based on a stakeholder survey (see p. 25 et seq.), which served to prioritise the CR topics for their presentation in this report. The introductory sections on the CR Strategy, CR Management, Stakeholder Dialogue, the Materiality Analysis and our CR Programme are followed by chapters on our CR fields of action: Assortment and Customers, Climate and Environment, Supply Chain, Employees, and Society. Unless indicated otherwise, these are based on the consolidated data and information of all 13 reporting companies. Any exceptions are highlighted in the introductory sections of the chapters. The specific challenges, combined with the results of the Materiality Analysis on the chapter's topics, are presented at the start of each chapter on the respective field of action.

This CR Report supplements the Otto Group's Annual Reports for the years 2011/12 and 2012/13. It was produced in accordance with Global Reporting Initiative Guidelines (GRI G3.0) and meets the requirements of the highest Application Level (Level A). It is also a Communication on Progress on the extent to which the Group has implemented the Principles of the UN Global Compact.

Auditing: The CR Report 2013 has been audited and certified by PricewaterhouseCoopers (PwC) under the stakeholder engagement standard AccountAbility (AA1000 AS). For example, this certifies the commitment of all divisions of the reporting companies to involve and actively engage with stakeholders. The symbol \circlearrowleft denotes that PwC has audited the key figures.

Editorial remarks: The CR Report 2013 is available in German and English. The editorial deadline for this report was 31 May 2013. The next CR report is scheduled to appear in autumn 2015.

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

Additional remarks: The Otto Group's CR Report 2013 is available at www.ottogroup.com/cr-report. In addition, all of the Otto Group's available key figures from the last four years can be viewed there individually using an online key-figures tool. An extended GRI Index supplementing the information in the printed report is also available online at www.ottogroup.com/cr-report.

The Otto Group starts where it can create ADDED VALUE(S) - for itself and its stakeholders. Transparency is essential, dialogue is an important tool and sustainability is our goal. This logically leads to the Group's core business processes, which must be managed responsibly and efficiently.

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WE INTEND TO BE JUDGED BY OUR CLAIM TO ACT RESPONSIBLY.



HANS-OTTO SCHRADER Chairman of the executive board and chief executive Officer (CEO) otto group and chairman of the CR Board



HANJO SCHNEIDER Member of the executive board, services otto group and permanent member of the CR Board

Dear Reader,

the global economy has lost momentum mainly due to the crisis among countries and banks in Europe. While trade and manufacturing increased in emerging countries, many developed countries suffered a decline. Despite this, we are delighted that the Otto Group was able to moderately increase its turnover in the last financial year. Online turnover levels in Multichannel Retail and overall turnover levels in the Financial Services and Services segments increased strongly, with the results showing that we are on the right track by expanding e-commerce and continuing our strategy of internationalisation.

Pursuing sustainable business practices is a fundamental principle of the Otto Group. It is part of our self-understanding and consequently is embedded deeply within our Group's organisational structures. At the factories that produce goods for us we are working to ensure that working conditions are humane and safe, and also that cultivation and production methods are environmentally friendly. This is an enormous challenge, given the complexity of the supply chain and intense price competition.

As trading companies, we are faced with additional challenges. We want our merchandise to be produced in a way that is as environmentally friendly as possible, and to instil a passion in our customers for sustainable products. To achieve this, we communicate these products' added value while minimising their additional costs.

As a climate-protection pioneer we aim to further reduce our energy consumption and the resulting CO_2 emissions – a challenge we are meeting by making Corporate Responsibility (CR) an integral part of our core business. In 2012 we approved a new CR Strategy together with our Executive Board colleagues, in which we set ourselves specific, verifiable goals up to 2020. These include using only cotton from sustainable sources of cultivation for our textiles, and Forest Stewardship Council® (FSC®) certified timber in our furniture. Furthermore, in the future we intend to integrate all suppliers in risk countries into our Social Programme.

To ensure our CR Strategy is implemented, we established a new decision-making body in 2012: the CR Board. Under the supervision of the Chairman of the Executive Board and Chief Executive Officer (CEO) Otto Group, it ensures that the necessary strategic decisions are made across all Group companies, and that conflicting goals are identified and resolved in good time.

Transparency creates trust and is the basis for measurability and manageability. Taking into account our extended area of responsibility, which also includes pre-production stages, we have gone one decisive step further: we have developed an analysis tool which calculates the Otto Group's environmental footprint along the entire value chain. Furthermore, we surveyed all key stakeholder groups on topics which matter the most to our company. With a response rate of more than 40 per cent, this contributed to the focus of our CR activities and this report.

This report meets Global Reporting Initiative (GRI) Guidelines and has been audited independently by an auditing firm. In doing so, it meets the requirements of the highest Application Level A+. It also represents our Communication on Progress on the extent to which we have implemented the Principles of the UN Global Compact. By integrating the Financial Services segment and the joint venture baumarkt direkt we have extended the scope of our reporting. Furthermore, we plan to include the mail-order toy retailer myToys.de in our next CR Report.

Looking forward, we wish to continue to be judged by our claim to act responsibly while never resting on our successes.

We hope you enjoy reading this report!

On behalf of the Executive Board, yours,

Hans-Otto Schrader

Hanjo Schneider

THE OTTO GROUP'S BUSINESS MODEL

Founded in 1949 in Germany, with its companies and over 50,000 employees the Group is present in over 20 countries across Europe, North and South America, and Asia. The business model of our global retail and services group is based on three segments: Multichannel Retail, Services and Financial Services.



MULTICHANNEL RETAIL

85% share of turnove

Multichannel Retail is the Otto Group's highest-turnover business segment. To meet customers' individual needs, the segment covers Group companies which offer their assortment – including clothing, furniture, electrical equipment, toys and sports goods – via the sales channels of e-commerce, catalogues and over-the-counter retail. The Internet is now the Otto Group's most important sales channel, with the Group generating around 57% of all revenues in the Multichannel Retail segment through its online platforms.

Groupe	Alba Moda	boumarkt Der grötte Baumakt zum Besselen.	BAUR.
bon Prix <i>its me!</i>	Crate&Barrel	FRANKONIA	FIEDWIG GATTINH CLORGS
heine	limangö	MANKFACTUM.	mirapodo.de Deine Schuhe sind unsere Welt.
my Toys.de	OTTO	otto group russia	Otto Japan A member of the otto group
OTTO OFFICE	Schwab	shopping24 internet group	SportScheck Wir machen Sport.
A member of the otto group	Witt-Gruppe		



SERVICES

10% share of turnover

The Services segment covers all the services of the retail logistics value chain – from sourcing, through quality testing, transportation and warehousing, to delivery to business and private customers. The Group's logistics service providers and sourcing companies, which are consolidated under the umbrella brand Hermes, provide services to the Otto Group's retail companies and other customers.





FINANCIAL SERVICES

5% share of turnover

The Financial Services segment covers the Otto Group's range of international financial services, focusing on commercial services such as receivables management and consumer loans.



All fully consolidated Group companies headquartered in Germany or Austria with an annual turnover of more than 100 mn€ are listed.

Companies that are shaded are included in the CR Report 2013 (all companies with an annual turnover of more than 100 mn€, with the exception of myToys.de). For the other companies headquartered abroad, only the name of the company group is given.

PROFILE OF THE OTTO GROUP

The key element of the Otto Group's DNA is its more than 60 years as a family company. Still family-owned today, early on the Group embedded respect for people and nature in its thoughts and actions – a foresighted understanding of business which is also reflected in our Vision and mission. Consequently, the Otto Group is not only a company rich in tradition, but is also a recognised pioneer in sustainable business practices.

With around 53,800 employees, the Otto Group generated turnover of 11.8 bn€ in the 2012/13 financial year. The Multichannel Retail segment generated the largest share of this, at 10,057 mn€. All segments achieved a moderate increase in earnings versus the previous year.

The Otto Group takes responsibility for people and nature in its business activities. This stated aim is at the heart of our Vision and characterises our corporate mission, 'The Power of Responsibility'. We have laid the basis for a uniform, Group-wide set of values with four core elements: Profitability, Innovation, Diversity and Sustainability. This forms the basis of our company culture and is intended to make a significant contribution to ensuring the sustainability of our business activities.

BUSINESS MANDATE, VISION AND MISSION AS THE BASIS OF OUR CR AND GROUP STRATEGIES

Business Mandate

Our business mandate specifies within what framework and guiderails the Executive Board, managers and staff are to carry out the essential processes of the Otto Group's sustainably profitable business model. Furthermore, our Vision and mission as well as our CR and Group Strategies are derived from the business mandate.

Vision

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

Mission
'The Power of Responsibility'
Profitability
Innovation
Diversity
Sustainability

GROUP STRATEGY

We derive our CR and Group strategies from our business mandate, Vision and mission. One of our key strategic goals is to further strengthen our existing portfolio and to progressively expand nationally and internationally. By developing new businesses areas and models, we aim to meet the future challenges posed by constantly evolving markets, and to benefit rapidly from new business opportunities. As a global Group we intend to have a home-shopping presence in selected markets and continually strengthen over-the-counter retail. Within the Multichannel Retail segment, e-commerce continues to be the focus of our growth strategy.

Our Financial Services providers' strategy comprises the expansion of business activities in their core markets and the closing of strategic gaps in Europe and Asia through both organic and inorganic growth. Furthermore, the Otto Group has invested in numerous companies. In the age of e-commerce, logistics is increasing in importance and becoming a differentiating factor in the business-to-consumer (B2C) segment. Besides speed, reliability and transparency in the supply chain, we place particular importance on the quality of service at the point of sale and the final mile to the end-customer. Through the Hermes group of companies we have placed a particular focus of our strategy on the area of services and logistics for private and business customers. The Hermes group of companies intends to further consolidate its position as a provider of commercial services both in Germany and internationally.

BUSINESS DEVELOPMENT

In the 2012/13 financial year the Otto Group increased its net turnover by 1.6% to 11,784 mn€ versus the previous year. The reporting companies account for 53.1% of the Group's overall turnover, with 6,254 mn€. The companies which have been newly included since the 2011/12

financial year, baumarkt direkt and EOS, account for a share of 3.2%. The Otto Group's profit in the financial year now closed was 144 mn€.

KEY OPERATING FIGURES (FOR THE WHOLE GROUP)

in mn€				
	2009/10	2010/11	2011/12	2012/13
Net turnover whole Group	10,132	11,404	11,597	11,784
Net turnover reporting companies	5,060	5,733	6,107	6,254
Publicly listed capital whole Group	2,036	2,081	2,000	1,910
Publicly listed capital reporting companies	762	776	978	1,005
Liabilities whole Group	4,293	4,534	4,440	4,658
Liabilities reporting companies	1,348	1,763	2,357	2,656
Profit for the year whole Group	211	181	23	144

GROWTH IN THE FINANCIAL SERVICES AND SERVICES SEGMENTS

At the close of the 2012/13 financial year, Multichannel Retail remains the largest business segment, generating 85% of the Otto Group's overall turnover. However, its growth rate of 0.2% was clearly exceeded by those of the Financial Services and Services segments, which achieved 11.7% and 10.0% respectively.

NET TURNOVER BY BUSINESS SEGMENT (FOR THE WHOLE GROUP)

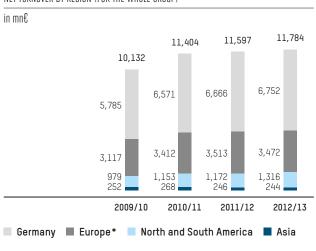
in mn€				
	2009/10	2010/11	2011/12	2012/13
Financial Services	388	455	532	594
Multichannel Retail	8,922	10,004	10,035	10,057
Services	822	945	1,030	1,133

EUROPE STILL THE MOST IMPORTANT REGIONAL MARKET

At the close of the 2012/13 financial year, Germany remained the most important sales market, generating 57.3% of the Group's turnover. While turnover levels in

other European countries fell slightly by 1.2% owing to the restructuring in France, exchange-rate adjusted turnover growth of 5.4% was achieved in North and South America.

NET TURNOVER BY REGION (FOR THE WHOLE GROUP)



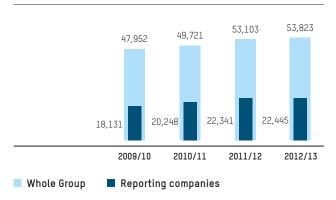
*excluding Germany

As the figures are rounded, the regional turnover figures do not always add up to the total turnover amount.

EMPLOYEE STRUCTURE

At the end of the 2012/13 financial year the Otto Group's employee headcount – converted to FTE (full-time equivalents) – across all three segments was 53,823. The 13 Group companies included in this report employ some 42% of these, representing an increase of around 2% over the previous report. A detailed account of our employee structure is provided in the chapter 'Employees'.

NUMBER OF EMPLOYEES, REBASED AS FULL-TIME EMPLOYEES (FTES)



PORTRAITS OF THE 13 REPORTING COMPANIES

MULTICHANNEL RETAIL



Headquarters: Hamburg • Employees*: 139 • Markets: AT, CH, DE, LU, NL • Stores: None

Otto Group's shareholding: 50.1% • Group companies covered by this CR Report: baumarkt direkt GmbH & Co KG

Website: www.baumarktdirekt.de, www.hagebau.de

baumarkt direkt is a retailer of DIY products and a market-leading mail-order retailer in this sector. The joint venture between the Otto Group and hagebau unites the over-the-counter business of the hagebau stores with Internet and catalogue sales. As the majority of products offered by baumarkt direkt are third-party articles, the main challenges lie in ensuring transparency of the origins of the raw materials and that humane working conditions are upheld in the sourcing countries. A further challenge is proving that the wooden products offered originate from sustainable sources.



Headquarters: Burgkunstadt • **Employees***: 3,772 • **Markets:** DE • **Stores:** None

Otto Group's shareholding: 49% • Group companies covered by this CR Report: Baur Versand (GmbH & Co KG),

BFS Baur Fulfilment Solutions GmbH and Zweite Hermes TransStore Service GmbH & Co. KG • Website: www.baur.de

The multichannel retailer Baur offers a broad assortment of fashions, shoes and home furnishings comprising own and third-party brands. Baur is positioned as a dedicated mail-order retailer for customers, providing high quality and service standards. Around 80% of orders are generated online. Another sales channel is the catalogue business. The Baur brand is aimed at women aged between 40 and 55 - a target group enthusiastic about sustainable products.

Besides reducing CO_2 emissions for shipments and its own logistics and administrative locations, Baur is faced with the challenge of auditing social standards in the supply chain and responsibly selecting the raw materials used to produce goods.



Headquarters: Hamburg • Employees*: 1,365 • Markets: 27 countries • Stores: around 70 in Germany and approx.

a further 20 in Austria, Switzerland and Italy • Otto Group's shareholding: 100%

Group companies covered by this CR Report: bonprix Handelsgesellschaft mbH, bonprix retail GmbH

Website: company.bonprix.de

bonprix is one of Germany's and Europe's leading vendors of up-to-date fashions. With a turnover of more than 1.2 bn€ in 2012, bonprix is one of the highest turnover companies in the Otto Group. bonprix is one of the top

10 mail-order retailers in Germany and operates one of Germany's top ten most-visited online shops. The company offers affordable ladies', men's and children's fashions for every customer type and size through its Internet,

catalogue and over-the-counter sales channels. The assortment also includes home textiles as well as furnishing articles and accessories.

While bonprix predominantly offers own-brand articles, supply-chain management is one of its biggest challenges. This includes producing goods at the lowest-possible cost

while upholding social standards in production, monitoring the origin of raw materials and reducing the environmental impact during processing. The most frequently used raw material by far is cotton. In the area of climate protection, a key challenge is reducing the amount of CO_2 generated by purchasing and distribution transportation activities.

FRANKONIA

Headquarters: Rottendorf • **Employees***: 594 • **Markets:** AT, CH, DE, FR • **Stores:** 23 and two outlets in Germany, two stores in France • **Otto Group's shareholding:** 100%

Group companies covered by this CR Report: Frankonia Handels GmbH & Co. KG • Website: www.frankonia.de

Frankonia is a leading European provider of hunting equipment. The assortment includes functional equipment for hunters and sports marksmen, including a sophisticated collection of classics in ladies' and men's clothing. Besides its stores, Frankonia also offers its assortment online and through catalogues.

Like other retailers, Frankonia is also faced with a sustainability challenge in the selecting of the type and origin of finished raw materials such as cotton, leather and metal. Furthermore, Frankonia exceeds statutory requirements governing the handling of hunting and sports firearms through its stringent self-regulations. Another challenge lies in finding appropriate ways of communicating and advertising the company's products.



Headquarters: Karlsruhe • **Employees*:** 555 • **Markets:** AT, CH, DE, FR, NL • **Stores:** None **Otto Group's shareholding:** 100%

Group companies covered by this CR Report: Heinrich Heine GmbH • Website: www.heine.info

Heine's assortment includes high-quality fashion articles and furnishings in the medium-to-upper price segment. The company markets these mainly as own-brand articles via catalogues and its online shop. Besides the main catalogue, each year it publishes numerous special catalogues.

This vendor of high-quality products is faced with sustainability challenges, particularly in selecting and processing the raw materials used. At Heine these cover a wide spectrum, with wool, assorted synthetic fibres, leather and timber being used. Another challenge lies in raising awareness among customers about sustainable consumption.

^{*}The employee number refers to employees on unlimited contracts at the companies covered by this report (headcounts, not rebased as FTEs) as at the end of the 2012/13 financial year. It includes working students and employees on parental leave but excludes trainees, interns, diploma students and temporary agency employees.



Headquarters: Hamburg • Employees*: 5,241 • Markets: AT, CZ, DE, HU, NL, RU, SK

Stores: None • Otto Group's shareholding: 100%

Group companies covered by this CR Report: Otto (GmbH & Co KG) • Website: www.otto.com

The mail-order generalist OTTO, the core company of the Otto Group, is one of the most successful e-commerce companies and Germany's largest online fashion and lifestyle retailer. OTTO's share of turnover generated online now accounts for around 80% of its overall turnover. Many customers access otto.de on the move via their smartphones and tablets. In recent years its catalogues have changed from being sales tools to increasingly become marketing tools. Today, they are a key source of purchasing inspiration for customers and as a result, they stimulate customers to purchase online ranges at otto.de. The main Spring/Summer 2013 catalogue has a circulation of around 4 million, although it is only one of around 60 different catalogues.

OTTO sells own-brand articles as well as those of other brands and retailers. In total, otto.de offers around 2.1 million articles and 4,000 different brands. Furthermore,

OTTO also sources goods and catalogue paper for other Group companies, which in turn offer them to their customers in cross-selling assortments. This is why OTTO has a special role in meeting the challenges in the supply chain. These include complying with social standards in terms of the working conditions at suppliers' factories, as well as in pre-production stages. It also focuses on the origin and processing of raw materials such as cotton and timber. In the case of the latter, large quantities are still used to produce catalogues and advertising materials, even though these quantities are decreasing. Other topics include reducing the environmental impact in the purchasing chain, cutting the CO₂ emissions generated by logistics, the company's locations and employee travel, as well as the recycling of products at the end of their useful life.



Headquarters: Hamburg • Employees*: 288 • Markets: BE, DE • Stores: None

Otto Group's shareholding: 75.1%

Group companies covered by this CR Report: OTTO Office GmbH & Co KG • Website: www.otto-office.com

OTTO Office is an independent mail-order retailer specialising in office equipment, communications technology and office furniture. The catalogue and online shop offer articles from over 150 brand manufacturers. Besides small and medium-sized companies, private customers also count among the buyers. The company is known for its rapid delivery, efficient purchasing and distribution policy, and reasonable prices.

The key task in sustainability is expanding the RANGE of sustainable, resource-efficient products together with manufacturers of wooden and cellulose products, office furniture and technical equipment, amongst others.



Headquarters: Hanau • **Employees*:** 1,056 • **Markets:** exports to 30 countries worldwide • **Stores:** None **Otto Group's shareholding:** 100%

Group companies covered by this CR Report: SCHWAB VERSAND GmbH • Website: www.schwabversand.de

Besides a wide variety of trendy fashions aimed at a target group aged between 25 and 55, Schwab also offers a large selection of consumer electronics and household products. The mail-order retailer also exports its assortment to 30 countries around the world. sheego is the specialist brand for young, fashion-conscious women of size 40 (UK size 16) and upwards. This fashion company therefore closes a gap in the market, opening up a world of fashion to plus-size women that was previously closed to them.

The sheego.de site emerged as test winner for customer advice and sustainability in the ServiceAtlas Fashion Shops 2012 competitive study.

Similar sustainability challenges arise owing to the similarity of its textile assortment structure to OTTO's. For Schwab, another challenge lies in raising its customers' awareness of sustainable consumption and increasing the share of corresponding products in its overall assortment.



Headquarters: Munich • **Employees*:** 1,500 • **Markets:** D, AT, CH • **Stores:** 17 in Germany

Otto Group's shareholding: 100%

Group companies covered by this CR Report: SportScheck GmbH • Website: www.sportscheck.com

SportScheck is Germany's leading multichannel retailer of sports goods, offering its range via its online shop, mobile shop, catalogues and over-the-counter stores. SportScheck was founded in 1946 and has been part of the Otto Group since 1991. The company's philosophy is to be a lifelong sporting companion and to inspire people for sport. The company holds city-runs as well as outdoor and winter events, thereby inspiring its customers to take up new forms of sport.

Its wide assortment of sports and leisure goods poses complex sustainability challenges to SportScheck in terms of supply-chain management. As many functional textiles contain synthetic fibres, particular attention is paid to the use of chemicals and energy; however, SportScheck can only have an indirect influence on how the articles are manufactured, owing to the high number of third-party brands in its assortment. Another challenge facing SportScheck is to ensure energy is used as efficiently as possible at all its locations to reduce the amount of CO₂ emissions generated.

^{*}The employee number refers to employees on unlimited contracts at the companies covered by this report (headcounts, not rebased as FTEs) as at the end of the 2012/13 financial year. It includes working students and employees on parental leave but excludes trainees, interns, diploma students and temporary agency employees.



Headquarters: Salzburg • Employees*: 420 • Markets: AT, CH, IT • Stores: None

Otto Group's shareholding: 100% • Group companies covered by this CR Report: UNITO Versand & Dienstleistungen GmbH

(Universal, OTTO and Quelle in Austria including Ackermann and Quelle in Switzerland)

Website: www.universal.at, www.ottoversand.at, www.quelle.at, www.quelle.ch, www.ackermann.ch

UNITO is the largest mail-order group in the Alpine region. Through this company the Otto Group covers the multichannel mail-order market in Austria, Switzerland and the South Tyrol. With its multibrand strategy, UNITO unites the brands OTTO, Universal, Ackermann, Quelle and Alpenwelt under one roof. In Austria, with its broad assortment the Universal brand is the market-leading mail-order business. As an e-commerce-focused mail-order retailer, OTTO offers fashion & lifestyle articles. Quelle.at is a durable-goods mail-order retailer. Alpenwelt offers traditional clothing collections.

In Switzerland, the company mainly sells textiles under the Ackermann and Quelle brands. UNITO is present in Germany through the Quelle.de brand as an online retailer focusing on technology and living assortments.

While UNITO predominantly offers cross-selling assortments, its responsibility for how they are produced is increasing. This is because it is sourcing a growing share of goods itself, such as large electrical household appliances and traditional clothing. Involving customers is intended to raise their awareness of energy-efficient appliances, as these have the greatest environmental impact when in use. In customer communications, UNITO considers raising awareness of sustainable cotton and resource conservation to be core tasks.



Headquarters: Weiden • Employees*: 2,582 • Markets: 10 countries in Europe as well as Russia and Kazakhstan

Stores: Around 115 in Germany \bullet Otto Group's shareholding: 100%

Group companies covered by this CR Report: Sieh an! Handelsgesellschaft mbH, AMBRIA GmbH,

Creation L Handelsgesellschaft mbH, Josef Witt GmbH • Website: www.witt-gruppe.eu

Witt is a mail-order retailer of clothing, underwear and home textiles. The company's target group comprises customers over the age of 50. Five different company brands including WITT WEIDEN and Sieh an! address the demands and requirements of this customer group. The WITT International brand is especially tailored to meeting the needs of customers based abroad. Besides overthe-counter stores, the catalogue – and increasingly also the online shop – are key sales channels.

The key sustainability challenge facing the company in terms of its assortment and customers is expanding the range of articles made from sustainable cotton – the most commonly-used fibre for textiles. Besides shipments, when it comes to reducing CO_2 emissions its own logistics locations are very much in focus, as Witt has its own distribution centre. Demographic change and adapting the assortment to suit changing customer tastes are further key challenges for Witt.

SERVICES



Headquarters: Hamburg • **Employees***: 8,793 • **Markets**: AT, DE, GB, IT, RU • **Stores**: over 20,000 parcel shops in Europe, 14,000 of these in Germany • **Otto Group's shareholding**: 100%

Group companies covered by this CR Report: Hermes Europe GmbH, Hermes Logistik Gruppe Deutschland GmbH, Hermes Einrichtungs Service GmbH, Hermes Transport Logistics GmbH, Hermes Fulfilment GmbH • **Website:** www.hermesworld.com

Through its twelve specialised group companies, Hermes covers the entire service spectrum along the retail value chain: from the sourcing of products and testing, through transport and distribution logistics, to delivery to the end-customer. Hermes is the world's only service provider that can offer its clients such an end-to-end service. In Germany alone, Hermes delivers up to 1.5 million consignments to private households every day. The target group ranges from international business customers, for whom Hermes handles the purchasing of goods, to private customers receiving Hermes parcel deliveries. Since 2010 Hermes has grouped its long-term environmental and climate-protection activities into the 'Hermes WE DO!' initiative.

For Hermes, reducing the CO₂ emissions of purchasing logistics, distribution transportation and of its own locations takes top priority. Further core topics in this business area include working conditions and the remuneration of its own employees, temporary agency employees and staff at partner companies such as those involved in parcel delivery. Growing competition in the mail-order and parcel business as well as the resulting increase in time and cost pressure in the delivery process currently count among the industry's growing social and environmental challenges.

FINANCIAL SERVICES



Headquarters: Hamburg • **Employees***: 1,584 • **Markets:** Over 45 subsidiaries in 27 countries in Europe, America and Asia **Otto Group's shareholding:** 100%

Group companies covered by this CR Report: EOS DID – EOS Deutscher Inkasso-Dienst, EOS KSI Inkasso Deutschland and 13 further EOS Group companies • **Website:** www.eos-solutions.com

The EOS Group is one of the leading international providers of bespoke financial services, with a focus on receivables management. With over 9,000 employees across the globe and over 45 subsidiaries, EOS offers its some 20,000 customers in 27 countries security thanks to tailored services. Through its international network

of partner firms, the EOS Group has resources in 134 countries on all continents. Its main target sectors are banking, insurance, energy utilities, telecommunications and IT.

The main sustainability challenge is managing customers in financial difficulty. Besides this, data protection is a particularly important topic.

^{*}The employee number refers to employees on unlimited contracts at the companies covered by this report (headcounts, not rebased as FTEs) as at the end of the 2012/13 financial year. It includes working students and employees on parental leave but excludes trainees, interns, diploma students and temporary agency employees.

THE OTTO GROUP'S* ENVIRONMENTAL FOOTPRINT

GOAL

MEASURING OUR ENVIRONMENTAL FOOTPRINT

The goods offered by the Otto Group are produced in over 70 countries. This requires resources including agricultural land, raw materials and water; it also results in harmful substances being released into the soil, watercourses and the atmosphere. We intend to reduce our environmental impact along the value chain over the long term – and to achieve this, we first need to identify the environmental hotspots.

A special modelling tool which measures our environmental footprint provides this transparency. The particular feature of this tool is that the various environmental impacts are evaluated based on the external cost they cause in euros and in doing so, are made comparable. This comparability is a first milestone that will enable us to work together with suppliers and their pre-suppliers to reduce the negative environmental impacts in the supply chain.

METHODOLOGY

MODELLING OUR ENVIRONMENTAL FOOTPRINT

Statistical key figures on environmental impacts and their cost

Example:

Specific greenhouse-gas emissions per euro of purchasing volume for clothing in China: 1.05 kg/€, external cost for greenhouse-gas emissions: 66 €/t

Example:

The external costs for the greenhouse-gas emissions of the purchased t-shirts, from the cotton field to production in China, are £69,300.

MODELLING Example: Purchasing volume for t-shirts from China: 1 mn€

The Otto Group's various environmental impacts

are identified, and by converting them into external costs are made transparent and comparable.

^{*} Based on the Estell calculation model by the Group's own consultancy Systain Consulting GmbH.

FINDINGS

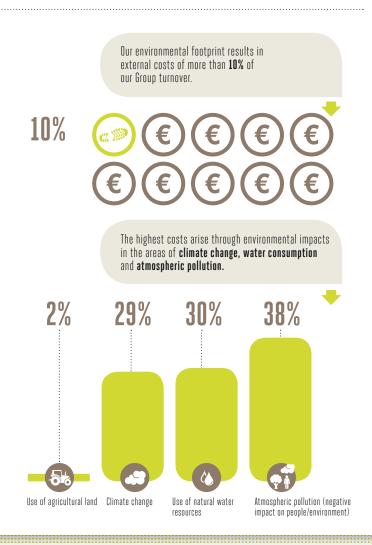
A HUGE AMOUNT OF LEVERAGE EXISTS IN THE SUPPLY CHAIN AND PRODUCTION

Almost **80%** of the environmental damage caused by the Otto Group is attributable to the production of merchandise.





In terms of merchandise, textile production is responsible for **half** of all environmental impacts.



NEXT STEPS

IMPROVE ACCURACY, INCREASE TRANSPARENCY AND USE THE RESULTS



- > Inclusion of additional environmental impacts such as biodiversity and water pollution
- > Improvement in the **accuracy** of the findings
- > Increase in **transparency** and inclusion of further analysis aspects
- > Use of the findings to develop our CR Strategy further

CR STRATEGY

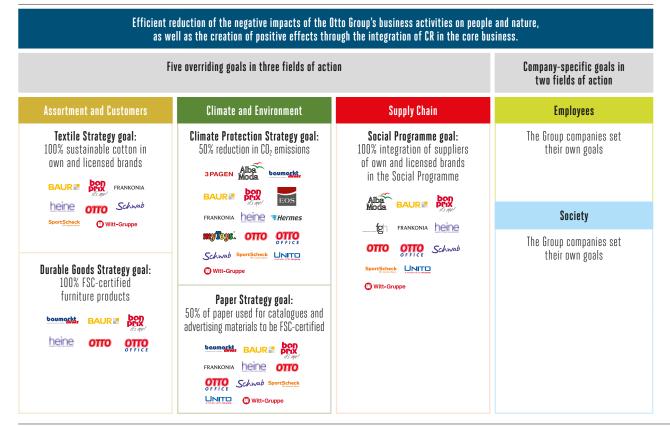
The Otto Group's CR Strategy 2020 is a further development that embeds the principles of sustainable business practices even more deeply in the Group and its business processes. To achieve this, the Otto Group has set specific, measurable goals for the topic areas that are fundamental to the business model and which the Group has influence over. These goals are reflected in five topic-specific sub-strategies.

The Corporate Responsibility (CR) Strategy approved by the Otto Group Executive Board in 2012 is valid until the 2020/21 financial year. The strategy is intended to contribute to the Otto Group's future viability. It covers all reporting companies, as well as some additional Group companies. Its focus is on re-engineering core business processes such as the procurement of goods, and unites our company Vision, 'Responsibility for People and Nature', with the added value we offer our customers through our broad and affordable range of sustainable products and services. Our CR Strategy 2020 serves as an umbrella strategy, encompassing five topic-specific sub-strategies, each with an overriding goal.

FURTHER DEVELOPMENT AND BUSINESS FOCUS

We derive the strategic focus of our sustainability activities from stakeholder and market requirements (see p. 25 et seq.). The work focuses on these five fields of action, which also provide the structure of our CR Report: Assortment and Customers, Climate and Environment, Supply Chain, Employees, and Society. Our CR Strategy 2020 ensures CR is integrated progressively into our core business. It builds on our current strategy, 'Best Multi-Discipline Player', which remains valid until the end of financial year 2012/13. We did not fully achieve all our sub-goals in our current CR Strategy within the anticipated timeframe (see CR Programme, p. 28 et seq.). Nevertheless, through the experience we have gained we have been able to transfer, standardise and further develop our assortment and climate goals in our CR Strategy 2020.

THE OTTO GROUP'S CR STRATEGY 2020



The Otto Group's CR Strategy 2020 is an umbrella strategy encompassing the five specific sub-strategies from the Assortment and Customers, Climate and Environment, and Supply Chain fields of action. For each of their sub-strategies, the fields of action set out Group-wide goals to focus fundamental business processes on sustainability. We do not manage goals and measures from the two further CR fields of action, Employees and Society, centrally; rather, our Group companies manage those independently.

The Group's Textile Strategy measures are intended to tighten the focus of our Group companies' purchasing activities on environmentally friendly raw-material extraction and processing. The primary goal of our Durable Goods Strategy is to switch our furniture assortment over completely to using FSC-certified timber from responsible forestry. The task of our Social Programme is to ensure that suppliers comply with social standards. With the Group's Climate Protection Strategy we intend to cut the $\rm CO_2$ emissions of our locations, facilities, shipments and employee travel. We have implemented our Paper Strategy to increase the share of certified paper from responsible forestry used for catalogues and advertising materials.

The Group companies are responsible for implementing these sub-strategies and expanding them based on the specific requirements of their business model and their stakeholders' expectations.

FOCUSING ON PRIORITIES

The continual further development of the CR Strategy has resulted in a focus on topics which are critical to the Otto Group's future viability. With this concentration of measures we will achieve the greatest effectiveness. To this end, besides very close stakeholder dialogue we are expanding our use of figure-based analysis tools, such as our environmental footprint (see p. 14 et seq.).

Consequently, our CR Strategy 2020 encompasses five sub-strategies on topic areas fundamental to our business activities: climate protection, environmental protection and conservation of resources for textile and durable-goods assortments as well as in catalogue production, and social responsibility in the supply chain. The Group Executive Board has set an overriding goal to be achieved by 2020 for each sub-strategy.

SCOPE OF APPLICATION OF THE CR STRATEGY 2020

The reporting companies have committed themselves to all five core goals, where these are relevant to their business model. For example, Hermes and EOS are not involved in the Paper and Assortment Strategies owing to their business activities. Similarly, baumarkt direkt, OTTO Office and UNITO are not pursuing the goal of achieving '100% sustainable cotton in own and licensed brands', as these companies carry hardly any of the articles concerned in their assortments. Prior to approving additional goals within the framework of one of the sub-strategies, we check which of the reporting companies these are relevant to. For instance, an expansion of the Durable Goods Strategy might affect Frankonia, SportScheck and UNITO.

LONG-TERM PLANNING

With their long-term planning timeframe, the five sub-strategies allow us to adopt a strategic approach and conduct the necessary preparatory work within our company organisation. When defining goals, we included those Group companies involved in the CR Strategy.

ASSORTMENT AND CUSTOMERS: TEXTILE AND DURABLE GOODS STRATEGY

For the textile assortment of own and licensed brands, only sustainably cultivated cotton is to be used by 2020, as required by the Otto Group's Textile Strategy. To achieve this we are promoting and using sustainably cultivated cotton in certified organic quality and also from the Cotton made in Africa initiative (see CmiA, p. 35). Compared to the very resource- and CO₂-intensive conventional cultivation process, CmiA saves around five cubic metres of water and 60% CO₂ for each kilogramme of cotton produced.

We will expand the Group's Textile Strategy in this financial year and the next in three directions. Firstly, it will also apply to other fibres used, such as viscose, polyester and wool. Secondly, besides raw-material cultivation and extraction, the processing stages that the fibres undergo to become a finished product will also be included. Thirdly, besides own and licensed brands, third-party brands are also to be included in the long term. Furthermore we will set measurable target values in future for these additional aspects of our Textile Strategy.

TEXTILE STRATEGY

Goal: 100% sustainable cotton in own and licensed brands by 2020.

Key figure: Sustainable-cotton share of the overall quantity of cotton used in own and licensed brands.

The largest durable-goods assortments comprise furniture, large household electrical appliances and multimedia articles. Under the Durable Goods Strategy approved in 2012, only FSC-certified timber is to be used in furniture by 2020. The Forest Stewardship Council (FSC) is committed to protecting forests through responsible felling and the associated conservation of biodiversity.

The extent to which further assortments, such as multimedia articles and large household electrical appliances, are to be included in the Otto Group's Durable Goods Strategy will be agreed following the completion of a pilot project that is currently running.

DURABLE GOODS STRATEGY

Goal: 100% of furniture products offered to be FSC-certified by 2020.

Key figure: FSC-certified furniture share of overall furniture assortment.

CLIMATE AND ENVIRONMENT: CLIMATE AND PAPER STRATEGY

The Climate and Environment field of action focuses on cutting CO_2 emissions and sourcing sustainable paper. The Otto Group's Climate Protection Strategy aims at halving location, shipment and mobility-related CO_2 emissions by 2020 compared to the base year 2006. The Group intends to achieve this as efficiently and cost-effectively as possible, primarily by increasing our energy efficiency. Operational implementation of the necessary measures will be performed locally in the individual Group companies. Besides this, to additionally cut CO_2 emissions in the upstream value chain we are increasingly taking responsibility for emissions generated beyond our own locations and shipments. Amongst other commitments in this area we are a founding member of the CPI_2 industry initiative (see p. 60).

CLIMATE STRATEGY

Goal: 50% cut in location-, facility-, shipment- and mobility-related CO₂ emissions by 2020 compared to the base year 2006.

Key figure: Location-, facility-, shipment- and mobility-related CO₂ emissions.

Through our Paper Strategy we intend to increase the share of FSC-certified paper used in catalogues and advertising materials to at least 50% by 2020. It covers materials produced using the gravure printing process, which accounts for around 80% of the reporting companies' total paper quantity. In total, the amount of paper consumed by the reporting companies to produce catalogues and advertising materials is around 260,000 tonnes annually. Although we now use less paper, this means the Otto Group is still among the largest consumers of paper in the German-speaking region. We are a pioneer in using FSC-certified printed materials (see p. 36, 47 et seq.) and intend to further consolidate this position.

PAPER STRATEGY

Goal: 50% of paper used for catalogues and advertising materials to be FSC-certified by 2020.

Key figure: Share of FSC paper in relation to total amount of paper used for catalogues and advertising materials produced using the gravure printing process.

SUPPLY CHAIN: SOCIAL PROGRAMME

In the Supply Chain field of action, through our Social Programme we intend to improve the working conditions for those people who produce goods for the Otto Group in risk markets. We review the progress made towards achieving results based on key figures from our Social Database; by 2015 we aim to integrate all suppliers with factories in risk countries. In addition to this, our Social Programme has a range of qualification offers for suppliers which help them comply with social, environmental and quality requirements (see p. 54 et seq.).

SOCIAL PROGRAMME

Goal: 100% integration of suppliers of own and licensed brands in the Social Programme

Key figure: Share of own- and licensed-brand suppliers integrated in the Social Programme. A supplier is deemed to be integrated when all its active factories that produce merchandise in risk countries for the Otto Group can provide a valid and recognised certificate, audit or assessment. Alternatively, importers are also deemed to be integrated if they are BSCI members.

CR MANAGEMENT

Professional management is the basis for implementing the CR Strategy 2020. The Otto Group has adapted its CR organisation to meet the higher demands: all Members of the Otto Group Executive Board and CR Board set the strategic direction, with the Group companies' Executive Directors responsible for operational implementation.

At the Otto Group, every member of the Executive Board is responsible for Corporate Responsibility (CR). The central decision-making body for preparing strategic CR decisions is the CR Board. It was established at the start of 2012, is supervised by the Chairman of the Executive Board and Chief Executive Officer (CEO) Otto Group, and meets three times a year. Together with the Group Executive Board Member for Services, the Board includes another permanent member. Topic-specific working groups, headed by the Executive Directors and Vice Presidents of the Group companies bonprix, Hermes and OTTO, together with representatives from the CR Division, support the work of this decision-making body. The working groups propose recommendations and prepare for the operational implementation of agreed measures. In addition to the working groups, as part of our CR Strategy 2020 project teams meet regularly to discuss cross-functional topics such as integrated reporting.

KEY ROLE OF THE CR COORDINATORS

The Otto Group has a decentralised structure. The Executive Directors of the Group companies are responsible for achieving the CR goals and implementing CR activities in their company. In this regard, the CR Coordinators play a key role in the Group companies: they coordinate their company's respective CR activities, initiate new measures and manage the administration of key figures. In doing so they are the interface to the Group CR Division. While usually only one person performs this task at our smaller Group companies, our larger Group companies each have dedicated CR areas. For example, OTTO and Hermes have both established their own CR management decision-making bodies, which decide on and organise the implementation of CR activities together with Vice Presidents and Division Managers.

The Otto Group CR Division has a Group-wide consulting and management function within our CR organisation. It functions as an initiator and is responsible for developing and planning Group-wide strategies and pilot projects. Furthermore, it provides the measurement tools

for planning and management, produces recommendations – often in collaboration with the working groups – for the CR Board, and advises Group companies on implementing our CR Strategy.

The core tasks of the CR Division include steering stakeholder management and CR reporting, as well as linking and transferring knowledge between the Otto Group and the Group companies. For this purpose, in 2012 a Best-Practice Club CR was held in which representatives from twelve Group companies took part.

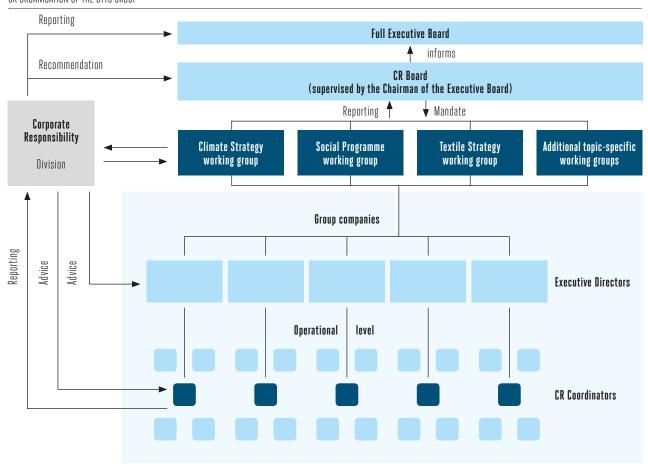
CR CONTROLLING

The central tool for controlling our CR processes is our CR data-management system. It stores all the key figures which allow us to review and compare internally the level of implementation of our CR objectives and the effectiveness of the measures taken. In terms of the Group companies involved in the sub-strategies, we collect key-figure data on employees, the climate and the environment annually, assortment key figures every six months and Social Programme key figures on a quarterly basis. The development of the key figures is reported to the Otto Group Executive Board every six months.

Since March 2013 our Group Guideline Sustainability in Procurement has set out the social and environmental requirements on how all goods are sourced by the Group companies.

At the start of 2011 we launched the Rollout Corporate Responsibility to standardise our CR management. Our initial aim was to integrate all Group companies by 2012 which together generate 90% of our Group's turnover; however, we did not achieve this goal. Instead, the sub-strategies will be rolled out to individual Group companies based on specific topics. The reason for changing our approach is our new focus on achieving a higher degree of decentralisation. Consequently, the Group companies now have greater autonomy, something which is reflected in a less standardised IT architecture. This led

CR ORGANISATION OF THE OTTO GROUP



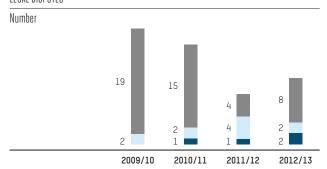
to it becoming difficult to measure and control CR topics, meaning that we were unable to achieve the proposed roll-out using the proposed resources.

GOOD CORPORATE GOVERNANCE AND COMPLIANCE

The Otto Group is aware that in a global company with over 50,000 employees, complying with international laws and regulations may result in conflicts of interest and laws, which entail hidden risks. Within our Group, as a key component of our existing Compliance Management System, our Compliance Committee ensures we comply with national and international laws as well as our own Guidelines. It comprises managers from the required Group Divisions such as Legal Services, Group Investigation, Data Protection, Group Audit and Corporate Responsibility. Besides this, our Code of Conduct (see p. 54), which applies Group-wide and which is a mandatory component of the Otto Group's contractual relationship with suppliers, plays a key role.

Furthermore, we have Group Guidelines on anti-corruption, donations, embargo measures, giving and receiving gifts, as well as on data protection and security (see p. 40). Managers must inform their employees personally about what the Guidelines cover and about any changes. In the event of questions or the suspicion of a violation, employees can turn to an internal point of contact or an external ombudsman. In the case of violations, we implement corresponding sanctions such as disciplinary measures or the termination of supplier relationships.

LEGAL DISPUTES



- Legal disputes due to anti-competitive behaviour
- Legal disputes related to consumer protection
- Legal disputes due to diversity and equal-opportunity violations

In the reporting period, twelve cases of legal action were taken against Group companies due to anti-competitive behaviour; these mainly concerned trademark and decency violations. The legal action taken relating to consumer protection mainly concerned the unauthorised sending of newsletters and e-mails. One unpermitted creditworthiness statement led to the payment of a fine. The three cases of legal action on diversity and equal-opportunity grounds were all taken by the same person, who felt discriminated against owing to the online application process. These cases were rejected by the courts.

VIOLATIONS

Number				
	2009/10	2010/11	2011/12	2012/13
against environmental standards	0	0	0	0
against health and safety standards (product recalls)	2	2	6	2
against product- information standards	10	10	8	10
against marketing standards	10	10	4	5

In terms of product recalls, this mainly concerned textiles in which an increased amount of azo dyes was identified. Product-information and marketing-standards violations, which totalled 27 in the reporting period, predominantly concerned confusing energy-efficiency labels and quality-seal claims.

FORESIGHTED RISK MANAGEMENT

Our Group-wide Risk Management System collects and analyses the risk associated with our business. This system commits all Group companies to perform a risk assessment each year. The Group Controlling Affiliates Division is responsible for the analysis, which also serves as a Group-wide early-warning system.

The short-term risks include currency risks and economicgrowth fluctuations which impact on consumers' willingness to spend. Longer-term risks include climate change, as the increase in extreme weather events may lead to crop failures and a shortage of raw materials in sourcing countries.

STRENGTHENING INNOVATION MANAGEMENT

Owing to intense competition, especially in home shopping, innovations are critical to the Otto Group's business success. To strengthen and expand the entire Group's ability to innovate we have developed greater expertise in our Corporate Strategy & Development Division to develop and implement innovations. The Group Division supports each Group company in setting their own focal points in strategically-relevant fields and advises them on embedding a systematic innovation-management process into their organisation. Furthermore, we established a central E-Commerce Competence Centre which deals exclusively with the latest developments in the online market and tests and implements these together with the individual Group companies.

IN DIALOGUE WITH STAKEHOLDERS

The Otto Group is in constant contact with its stakeholders through direct discussions, surveys and at events. This enables us to identify their requirements and expectations of us early on, and to incorporate them in decisions. Our Stakeholder Management System is coordinated by a clearly defined procedure.

In autumn 2011 we structured our Stakeholder Management System uniformly across the Group with a new procedure. It sets out guidelines on identifying stakeholders, internal responsibilities, the division of duties and on involving stakeholders. Whether and how stakeholder expectations are addressed depends on their importance and urgency. Our CR Division manages this process: it coordinates stakeholder dialogues and if required, performs risks assessments.

STAKEHOLDER EXPECTATION MANAGEMENT

Our key stakeholder groups are: customers, suppliers, staff, non-governmental organisations (NGOs) and representatives from the spheres of politics, science and business. Their significance to us is measured based on what relationship exists to our business or products, or what activities they can influence in our sales markets or at our Group locations. Stakeholder groups which are affected by our business activities are naturally also relevant. Stakeholder interactions relevant to the Group are logged in a dedicated database and assigned to a topic area and a stakeholder group.

The key parties for managing stakeholder dialogue are the Executive Board, the CR Division, Corporate Communications and the Group companies. Approved internal information flows ensure that the Group companies respond uniformly to external enquiries, which are classified into those with a high risk to our company's reputation and those with a low risk. High-risk enquiries are sent directly to the CR Division for action; CR then works together with Corporate Communications in the case of critical media enquiries. The table on page 23 shows how, on which topics and through which channels we communicated with our stakeholders in the reporting period.

INVOLVING OUR STAKEHOLDERS

We involve our stakeholders across four different levels. Firstly, by providing information in our CR Report and on our corporate website. Secondly, our engagement in face-to-face dialogue, such as at events or the workshops we organise, goes far beyond being purely informative. The third level is through consultation, such as by engaging in one-to-one exchange at a specialist level. The fourth and closest level of stakeholder involvement is developing goals and solutions together with our stakeholders, or at least involving them in the process. It relies on a great deal of trust on both sides, but can also provide powerful stimuli.

Our forums serve to encourage exchange and involve internal and external stakeholders as well as to extend interactions with them. In the reporting period, social standards in the supply chain were the most intensely discussed topic. For example, we are involved in the living wages forums of the Round Table Codes of Conduct of the German Society for International Collaboration – GIZ. Working conditions at the supplier factories also formed part of the local forums in risk countries such as Bangladesh.

Established in 2008, we are one of the founding members of the Biodiversity in Good Company initiative (see www.business-and-biodiversity.de). As a result, we undertake to report regularly on our progress towards implementing a systematic biodiversity management system. Furthermore, through the initiative we are actively involved in various events, conferences and projects such as TEEB Natural Resources Germany and the German Federal Ministry of the Environment, Nature Conservation and Nuclear Safety's project Corporate Biodiversity 2020.

OTTO GROUP STAKEHOLDER COMMUNICATION IN THE REPORTING PERIOD

Target Group	Information or Dialogue Format	Topics
Cross target-group communication	• CR Report 2011 and corporate website	• CR Strategy and media relations
	• Press releases	• Social standards in the supply chain
	• Forums	Climate protection
	• Interviews	
NGOs	Memberships in associations and	• Textile Strategy
	initiatives	• Climate protection
	Members' meetings	• Raw-material sourcing
	Round-table events	• Social standards in the supply chain
	Working groups	• Consumer protection
	Bilateral meetings	Sustainability in commerce
		• Energy efficiency
		• Employee rights
		• Occupational health and safety
		• Diversity topics
		Water scarcity
		Down/live plucking
		• Timber
		Organic cotton
		• Chemicals in the value chain
Business	Topic-specific working groups	Consumer behaviour
	Sharing of best-practice examples with	• Social standards in the supply chain
	other companies	Climate protection
Politics	Memberships of associations	Social standards in the supply chain
	and initiatives	Climate protection
	Face-to-face discussions	Consumer behaviour
Science management	• Trend Study 2011	Sustainability
	University collaborations	Consumer behaviour
	Involvement in collaborative projects	Climate protection
		Social standards in the supply chain
Customers	Customer information via online shops	Sustainable products
	and catalogues	Sustainability in the company
	Personal contact via customer service	• Data protection
	Product information/certification	Raw-material sourcing
	Online forums and social networks	Social standards in the supply chain
Employees	• Intranet	• CR Strategy
	• Seminars	• Employee engagement
	• Employee initiatives	New Social Programme
	Best-Practice Clubs	• Energy efficiency
Suppliers supply chain	Supplier Codes of Conduct	Social standards in the supply chain
	Audits/training courses	New Social Programme
	• Forums	Climate protection
		Raw-material sourcing

Raw-material sourcing, especially the new EU FLEGT timber regulation, was at the heart of numerous discussions with NGOs, associations and companies. In developing our Textile Strategy we involved the European not-for-profit organisation 'Made-By' very closely. Furthermore, dialogue with the animal welfare organisation 'Four Paws' led to us further tighten the focus of our internal Guideline on the use of downs.

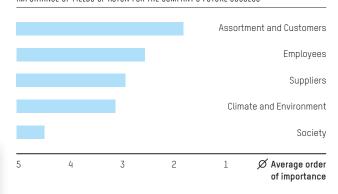
THE OTTO GROUP'S KEY MEMBERSHIPS AND COLLABORATIONS

-) 2° German CEOs for Climate Protection (initiated by Dr Michael Otto and a member since 2007)
- German Association of Environmental Management (B.A.U.M.) (since 1987)
- › Bundesverband der Personalmanager
 [German Federal Association of Personnel Managers] (since 2009)
- Business in Good Company initiative (founding member 2008)
- › Business Social Compliance Initiative (BSCI) (since 2004)
- Carbon Performance Improvement Initiative (CPI₂) (founding member 2011)
- German Association for Personnel Management (since the 1980s)
- › Forest Stewardship Council Germany (FSC) (since 2006)
- > Global Compact (member since 2002)
- > Founding partner of the Cotton made in Africa (CmiA) initiative (since 2005)
- German Trade Association (since 2009)
- German Nature and Biodiversity Conservation Union (NABU) (since 2007)
- Round Table Codes of Conduct forum (since 2001)
- > Social Accountability International (SAI) (since 1997)
- > Sustainable Apparel Coalition (SAC) (since 2010)
- > terre des hommes (partner since 2008)
- > Textile Exchange (since 2006)
- > The Young ClassX (initiator 2010)
- > Business For Climate initiative (since 2012)

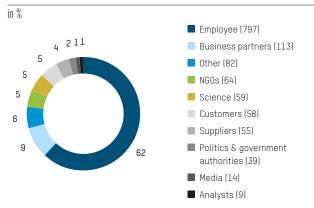
STAKEHOLDER SURVEY 2012

With our Web-based survey in summer 2012 we further professionalised our approach to systematic exchange with our stakeholders. It was the first time we had comprehensively included all key stakeholder groups.

IMPORTANCE OF FIELDS OF ACTON FOR THE COMPANY'S FUTURE SUCCESS



STAKEHOLDER SURVEY PARTICIPANT STRUCTURE



From July to September 2012, 3,400 internal and external stakeholders were surveyed online for their opinions on the key fields of action and topics for our company. The response rate was almost 40%. This allowed us to identify core topics which we then incorporated into our Materiality Analysis (see p. 26).

CORE SURVEY RESULTS

Our analysis of the participant structure reveals that at 62%, Otto Group employees accounted for a large share of respondents, with the remaining 38% being external to the company.

The stakeholders surveyed were asked to rank our five fields of action in order of relevance (materiality). They rated the Assortment and Customers field as being the most relevant, followed closely by the Employees, Supply Chain and then Climate and Environment fields of action with roughly the same weighting. The least relevant field of action was Society, which comprises the Group's philanthropic CR activities not directly linked to our core business activities.

MATERIALITY AS A COMPASS

Very diverse expectations are placed on us in terms of Corporate Responsibility. Unfortunately we cannot be active and provide information to the same level in all topic areas, which is why we conducted a Materiality Analysis in 2012 which differentiates between highly relevant and less relevant topics. Consequently, it serves as a compass for CR management and CR reporting.

The requirements placed on sustainable business practices are growing ever more diverse. Maintaining visibility of what matters most is especially important, given the well over one hundred indicators of the Global Reporting Initiative (GRI) and additional frameworks such as the UN Global Compact, the Carbon Disclosure Project and the German Sustainability Code on the one hand, and stakeholders' increasing demands on the other. Achieving targeted improvements requires us to focus on central control levers which promise a high level of effectiveness in relation to the effort involved.

The Materiality Analysis, which takes into account various perspectives in relation to the challenges faced by companies, has established itself as the tool which enables the identification of relevant topics. 48 topics were identified based on the GRI Guidelines that are relevant to the Otto Group's business model. Stakeholders first rated these topics according to their importance to the Otto Group. Four Group Executive Board Members

and Executive Directors then rated, on a scale from zero to eight, the relevance of the same topics to the Group's business success over a timescale of three to five years. The Materiality Analysis shows the results of both ratings combined (see p. 26).

Overall the results of the Materiality Analysis confirm the Otto Group's topic focus in the area of CR and the direction of the CR Strategy 2020. It was also used to set the focus of CR reporting activities. As such, the Otto Group's CR Report 2013 provides its stakeholders with extensive information on topics which were identified in the course of our Materiality Analysis to be more relevant than others.

Alongside quantitative, analytical models such as the environmental footprint, stakeholder surveys and materiality analyses remain key tools for identifying important topics and challenges, and for meeting these.

MATERIALITY ANALYSIS: CREATION AND INCLUSION IN REPORTING

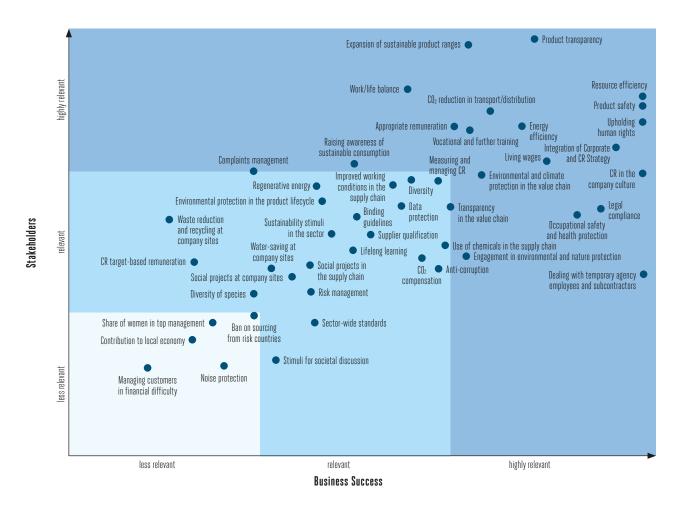


Audited to AA1000

THE OTTO GROUP'S MATERIALITY MATRIX

The Materiality Matrix provides an overview of which topics the Otto Group's stakeholders considered especially important and which were rated as being highly relevant to our business success. To achieve this, Otto Group

Executive Board Members and Executive Directors then prioritised their relevance for the company's business success over the next three to five years.



PRESENTATION OF TOPICS IN THE REPORT

Our Materiality Analysis identified the topics relevant to the Otto Group's stakeholders and business success, as well as providing the structure to this report, which is also published at <code>www.ottogroup.com/cr-report</code>. There you will also find a Key Figures Tool which presents all the Group's key performance indicators. Further information is also provided in the form of our Web-based GRI Index: <code>www.ottogroup.com/cr-report</code>. While these topics are among the key indicators of the Global Reporting Initiative (GRI), they are less significant to the Otto Group.

HIGHLY RELEVANT TOPICS FOR STAKEHOLDERS AND OUR BUSINESS SUCCESS

Topic	Further information
Product transparency and safety	Assortment and Customers, p. 37 et seq.
Energy and resource efficiency	Climate and Environment, p. 46 et seq.
CO₂ reduction in transport/distribution) Climate and Environment, p. 45
Living wages and appropriate remuneration	> Supply Chain, p. 58
CR and Corporate Strategy Integration	› Profile of the Otto Group, p. 6
Vocational and further training	> Employees, p. 68 et seq.
Living wages and appropriate remuneration	> Supply Chain, p. 57 et seq.
CR in the corporate culture	> Profile of the Otto Group, p. 6
Expansion of sustainable product ranges) Assortment and Customers, p. 34 et seq.

HIGHLY RELEVANT TOPICS FOR STAKEHOLDERS

Topic	Further information
Work/life balance	〉Employees, p. 67
Appropriate remuneration	> Employees, p. 65 et seq.
Raising awareness of sustainable consumption	Assortment and Customers, p. 34 et seq.
Complaints management	Assortment and Customers, p. 39

HIGHLY RELEVANT TOPICS FOR BUSINESS SUCCESS

Topic	Further information
Dealing with temporary agency employees and subcontractors	> Employees, p. 66
Legal compliance worldwide)CR Management, p. 20
Occupational safety and health protection	› Employees, p. 66, 70
Environmental and climate protection in the value chain	> Supply Chain, p. 59 et seq.
Engagement in environmental and nature protection	> Society, p. 75
Transparency in the value chain	Assortment and Customers, p. 37

CR PROGRAMME 2013

The Otto Group's CR Programme 2013 makes it transparent which CR objectives have been achieved in the reporting period and which ones we have set ourselves again as part of our CR Strategy 2020 (see p. 16 et seq.). As with the chapter structure of this CR Report, we have structured our CR Programme according to these five fields of action: Strategy and Management, Assortment and Customers, Environment and Climate, Supply Chain, and Employees. As Group companies are responsible at a local level for the activities in the Society field of action, these activities are not part of this CR Programme.

Our CR Programme represents a central pillar for the further development of the Group's CR activities. It presents objectives which are highly relevant to our

stakeholders and our business success. Individual Group companies' objectives from the previous CR Strategy can be viewed online at: www.ottogroup.com/cr-report.

As part of its CR Strategy 'Best Multi-Discipline Player', which remains valid until the end of the 2012/13 financial year, the Otto Group has set detailed and individual objectives for the Group companies involved. However, we did not fully achieve all our objectives owing to the high degree of fragmentation and sheer amount of resources required.

With the CR Programme 2013, we are focusing on selected strategic objectives and will measure our level of achievement based on standardised key controlling figures.

STRATEGY AND MANAGEMENT

Objective	Objective timeframe	Status	Page/comment
Updating of the objectives of the ten Group companies involved as part of the CR Strategy and inclusion of at least two further Group companies in the CR Strategy	FY 2012/13	Objective achieved	CR Strategy transferred into new CR Strategy 2020 p. 16 et seq.
CR rollout in German and international Group companies	2012	Objective not achieved	Topic-specific rollout only of substrategies at individual Group companies p. 19 et seq.
Expansion of the CR organisation: nomination of a Executive Director responsible for CR and assignment of CR Coordinators at all Group companies involved in the CR rollout	2012	Objective achieved	p. 19 et seq.
Development and implementation of a Sustainability Guideline for all Otto Group trading companies	2011	Objective achieved late	Implemented in March 2013 p. 59
Establishment of an integrated Compliance Management System	2012	Objective not achieved	Delayed to end of 2013 owing to high degree of coordination effort p. 20 et seq.
Full incorporation of myToys.de into the CR Strategy and CR reporting	2015	New objective	

ASSORTMENT AND CUSTOMERS

Objective	Objective timeframe	Status	Page/comment
Increase in the quantity of yarn processed for Cotton made in Africa (CmiA) to 750 t/year	2011	Objective achieved	p. 35 et seq.
Increase in the share of CmiA cotton articles (overall assortment of textiles, own brands as well as third-party brands at some Group companies) (objective from previous CR Strategy)	FY 2012/13	Objective not achieved	None of the Group companies involved (bonprix, Heine, OTTO, Schwab) achieved the objective p. 17 et seq., 34 et seq., www.ottogroup.com/cr-report
Increase in the quantity of organic cotton to 450 t/year	2011	Objective achieved	p. 35 et seq., 59
Increase in the share of organic-cotton articles in the assortment (overall assortment of textiles, own brands as well as third-party brands at some Group companies)	FY 2012/13	Objective partially achieved	Objective achieved at OTTO; objective not achieved at bonprix, SportScheck and Witt
Increase in the share of further sustainable textiles (objective from previous CR Strategy)	FY 2012/13	Objective partially achieved	Sustainable shoe objective achieved at Baur; synthetic-fibre objective not achieved at SportScheck
Launch of climate-neutral products and/or increase in the share of climate-efficient products (objective from previous CR Strategy)	FY 2012/13	Objective partially achieved	Climate-neutral products not introduced at OTTO, Frankonia and SportScheck; objective achieved at OTTO
Increase in the share of FSC-certified wooden articles (solid wood/wooden articles assortment)	FY 2012/13	Objective achieved	Objective achieved at Baur, Heine, OTTO, OTTO Office p. 36 et seq.
Increase in the share of efficient household electrical appliances (refrigerators and freezers, washing machines, dish washers, electric ovens) to 85%	2011	Objective not achieved	Efficiency criteria tightened from 2011. Share of 60.8% achieved against new criteria p. 36 et seq.
Tightening of data protection: development and implementation of new IT strategies (encryption of customer data)	2011	Objective achieved late	Objective achieved late in October 2012
100% sustainable cotton in own and licensed brands	FY 2020/21	New objective	p. 17 et seq.
100% FSC-certified furniture products	FY 2020/21	New objective	p. 18

CLIMATE AND ENVIRONMENT

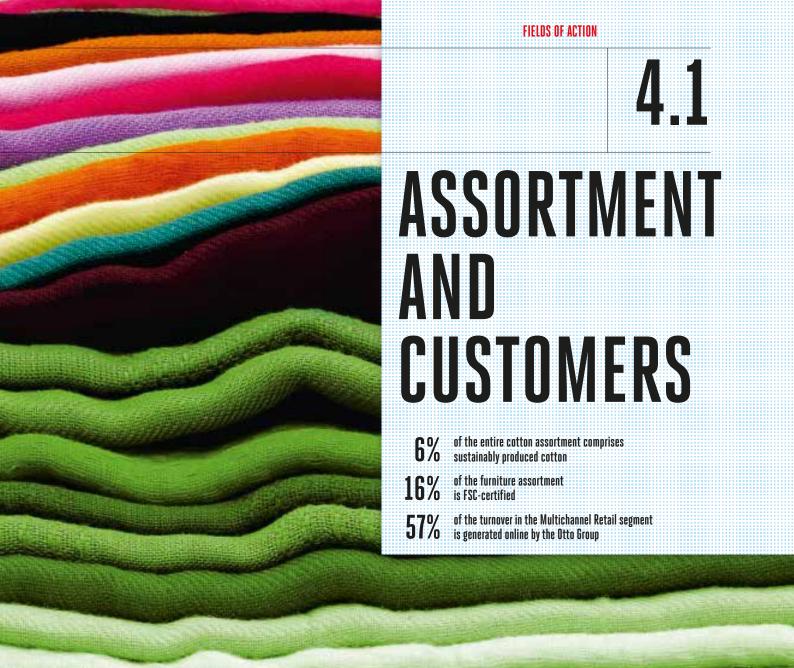
Objective	Objective timeframe	Status	Page/comment
Reduction of adjusted CO₂ emissions by 50% versus the base year 2006/2007	FY 2020/21	Ongoing	Latest status: -18.7% (FY 2012/13). To achieve this target, amongst other measures the Otto Group intends to halve the share of air-freight when purchasing goods by 2020 vs. financial year 2011/12
Integration of international companies of the Otto Group with an annual turnover of > 50 mn€ in the Climate Protection Strategy, incl. completed data-gathering for the base year	2012	Objective partially achieved	Hermes UK; bonprix IT, FR, PL; UNITO integrated; Crate & Barrel, Otto Japan, Otto Group RUS to follow by end of 2014; future integration of companies with an annual turnover of >100 mn€ p. 19 et seq.
Reduction of CO ₂ emissions at individual Group companies (objective from previous CR Strategy)	FY 2012/13	Objective partially achieved	Reduction target achieved at OTTO; targets not achieved at bonprix, SportScheck and Witt (each based on base year 2006/07)
Detailed analysis of potential areas of location- and facility-related CO_2 reduction within the framework of CO_2 benchmarking; derivation of possible measures/costs and definition of the order of investment by CO_2 -avoidance cost	2012	Objective achieved	p. 46
50% cut in location-, facility-, shipment- and mobility-related CO₂ emissions by 2020 vs. the base year 2006	FY 2020/21	New objective	p. 18
50% of paper used for catalogues and advertising materials (gravure printing) is FSC-certified	FY 2020/21	New objective	p. 18

SUPPLY CHAIN

	01.1		
Objective	Objective timeframe	Status	Page/comment
Implementation of the Social Programme in the newly defined risk markets of Egypt, Brazil, Bulgaria, Morocco and Romania	FY 2010/11	Objective achieved late	Implemented in FY 2011/12 p. 52 et seq.
Expansion of the Social Programme to include at least two further Group companies (previously 13) within the framework of the CR rollout and the three-year plan	FY 2014/15	Ongoing	Additional Group companies will be included with the rollout of the new Social Programme p. 52 et seq.
Implementation of the strategy for the systematic integration of importers in the Social Programme	Rescheduled to 2011	Objective not achieved	Importers will first be integrated with the new Social Programme p. 52 et seq.
Development and implementation of a policy governing relationships with suppliers' subcontractors	2010	Objective achieved late	Objective achieved late in October 2012; as part of the Progress Assessment (stage 1 of the new Social Programme) suppliers must disclose their relationships to subcontractors.
Audit objectives for Purchasing and Import organisations: New markets: audit result 'pass' for 75% of order volume and 50% of number of suppliers Existing markets: audit result 'pass' for 98% of order volume and 85% of number of suppliers	2011	Objective not achieved	61.5% of order volume and 45.2% of suppliers audited in 2012; tightening of criteria as a result of a change in the calculation methodology in 2010 (three instead of previously just one factory included per supplier)
100% integration of suppliers of own and licensed brands in the Social Programme	2015	New objective	р. 18

EMPLOYEES

Objective	Objective timeframe	Status	Page/comment
Production of a Group-level Strategy for Group-wide career promotion and employee development	FY 2012/13	Objective achieved	p. 69
Production of a Group-wide Diversity Strategy as well as the development and establishment of internal Diversity controlling (annual progress report)	2012	Objective achieved	p. 67
Percentage of at least 20% women as well as at least 20% men in management positions and on all further hierarchical levels	FY 2015/16	Ongoing	Latest status: 16.9% of women in management positions p. 67



4.1

CHALLENGES AND GOALS

The Otto Group aims to raise awareness among its customers and inspire as many of them as possible for sustainable products. To enable them to make conscious purchasing decisions, we communicate the added value of these products clearly.

ENCOURAGING SUSTAINABLE CONSUMPTION

As trading companies, we form an interface between producers and customers – with the ability to exert influence in both directions. We see promoting sustainable consumption as being both a commitment and an opportunity at the same time. In the case of the former, it is derived from our Vision (see p. 6) and the goals we set ourselves within the framework of our CR Strategy (see p. 16 et seq.). If we successfully awaken consumers' interest in sustainably produced products, new markets and sales opportunities will open up to us.

CUSTOMER PRICE SENSITIVITY

Although the population's awareness of sustainability has increased in recent years, our customers are still price-sensitive and usually opt for conventionally made products. Sustainably produced goods are often more expensive as they are, for instance, subject to tighter regulations governing the cultivation of raw materials (such as through certification), show smaller sales and purchasing volumes or require seamless traceability of the production chain. Customers can achieve a further direct material benefit in the case of energy-efficient electrical appliances: while these usually cost more to buy, they ultimately save energy and therefore money when in use. However, this is not the case for environmentally friendly textiles produced under socially-acceptable conditions. This poses countless challenges to us: on the one hand we must ensure that all products, even conventionally produced ones, meet minimum environmental and social standards; on the other hand we need to increase the number of certified sustainable products in our assortment in such a way that this results in no or negligible additional cost to the customer. To achieve this, sustainable-product production processes need to be as cost-effective as possible.

INFORMING AND RAISING AWARENESS TRANSPARENTLY

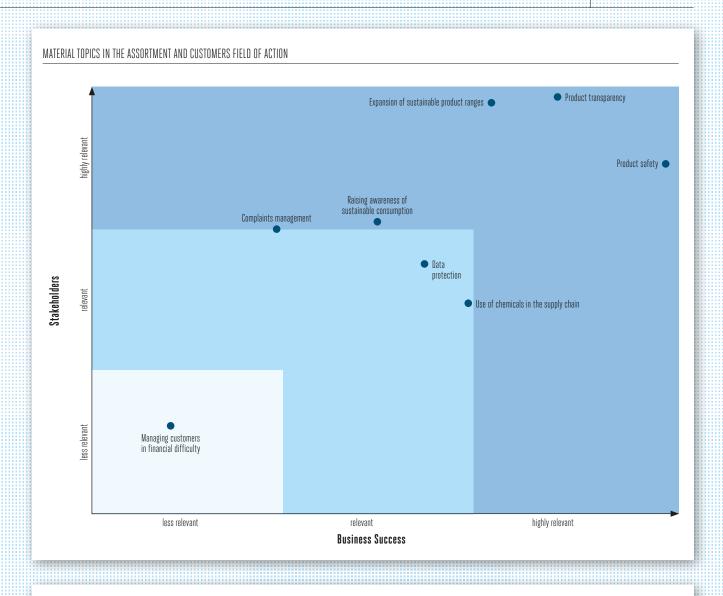
The way customers search and buy from online shops indicates that only some of them are specifically looking for responsibly made products. Their willingness to pay more for textiles made from sustainably produced cotton or energy-efficient electrical appliances is also limited. Sustainability labels can provide guidance when making purchasing decisions. However, the current range of seals and labels in the marketplace often overloads consumers with information. As such, it is our job to inform customers about the sustainability aspects of products in a transparent, clear and credible way. By doing this, we will also raise awareness of sustainable consumption among customers whose purchasing decisions are not based primarily on sustainability criteria.

SETTING CLEAR GOALS

The assortment of the Otto Group companies comprises over a million different articles. Given this abundance, the Group focuses its sustainability activities primarily on the raw materials of cotton and timber. Our companies consume these in very large quantities in the goods they purchase, which gives the Group a huge amount of leverage.

With its Textile Strategy the Otto Group aims to only use sustainable cotton in textile products by 2020. To achieve this, our Group is focusing mainly on Cotton made in Africa and organic cotton. Further qualities classified as sustainable, such as recycled cotton, may count towards our goal in future. This applies to the own and licensed brands of all Group companies with an annual turnover of at least 100 mn€ and a relevant textile assortment. All textiles with a cotton share of at least 5% are included here.

In its durable-goods assortment the Otto Group is working to source only furniture and home accessories made from FSC-certified timber by 2020.



MATERIAL TOPICS IN THE ASSORTMENT AND CUSTOMERS FIELD OF ACTION

In the Assortment and Customers field of action, a clear picture emerged from our Materiality Analysis: the topics of product transparency, product safety and expansion of the Group's sustainable product ranges have maximum priority.

The Otto Group's stakeholders judge **product transparency** to be the most relevant topic – a topic that Group companies are addressing by communicating the sustainability aspects of products, etc. We are also developing a sustainable product footprint.

The expansion of the Otto Group's **range of sustainable products** is of great importance both to our stakeholders and our business success. We are pursuing this goal through our Textile and Durable Goods Strategies.

Product safety has the highest relevance for the Otto Group's **business success.** We ensure this through extensive quality checks and tests for harmful substances, in collaboration with our own testing institute Hansecontrol. If product safety or quality defects are identified, product recalls are initiated in line with procedural standards.

ASSORTMENT

The Otto Group has effective levers to promote sustainable consumption in two key product groups: in the textile area, by using cotton which is cultivated organically or by the Cotton made in Africa (CmiA) initiative – and in the durable goods assortment, by focusing on wooden furniture from responsible forestry.

Application scope of key figures

The key figures in this chapter cover all eleven reporting companies in the Multichannel Retail segment. Exceptions are indicated at the relevant points. They include all of the Group's sales channels (Internet, catalogue and over-the-counter retail).

In 2011/12 the minimum sales quantity for the gathering of quantity-based assortment key-figure data is one article sold. In the Otto Group's last CR Report, this was 20 pieces. This has resulted in a change in the base data which cannot be quantified precisely. This may have the biggest impact on furniture key figures, as furniture is often sold in smaller quantities than textiles, for example.

In 2011 the Otto Group also tightened the energy-efficient criteria for large electrical household appliances. As such, the values from 2011 cannot be compared to those of previous years.

Special aspects

New developments were the introduction of the controlling figure 'Quantity of Sustainable Cotton Ordered for Own and Licensed Brands' as well as its share of the total amount of cotton ordered. The

level of achievement as part of the Textile Strategy is measured based on these two values. From 2012/13 this new key figure replaces the previous controlling figure 'Amount of Organic and CmiA Cotton Processed for Own and Third-Party Brands'.

While the previous key figure was not based on the precise cotton share in textiles, the weight of cotton can be recorded along with the amount of cotton ordered, allowing the sustainability impacts to be described in greater detail. Besides the amount of organic and CmiA cotton processed, the Otto Group previously also reported the number of different organic and CmiA articles offered in its companies' assortments by own and third-party brands. This key figure is captured for the last time for 2012, as the share of sustainable cotton in terms of the overall amount of cotton purchased is much more meaningful than the number of different articles offered.

The Otto Group has little influence over the fibre selection of third-party brands, as these third parties hold the brand rights. We will therefore stop reporting this key figure and instead will concentrate on own and licensed brands where we hold the brand rights.

SUSTAINABLE PRODUCT RANGE

The Otto Group's assortment is subject to minimum social and environmental standards. These are bundled under our Group Guideline Sustainability in Procurement (see p. 59), which has been in force since March 2013. This sets out the requirements on the production conditions in terms of the goods as well as the raw materials processed. Under this Guideline, the use of real fur and feathers or down obtained from live plucking is banned across our entire assortment (see p. 59).

Ambitious goals

The share of sustainable products in the Otto Group's assortment is still comparatively low when measured against our target values. However, with the strategies approved in the reporting period covering the Group's most important assortment groups, textiles and durable goods, we have set ourselves ambitious goals to increase this share. By 2020, the cotton ordered for own and licensed brands is to come entirely from sustainable cultivation – and furniture and home accessories are to be made entirely from FSC-certified timber by the same year.

These goals apply to all reporting companies with relevant assortments, thereby ensuring the Group's approach is coordinated and strategic. In the past, individual subgoals were agreed with the Group companies as part of the CR Strategy 'Best Multi-Discipline Player'. These goals were tailored to the individual companies' respective assortment spectrum. The extent to which these goals have been achieved can be viewed online in a detailed CR Programme at: <code>www.ottogroup.com/cr-report</code>.

Cotton made in Africa

The goal of the Cotton made in Africa (CmiA) initiative is to enable African smallholder farmers to improve their living conditions through their own efforts and to promote environmental protection. Through qualification measures, smallholder farmers in Sub-Saharan Africa learn how to cultivate cotton more efficiently and in an environmentally friendly way. Through measures such as using natural fertilisers, average $\rm CO_2$ savings of 60% can be achieved per kilogramme of cotton.

As with conventional cultivation, pesticides can also be used on cotton produced under CmiA guidelines, as this is not organic cotton. However, the initiative does ban the use of certain pesticides and trains farmers to use pesticides responsibly.

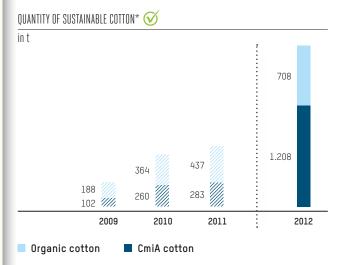
CmiA plays a key role for the Otto Group in achieving its goal of '100% sustainable cotton by 2020'. This is because with CmiA, the use of a sustainable raw material for the mass market is demonstrable. Through cost-efficient purchasing on the global market, the textile chain is only lightly burdened with additional costs. Among other factors, this is thanks to the underlying 'mass-balance' approach which works in a similar way to the eco-electricity model: there is no need to report the individual products in which the ordered CmiA cotton was used – what matters is that the corresponding quantity of cotton is ordered and demand is created as a result. Furthermore, the requirements on farmers are less stringent than with organic cotton.

Sustainably produced cotton

In the Otto Group's textile assortment, cotton is clearly the dominant fibre compared to polyester, viscose and wool. Eight reporting companies currently offer almost 6,000 different articles made from organic or CmiA cotton, with the vast majority being own and licensed brands.

To achieve our Group-wide goal of only using sustainably produced cotton by 2020 for own and licensed brands, we are focusing on cotton from the CmiA initiative as well as on organic cotton. In 2012 Group companies ordered 1,916 tonnes of sustainable cotton, equivalent to 5.7% of the total quantity ordered. From 2009 to 2011 the Group gradually increased the amount of sustainable cotton sold thanks to the focused pursuit of clear goals. In doing so, we partially achieved the sustainable cotton objectives defined in our previous CR Strategy (see CR Programme, p. 28 et seq.).

In contrast to what we announced in our last CR Report, a new organic-cotton label for the single Group company OTTO was not developed. In the reporting period, the relevance of having our own organic-cotton label declined significantly, as OTTO is purchasing increasing amounts of organic cotton bearing the external label Global Organic Textile Standard (GOTS).



*2009 – 2011: amount of organic/CmiA cotton sold; from 2012, order value based on cotton weight.

SUSTAINABLE COTTON TEXTILES*



Number	2009		2010		2011		2012	
	0wn brands	Third- party brands	0wn brands	Third- party brands	0wn brands	Third- party brands	0wn brands	Third- party brands
Overall textile-article assortment	74,050	26,913	78,087	34,817	78,519	53,917	92,885	71,639
Share, articles made from CmiA cotton	497	20	766	47	1,298	122	2,115	30
Share, articles made from organic cotton	1,296	20	1,649	46	1,974	461	2,074**	686

^{*} Articles ordered by the Group companies themselves.

FSC-certified wooden products

Besides cotton, timber is the second most frequently used raw material consumed by the reporting companies. It is required mainly for catalogue and advertising-material paper (see Paper Strategy in the Climate and Environment field of action, p. 47 et seq.) as well as for producing products from the furniture assortment.

The number of wooden articles recorded increased significantly during the reporting period - from a good 5,000 in 2010 to over 50,000 in 2012. This is due in particular to the reduced minimum unit-sales number and expansion of the assortment at Baur and OTTO. In addition, the number of reporting companies with relevant timber assortments has increased from six to eight compared to our last CR Report. Here the inclusion of baumarkt direkt from 2011 has played a significant role. This increase emphasises the importance of timber as a raw material for the Otto Group's sustainability management approach.

The Group has committed to continually increasing the share of wooden furniture and home accessories that are certified according to the criteria of the Forest Stewardship Council (FSC, see p. 18) – with the goal of achieving 100% by 2020 in accordance with the Durable Goods Strategy approved at the start of 2013. In 2012 the share of FSC-certified timber was 16.3%, which is much higher than in previous years. FSC certification also helps us meet the requirements on the Otto Group arising from the EU FLEGT timber regulation, which has been in force since March 2013.

FSC-CERTIFIED FURNITURE AND HOME ACCESSORIES*

	2009	2010	2011	2012
			2011	2012
Number of articles of furniture and home accessories	4,047	5,046	16,815	50,571
of which, number of FSC-certified articles in the assortment	154	338	1,605	8,227
Share of FSC-certified articles in terms of the overall furniture and home-accessories assortment	3.8 %	6.7%	9.5 %	16.3%

^{*}Furniture and Home Accessories (solid wood, part solid and MDF (mediumdensity fibreboard) articles) as well as various additional wooden products from the overall baumarkt direct assortment. The reporting company takes the following product groups into account, provided that the main constituent of the materials used is wood: garden furniture, bathroom furniture, kitchen furniture, beach chairs, garden/storage, wooden pavilions, patio roofs, garden decoration, fences, terrace decking, pet shelters, garden summer houses, carports, stairs, toys, floors.

Energy-efficient electrical appliances

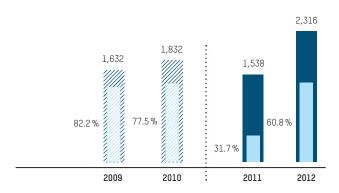
With 'white goods' - electrical appliances for cooking and washing, for example - energy-efficient appliances have firmly established themselves in the assortments of the reporting companies, with a share of a good 60% (in 2012). At the single company OTTO, the Group's biggest purchaser of large household electrical appliances, the share was almost 70%. However, altogether these values are lower than in previous years, due to the far stricter criteria that the Otto Group has applied since 2011 in classifying electrical goods as 'energy-efficient'. The percentage achieved this way reflects corresponding customer demand for efficient appliances and is only an illustration of current market developments.

^{**} bonprix only includes six months' CmiA data For the Spring/Summer 2012 half-year, as no data is available covering the whole of 2012 owing to an internal change in the way data is gathered.

The price categories below show there is still a demand for appliances with lower energy efficiency. As part of its Durable Goods Strategy the Otto Group is also planning to review the electrical appliances assortment for any further sustainable improvement potential.

You can find a list of the Otto Group electrical appliances assortment, subdivided into product groups, online at www.ottogroup.com/cr-report. It also includes details of the respective energy efficiency criteria.

EFFICIENT LARGE ELECTRICAL APPLIANCES*



- Number of the total range of large electrical appliances
 Share of efficient electrical appliances in the total assortment
- *As from 2011 the Otto Group made its criteria for environmentally-friendly electrical appliances more stringent; consequently the values for 2009 and 2010 are not comparable with those of this reporting period. As a result of the adjustments made in the energy-efficiency categories, the key figure for 2011 only covers the first six months of that year.

PRODUCT TRANSPARENCY

The Otto Group supports its customers when they select their products with clear information, presenting sustainability aspects at the same time. Beyond this, we make a special effort to analyse the production process and lifecycle of textiles and shoes in terms of their environmental and social aspects and to make this clear to consumers.

Sustainability as a sales argument

The Otto Group makes its customers aware of sustainable products in that it presents them collectively, communicates their qualities clearly and intelligibly and provides customers with guidance.

Eco Facts as guidance

Eco Facts provide customers with quick and easy guidance on sustainable product qualities. With this product labelling, the Otto Group reduces complex information about individual products to their core sustainability features. The Eco Facts are divided into six categories (see diagram). They are deployed on the websites and catalogues of OTTO, Schwab, UNITO and Baur, and also at baumarkt direct since 2013.

A product footprint for textiles

As part of its membership in the Sustainable Apparel Coalition (SAC, see p. 60) the Otto Group is advocating greater transparency in its value chain and in the assessment of product sustainability qualities. The purpose of this initiative is to develop a sustainable product footprint

Eco Facts













Eco Bio	Eco Recycling	Eco Engagement	Eco Energy	Eco Ressource	Eco Vital
Products from	Products from	Products that	Particularly	Products that are	Products that
natural raw mate-	recycled materials	support social	energy-efficient	produced in a way	promote or
rials with a clear	or sustainableraw	or non-profit	appliances and	that conserves	protect health
environmental	materials	initiatives	products	resources	
advantage					

The Otto Group assigns an Eco Fact category to a product, either if it has been distinguished with a discriminating label that has been accepted by the Otto Group or it shows a clearly verifiable advantage over a conventional alternative product.

that will serve as a benchmark for assessing the sustainability of textiles and shoes. The Higg Index developed at the end of 2012 will form the basis for this. As well as including environmental and social aspects in the production and processing of the raw materials used, it also takes into account the use and disposal of the product by the customer.

In this process, the SAC goes far beyond analysing the individual environmental impacts of textiles along their product lifecycle – by providing a carbon footprint, for example. In a pilot project, OTTO has tested the Higg Index on ten textile products. This has shown that the detailed information requested about the production processes can only be provided with considerable effort. The insights gained from the pilot project are being fed into the further development process of the Higg Index.

PRODUCT QUALITY AND SAFETY

In their function as trading entities, the companies within the Otto Group are responsible for the quality of the products they offer and consequently check them regularly. In the process, they are guided by the high standards of the Otto Group.

Systematic tests for harmful substances

The Otto Group monitors compliance with statutory requirements for the proof of safety of its textile clothing assortments with systematic spot check inspections. To do this we use the expertise of the Group's own testing institute, Hansecontrol. The reporting companies impose additional demands on the tests for harmful substances of their textile assortments, that go beyond statutory requirements and are orientated towards the Oeko-Tex Standard 100.

These environmental material requirements include testing for formaldehyde, heavy metals and any carcinogenic and allergenic dyes. The permitted limit values are determined on the basis of the latest science and technology. Particularly strict testing parameters apply to children's clothing.

The testing of textiles for harmful substances is mainly required by the legislature and is part of the quality assurance process in the Otto Group. Consequently it is no longer considered to be a targeted sustainability commitment and from now on it will accordingly no longer be shown in any key figures in this report.

Standards for product recalls

Although the Otto Group ensures high standards and strict safety checks for its products, shortfalls in quality and safety cannot completely be ruled out. In cases where a product has to be recalled, a uniform procedural process applies throughout the Group: where a Group company carries production responsibility itself, for example through direct procurement of clothing, it carries out the product recall itself in consultation with the public authorities involved. If the responsibility is with a third-party brand supplier, then that supplier is obliged to carry out the product recall. The Otto Group supports them here and gives them access to the customer data necessary for the product recall process. In this reporting period the Otto Group initiated eight product recalls in total.

CUSTOMERS

4.1

First-class service is the key to a high level of customer satisfaction. The Otto Group companies continue to train and qualify their employees to provide this and seek dialogue with their customers. Strict standards apply when handling sensitive data.

CUSTOMER ORIENTATION

Satisfied customers form the basis for the Otto Group's business success. The responsibility for all the measures that ensure customer satisfaction, as well as for customer surveys, lies with the Group companies. They work continuously on further improving their service. In this reporting period they were honoured for this several times (see box).

Customer satisfaction:

Selected awards for the reporting companies

RAIIR

- > Stiftung Warentest (German product-testing institute): result 'good' for customer service
- Deutsches Institut f
 ür Service-Qualit
 ät
 (German Institute for Service Quality, DISQ):
 award for 'Best website from a German
 Mail-Order Company'

BONPRIX

Handelsblatt und Management Forum:
 German Online Retail Award

SCHWAB

> ServiceValue GmbH: sheego is 'very good at customer advice and sustainability'

SPORTSCHECK

Deutsches Institut f
 ür Service-Qualit
 ät (DISQ):
 Test winner in 'Service Study on Sports Retailers'

UNITO

- St Gallen University, IMAS Market Research Institute and ServiceRating: Universal is 'Austria's most customer-orientated service provider for 2012'
- Austrian Trade Association: 'Most Family-Friendly Mail Order Company' award.

WITT

\ TÜV Rheinland: result 'very good' for customer service

Regular customer surveys

Otto Group companies regularly take stock of their customers' satisfaction and wishes. To do this, many of the reporting companies carry out telephone or Web-based surveys every year, so that they can raise the quality of their own service and, consequently, customer satisfaction.

High service quality

Short waiting times on the telephone hotline or when handling complaints make a considerable contribution to customer satisfaction. The companies in the Otto Group set their own standards in this process.

In the Otto Group, companies whose customers have got into financial difficulty are managed by EOS, the provider of individual financial services specialising in receivables management. This company looks for a solution that is appropriate to the situation in dialogue with, and on an equal footing with, the defaulting payer. EOS checks all receivables packages before accepting them and only takes on receivables that are undisputed.

Well-trained staff are the basis for good service and satisfied customers. In order for them to develop a better sense for customers' needs, new employees at OTTO spend their first two weeks at the Customer Centre. They answer enquiries there and engage in personal discussions with customers.

DATA PROTECTION AND IT SECURITY

The Otto Group manages the personal data of millions of customers as well as that of employees and job applicants. Protecting this data from misuse is of fundamental importance in gaining the trust of our customers and employees. To achieve this, the Otto Group has adopted guidelines that apply across our Group and guarantees compliance with them through both external and internal security checks.

Instruments for IT security and data protection

Compliance with the Group IT Security Guideline regulates the protection of both private individuals' data and sensitive company data against unauthorised access or theft, and defines the security demands on the IT systems. Since June 2013, this Guideline has been complemented with an additional Data Protection Guideline that makes additional demands on the companies. Both Guidelines fulfil the strict requirements of the German data-protection laws.

As well as the Group Guidelines, in its IT Core Security Suite the Otto Group has an additional instrument to ensure IT security. It sets out security standards for all IT projects and is firmly embedded in project procedure. In 2012 the Otto Group extended it to embrace areas such as outsourcing and cloud computing.

Coordination of data protection

The Otto Group has combined the responsibility for data protection and IT security in the Data Protection and IT Security business unit, which functions under the responsibility of a Central Data Protection Officer. The Officer has been a permanent member of the Group Compliance Committee since 2010. He coordinates the Data Protection Officers at the individual Group companies and instructs them in dealing with particular data-protection issues. Additionally, a Group-wide network of IT Security Officers has been developed to promote the internal transfer of knowhow regarding any IT security issues.

Monitoring IT security and data protection

The internal Group Audit department checks whether the individual companies are complying with the regulations in the Guidelines and implementing the measures prescribed by the central data protection officers. External checks supplement the internal audit processes. Eight of the 13 reporting companies are certified externally, with TÜV seals, for example, or by Trusted Shops. Data protection in the financial area is particularly sensitive, so the information security management system in EOS Germany's B2B Division is additionally certified in compliance with the international ISO 27001 norm.

A central location for data-protection information to customers Statutory regulations allow for customers to have free access to information about their personal data that is stored by companies. OTTO founded its own central location for managing this in 2011, which is concerned exclusively with the processing of corresponding customer enquiries. The goal is to be able to give quick and reliable information in compliance with the law. Around 900

such enquiries from customers reach OTTO every year.

CLIMATE AND ENVIRONMENT

19% less CO₂ emissions compared with 2006/07

16% less paper used for catalogues and advertising material compared with 2010

9% of the entire office paper in the Otto Group is from FSC or recycled paper



CHALLENGES AND GOALS

The Otto Group wants to avoid any negative impacts on the climate and environment being generated from its transport and from its own locations. Every year the Group procures around 100,000 tonnes of goods and delivers more than 120 million consignments through the Group company Hermes. 400 locations need to be supplied with power and heat.

A DIVERSE GROUP STRUCTURE

The numerous, diverse business models of the many different Group companies make implementing the Group Climate Protection Strategy and coordinating the environmental management system a big challenge. In view of the diversity of the Group's structure, the Otto Group sets Group-wide targets for reductions in CO₂ emissions and the proportion of FSC paper used for catalogues and advertising material – leaving the setting of objectives for other environmental areas up to the Group companies.

CLIMATE AWARENESS IN GOODS TRANSPORT

The Otto Group has more than a million articles in its assortment, which it purchases from all over the world. Around a third of the CO_2 emissions recorded as part of the Otto Group Climate Protection Strategy is generated in transporting goods from suppliers to the retail companies' warehouses. Ships are the preferred mode of transport here, but if customer-demand for certain articles is greater than expected, the goods then usually have to be air-freighted to keep delivery times to the end-consumer as short as possible. To avoid this, the anticipated sales quantities need to be accurately forecast. Consequently, precise control of stock levels is not only important in economic terms but has a considerable influence on achieving the Otto Group's climate targets.

On the other hand, around a quarter of the CO₂ emissions are caused by delivering goods to customers. Both the procurement and the distribution transport for the Otto Group retail companies is mainly carried out by the Group's own company, Hermes.

LOCATION AND MOBILITY CO₂ EMISSIONS

Energy consumption at the Otto Group companies' locations and facilities causes more than a third of the Group's overall CO₂ emissions. These stem from power and heating requirements in offices, warehouses, logistics buildings and over-the-counter stores. This means that the main focus of attention is on continuous improvement in energy efficiency.

Mobility includes both business trips and trips with company cars. However, it is only responsible for a small proportion of the Group's CO_2 emissions. An important starting point here is choosing CO_2 -efficient vehicles.

GOALS TO MEET THE CHALLENGES

With its Climate Protection Strategy the Otto Group has set itself the target of reducing its CO_2 emissions from transport, locations and mobility by 50% versus the 2006/07 base level by 2020. This is primarily to be achieved through an increase in energy efficiency. It has top priority in the Group's climate protection measures, even above the development of renewable energies. Through efficiency increases, not only does the Group reduce its CO_2 emissions but also saves on energy costs and increases its own competitiveness.

In order to significantly reduce CO₂ emissions in procurement transport, the Group has decided to halve the amount of air-freight in goods procurement by 2020 compared with that in the 2011/12 financial year.



The consumption of resources associated with the Otto Group's business activities causes considerable stresses on the environment. In this respect, the issue of resource efficiency is of great importance both for stakeholders and for the business success of the Group. The Group has taken up **resource efficiency** as part of our environmental management system. Of equally high relevance for stakeholders and management is the issue of **energy efficiency**; for this reason, using energy economically is

the principal objective of the measures that the Otto Group companies are implementing in the course of the Group's Climate Protection Strategy. The Group has the objective of helping to reduce its emissions through greater energy efficiency. In this process, CO_2 reduction in transport and distribution is an important reference figure. The Group is including this topic in its transport-related climate-protection measures.

CLIMATE PROTECTION

The Otto Group's Climate Strategy aims to reduce CO_2 emissions by 50% by 2020. To achieve this, the reporting companies and three further Group companies are implementing climate protection measures in the areas of transport, locations and mobility.

Application scope of key figures in the Climate Protection chapter

The key figures in the climate protection topic area are based mainly on financial years. Unless otherwise indicated, the key figures for the 2011/12 and 2012/13 financial years include all 13 reporting companies as well as Alba Moda, 3 Pagen and myToys.de, which are Group companies also actively involved in the implementation of the Climate Strategy. In contrast to the CR Report 2011, Alba Moda, 3 Pagen, baumarkt direkt, EOS and myToys.de have now been taken into account.* This means that the values for the 2006/07 base year have changed and now differ from the entries in the CR Report 2011. The reporting of CO₂ emissions is based on the Greenhouse Gas Protocol; CO₂ emissions are monitored exclusively here. Any other greenhouse gas emissions are not significant for the Otto Group business model.

Special aspects

 CO_2 emissions are always presented in an adjusted form – that is, relative to their performance units (see CR Report 2011, p. 86). With increasing business activity which, for example, triggers higher levels of transportation, this generates a distorted view

of energy-efficiency improvements in absolute terms. By way of illustration, however, the total CO₂ emissions are also given here.

From the 2011/12 financial year onwards, the Otto Group has been using a new and more precise methodology for calculating the transport-related key figures for procurement and distribution. Significantly more primary data flows into this than with the previous methodology. In order to continue to be able to measure progress towards the target of 50% less CO₂ by 2020 in relation to the 2006/07 base year, not only the previous year's values for 2011/12 are included but also the values for the base year 2006/07 are included retrospectively in the new methodology. This sometimes leads to large differences from the values generated by the previous methodology. It also means that comparisons with the retrospectively adjusted years 2007/08 to 2010/11 cannot be made.

*The 18 companies included in the CR Report 2011 correspond precisely with the 16 Group companies accounted for in the CR Report 2013. The results for the Hermes Fulfilment and Sieh An! companies were included with those of the Group companies Hermes and Witt respectively.

IMPLEMENTATION OF THE CLIMATE STRATEGY

The Otto Group Climate Strategy measures should be carried out as efficiently and cost-effectively as possible: energy efficiency has priority over the development of the Group's own renewable energy generation, the purchasing of green energy or the offsetting of CO₂ emissions. As a rule, each of the Group companies implements these climate protection measures at a local level. The Group supports them in their operative implementation with measurement and control instruments.

Group-wide rollout

The objective of the Group-wide rollout is to extend the Climate Strategy to all Group companies with annual turnover of more than 100 mn€ by the end of 2014.

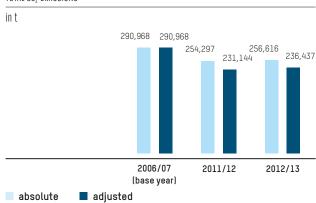
Their share of the total turnover of the Otto Group is currently more than 80%. Companies with annual turnover of 50 to 100 mn€, who were originally also included in the Group Climate Strategy objectives, are not considered within the Group-wide rollout framework. The reason for this is to enable greater concentration on the core companies in the Group.

In the first stage, four international subsidiaries – bonprix in France, Italy and Poland, and Hermes in the UK – were included in 2012. In the next stage the further Group companies Crate & Barrel, Otto Group Japan and Otto Group Russia are to be integrated in the implementation of the Group Climate Strategy by the end of 2014.

Current results status

The total adjusted CO_2 emissions for the 16 Group companies taken into account here were 236,437 tonnes at the end of the 2012/13 financial year. This is a reduction in CO_2 emissions of barely 19% versus the 2006/07 base year – and the goal is 50% by 2020. A reduction in emissions over the base year (–29%) was achieved in procurement transport. Reducing the share of air-freight here made a contribution to this reduction. The CO_2 emissions at company locations were successfully reduced by around 13% versus the base year.

TOTAL CO₂ EMISSIONS

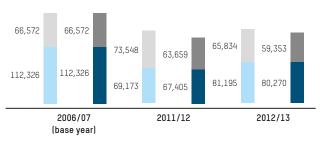


In the 2012/13 financial year, however, the adjusted CO_2 emissions increased again slightly. The fundamental reason for this was the greater number of air-freight consignments which led to higher emission values in procurement transport compared with the previous year.

PROCUREMENT AND DISTRIBUTION LOGISTICS

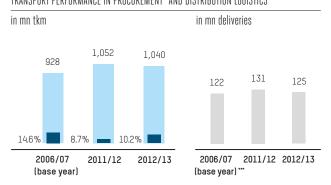
CO2 EMISSIONS FROM PROCUREMENT AND DISTRIBUTION LOGISTICS

in t



■ Distribution logistics (absolute)
 ■ Distribution logistics (adjusted)
 ■ Procurement logistics (adjusted)
 ■ Procurement logistics (adjusted)

TRANSPORT PERFORMANCE IN PROCUREMENT* AND DISTRIBUTION LOGISTICS**



- Procurement logistics (ship, plane, truck or train)
- Share of air-freight
- Distribution logistics (car, truck)
- *In procurement logistics, transport carried out or commissioned by the Otto Group is considered exclusively. Transport by importers is not included in the calculations.
- ** Deliveries made through Hermes and other service providers are recorded here, including large items.
- "Due to a calculation error, the key figure for distribution logistics was adjusted and consequently does not correspond with the values published in the CR Report 2011.

The Otto Group handles its procurement and distribution logistics mainly through its subsidiary, Hermes. The total transport-related CO₂ emissions of the 16 Group companies involved amount to 139,623 tonnes for the 2012/13 financial year. This corresponds to a reduction of around 22% versus the base year. Compared with the previous year the CO₂ emissions increased by 7%. The rise over the base year in procurement tonne-kilometres can be attributed to the increased significance of distant Asian sourcing markets. As well as the kilometres travelled, the quantity of goods procured also increased. In the 2012/13 financial year, the Group companies handled around 10% of their total transport service via air-freight. This generates a great deal more CO₂ emissions than sea-freight.

In this reporting period, new measurement processes have been established for both procurement and distribution logistics. These enable a prompt, source-specific and significantly more precise calculation of the respective CO_2 emissions. For the Group companies involved in the Climate Protection Strategy this provides some detailed control options.

CO, REDUCTION AT LOCATIONS AND FACILITIES

CO₂ EMISSIONS AT LOCATIONS



in t			
	2006/07* (base year)	2011/12	2012/13
Total (absolute)	101,728	102,846	99,111
Total (adjusted)	101,728	90,758	88,193
from electrical energy	72,685	68,107	66,875
from heat energy	29,043	22,651	21,319

^{*} The emission factors can be accessed from the extended GRI Index under www.ottogroup.com/cr-report

ENERGY CONSUMPTION AT LOCATIONS AND FACILITIES 🚫



in MWh			
	2006/07* (base year)	2011/12	2012/13
Total energy demand**	275,250	309,147	301,684
of which, electrical power	140,795	165,609	157,864
of which, heating energy demand	134,455	143,538	143,820
of which, district heating	23,904	25,409	24,756
of which, heat generated from heating oil	8,481	4,457	4,450
of which, heat generated from natural gas	102,070	107,106	105,567
of which, heat drawn or generated from renewable energies	0	6,565	9,047
The Group's own electricity generation	204	1,470	1,310

^{*} As the database has been extended to include five further Group companies and some individual errors have been corrected retrospectively, the values for the base year differ from the information provided in the 2011 CR report.

The total adjusted CO₂ emissions for the year 2012/13 amount to 88,193 tonnes. This corresponds with a reduction of around 13% over the base year and is mainly attributable to energy-efficiency measures. More than a third (37%) of CO₂ emissions from the Otto Group arises from supplying the company locations and facilities with heat and energy. In this reporting period the total energy requirement rose by almost 10% compared with the base year. The reason for this was an increase in business volume, as reflected in an rise in absolute consumption in logistics and warehouse buildings, as well as in an increase

in the number of buildings, by almost 19%. The Otto Group was able to significantly increase the amount of self-generated heat from renewable energy in the reporting period.

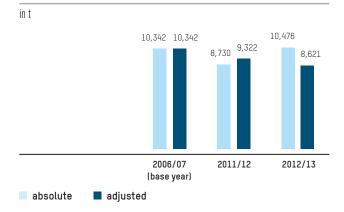
CO2 benchmarking for buildings

The CO₂ property benchmarking process has served as a central control instrument for CO2 reduction at Otto Group company locations since 2010. Consequently it forms the basis for the strategic development of measures for assessment, planning and implementation. Priority monitoring of the Group properties with the greatest efficiency potential (the 'CO₂ hotspots') ensures both the greatest possible benefit to the climate and to economic efficiency. In autumn 2013 a detailed analysis of the 20 buildings with the highest CO₂ savings potential will be concluded.

CO2 REDUCTION IN MOBILITY

CO₂ emissions attributable to the operation of the company car fleet and to employees' business trips have a share of around 4% of the total Otto Group emissions. These emissions figures are derived from the mobility volumes that have increased over the base year from 66.8 to 81.2 million passenger kilometres. The main reason for this 23% increase was the extension of data-gathering for business trips. However, these increased mobility volumes do not have an impact on the adjusted CO₂ emissions, which have decreased by 17% from the base year in 2012/13. This is mainly due to lower emission factors resulting from more energy-efficient modes of transport and from Hermes offsetting 471 tonnes of CO₂ from business trips by air in the 2012/13 financial year.

CO₂ EMISSIONS FROM MOBILITY (COMPANY CARS. BUSINESS TRIPS. CAR FLEET)



^{**}The number of buildings on which this is based has been subject to certain variations over the years: 285 buildings in 2006/07, 340 buildings in 2011/12 and 350 buildings in 2012/13. This increase is mainly due to the opening of new shops and additional logistics facilities.

OPERATIONAL ENVIRONMENTAL PROTECTION

4.2

The greatest scope for action in avoiding any negative impact on the environment is at the Otto Group's own locations. That is why operational environmental protection is of great significance. Environmental management based on key figures controls the relevant processes.

Application scope of key figures in the Environmental Protection chapter

Unless otherwise indicated, the key figures for environmental protection are based on calendar years. The data takes all locations used for at least six months with a usage area of more than 5,000 m², as well as all the headquarters of the reporting companies, into account. A total of 44 locations are thus covered. In the reporting period, the headquarters of EOS and baumarkt direkt have been newly included.

ENVIRONMENTAL MANAGEMENT

The objective of the Otto Group's environmental management programme is to analyse the impacts on the environment at the company locations, to define these with key figures and consequently to make them manageable. In the reporting companies, environmental management is closely linked to occupational safety management. Some of the Group companies have their environmental management systems externally assessed and certified every year. Currently ten of the locations covered in this report have ISO 14001-certified environmental management systems. These are Altenkunstadt, Burgkunstadt, Weismain (Baur), Bergheim, Graz and Salzburg (UNITO), Hamburg-Essener Straße, Friedewald, Hückelhoven and Langenhagen (Hermes). Hermes is the only company in the logistics industry to have been certified through the Trust Improvement Program (TIP) since 2003. The demands of the Trust Improvement Program go beyond those of the ISO 14001 norm and can only be applied to highly developed management systems.

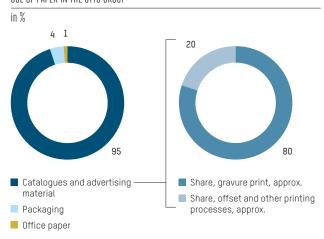
RESOURCE EFFICIENCY

One of the most important objectives of the Otto Group is the responsible and efficient management of the resources deployed, such as wood products for the production of printed materials or cardboard packaging. To achieve this, the Group follows the 'avoid, minimise, recycle' principle. Employees are being made increasingly aware of the need to economise with resources. Where avoidance is not possible, the materials used should be fed into a recycling process.

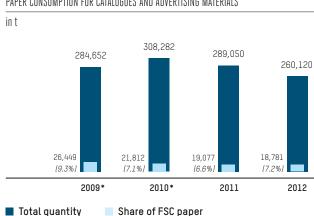
Paper consumption

The largest share of paper consumption is the over 260,000 tonnes used for catalogues and advertising material every year. In spite of constantly growing e-commerce turnover, a great many customers still use catalogues as a source of inspiration. The shift towards e-commerce has nevertheless had an impact on the amount of paper used: although two new companies – baumarkt direkt and EOS – have been taken into account in calculating this key figure, the paper requirement for catalogues and advertising material declined by more than 15% between 2010 and 2012.

USE OF PAPER IN THE OTTO GROUP



PAPER CONSUMPTION FOR CATALOGUES AND ADVERTISING MATERIALS



^{*} Due to an error in data-gathering these values have retrospectively been adjusted downwards by 9% (2009) and 5% (2010) respectively.

As part of its Paper Strategy, the Otto Group has set itself the objective of increasing the amount of FSC® (FSC-C011850) paper produced for the gravure printing of catalogues and advertising material to at least 50% by 2020. Of the 216,007 tonnes of gravure print paper used in 2012, 6.6% of it was FSC-certified.

In implementing its Paper Strategy the Group is first concentrating on gravure print paper, as it constitutes 80% of the catalogue paper and is purchased centrally through OTTO. This means that a rapid and efficient implementation of the Strategy is possible. In 2015 an assessment and decision will be made about whether offset print paper can be included in the Strategy. As this purchasing is carried out decentrally by the individual Group company Purchasing departments and in significantly smaller quantities than with gravure print paper, a changeover to FSC-certified offset print paper will involve significantly higher costs. Since the beginning of the Group's cooperation with the FSC, the label has already been displayed on around 900 million printed items. With this amount, the Otto Group is one of the leading companies worldwide in its use of FSC paper.

Packaging

Thanks to environmentally responsible optimisation measures, the quantity of packaging materials – such as cardboard, filling material and plastic films – used in goods deliveries was reduced in the reporting period by around 10%. At 84%, the majority of packaging material used is made from cardboard that almost completely consists of recycled material.

SALES PACKAGING CONSUMPTION*

in t				
	2009	2010	2011	2012
	10,912	11,454	10,913	10,276

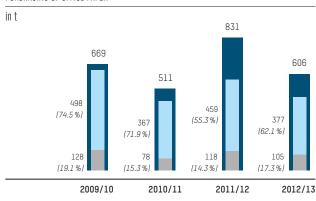
*Only the sales packaging for the companies for which the Otto Group is responsible has been taken into account here. Any additional sales packaging, for which the suppliers of the articles are responsible, is not covered here.

Purchasing of office paper

Consumption of office paper has remained constant over the long term. As the Otto Group purchases large quantities of this for long periods, however, it does result in variations in the annual statistics. Besides this, from the year 2011/12 onwards the office-paper consumption of

EOS has also been included and this constitutes around 16% of the total quantity. The declining shares of recycled paper are also attributable to EOS, as to date exclusively conventional paper has been used there. EOS has decided to completely change over to FSC office paper by 2014/15.

PURCHASING OF OFFICE PAPER



- Total quantity of DIN A4 and A3 paper
- Recycled paper share

FSC paper share

Waste and recycling

Waste is avoided as far as possible. Wherever this principle cannot be implemented, a recycling process duly takes place. The Otto Group wants to continue to maintain its high recycling rate of over 95%. The quantities of waste arising from the reporting companies remain largely constant.

QUANTITIES OF WASTE BY CATEGORY

QUILLING OF TIMOTE BY OHIEGONY				
in t				
	2009	2010	2011	2012
Total waste in t	30,246	33,503	36,976	33,312
Quantity of hazardous waste	254	95	146	77
Proportion of hazardous waste in %	0.8	0.3	0.4	0.2
Quantity of non- hazardous waste in t	29,992	33,408	36,831	33,235
Quantity of non- hazardous waste in %	99.2	99.7	99.6	99.8
Quantity for disposal in t	1,532	985	1,135	921
Quantity for disposal in %	5.1	2.9	3.1	2.8
Recycled quantity in t	28,714	32,518	35,842	32,391
Recycled quantity in %	94.9	97.1	96.9	97.2

SUPPLY CHAIN

51% of our order volume from risk countries is produced in China

of our order volume is supplied by suppliers that can provide a valid audit result for their factories

96% of all audited factories have achieved at least a pass result

CHALLENGES AND GOALS

The Otto Group purchases over a million different articles from over 70 sourcing countries and works with several thousand different suppliers. The Group wants to offer its customers goods which have been produced in compliance with social and environmental standards.

INTENSE COMPETITION

As a retail group the Otto Group is active in an environment dominated by intense competition and a high level of customer price sensitivity. As such, our purchasing departments are under extreme cost pressure: the lower the purchasing price is for goods of a specific quality, the better able the Group companies are to offer these at an attractive price. This makes a decisive contribution to our companies' competitiveness.

The conditions under which merchandise can be procured are influenced by the upward trend in raw-materials prices, compliance with social and environmental standards in production and the purchasing volume per order. The last factor often brings relatively little influence to bear, owing to the huge range of articles offered by our trading companies. Because the production quantities ordered are often small, we are also limited in our ability to influence suppliers.

SUPPLY CHAIN COMPLEXITY

Group companies order own and third-party brands from suppliers located in over 70 sourcing markets. As part of increasing globalisation and order variety, the number of factories a supplier uses has also risen. These also award parts of their orders to other factories, which in turn have their own additional suppliers.

RESPONSIBILITY IN THE SUPPLY CHAIN

Many of the factories of suppliers of own and licensed brands are located in countries where only weak legal and control systems exist to ensure compliance with social and working standards. Despite own checks and contractual agreements to maintain these standards, violations of human and workers' rights cannot be excluded. In this complicated environment, we take responsibility and are committed to improving social and, increasingly, environmental standards in the production processes.

Our overriding goal is to establish acceptable working conditions for suppliers' workers. Through the measures taken, potential reputation risks are minimised which might result from negative reporting on incidents in the sourcing markets. Examples include news about accidents at factories that produce goods for the German market.

GOALS TO MEET THE CHALLENGES

The Otto Group is committed to improving working and production conditions, and combining these with clear goals. On the one hand, we intend to increase transparency about where and how we commission goods to be produced for us. On the other hand, we aim to improve social standards at the factories. To achieve this, we revised our Social Programme (see p. 53 et seq.) in 2012 and set ourselves the aim of integrating all suppliers of own and licensed brands with factories in risk countries into this Programme by 2015. Suppliers of brand products are not included. The Group sees its extended Social Programme as part of an ongoing development process to make the supply chain more sustainable. With CPI₂ (see. p. 60) and our environmental footprint (see. p. 14 et seq.), we are also increasing our focus on the environmental impacts of the supply-chain processes.



MATERIAL TOPICS IN THE SUPPLY CHAIN FIELD OF ACTION

Of particular relevance both to stakeholders and our business success is **upholding human rights.** At the Otto Group, this forms part of every supplier relationship. **Living wages** are also just as relevant – a topic we are addressing as part of stakeholder alliances.

Environmental and climate protection in the value chain is a further topic which is ranked as highly relevant by our stakeholders and Executive Board. To reduce the impacts production has on the environment and climate, the Otto Group has started to estimate the amount of resources

consumed to produce goods based on financial and market data, in order to determine the environmental footprint of specific products (see p. 14 et seq.). We gained initial experiences back in 2009 when determining the Product Carbon Footprint of textile products. We use this within the Sustainable Apparel Coalition (see p. 37 et seq., 60) to determine the full sustainable footprint of products. As part of the CPI_2 climate-protection initiative (see p. 60), we have co-developed a management system which works towards managing and reducing CO_2 emissions in the value chain.

SOURCING MARKETS

The success of the Otto Group's trading companies relies to a great extent on their purchasing strategy and their supplier selection. In this regard, our Codes of Conduct set out global, uniform social standards.

Application scope of key figures

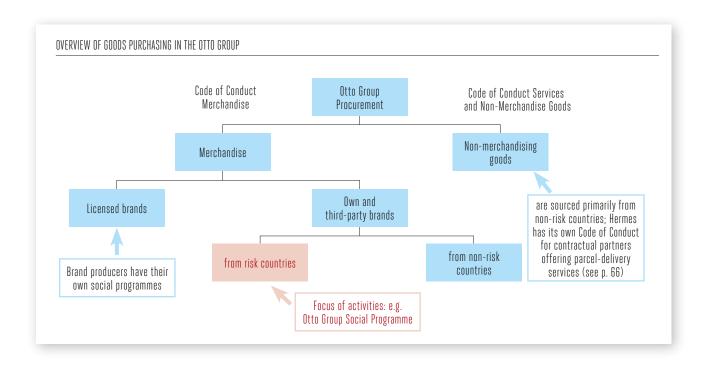
The key figures in this chapter refer to calendar years and any deviations are indicated. They cover the reporting companies from the Multichannel Retail segment: Baur, bonprix, Frankonia, Heine, OTTO, OTTO Office, Schwab, SportScheck, UNITO and Witt. In addition, the Group companies Alba Moda and Freemans are included in our Social Programme. The new reporting company, baumarkt direkt, will first be integrated into our Social Programme from 2013/14, as the corresponding structures still need to be established in the joint venture.

Our previous Social Programme includes suppliers that have been working with the trading companies covered by this report for over a year, and which are supported by purchasing organisations (so importers are not included here).

Special aspects

Although a new Social Programme came into effect on 1 March 2013 at the Otto Group, the figures in this report are provided in standardised form using the data-gathering methods of our previous Social Programme. This ensures the figures are comparable to previous years. Nevertheless, the way Social Programme processes are presented corresponds to the new model.

The key figures for the calendar years 2010 to 2012 are presented in the following. In 2010 we implemented a revised way of calculating key figures. These cannot be compared to the previous years' figures, however, as the scope of application in relation to the factories, product groups and risk countries included was either expanded or modified.



GLOBAL PURCHASING

In its purchasing, the Otto Group differentiates between merchandising and non-merchandising goods. Non-merchandising goods include such items as transport services, office equipment for our own requirements, catalogue paper and services such as power and cleaning. The Group purchases these almost exclusively from non-risk countries and they are therefore not included in the Social Programme either. Since September 2012 the purchasing of non-merchandising goods has been governed by its own Code of Conduct (see p. 66).

Each year the Otto Group purchases around 4.7 billion euros worth of merchandising goods – and third-party brands account for around half of the merchandising goods that Group companies purchase. In this case, the brand manufacturers are responsible for upholding social and environmental standards in production. We review their own codes of conduct to ensure they comply with our requirements. Own and licensed brands account for the other half of the merchandising goods that Group companies purchase; these are mainly produced in risk countries on behalf of the Otto Group. This is why we also take particular responsibility to ensure social and environmental standards are upheld in production.

PURCHASING IN RISK MARKETS

In terms of our own and licensed brands, we place a large proportion of our order volume with suppliers in countries where human rights violations and socially unacceptable working conditions cannot be excluded, owing to inadequate control systems. We classify these countries as risk countries. We base our classification on the guidelines of the Business Social Compliance Initiative (BSCI) – a global association of over 1,000 trading companies, producers and importers.

We introduced our Social Programme in 1999 to enforce social standards in risk countries. At the end of this reporting period, the Group companies involved in our Social Programme were working with 637 suppliers from 15 risk countries. Over half of our order volume from risk countries comes from China, making this country our largest sourcing market by a considerable degree, even if the share of order value has dropped compared to previous years.

ORDER VALUE	BY RISK	MARKET*	
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in t			
	2010	2011	2012
Egypt	0.8	1.4	1.3
Bangladesh	4.6	6.8	8.6
Brazil	0.2	0.1	0.1
Bulgaria	1.5	1.9	1.9
China (incl. Hong Kong)	55.5	53.4	50.8
India	10.5	11.5	9.8
Indonesia/Thailand	3.8	3.9	4.9
Morocco	0.8	2.0	1.4
Mauritius	0.3	0.1	0.4
Pakistan	2.0	1.7	1.9
Romania	0.7	0.6	0.5
Turkey	15.1	12.7	13.5
United Arab Emirates	2.7	1.9	2.8
Vietnam	1.5	1.9	2.2

^{*}Risk markets are defined by the purchasing organisations' locations from which the suppliers are managed.

PURCHASING STRUCTURES

The Otto Group purchases goods manufactured under own and licensed brands globally in different ways: through purchasing organisations such as Hermes-OTTO International (H-OI), importers or directly from the producer. H-OI is a fully owned subsidiary of the Otto Group.

In some cases, purchased merchandising goods are offered to other Group companies in the form of cross-selling assortments. For example, UNITO buys a large proportion of its goods as cross-selling assortments from Group companies including Baur and OTTO. The company with the direct business relationship with the supplier is always responsible for purchasing and can therefore influence the sourcing of goods. The Group Guideline Sustainability in Procurement (see p. 59) sets out binding regulations for this.

SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

Our Social Programme is intended to ensure suppliers comply with our Code of Conduct for Merchandising Goods. The Programme includes supplier auditing as well as their qualification and development. The goal: to establish a long-term, strategic partnership with suppliers.

CODE OF CONDUCT FOR SUPPLIERS

The Otto Group's Code of Conduct sets out social standards which apply to all Group employees, business partners and suppliers. The Group replaced it in September 2012 with two target group-specific documents: the Code of Conduct for Merchandising Goods and the Code of Conduct for Services and Non-Merchandising Goods. By entering into a business relationship with the Otto Group, suppliers and business partners commit not only to upholding these in their companies, but also to ensure their subcontractors abide by them. Our Codes of Conduct form the basis for reviewing whether all trading and business partners are complying with the standards. If a supplier does not commit to uphold the Codes of Conduct, we do not enter into a business relationship with them.

Purchasing according to international standards

The Code of Conduct for Merchandising Goods is based on the core working standards of the International Labour Organization (ILO), the UN Convention on the Rights of the Child and the UN Convention on the Elimination of All Forms of Discrimination against Women. Further components include BSCI guidelines and OECD Guidelines for Multinational Enterprises. Both of the Group's Codes of Conduct can be viewed on the Internet at www.ottogroup.com.

OUR NEW SOCIAL PROGRAMME

The Otto Group's new Social Programme aims to further improve the working and health situation of workers at all of our suppliers' factories. The extension of the Programme goes hand-in-hand with the successive expansion of its scope of application: by 2015, all supplier of own and licensed brands are to be included in the Group's Social Programme. A supplier will be accepted when all its active factories which produce merchandise in risk countries for the Otto Group can provide a valid and recognised certificate, audit or assessment. Alternatively, importers will also be accepted if they are BSCI members. We have incorporated our previous Social Programme

into our new Social Programme, taking previous audits and measures into consideration. As before, pre-production stages such as yarn spinning and textile dyeing are still not included in the Social Programme. As the Otto Group does not have a contractual relationship with pre-suppliers, the influence our trading companies have is very limited in this regard.

Since November 2012 we have been piloting our new Social Programme at three Group companies. With the support of the purchasing divisions at bonprix, OTTO and SportScheck, each of their ten largest importers were included. In 2013 a further eight Group companies will join the Programme, with four further Group companies joining the year after. By the end of 2015 all Group companies with a turnover of more than 100 mn€ are to be included.

Social Database as a management tool

We gather the data generated through supplier audits – audit results and company information – in a database. It is our tool for controlling social management and ensures our social-management processes are transparent. Anyone involved in the purchasing process can access it, such as our purchasing organisations and Group companies. The Group Executive Board and the Executive Directors of the Group companies are given a progress update three times a year on the level of achievement of goals.

THE THREE STAGES OF OUR NEW SOCIAL PROGRAMME

The fundamental goal of our new Social Programme is to integrate all suppliers in risk countries. Furthermore, suppliers are to be further developed through targeted qualification measures. We will achieve these goals through a three-step model which upholds these aspects of our existing Social Programme: auditing and qualifying suppliers. To achieve this, all factories first undergo a Basic Programme. In the second stage, suppliers selected by the Group companies are given targeted support through qualification measures and developed into partners with

exemplary working conditions. The Excellence Programme is the third stage, in which suppliers that are especially relevant from a strategic point of view are further developed on all topics above and beyond social aspects.

Stage 1: Basic Programme

The Otto Group pursues this aim with the first stage of our new Social Programme: to make it transparent which suppliers and factories uphold social standards and to identify violations of our Code of Conduct to minimise risks. This is performed in two steps:

Ist step - Entry Assessment: The Entry Assessment is at the start of the chain for all measures. At this point, the Group's new Social Programme adopts the methodology of our previous Programme, but also requires that all factories undergo the Entry Assessment. In the case of importers, active BSCI membership is also accepted. If a 'pass' is achieved in the Assessment, Group companies can work together with the factory. Major violations of our Code of Conduct will lead to a 'fail', which rules out any collaboration.

STAGE 1 PROCEDURE - BASIC LEVEL

All factories

Entry Assessment

→ Producers of textiles and durable goods (direct suppliers, purchasing organisations)

→ Textile importers

Progress Assessment

Self Assessment

2nd step - Progress Assessment or Self Assessment: as in our previous Social Programme, after twelve months suppliers are obliged to fully assess their factories to ensure they are upholding our Code of Conduct. At this point, our new Social Programme differentiates between two types of follow-up assessment: the Self Assessment for importers of durable goods such as furniture or electrical equipment, and the Progress Assessment for all other suppliers.

The new development in terms of Entry, Progress or Self Assessment is that valid audits or certificates are recognised as proof that the factories have undergone an assessment of their social performance. No reassessment is required upon presentation of certain certificates such as SA8000, EICC (Electronic Industry Citizenship Coalition) or WRAP (Worldwide Responsible Accredited Production).

OVERVIEW OF THE NEW SOCIAL PROGRAMME'S CORE PROCESSES



The Progress Assessment is carried out by H-OI or the independent auditing firm SGS and repeated annually. It determines whether the business relationship is to be continued with the supplier. The Self Assessment of durable-goods importers is performed using an online questionnaire which is also conducted annually. The details they give are checked at random by an external auditor as part of site visits.

Stage 2: Development Programme

From the 2013/14 financial year we will incorporate factories in the Development Programme of our new Social Programme. This second stage is intended to develop strategically important suppliers, with whom the Otto Group works with very closely, as far as possible so that they achieve a BSCI audit result of 'good' or gain SA8000 certification. To achieve this, we offer workshops which are attended by representatives from up to ten different factories. Each year, we plan four to six workshops on different topics of our Code of Conduct for each factory. Our programme is supplemented by e-learning courses, webinars and site visits.

Stage 3: Excellence Programme

From 2014 the third stage of our new Social Programme calls for selected factories to be included in our Excellence Programme. Besides social topics, the focus is on fully qualifying the factories on environmental and business topics such as climate protection, chemical use, quality and productivity.

SUPPLIER PERFORMANCE

We still use the methodology of our former Social Programme to measure our suppliers' performance (see CR Report 2011, p. 98 et seq.). While the new Programme was approved in the reporting period, it will first be implemented in the 2013/14 financial year.

Our previous Social Programme comprises an initial 'pre-scan' of new suppliers, without which an initial order cannot be placed. If Purchasing intends to enter into a permanent relationship with the supplier, a BSCI audit is conducted which must be repeated on a regular basis. Tailored, free-of-charge qualification courses for the factories complete our Programme.

Assessment scheme for suppliers and factories

The supplier-performance assessment is derived from their factories' auditing status, with BSCI audits and certifications also included directly in the supplier assessment.

SUPPLIER PERFORMANCE

'pass'	If available, three of the supplier's factories must have achieved at least a BSCI audit result of 'improvement needed' at the end of the year
'incomplete'	If the conditions for a 'pass' in terms of supplier performance are not met, but at least a valid BSCI audit result or certificate is available at the end of the year
'not audited'	If no factory has a valid BSCI audit result or certificate at the end of the year
'not acceptable'	If sanctions* are brought against a factory or directly against the supplier at the end of the year

^{*}Sanctions are applied if serious violations of the Code of Conduct (e.g. in terms of working hours or wages) are discovered.

SUPPLIER PERFORMANCE BASED ON ORDER VALUE*

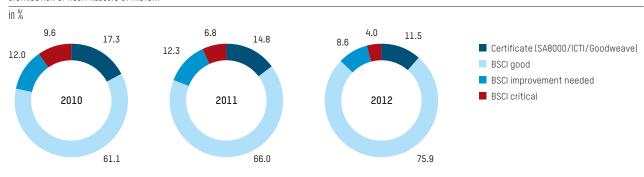


Supplier performance in %			
	2010	2011	2012
'pass'	44.1	49.6	61.5
'incomplete'	43.0	2.3	24.3
'not audited'	12.9	22.5	14.1
'not acceptable'	-	0.6	0.1

^{*}The Supplier Performance figure is determined by the BSCI audit valid at the end of the year and by the factories' certificates. Here, up to three factories per supplier are taken into account.

Overall, supplier performance in the reporting period developed positively: over 60% of order volume is manufactured by suppliers who have achieved a 'pass' audit result. The fact that 86% of order volume is placed with suppliers operating audited factories (result: 'pass' or 'incomplete') shows that these suppliers are preferred when placing orders. Supplier performance displayed by the number of suppliers can be viewed on the Internet at: www.ottogroup.com/cr-report

DISTRIBUTION OF AUDIT RESULTS BY FACTORY



FACTORY PERFORMANCE

The assessment of supplier performance is detailed to the factory level in the above representation. It is based on the 527 (2011) and 453 (2012) BSCI audit results and certificates in risk countries.

Violations of standards

The following list of violations is based on factories with 'critical' or 'improvement needed' BSCI audit results. As in previous years, in the reporting period the majority of violations were in the areas of documentation, occupational health and safety, maximum working hours and wages. Violations in the area of child labour/young workers were not attributable to children working at the factories, but to young workers exceeding maximum working hours and a lack of health checks, for example. In one instance, however, a young worker produced a work permit with a falsified date of birth. Violations in the area of forced labour concerned the unpermitted withholding of identity papers and portions of wages.

In 2012 fewer audits were conducted compared to the previous year, owing to the migration to the Otto Group's new Social Programme; this also resulted in a corresponding drop in the number of violations identified in the reporting period. However, in the reporting period the average number of violations identified per audit versus the previous year has remained generally the same at 2.2 and 2.1 respectively.

DISTRIBUTION OF VIOLATIONS OF STANDARDS 🧭



	2010	2011	2012
Management system	31	72	31
Documentation	69	143	76
Maximum working hours	62	101	58
Wages	49	116	74
Child labour/young workers	15	26	4
Forced labour	2	2	0
Freedom of association and right to collective bargaining	13	24	10
Discrimination	2	0	1
Working conditions (cleanliness, ventilation, etc.)	18	32	16
Health and social arrangements	32	75	38
Occupational health and safety	75	164	91
Accommodation	10	16	8
Environmental requirements	30	47	32
Total number of violations	408	818	439
Total number of audits	265	370	203

Qualification measures in risk markets

In the 2011/2012 financial year the number of qualifications carried out (see CR Report 2011, p. 99 et seq.) at factories in risk countries rose slightly from 63 in the previous year to 72. Over half of the qualifications were carried out in the Chinese markets.

In the 2012/2013 financial year, due to the transition to the new Social Programme no external qualifications were carried out in risk markets. However, 54 qualifications were carried out at factories by employees of the purchasing organisations.

ALLIANCES AND COLLABORATIONS

The Otto Group's aim is to raise social standards, especially at our suppliers in risk countries – and in doing so, improve local working conditions. To realise this aim we are involved in international coalitions which allow a uniform approach to be adopted on global purchasing markets. At the heart of this lies the conviction that joint calls for improved working conditions are more powerful than solitary calls.

BSCI - improved working conditions at suppliers

The Business Social Compliance Initiative (BSCI) was launched in 2004. The Otto Group was a founding member of this initiative which aims to improve working conditions in international value chains. To achieve this, it conducts audits at supplier factories. If a company becomes a BSCI member, it commits to generate two-thirds of its turnover with BSCI-audited suppliers after three years. After five years, it must generate two-thirds of its turnover with suppliers which have achieved an audit result of 'improvement needed' or better. The BSCI currently has 1,000 members around the world including trading companies, producers and importers.

Commitment to high social standards

The Otto Group is a member of the organisation Social Accountability International (SAI). In doing so, we support the work of this multi-stakeholder initiative which is committed to improving workers' human rights around the world. To achieve this, SAI has developed the internationally recognised social standard SA8000 and offers companies programmes to audit and improve purchasing and social management.

Activities for Bangladesh

Owing to the growing importance of Bangladesh as a sourcing country, the conditions there pose a particular challenge to us. Since May 2013 we have been a supporter of the Accord on Fire and Building Safety developed by international trade-union confederations, the Clean Clothes Campaign (CCC), the Workers Rights Consortium (WRC) and national trade unions from Bangladesh. The new safety agreement includes binding, implementable and transparent regulations on independent inspections, compulsory maintenance measures and corresponding cost-sharing by international corporate customers. The construction of a factory as a 'social business' in Bangladesh, which was announced in 2009, cannot be realised in this form owing to government regulations. As a result, at the start of 2013 we decided not to implement the project.

Alliances for living wages

As part of improving working conditions at the factories, the payment of living wages is a key topic. Together with other companies, we are actively involved in achieving appropriate wage levels through a non-competitive regulation that is binding on all market players in the Asian sourcing markets. To this end, we are involved in the multi-stakeholder forum Round Table Codes of Conduct (see p. 22) and support the Asia Floor Wage Campaign (AFWC) which is campaigning for living minimum wages in the Asian textile industry.

- BSCI: www.bsci-intl.org
- SAI: www.sa-intl.org
- AFWC: www.asiafloorwage.org
- Round Table Codes of Conduct: www.coc-runder-tisch.de

ENVIRONMENTAL RESPONSIBILITY IN THE SUPPLY CHAIN

4.3

Besides a social responsibility, the Otto Group also has an environmental responsibility for its value chain. To honour this, the Group analyses environmental impacts along the entire supply chain with the aim of reducing them. The Group Guideline Sustainability in Procurement covers the purchasing of raw materials.

GROUP GUIDELINE SUSTAINABILITY IN PROCUREMENT

A range of Guidelines set out how the Otto Group companies source the goods they market. One of these is our Group Guideline Sustainability in Procurement. Since March 2013 it has applied to all Group companies and sets out the environmental and social requirements under which merchandising and non-merchandising goods are sourced and sold. It brings together social and environmental requirements on products as well as the working conditions at suppliers, which were previously regulated separately. The majority of regulations have already been in force for many years, such as the commitment to using FSC-certified tropical wood.

The Group Guideline Sustainability in Procurement also includes provisions on wildlife and species conservation, and bans, among other things, the sale of goods containing real fur. For products containing down or feathers, there is also a ban on the use of materials gained from live plucking or foie-gras production.

RAW-MATERIAL SELECTION AND CULTIVATION

As part of the overall Textile Strategy goal (see p. 17 et seq.), the Otto Group intends to only use sustainably cultivated cotton by 2020 for our own and licensed brands. The goal requires that the cotton is either organic cotton or that it was produced as part of the Cotton made in Africa (CmiA) development policy initiative (see p. 35). Through the Group goal, '100% sustainable cotton for own and licensed brands', we are not only promoting conscious consumerism but also taking social and environmental responsibility in terms of raw-material production.

Greater biodiversity thanks to organic cotton

By offering organic cotton textiles, the Otto Group is playing its part in encouraging biodiversity. After all, the aim of organic cotton cultivation is to avoid monocultures and protect biodiversity in cultivation areas. Annual crop rotation is therefore just as much a part of the regulations as the ban on chemical pesticides and fertilisers, as well as on genetically modified seeds.

Timber from sustainable forestry

Since the start of the 2013/14 financial year, binding legislation has been in place in the form of the EU FLEGT timber regulation governing the origin of wooden products. The regulation covers the sourcing of wooden products imported into the EU and stipulates that they should carry a certificate of origin. Given the lack of legislation, for many years the Otto Group reporting companies have been working according to an internal Group Guideline: the Timber Sourcing Policy. Through this we actively ensured that as a raw material, timber was used responsibility and that it originated from legal sources. Our Timber Sourcing Policy regulations are therefore a good starting point for meeting the requirements of the EU timber regulation from 2013.

To prevent illegal felling and promote sustainable forestry, the Otto Group already prefers to work with certified suppliers. These source timber from forestry operators working to Forest Stewardship Council (FSC) criteria and which are certified to this organisation's standards. This non-governmental organisation is committed to protecting forests through responsible felling and the associated conservation of biodiversity. As part of our Group's CR Strategy we have set ourselves the aim of only offering FSC-certified furniture products by 2020 (see p. 36).

TRANSPARENCY ALONG THE ENTIRE SUPPLY CHAIN

Textile production - from the raw material to the finished article of clothing – involves using a considerable amount of raw materials and energy. With dyeing and tanning processes, for example, chemical agents are used which may contain heavy metals that could enter the air, water or soil. Given these environmental impacts, the Otto Group is redoubling its efforts to identify those processes in the upstream chain which have a considerable impact on the environment and nature. The 'environmental footprint' is a tool to assist with this (see p. 14 et seq.): it helps to identify environmental 'hotspots' so that countermeasures can be implemented effectively. Our work in the Sustainable Apparel Coalition is a further way of achieving greater transparency with regard to sustainability impacts in the supply chain. With the Higg Index (see p. 38), this organisation has developed a means of measuring production-related resource consumption based on individual products.

CLIMATE PROTECTION INITIATIVE FOR GLOBAL SUPPLY CHAINS

Together with seven other German trading companies, at the start of 2012 the Otto Group launched the climate-protection initiative 'Carbon Performance Improvement Initiative' (CPI₂). The aim is to cut CO₂ along the global supply chain. To achieve this, CPI₂ developed an online management tool which the first set of suppliers is already using to evaluate and control their energy consumption across all areas of their business. The tool gives them a specific set of recommendations to save energy. So far, workshops have been held in China, India, Bangladesh and Turkey, with some 300 factories taking part. Currently, the tool is being piloted at factories in Bangladesh.

EMPLOYEES

1,242 employees are currently on parental leave

1,857 seminars were carried out in 2012/13

17% of employees in upper management are women



CHALLENGES AND GOALS

More than 53,000 employees work for the Otto Group in over 20 countries. The Group wants to offer them an environment where they can work creatively and develop new ideas. The task of the Group companies is to get the very best out of their potential.

E-COMMERCE AND DIGITALISATION

For the Otto Group, digitalisation – and the e-commerce growth potential that comes with it – is an opportunity and a challenge at the same time. The Group companies are now required to design the necessary change processes for this, in consultation with their employees. In this process, we consider it to be decisive for success to adjust working conditions to the changing demands of the market in such a way that each employee is able to reach his full potential. This change process is supported by a training and development programme as well as an extensive change management commitment.

DEMOGRAPHIC CHANGE

Demographic change is one of the greatest challenges of the future. With this in mind, it is important to dovetail all the elements of human resources to work strategically with each other – from reinforcing the profile of the Otto Group as an employer brand, through recruiting, vocational and further training for employees, to an extensive diversity management programme. Reconciling employees' work and family life in a healthy work/life balance is a key factor here for the attractiveness of the Group companies as employers. Additionally, with the increasing average age of employees, lifelong learning and measures for employee motivation and flexibility as well as for maintaining health and performance levels are becoming more and more important.

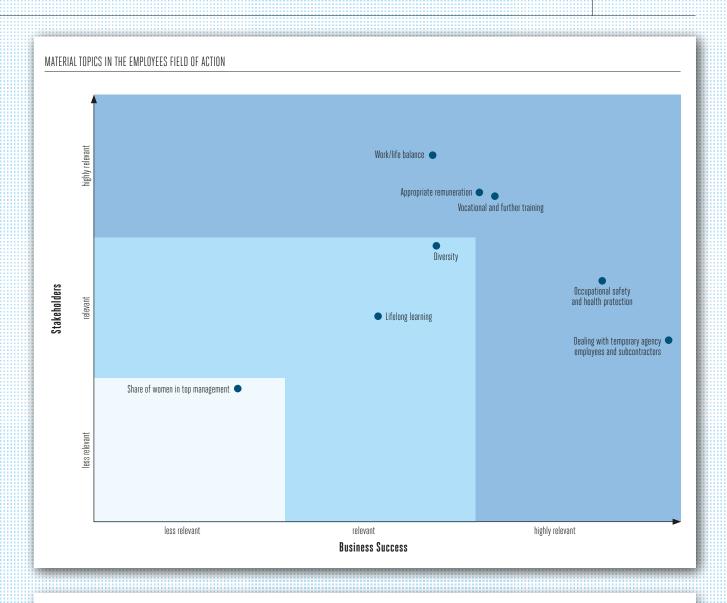
FAIR REMUNERATION

The companies in the Otto Group are acting in a dynamic and rapidly changing business environment where the expectations of customers and other stakeholders are constantly increasing. Peak orders in the service and logistics area in the pre-Christmas period, for example, present human resources management with special challenges. The deployment of temporary workers in these circumstances is unavoidable. As set out in their remuneration policies, Group companies are required to pay their own employees appropriately, particularly those in the lower wage segments, and to deal fairly with temporary assistants, temporary agency employees and subcontractor companies.

GOALS TO MEET THE CHALLENGES

In the light of its human resources policy challenges, the Otto Group set itself the objective in the 2011 CR report of developing a Group-wide strategy for its management development, of cultivating segment-related cooperation with universities and developing a Group-wide Diversity Management Programme, including a Diversity Monitoring Programme. These objectives have been achieved.

Any objectives and measures from the Employees CR field of action are not managed centrally; instead they are managed directly by the Group companies. The Otto Group is, however, pursuing a diversity objective that applies to all the reporting companies and is derived from its mission (see p. 6): by the 2015/16 financial year, the proportion of women and/or men should be at least 20% on all levels of the company hierarchy.



MATERIAL TOPICS IN THE EMPLOYEES FIELD OF ACTION

The Otto Group's stakeholders have assigned the highest importance in human resources management to work/life balance. As part of its Diversity Monitoring Programme, The Otto Group is creating the necessary requirements for this with Group-wide agreements and guidelines, along with specific initiatives and measures. Appropriate remuneration is of just as much importance to stakeholders. The Group ensures this through remuneration systems that are in line with the market and reflect performance, followed by employee vocational and further training.

Occupational safety and health protection makes a considerable contribution to the business success of the Otto Group. The Corporate Health Award 2012 our

Group received bears witness to the great importance that we attach to health management. The greatest relevance, however, has been given to **dealing with temporary workers and subcontractors**, an issue that is often viewed critically by the media and the public. Effective instruments are encouraged here for fair and, at the same time, economically viable solutions.

One surprising result from this Materiality Analysis is the low significance attached to the proportion of female managers in the top management, as is much discussed in the media. In the Otto Group, the strategically implemented Diversity Management Programme is also contributing towards achieving constant improvements here, too.

PERSONNEL RESPONSIBILITY

The Otto Group's employees bring the company values embedded in 'The Power of Responsibility' mission to life and thus contribute to the success of the Group. It is the task of the Group companies to provide them with an environment where they have the space and freedom to help shape the business.

Application scope of key figures

The key figures in the Employees field of action cover the 13 reporting companies – with EOS and baumarkt direkt included for the first time. The figures given include headcounts, hours worked and employees on parental leave. Trainees, interns, degree students, temporary assistants and temporary agency employees are not considered here as a rule, and any variations are indicated as such. Employee numbers are rebased as full-time equivalents (FTEs) and given on p. 7. Each of the different calculation bases are given here.

Some of the key figures are presented in terms of financial years and some by calendar years. Where there is a variation between the reporting periods of the reporting companies, the reporting period is indicated. With indications expressed as percentages, deviations due to rounding up or down are possible, so that the values do not always precisely add up to 100.

HUMAN RESOURCES STRATEGY

The Otto Group's Human Resources Strategy grants plenty of independence and freedom to the Group companies in managing their employees. That way they can accommodate the specific challenges of each of their business environments. The Group-wide mission 'The Power of Responsibility' is a binding element and framework here; besides sustainability it also enshrines the value of diversity, which is of particular relevance for human resources management. The reporting companies translate the values from the mission into their individual strategies and measures.

The Group Human Resources Division supports the Otto Group companies in realising their human resources strategies and objectives. It evaluates developments and provides effective knowledge transfer through specialist advice, workshops and best-practice examples.

EMPLOYEE STRUCTURE AND HUMAN RESOURCES MANAGEMENT

As at 28 February 2013, a total of 31,359 people – including working students, employees on parental leave, trainees, interns, degree students, temporary assistants and temporary agency employees – were working for the reporting companies. The share of unlimited contracts rose in this reporting period, against the general market development, from 67% to 78%. This was mainly due to the expiry of limited contracts and the conversion of limited contractual relationships to unlimited ones, particularly in the area of logistics.

The weekly working hours, as set out in the collective agreements at the individual companies, were within the range of 37.5 to 40 hours. As well as strict compliance with the maximum statutory working hours allowed (of ten hours per day), flexible working hours regulations apply in all reporting companies, depending on the area of activity. Altogether, around 48% of the employees in 2012/13 worked part-time. The proportion of female employees working part-time was 63%, and of male employees almost 25%. In addition to this, around half of the reporting companies offered job-sharing models, with most of them also offering their employees the option to work from home.

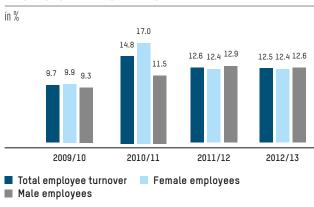
The employee turnover rate among female employees declined to around 12% in the reporting period, after a rise caused by extraordinary effects in 2010/11.

EMPLOYEE FIGURES*

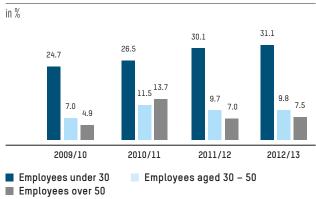
	2009/10	2010/11	2011/12	2012/13
Number of employees in total	26,822	30,193	32,610	31,359
Share of employees with unlimited contracts in %	75.4	67.3	71.7	77.6
Share of employees with limited contracts in %	13.5	17.0	15.5	11.4
Share of trainees in %	2.8	2.6	2.3	2.4
Share of interns and degree students in %	0.8	0.6	0.6	0.7
Share of temporary assistants in %	4.0	5.9	5.4	3.9
Share of temporary agency employees in %	4.1	6.5	5.1	4.1

^{*}Employees with limited, unlimited and temporary agency contracts as well as the interns, trainees and temporary assistants not accounted for in the CR Report 2011. With its extended portrayal of the contractual relationships, the percentage figures here differ from those given in 2011.

EMPLOYEE TURNOVER RATE IN TOTAL AND BY GENDER



EMPLOYEE TURNOVER RATE BY AGE*



^{*}Data-gathering has been realigned: in 2009/10 as well as 2010/11 data was gathered in 10 reporting companies on a calendar-year basis.

NEW DIRECTION IN DIALOGUE

With the FOKUS scheme, in 2012 the Otto Group drafted one of the most important future projects in the Multichannel Retail segment. Its objective is to raise the profile of the OTTO, Baur and Schwab brands in the intensely competitive online market and to use the synergies of the three retail companies more consistently.

Any human resources adjustments that are necessary in the course of this realignment are to be managed as far as possible by means of a forward-looking Human Resources Policy and other socially acceptable measures across the Group. In the upcoming restructuring, the close cooperation with the employee representatives will be required in all phases to uphold the living culture of the Otto Group. Additionally, various feedback instruments will be used to support dialogue between managers and employees.

In virtually all Otto Group company locations, Works Councils represent the interests of the employees, and employees concerns in the Group companies are regulated by means of Works Agreements. Accordingly, Hermes concluded a collective bargaining agreement whereby any operational redundancies are largely ruled out until 28.02.2014.

FAIR REMUNERATION AND EMPLOYMENT

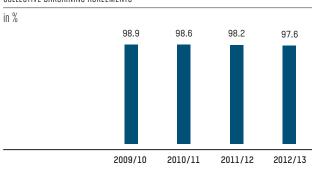
Remuneration that is in line with the market and reflects performance is an essential basis for attracting and keeping employees. In their remuneration policies the reporting companies act largely independently, within the framework of the collective agreements that apply and taking regionally different remuneration structures into account. When employees are transferred, Hermes works exclusively with human resources service providers who verifiably apply the valid collective agreements.

As is typical for the industry, most temporary agency employees are deployed in the distribution centres of the Otto Group company Hermes Fulfilment. Here a company agreement ensures that at all locations the proportion of temporary agency employees does not exceed 10%.

Remuneration for non-salary scale employees is assessed annually in the Otto Group and as a rule, is adjusted in line at least with the collectively agreed increase. At EOS the remuneration system is set out in a company agreement and any adjustments are negotiated annually with the Works Councils.

With the exception of upper management, all of the reporting companies' employees are covered by collective agreements, as part of collective salary and Works Agreements.

COLLECTIVE BARGAINING AGREEMENTS



Discretionary payments

Over and above basic remuneration, the Otto Group offers employees both within and outside collective salary scales additional financial remuneration, such as Christmas and holiday pay. Through stock-ownership plans in the form of profit-sharing rights, the reporting companies' employees can benefit directly from their company's success. Around half of the reporting companies subsidise employees' season tickets for the local public transport.

Managers, and as a rule non salary-scale employees, have a variable part of their salaries that are linked to company performance and individual achievement of targets. The basic structure for the remuneration of the upper management levels is bindingly established by Group Human Resources (see Otto Group Annual report 2012/13 for total remuneration figures, p. 151 et seq.).

Dealing with subcontractors

Most of Hermes' parcel deliveries are carried out by contract partners. Recently the working conditions of these subcontractors and their employees were the subject of criticism in the media - and this also included Hermes. Hermes was the first company in the industry to take steps. Together with the SGS-TÜV Saar, it developed its own certification model. As a consequence, since early 2012 all contract partners are inspected by Hermes every year in spot checks for aspects of occupational safety, remuneration, quality and environmental protection. A written catalogue of questions is part of this, as is an on-site visit by SGS-TÜV Saar. The SAT Certification model is already having a positive effect and 60% of the 386 companies inspected in 2012 received the certification. In 40% of them there was a need for action. With a view to long-term cooperation, Hermes supports its contract partners in the process of remedying any deficits identified in the inspection. If this does not work, Hermes ends its cooperation with these companies.

Additionally, since the beginning of 2011, a Code of Conduct has set out the basis for all business relationships in the parcel-delivery service. This obliges all contract partners to comply with current legislation and employ and pay their employees fairly. In cases where the Code has been breached, employees can apply directly and anonymously to an ombudsman at any time. In the reporting period, 26 people have made use of this option. An internal 'whistle-blower' system has also been established to enable any breaches of the Code of Conduct to be pursued effectively. Since the start of this programme in early 2011, a total of 240 breaches have been reported this way, and successfully processed.

DIVERSITY AND EQUAL OPPORTUNITY

All employees in the Otto Group have the same opportunities – independently of their gender, age, social, cultural or ethnic background and physical constitution. The Group has committed itself to this by firmly anchoring the value of Diversity in its mission.

DIVERSITY MANAGEMENT

Since 2011, the Otto Group has brought all its activities for promoting diversity in the Group under the umbrella of a Group-wide Diversity Management Programme. This programme focuses on four groups: women and men, young and old, different nationalities and people with disabilities - as well as on the three areas of action of recruiting and human resources, human resources development and remuneration and organisation and corporate culture. Within this system, each of the Group companies sets its own goals and defines suitable measures. In the reporting year the main focus was on the 'women and men' group. Around half of the measures are related to this target group, followed by 'young and old' (35%). Examples of measures are the increase in the number of women in management positions through flexible work structures, and special seminars for older employees.

A diversity monitoring process has been implemented to enable greater transparency and measurability. This is supported in the diversity management process with a system of key figures and regular monitoring and reporting procedures. Any breaches of the Equal Opportunities Act are recorded throughout the Group. No complaints from employees were submitted in this reporting period.

WORK/LIFE BALANCE

How a company reconciles work and family life is a considerable factor in its attractiveness as an employer. The reporting companies are improving their family-friendliness with flexible work models (see p. 64), the option to work from a home-office and other measures.

The number of employees on parental leave rose in the reporting period, with the proportion of men reaching 15.3%. The latter reflects young fathers' need for more time with their families.

For many employees, the care of relatives is playing an ever more important role. Different reporting companies offer counselling in this area.

EMPLOYEE STRUCTURE BY GENDER*

in %				
	2009/10	2010/11	2011/12	2012/13
Share of male employees	36.8	38.7	38.4	39.0
Share of female employees	63.2	61.3	61.6	61.0

*Data corrected as Hermes Europe had previously included temporary assistants in this figure.

MANAGERS BY GENDER*

	2009/10	2010/11	2011/12	2012/13
Total number	551	388	409	402
Share of male managers in %	84.4	83.2	84.4	83.1
Share of female managers in %	15.6	16.8	15.6	16.9

*Upper management (supervisory staff, directors, managing directors).

EMPLOYEES ON PARENTAL LEAVE*

	2009/10	2010/11	2011/12	2012/13
Total number	1,010	1,062	1,115	1,242
Share of male employees in %	7.7	9.8	12.0	15.3
Share of female employees in %	92.3	9.2	88.0	84.7

*Data corrected as Hermes Europe had previously included temporary assistants in this figure.

EMPLOYEES WITH DISABILITIES

Most of the Group companies have introduced tools and measures for integrating people with disabilities into everyday working life. Many years ago already, Baur started the initiative 'The right employee in the right workplace'; now ten per cent of the people it employs have disabilities (the figure for all the reporting companies in 2012/13: 4.5%).

ATTRACTING EMPLOYEES, VOCATIONAL AND FURTHER TRAINING

Demographic change makes recruiting and developing excellent specialists and managers a great challenge for the Otto Group. The goal of its interconnected human resources work is to recognise potential talent at an early stage and to promote careers across the Group.

RECRUITMENT AND VOCATIONAL TRAINING

To recruit new employees, as well as using the traditional channels the Otto Group exploits the diversity of the Internet – from its own career website, through searches at online job fairs, to using social media and mobile communication. The Group seeks contact with young people through XING, Facebook, Twitter and YouTube to get them interested in Group-wide career opportunities at an early stage.

The Otto Group is one of the pioneers in mobile recruiting. In December 2012, the Human Resources Benchmark study by the Cologne-based NetFederation business consultancy distinguished the Otto Group with first place for its particularly user-friendly careers webpages.

Cooperation with universities

Cooperation with universities has proved itself to be an effective instrument for raising the Group's profile as an employer brand and for recruiting young specialist talents. This way, potential candidates are guided towards the topics relevant to the Otto Group and become interested in starting a career in one of the Group's companies. Cooperation with universities has been further developed in the reporting period.

In the 2011/12 winter semester, in a collaborative project with the Wedel University of Applied Sciences several Otto Group companies launched the first consecutive degree course in e-commerce in Germany. At the Hamburg University of Applied Sciences, the Multichannel Trade Management in Textile Business degree course – unique in Germany – was introduced back in 2007 and

a professorship was endowed by the Otto Group. The Otto Group Foundation Professorship endowed to the Zeppelin University (ZU) Friedrichshafen in 2010 focuses its teaching and research activities on the subject of home shopping and service marketing. The Otto Group maintains further cooperations with the European Business School Reutlingen, the Leuphana University Lüneburg, the Humboldt University Berlin, the University of Münster and the Amberg-Weiden University of Applied Sciences.

Forward-looking vocational training

The companies in the Otto Group offer some 30 different technical, industrial and commercial vocational training courses. As well as the specialised qualification of trainees, developing their personalities is also an important part of the training. This enables them to communicate their responsibility towards people and nature from the very beginning as a core value of the Otto Group.

In this reporting period the Group trained more people than it needed. In 2012, 816 young people, a good 53% of them young women, successfully concluded their vocational training in the reporting companies. Some of the reporting companies increased the attractiveness of the training with special measures: in 2011 for instance, OTTO organised an educational trip to India for the trainees in cooperation with the Bürger Europas e.V. (the Citizens of Europe Association).

The Group takes advantage of new media in its training programme, too. For example, OTTO offers a broad programme of qualifications focusing on personality development, value development, sustainability and innovation.

FURTHER TRAINING

The reporting companies carry out their own measures for the further training and development of their employees in line with their own specific demands. The Otto Group Academy extends these local offers with a Group-wide programme of further training. Its contents focus on strategically relevant subjects, particularly on the increasing digitalisation of retail, the internationalisation of Group companies and the Group-wide development of young managers. The contents of these further development programmes are of decisive significance in promoting an affinity with e-commerce among the employees.

In the 2012/13 financial year a total of 1,857 seminars took place, with more than 13,000 participants. To capture the requirement for further training in a targeted way, the Group companies use human resources instruments such as employee surveys or feedback discussions.

FURTHER TRAINING DAYS*

in days				
	2009/10	2010/11	2011/12	2012/13
Total training days	15,461	18,279	22,287	20,434
Employee training days (excluding managers)	12,453	13,542	17,288	15,890
Manager training days	3,008	4,737	4,999	4,544

 $^{^{}st}$ Without Witt, as the company does not record this key figure in this way.

Further training for managers

The success of the change processes introduced in the course of the Otto Group's greater alignment towards e-commerce is essentially dependent on managers. The Group plans to strengthen the expertise and qualifications necessary for this change. Consequently, alongside the existing international programmes for potential managing directors, we are also offering needs-based leadership programmes to a larger target group. Over and above this, the Group is also focusing its attention on the personality development and leadership qualifications of its managers.

Also developed further in the reporting period was the range of specialist development programmes (within the Professional Development Program), including the Buying Development Program for high-potential Purchasing staff and the Procurement Development Program for junior employees in the Procurement and Merchandising departments.

Talent management

The Group-wide further training activities for young managers provided by the Otto Group Academy contribute towards the development of the cross-Group management network. The Talent Management System is a platform to support this. This not only captures all the high-potential staff and their development history but also their supervisor-appraisal processes. The system extends beyond the limits of the Group, as it also captures external talents – such as former employees or job applicants.

HEALTH PROTECTION

A comprehensive occupational safety and health management programme is an integral part of the Otto Group Human Resources policy. The focus here is on prevention – with the objective of maintaining employees' health and performance ability.

PREVENTATIVE MEASURES

All the reporting companies have established a health management system, which they continue to develop further. Accordingly OTTO has been offering its employees free psychological counselling since April 2012. Among the other preventative measures provided by the Group companies are nutritional advice, relaxation techniques, addiction counselling and health days. The competence centre for the Group-wide health management programme is the aktiv.net Division, set up by OTTO in 2000. aktiv.net has an integrated range of services developed by an interdisciplinary team of experts.

ABSENTEEISM RATE*

in days				
	2009	2010	2011	2012
	6.2	6.1	6.4	6.9

^{*}With the baumarkt direkt, EOS and Unito companies, the data is related to the financial year in each case and not to the calendar year.

THE HEALTH INDEX AS A MEASUREMENT PARAMETER

As part of the aktiv.net programme, OTTO draws up a Health Index every year on the basis of an anonymous survey. It identifies employees' state of health and performance ability by means of a voluntary self-assessment. Targeted preventative measures are then developed on the basis of these results, which are intended to contribute towards compensating for the strain on the employees and, consequently, improve the productivity and powers of innovation of the company.

In 2012 around 4,000 OTTO employees took part in the survey. With an index value of 63, the company is three points above the average value of companies with comparable activity structures. No urgent requirement to act became apparent from these results. In a second stage they will be assessed for each department, made available to the respective managers and – if necessary – translated into precisely targeted prevention measures.

WORKING ACCIDENTS

The risk of injury in physically demanding activities in logistics or transport services is significantly higher than in mainly commercial activities. Consequently, working accidents and days of absence are three times as high at Hermes – which is typical for the industry – than in the other reporting companies. In 2012/13, after the Market-oriented Warehousing Logistics realignment project and the process adjustments following the start-up of the new Hermes locations were concluded, the number of working accidents per 1,000 employees fell from 35.1 to 27.5 compared with the previous year.

The issue of work safety is also of great significance for the logistics areas at Baur and Witt. For example, in the reporting period, to prevent working accidents Baur developed measures on the basis of comparisons with member companies of the German Retail and Goods Distribution trade association. The company also developed an occupational safety reporting system for its logistics area. In this reporting period Witt was successfully certified in accordance with the OHRIS occupational safety management system for a second time.

WORK-RELATED ACCIDENTS*

	2009/10	2010/11**	2011/12	2012/13
Number of work accidents per 1,000 employees	25.6	31.5	35.1	27.5
Number of accident-related days of absence	6,426.3	9,004.6	11,557.9	7,737.6
Number of work- related fatalities	0	1	0	0

^{*}According to the German trade association definition, including commuting accidents.

^{**}Correction to the work-related days of absence and work accidents per 1,000 employees in 2010/11.

SOCIETY

483,000

African smallholder farmers have so far benefited from the activities of the Aid by Trade Foundation

4,600

Children are playing music as part of the Young ClassX project supported by the Otto Group

4,500

Otto Group employees accept Corporate Responsibility on their own initiative



CHALLENGES AND GOALS

Taking responsibility beyond our own business activities – this self-understanding has a long tradition at the Otto Group and lies at the heart of our mission 'The Power of Responsibility'. The reporting companies act independently while the Group focuses its activities on education projects.

DIVERSE ACTIVITIES

While the reporting companies' CR activities are bundled under the Group's CR Strategy 2020, they organise their Corporate Citizenship activities locally. Consequently, Group companies support a wide variety of different social, cultural and sports initiatives in their area. Engagement at Group level is focused mainly on education.

EDUCATION IS THE KEY

Social activities within the Otto Group are shaped mainly by the long-standing engagement of the company founder Prof. Werner Otto and the Chairman of the Supervisory Board Dr Michael Otto. A particular focus is on improving education opportunities for young people. Through the Group's involvement we are pursuing philanthropic goals and facing the challenges confronting today's knowledge society.

PROJECTS IN SOURCING MARKETS

The challenges in the sourcing markets are complex. While our Social Programme focuses on working conditions in factories, the Otto Group also actively supports the families of workers and cotton farmers, especially children and adolescents. The projects focus on providing access to education, for instance for former child workers.

AWARENESS OF NATURE CONSERVATION

Through dialogue platforms, exemplary initiatives and promoting nature-restoration and water-protection measures, the Michael Otto Foundation has established a good reputation in nature conservation and environmental protection – one which must be safeguarded and expanded.



MATERIAL TOPICS IN THE SOCIETY FIELD OF ACTION

From the Otto Group's stakeholders' perspective and for our business success too, the Society field of action is less relevant on the whole than the Group's other four fields of action (see p. 24). Of greatest importance is our engagement in the field of **environmental and nature protection.** This is driven by the long-standing engagement of the Chairman of the Supervisory Board Dr Michael Otto and makes a major contribution to how the Otto Group is perceived by the public as being a responsible

company. The topics of **sustainability stimuli** in the **sector** and **social projects** in the **supply chain** follow in order of priority according to their relevance for our stakeholders and our business success.

A wide range of initiatives run by the Group, the individual companies as well as the Foundations established by Dr Michael Otto are devoted to these topic areas.

CORPORATE CITIZENSHIP ACTIVITIES OF THE OTTO GROUP

The Otto Group does not set the individual Group companies' Corporate Citizenship activities: the companies are free to decide for themselves what social, cultural or sports activities they get involved in. At Group level, the focus is on the topic of education opportunities for youngsters.

MUSICAL EDUCATION

We have promoted The Young ClassX initiative since 2010. Under the patronage of Dr Michael Otto and the First Mayor of the Free and Hanseatic City of Hamburg, children and adolescents are introduced to classical music in a playful way. By studying musical pieces together, they acquire and develop characteristics such as team spirit, personal confidence and mental stamina. 43 schools in Hamburg and over 4,600 children are now taking part in this initiative. In October 2012, as a co-initiator of The Young ClassX, the Otto Group was awarded the Kulturinvestor 2012 prize.

HELP GETTING ON THE CAREER LADDER

Back in 2000, in cooperation with Hapag-Lloyd AG the Otto Group initiated a project to assist young school leavers. The Hamburg Further Education Network (HANz) was initially launched as the Hamburg Secondary School Model and has since been adopted by around 20 regions in Germany. Even abroad, in cities such as London and Basle, the Hamburg Secondary School Model serves as an example for similar projects. The initiative supports the transition of both lower secondary education school-leavers, and pupils who drop out of upper secondary education, into work and training. In Hamburg alone, the share of youngsters who started professional training directly after completing their schooling has risen from 6.7% in 2001 to 24.2%.

With this sponsorship initiative the Otto Group is countering the increasing shortage of skilled workers, amongst other issues. Through the initiative almost 100 pupils have received an apprenticeship within the Group over the past decade.

COMMITTED EMPLOYEES

Our employees are often actively involved in the Group's Corporate Citizenship activities. These include our Christmas Gift Campaign for Children in Need, which was launched Group-wide at the end of 2012 in collaboration with the Kinderzukunft Foundation which works towards giving children a better future. The gifts were distributed to children in need in Romania as well as Bosnia and Herzegovina.

In total, over 4,500 Otto Group employees volunteered during the reporting period, thereby proving the spirit embedded in our mission 'The Power of Responsibility' of proactively showing social responsibility.

EDUCATION PROJECT IN INDIA

In cooperation with the child-aid organisation terre des hommes, since 2008 we have been sponsoring an education project in India – one of our key sourcing markets. The aim is to encourage children to attend an education centre where they learn to read and write and are prepared to attend school. Youth clubs and libraries as well as family support, such as through microloans to help them establish their own small business, round off our activities in combatting child labour. The project's focus regions are the poorest northern Indian state of Bihar and the slums of New Delhi. In the reporting period, some 1,100 children benefited from the project.

LONG-STANDING FOUNDATION WORK

Identifying environmental and social challenges with far-sightedness and countering them in a targeted way characterises the work of the Michael Otto Foundation and the Aid by Trade Foundation – both of which were founded by Dr Michael Otto.

MICHAEL OTTO FOUNDATION

The Michael Otto Foundation has been actively involved in environmental and nature protection since 1993. Its support focuses on protecting waterways and the sustainable management of wetlands, especially in Germany and Eastern Europe.

Between 2010 and 2012, the Foundation trained 24 new managers of governmental and non-governmental organisations from eastern European countries through which the Danube flows in water-meadow and river management. In the Living Alster project, the Foundation is actively involved in keeping the northern German River Alster as natural as possible. The aim is to return native wildlife and plants to their natural habitat while at the same time strengthening the Alster as a recreation and nature area in Hamburg.

AQUA AGENTS

Through its AQUA AGENTS initiative, the Michael Otto Foundation offers children, adolescents and young adults the chance to implement their own water resource-protection projects, such as in the form of project weeks, adopting a stream or field trips to nature sites. To mark World Water Day on 22 March 2012, some 125 primary-school pupils took to Hamburg's inner city to ask passers-by what they know about water and how they use it. The AQUA AGENTS concept has received multiple awards as part of the UN Decade of Education for Sustainable Development.

AID BY TRADE FOUNDATION

The Aid by Trade Foundation was founded in 2005. Its aim is to improve living conditions and environmental protection in developing countries. It intends to achieve this by activating market forces in its sales markets, especially Europe and the USA. It focuses on initiatives that are intended to improve the living conditions of cotton farmers and their families in Africa, promote sustainable cultivation methods to protect the environment, establish strategic partnerships for a Demand Alliance and the brand 'Cotton made in Africa', as well as develop a verification system.

Cotton made in Africa

The core tool of the Aid by Trade Foundation is the Cotton made in Africa (CmiA) initiative, which follows the principles of a social business. The focus is not on maximising profits, but on improving the living conditions of African cotton farmers. To this end, CmiA relies on an alliance of international trading companies which selectively purchase and process this sustainably cultivated African cotton. Over 20 international trading companies are part of the CmiA Demand Alliance (see p. 35).

Through training courses, the initiative shares cultivation methods with African smallholder farmers enabling them to boost their bottom-line earnings while protecting the environment. Currently, around 435,000 farmers are cultivating CmiA cotton on areas totalling over 564,000 hectares; the improved cultivation methods have so far brought them a 25% increase in crop yield. When the farmers' dependants are factored in, almost three million people are benefiting from the initiative. The initiative is therefore making a contribution to sustainable development in African countries such as Benin, the Ivory Coast, Malawi, Mozambique and Zambia. Since November 2012, the initiative has also been working in Zimbabwe.

School project in Zambia

Through the license fees that flow back to the initiative from the Demand Alliance companies, the Aid by Trade Foundation finances social projects to improve the educational infrastructure or strengthen women's rights, for example. Together with the Zambian cotton company Dunavant Zambia and the German Society for Investment and Development (DEG), the Foundation is supporting a project designed to offer around 3,700 children in Zambia better access to education. It is also supporting the construction of schools and the provision of learning materials.

COMMUNICATION ON PROGRESS ON THE UN GLOBAL COMPACT GRI INDEX

COMMUNICATION ON PROGRESS ON THE UN GLOBAL COMPACT

The Otto Group has been a member of the UN Global Compact since 2002. We are therefore unequivocal in our commitment to upholding its Ten Principles in the areas of human rights, working standards, environmental protection and tackling corruption. This report is also a Communication on Progress for 2013.

The following Index provides an overview of the systems we have implemented, the measures we have taken and what we have achieved in the reporting period or intend to achieve in the future. The Otto Group's actions are based on the Group's Vision, mission and CR Strategy.

PRINCIPLE	SYSTEMS	MEASURES	ACHIEVEMENTS
Principle 1 Support for human rights Principle 2 Exclusion of human rights abuses Principle 3 Ensuring freedom of association Principle 4 Elimination of all forms of forced labour Principle 5 Abolition of	Code of Conduct (p. 52 et seq.) Social Programme to uphold social standards and human rights in risk countries (p. 56 et seq.) Code of Conduct of the Hermes Logistik Gruppe Deutschland (p. 66) Group Guideline Sustainability in Procurement (p. 59)	Conducting qualification measures to uphold the Code of Conduct (p. 57) Holding training courses to raise employee awareness of the implementation of the Code of Conduct Update of the Social Programme (p. 54 et seq.)	Training of employees with sourcing-market activities on upholding the Code of Conduct 2 supplier-qualification courses on upholding the standards of the Social Programme (p. 57) 86% of our order volume placed with suppliers that can provide a valid audit result for their factories (p. 56) 96% of all audited factories achieved a pass result 97.6% of Otto Group employees covered by collective bargaining agreements (p. 66)
child labour Principle 6 Elimination of discrimination	Group Agreement to strengthen diversity and safeguard against discrimination	Introduction of Diversity Management (p. 67) Implementation of Diversity controlling (p. 67)	16.9% of women in management positions (p. 67) 15.3% of male employees took paternal leave (p. 67) No complaints received regarding the principle of equal opportunities (p. 67)
Principle 7 Precauti- onary environmental protection	Code of Conduct (p. 52 et seq.) Group Risk and Crisis Management Guideline Climate Strategy (p. 18) CR Board meeting (p. 19) Textile Strategy (p. 17) Paper Strategy (p. 18)	Introduction of a new goal to reduce purchasing shipments via air-freight (p. 42) Establishment of a new measurement procedure for purchasing and distribution (p. 45)	• 18.7% reduction in overall CO₂ emissions versus the base year {p. 45} • 22% reduction in purchasing and distribution logistics CO₂ emissions versus the base year {p. 45} • 13% reduction in locations and facilities CO₂ emissions versus the base year {p. 46} • 38% increase in the share of self-generated heat
Principle 8 Initiatives to promote greater envi- ronmental responsibility Principle 9 Diffusion of environmentally friendly technologies		 Implementation of energy- efficiency measures (p. 46) Launch of CO₂ facility benchmarking at 20 buildings (p. 46) 	from regenerative energies (p. 46) Three percentage-point increase in the share of FSC-certified paper in terms of the overall volume of office paper purchased (p. 48) 5.7% share of sustainable cotton in the overall cotton order volume (p. 35) 6.8% increase in the share of FSC-certified articles in the overall Furniture and Home Accessories assortment (p. 36)
Principle 10 Measures to combat corruption	Code of Conduct (p. 52 et seq.) Global Compliance Management System (p. 20) Group Anti-Corruption Guideline Group Gifts Guideline Group Guideline Sustainability in Procurement Group Risk and Crisis Management Guideline Group IT Security Guideline (p. 40)	Standard completion by all employees of an e-learning course on how to handle gifts and other benefits Implementation of the Group Data Protection Guideline (p. 40)	E-learning course passed by all employees on how to handle gifts and other benefits Group-wide IT Security Officer network established (p. 40)

GRI INDEX

This GRI Index refers to the corresponding sections of text in our CR Report. All key indicators are provided. Where numbering is not sequential, it means that we have not provided information on these additional indicators. In the Otto Group's own

estimation this report fulfils the requirements for a GRI G3 Application Level A+. This declaration has been assessed and confirmed by GRI (see p. 79). A comprehensive GRI Index can be accessed at: www.ottogroup.com/cr-report.

ID	G3 CORE INDICATORS	REFERENCE	PERFORMANCE
1.	Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organisation	2	•
1.2	Key impacts, risks and opportunities	16-17, 21, 28-30	•
2.	Organisational Profile		
2.1	Name of the organisation	Cover	•
2.2	Core brands, products and/or services	4-5, 8-13	•
2.3	Organisational structure	4-5; AR FS 84	•

2.4	Headquarter location	Hamburg, Germany	
2.5	Countries in operation	4–5, 8–13; AR IS 11	
2.6	Nature of ownership and legal form	6	•
2.7	Markets	4–5, 7	•
2.8	Scale of the organisation	4, 7, 32; AR FS 51	•
2.9	Changes regarding size, structure, or ownership	C3; AR FS 85 et seq.	•
2.10	Prices	39, C7	•
3.	Report Parameters		
3.1	Reporting period	C2	•
3.2	Date of most recent previous report	C2	•
3.3	Reporting cycle	C2	•
3.4	Contact point	C6	•
3.5	Process for defining report content	C2, 25, 27	•
3.6	Boundary of the report	C2	•
3.7	Limitations on the scope or boundary of the report	C2, 36, 52, 69	•
3.8	Joint ventures, subsidiaries and outsourced operations	C2, 5	•
3.9	Data measurement techniques	19, 34, 44, 52, 64	•
3.10	Effects of re-statement of information provided in earlier reports	34, 44–47, 67, 70	•
3.11	Changes in the scope, boundary, or measurement methods	21, 34, 37, 44, 52, 65, 70	•
3.12	GRI Content Index	76–79	•
3.13	External assurance	80, C5	•
4.	Governance, Commitments and Engagement	10 / 40 50 15/ /	
4.1	Governance structure of the organisation	19 et seq.; AR FS 154 et seq.	•
4.2	Indicate whether the chairperson is also managing director	AR FS 154 et seq.	•
4.3	Independent members on the board Mechanisms for shareholders and employees		Not material
4.4	to provide recommendations to the board	65	•
4.5	Linkage between executive compensation and organisation's performance	AR FS 151 et seq.	•
4.6	Processes to avoid conflicts of interest on the board		0
4.7	Expertise of board members on sustainability topics	19	•
4.8	Statements of mission, internal codes	6, 19–20	•
4.9	of conduct and principles Procedures for board governance on management	19-20	
4.9	of sustainability performance Processes for evaluating the board's	13–50	
4.10	sustainability performance	www.ottogroup.com/cr-report	•
4.11	Precautionary approach	19, 21, 34	•
4.12	External charters, principles or other initiatives	C2, 24	•
4.13	Memberships of associations	24	•
4.14	Stakeholder groups	22	•
4.15	Stakeholder-group identification and selection	22	•
4.16	Approaches to stakeholder engagement	22-24, 65	•
4.17	Topics and concerns raised by stakeholders	24–27	•
5.	Performance Indicators		
-	Economics - Disclosure on management approach	6, 16, 21, 28–30, 50, 72	•
EC1	Direct economic value generated and distributed	6-7, www.ottogroup.com/cr-report;	
		AR FS 51, 88 et seg.	·····
EC2	Financial implications due to climate change	www.ottogroup.com/cr-report www.ottogroup.com/cr-report;	•
EC3	Coverage of the organisation's defined benefit plan	AR FS 106 – 111	•
EC4	Financial government assistance	www.ottogroup.com/cr-report	•
EC6	Policy, practices and proportion of spending on locally-based suppliers	54	•
FC7	Local hiring		•
EC7	Local mining		•

GRI INDEX

	Environment – Disclosure on management approach	14-15, 17-18, 20, 29, 33-34, 42-44, 47-48	•
EN1	Volume or weight of materials used	42, 47–48, 35	•
EN2	Recycled materials	48	•
EN3	Direct primary energy consumption	46	•
N4	Indirect primary energy consumption	46	(
N8	Total water withdrawal	www.ottogroup.com/cr-report	•
N11	Land assets in or adjacent to protected areas	www.ottogroup.com/cr-report	•
N12	Impacts on biodiversity	www.ottogroup.com/cr-report	•
N16	Greenhouse gas emissions	44–46	•
N17	Other greenhouse gas	44–46	•
N19	Emissions of ozone-depleting substances		0
N20	N0x, S0x and other significant air emissions		0
 N21	Water discharge	www.ottogroup.com/cr-report	•
N22	Waste by type and disposal method	www.ottogroup.com/cr-report	•
N 23	Significant spills	www.ottogroup.com/cr-report	•
N26	Initiatives to mitigate environmental impacts	14–15, 34–37	
N27	Packaging materials	www.ottogroup.com/cr-report	<u>.</u>
 N28	Sanctions for non-compliance with environmental regulations	21	<u>Y</u>
.IVZO	-		•
A1	Working environment and conditions - Disclosure on management approach	30, 63 – 67, 69 – 70	
	Entire workforce by employment type, contract and region	64-65	
A2	Employee turnover	65	
A4	Employees with collective bargaining agreements	66	•
A5	Minimum notice period(s) regarding operational changes	www.ottogroup.com/cr-report	•
A7	Occupational diseases, lost days and number of fatalities	70	
.A8	Counselling and training on serious diseases	70, www.ottogroup.com/cr-report	•
A10	Training per employee	69; 7.5 hours per day	•
.A13	Composition of governance bodies	67, Online Key Figure Tool; AR FS 154 et seq.	•
A14	Gender pay disparity	www.ottogroup.com/cr-report	0
	Human rights - Disclosure on management approach	18, 20, 30, 50-51, 54, 65-67, 72	•
IR1	Investment agreements	www.ottogroup.com/cr-report	•
IR2	Supplier screening on human rights	56-57, www.ottogroup.com/cr-report	•
R4	Incidents of discrimination	21, 67	•
IR5	Freedom of association and collective bargaining	54, 57, 65–66	•
IR6	Child labor	54, 57, 74	•
IR7	Forced labor	54, 57	•
	Society - Disclosure on management approach	20, 22, 28, 74	•
01	Impact of business activities on communities	74	•
02	Corruption risks	20, 54	4
03	Anti-corruption training	www.ottogroup.com/cr-report	
:04	Actions taken in response to incidents of corruption	20	
05		22–23	
:08	Lobbying Sanctions for non-compliance with laws and regulations		•
000	Sanctions for non-compliance with laws and regulations Product responsibility - Disclosure on management approach	21; AR FS 36 et seq.	
	Product responsibility – Disclosure on management approach	20, 29, 33, 37–40	
PR1	Health and safety impact of products on customers	38	
PR3	Product information Programmes for adherence to marketing communication laws,	37–38	•
PR6	standards and voluntary codes	www.ottogroup.com/cr-report	•
R9	Sanctions for non-compliance with product and service-related regulations	21; AR FS 36 et seq.	•

AR = Annual Report FS = Financial Section IT = Image Section completely covered: ● partially covered: ● not reported: O



Statement GRI Application Level Check

GRI hereby states that **Otto Group** has presented its report "Corporate Responsibility Report 2013" 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. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 17 July 2013



Nelmara Arbex Deputy Chief Executive Global Reporting Initiative



The "+" has been added to this Application Level because Otto Group has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

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

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 10 July 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

ASSURANCE STATEMENT

INDEPENDENT ASSURANCE STATEMENT

To Otto (GmbH & Co. KG), Hamburg

We have been engaged to perform a moderate assurance engagement ¹ on the adherence to the AA1000 AccountAbility Principles as well as on individual items of quantitative sustainability-performance information selected by Otto (GmbH & Co. KG) and its subsidiaries (hereinafter 'Otto Group') for the financial years 2011/2012 and 2012/2013 for inclusion in its Corporate Responsibility Report 2013 (hereinafter 'CR Report').²

MANAGEMENT'S RESPONSIBILITY

Otto Group's management is responsible for

- adherence to the Principles of Inclusivity, Materiality and Responsiveness set forth in the AA1000 AccountAbility Principles Standard (2008) (the 'AA1000 AccountAbility Principles') and
- the preparation of sustainability-performance information in the CR Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.0 (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 CR Report 2013 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 are not sufficient to fulfil the requirements of the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness, or
- the selected quantitative sustainability-performance information in the CR Report 2013 has not been prepared in accordance with the above-mentioned criteria stated in the Sustainability Reporting Guidelines Vol. 3.0 (pp. 7-17) of the Global Reporting Initiative (GRI).

The Otto Group has selected the following quantitative sustainability-performance information from financial years 2011/2012 and 2012/2013:

- Quantity of sustainable cotton.
- Number of articles containing sustainable cotton.
- CO₂ emissions of locations and facilities.

- Energy consumption at locations and facilities.
- Order value by risk market.
- Supplier performance based on order value.
- Supplier performance based on supplier number.
- · Distribution of violations of standards.

The key figures reviewed by us for financial years 2011/2012 and 2012/13 are additionally labelled in the CR Report with a symbol \checkmark .

We conducted our assurance work in accordance with AA1000 Assurance Standard (AA1000AS) 2008 and additionally observed the International Standard on Assurance Engagements (ISAE) 3000.

These 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, 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, CR management as well as social and environmental issues, we possess the required competencies to perform this assurance engagement.

In a moderate-assurance³ engagement the evidence-gathering procedures are less extensive than in a high-assurance engagement⁴ and therefore less assurance is obtained than in a high-assurance engagement. The procedures selected depend on the assurance provider's professional judgement.

Assurance procedures were performed at the headquarters of Otto (GmbH & Co. KG), Hamburg and at the level of the following reporting companies: baumarkt direkt GmbH & Co KG, Hermes Logistik Gruppe Deutschland GmbH, and Otto GmbH & Co KG (OTTO Versand), Hamburg.

With respect to the adherence to the AA1000 AccountAbility Principles we performed the following procedures, amongst others:

- Inquiries of management.
- Obtain an understanding about the relevant systems and processes, and inspection of the corresponding documentation.
- Evidence-gathering procedures on the implementation and suitability of relevant systems and processes on a sample basis.

AWARDS

OTTO GROUP AWARDS IN THE REPORTING PERIOD

> Corporate Health Award 2012 for the Otto Group's health management



> German CSR Prize 2012 in the category 'Cultural Engagement as an Expression of Companies' Social Responsibility' for the Otto Group's involvement in the youth music project 'The Young ClassX'



German Prize for Business Communication 2012 in the category 'Best Internal Communication' for its mission 'The Power of Responsibility'



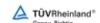
) Fair Company (since 2008), quality seal for fair working conditions for interns



> Heinz Sielmann Prize (2011) for Dr Michael Otto, Chairman of the Otto Group Supervisory Board, and his outstanding work in the area of nature conservation and environmental protection



International TÜV Rhineland Global Compact Award (2011) for Dr Michael Otto, Chairman of the Otto Group Supervisory Board, and his extensive social and environmental engagement



 $\textbf{\textit{Young Class}} \textbf{\textit{Valturmarken Award 2012}} \ \text{for the 0tto Group's youth music project 'The Young Class} \textbf{\textit{X}'}$



> 2nd place in the 'Working in Fashion 2012' employers' ranking study by the trade journal TextilWirtschaft



) 1st place in the Trade/Clothing sector of the lÖW/future-ranking for its CR Report 2011



 Universum TOP 100 Employers 2012 based on a survey of students in Germany



Walter Scheel Award (2011) for Dr Michael Otto, Chairman of the Otto Group Supervisory Board, and his development-cooperation work



SELECTION OF GROUP-COMPANY AWARDS IN THE REPORTING PERIOD

baumarkt direkt) Family Seal awarded by the Hamburg Alliance for Families (initiative of the Hamburg Senate, Chamber of Commerce and Chamber of Trade)



Heine > **Outstanding Training 2012** awarded by the Karlsruhe Chamber of Industry and Commerce



Hermes

> Top Employer 2013: Hermes is one of Germany's top 118 employers. The prize was awarded by the Corporate Research Foundation



Career Promotion & Fair Trainee Programme: The quality seal is awarded to companies who commit to offering high-quality trainee programmes



OTTO > Corporate Health Award 2012 for its integrated health management and the Health Index

> Trainees 2012: Special recognition by the Chamber of Commerce for the Best Final Grade as an IT Officer in Hamburg and Best Final Grade as an IT Officer in Germany



UNITO > Most Family Friendly Mail-Order Company in Austria 2012, awarded by the Austrian Retail Association

Familienfreundlich HANDELn 2012

Witt > Fair Company (since 2008), quality seal for fair working conditions for interns

> Top National Employer 2013 according to the FOCUS Employer Ranking in March 2013





With respect to the selected specified sustainability-performance information of the CR Report 2013 we performed the following procedures, among others:

- Inquiries of employees responsible for the reporting of sustainability-performance information.
- Inspection of systems and procedures for gathering, calculating and reporting sustainability-performance information.
- · Testing of controls implemented to ensure data quality.
- Analytical procedures on selected sustainability-performance information.

KEY FINDINGS AND CONCLUSIONS

Findings in relation to the AA1000 AccountAbility Principle of Inclusivity:

- The identification, inclusion and active exchange with internal and external stakeholders takes place at the level of the Otto Group and in the reporting Group companies.
- The stakeholder management measures are bindingly documented in a procedural instruction.
- The scope of application of the Stakeholder Management System only includes the reporting companies. Group companies beyond that are not formally involved in the Otto Group Stakeholder Management System.

Findings in relation to the AA1000 AccountAbility Principle of Materiality:

- Internal documentation and management inquiry show that systematic procedures to determine the materiality of CR topics at Otto Group level have been established.
- The Members of the CR Board which has been established in the reporting period were actively involved in the analysis and assessment of material CR topics for CR reporting.
- Topics rated as being highly relevant in the Materiality Analysis are shown in order of priority in the current Otto Group Corporate Responsibility Report.

Findings in relation to the AA1000 AccountAbility Principle of Responsiveness:

- The reporting companies of the Otto Group have a systematic procedure to respond in a standardised way to sustainability topics that are important to stakeholders.
- Beyond the reporting companies, the Otto Group companies do not have a systematic process to respond in standardised way to stakeholder enquiries.

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 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 quantitative sustainability-performance information of the Sustainability Report has not been prepared in accordance with the criteria of the Sustainability Reporting Guidelines Vol. 3.0 (pp. 7-17) of the Global Reporting Initiative (GRI).

RECOMMENDATIONS

Without limiting the conclusions of our engagement, we hereby offer the following recommendations to further develop stakeholder management, CR management and CR reporting:

Recommendations on stakeholder management:

 The scope of application of the procedural instruction relating to stakeholder management should be expanded to include all material German and international Group companies.

Recommendations on CR management and reporting:

- Systematically expanding CR management and CR reporting to include further material German and international Group companies.
- Further optimising data-gathering and consolidation processes at Group-company level and the level of the Otto Group.
- Formalising and documenting the internal controls to ensure data quality at Group-company level and the level of the Otto Group.

Hamburg, 8 August 2013

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Michael Werner ppa. Mark Fabisch

¹Translation of the independent assurance report, authoritative in the German version.

²Our engagement applies to the German version of the CR report.

 $^{^3}$ The moderate level of assurance in AA1000AS (2008) is consistent with 'limited assurance' respectively in ISAE 3000.

⁴ The high level of assurance in AA1000AS (2008) is consistent with 'reasonable assurance' respectively in ISAE 3000.

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PUBLISHER

Otto (GmbH & Co KG)
Dr Johannes Merck
Director of Corporate Responsibility
Wandsbeker Straße 3-7,
22172 Hamburg, Germany
Phone: +49 (0)40 64 61-0

Fax: +49 (0)40 64 61-85 71

www.ottogroup.com

ONLINE CORPORATE RESPONSIBILITY REPORT 2013

www.ottogroup.com/cr-report

CONTACT

Andreas Streubig
Division Manager Environmental and Social Policy
andreas.streubig@ottogroup.com

PROJECT MANAGEMENT

Daniel Hußmann daniel.hussmann@ottogroup.com

CONCEPT AND TEXT

akzente kommunikation und beratung gmbh, Munich

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otto group

Wandsbeker Straße 3-7 22172 Hamburg Germany

Phone: +49 (0)40 64 61-0 Fax: +49 (0)40 64 61-85 71 Website: www.ottogroup.com

























