



# **Facts (&) Figures**

for the 2006/07 financial year



**OTTO**

## INTRODUCTION

### Corporate Social Responsibility at OTTO

As early as 1986, OTTO codified environmental protection as a corporate objective. Today, the company guidelines read: "We develop relationships with our suppliers that are fair and based on trust – because our strength comes from teamwork. We commit ourselves to business activities that are environmentally friendly and socially responsible, and that refuse to accept destructive effects on the natural world or inhumane working conditions." This basic attitude is also expressed in the 'passion for sustainability' subscribed to and promoted throughout the Otto Group.

Based on this goal of sustainability, the executive board derived environmental and social policies which have been codified in principles for action that are binding for all of the company's employees. The divisions in charge use these to draw up and implement specific environmental and social programmes, wherever possible with quantifiable targets and deadlines. The 'Environmental and Social Policy' department advises and supports employees in setting and achieving goals. It is part of the management department called "Corporate Responsibility", which reports directly to the Chairman & CEO.

### About the Facts (&) Figures 2006/07

The present publication exists only in digital form and is posted at [www.otto.com/facts-and-figures](http://www.otto.com/facts-and-figures). It continues the Facts (&) Figures series OTTO has published since 2001 about its four fields of CR: Business, Ecology, Suppliers and Employees. The series has the function of rounding off a given sustainability report with detailed data. It also ensures that information is kept up to date in years in which no sustainability report is published. The Facts (&) Figures 2006/07 were published simultaneously with the "Corporate Responsibility Report 2007" and thus contain the data on which that report is based. Since the Facts (&) Figures can if necessary stand on their own as well, this document also contains short accompanying texts as commentary on the tables, graphs, and charts. However, in the end the numbers and diagrams speak for themselves.

They essentially refer to the 2006/07 financial year, which ended on 28<sup>th</sup> February 2007. In isolated cases they track developments up through the print deadline in July 2007. The information in the tables also give information about the 2005/06 financial year, for which by way of exception no separate Facts (&) Figures publication was drawn up (see p. 25). Unless otherwise specified, the information refers to the individual

company OTTO. Given the fact that numerous synergies exist between the multichannel retailer OTTO and the other companies in the Otto Group, you will find many references to an expanded scope of applicability, where other Otto Group companies are involved as well.

The Facts (&) Figures close with an evaluation, drawn up by the external consulting firm Schlange & Co. GmbH, of how the content of the 'Corporate Responsibility Report 2007' including the Facts (&) Figures 2006/07, and the Otto Group Annual Report, matches up with the latest Global Reporting Initiative criteria (GRI G3). It also contains, in tabular form, the 'Communication on Progress', which OTTO, as a member of the U.N. Global Compact, submits in accordance with the latter's statutes.

## Business

## Ecology

## Suppliers

## Employees

## GRI Index

The Segments in Detail .....	4
The Otto Group Vision .....	4
Geographical Distribution of the Otto Group .....	5

The Environmental Management System .....	6
Hamburg-Bramfeld Location .....	7
Textiles .....	13
Hard Goods and Furniture .....	16
Transport and Shipping .....	20
Packaging .....	21
Catalogues and Advertising Materials	23
Communications .....	25

Inspections as Part of the 'Business Social Compliance Initiative' .....	27
Qualifications under the Otto Group's 'Market Development Programme' ..	27
New Measures under the 'Market Development Programme' ..	27
External Review under the SAI 'Corporate Involvement Programme' .....	28
Goals .....	28
Outlook .....	28

Developments and Focuses of the 2006/07 Financial Year .....	35
'aktiv.net—Your Partner for Health, Occupational Safety and Social Consulting' .....	40

Reporting under GRI G3 Criteria .....	43
Global Compact 'Communication on Progress' .....	48

## Business<sup>1</sup>

Thanks to myriad innovative concepts and ideas, the Otto Group had record turnover of 15,251 million euros in 2006/07. The Otto Group also generated EBT of 507 million euros, the best result in the company's history. One particularly gratifying development was the revenue turnaround in the German market, where growth of 3.8 percent resulted in an overall revenue performance of 7,089 million euros.

### The Segments in Detail

The Multichannel Retail segment consists of companies in Germany and abroad that sell their goods and products on three distribution channels: catalogue, e-commerce and over-the-counter retail. Total revenue in the Multichannel Retail segment amounted to 9,206 million euros. The Otto Group's full-range mail-order companies delivered a gratifying performance given the market environment in Germany. By implementing innovative catalogue and Internet concepts, the full-range retailers in Germany managed to remain nearly on par with the previous year, closing with only a slight revenue decline of 0.9 percent. Without the downside repercussions of the VAT increase, which negatively impacted on revenue for full-range mail-order companies in January and February 2007, the segment's performance might have exceeded that of the previous year. The Schwab Group increased sales by 2.2 percent to 1,042 million euros.

After a double-digit decline the previous year, the Baur Group managed a turnaround, generating revenue of 563 million euros (- 1.3 percent). Turnover at OTTO was down by 2.2 percent year-on-year, to 1,814 million euros. The Otto Group's specialist mail-order companies posted varying performances. The Bonprix Group continued to show gratifying progress, growing sales by 0.1 percent to 860 million euros. In the Heine group, revenue for 2006/07 amounted to 915 million euros, or 2.8 percent below the previous year. Meanwhile, the Witt group increased turnover by 2.8 percent, to 544 million euros.

Outside Germany, revenue at the American home furnishings retailer Crate and Barrel grew by 6.7 percent, or 11 percent adjusted for foreign-exchange effects. At 1,006 million euros, Crate and Barrel's annual sales exceeded one billion euros for the first time in 2006/07.

Sales at the Otto-Sumisho Group in Japan were 4.8 percent above the previous year without foreign exchange effects, but declined by 2.4 percent to 218 million euros after adjusting for these effects.

The international financial services segment includes the Otto Group's financial services operations throughout the Group. In particular, the companies in the segment offer their customers commercial products, such as consumer loans, or receivables and liquidity management services. Thanks to accelerated internationalisation, the financial services segment posted very gratifying growth of 19.5 percent, closing the year with revenue of

1,415 million euros. Contributors included the EOS Group, which increased its revenue by 17.1 percent to 203 million euros, and the financial service providers in the French 3 Suisses International group, which improved their revenue by 20.4 percent to 1,202 million euros, exceeding one billion euros for the first time in their history. The segment also includes the historic Hanseatic Bank, which has been run in collaboration with the major French bank Société Générale since 2004 in order to offer a broader and more diverse range of services.

The services segment consists of the Otto Group's logistics and travel service providers. In 2006/07, the segment grew its revenue by 32.1 percent to 595 million euros, once again registering the strongest growth within the Otto Group. Hermes Logistik Gruppe (HLG) increased its revenue from customers outside the Group by 48.5 percent to 299 million euros. In the letter and info service sector, HLG, with its joint venture Primemail and a investment in TNT Post, is positioned as Germany's biggest delivery service alongside Deutsche Post. The Otto Group's logistics services providers also include Mondial Relay in France and Parcelnet in the UK. After the addition of Hermes Warehousing Solutions GmbH (HWS), the Otto Group now covers the entire logistics chain, from import to warehousing to distribution, including for customers outside the group. Its tourism service providers are bundled in the OTTO Freizeit und Touristik GmbH (OFT) holding company.

OFT relies on multichannel sales, a blend of bricks-and-mortar travel agencies, call centres, direct marketing and Internet sales. Its portfolio includes well-known brands such as Reiseland, Travelchannel and Travel Overland. The OFT group also significantly increased its revenue last year, by 26.1 percent to 71.8 million euros.

The Otto Group has done business in the wholesale sector (B2B) for many years, with activities focusing mainly on the Actebis and Felgro/Selgro groups of companies: Actebis-Group is Europe's third-largest distributor of products for the Internet and communications technology (ICT) industry, and the Felgro/Selgro group is a classic cash & carry vendor in over-the-counter retail. The wholesale segment had a very good year, growing its revenue by 7.5 percent to 4,035 million euros. This success was mainly owed to Actebis, where revenue rose by 7.6 percent to 4,007 million euros. Felgro/Selgro is reported using the equity method.

### The Otto Group Vision

The Otto Group has defined its strategic goal in "Vision 2020": to become the most profitable global group of retailers and commercial service providers, based on leading-edge business concepts. It operates by the motto: "There's no such thing as a bad market, there are only companies that cater more or less successfully to a market. Innovation is the key to success."

Results of Operations		2006/07	2005/06
Revenue	EUR million	15,251	14,570
EBITDA	EUR million	848	788
EBIT	EUR million	624	565
EBT	EUR million	507	459
EBT in percent of revenue	percent	3.3	3.1
Profit for the year*	EUR million	361	296
Net assets and financial position			
Total assets	EUR million	13,948	12,603
Group capital**	EUR million	2,579	2,284
Group capital ratio	percent	18.5	18.1
Gross cash flow	EUR million	1,136	1,071
Amortisation	EUR million	224	223
Capital expenditure***	EUR million	358	245
Other figures			
Employees		53,051	52,426
Personnel expenses	EUR million	1,953	1,905
Revenue per employee	EUR million	0.29	0.28

\*) Profit for the year before profit attributable to limited partners

\*\*) Equity and other non-current capital provided by the limited partners and other shareholders

\*\*\*) on intangible assets and property, plant and equipment

1) Since the 2003/04 financial year, Otto (GmbH & Co KG) has prepared its Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). In this connection, the individual company is exempt from publishing its own separate financial statements. Please refer to the Otto Group Annual Report 2006 (available for download at [www.ottogroup.com](http://www.ottogroup.com)) for more detailed information about the business developments in 2006/07 summarised here.

# otto group

Geographical Distribution of  
Major Group Companies and Cooperations



## Ecology

### The Environmental Management System

OTTO is fully aware of its duty to protect and conserve natural resources. The guideline and benchmark governing all environmental action at OTTO is the environmental policy with its ten central principles for action (available at [www.otto.com/sustainability](http://www.otto.com/sustainability) or in the publication "Corporate Responsibility Report 2007"). A self-imposed commitment to a continual improvement of our environmental scorecard lies at the heart of our environmental policy.

In a mail-order company, environmental strain can arise at the various business locations, as well as from its trading activities. Therefore, apart from 'locations', OTTO has identified five other departments that have a significant impact on the environment: purchasing textiles, purchasing hard goods, transport and shipping, packaging, and catalogues and advertising materials. The Environmental Management System, for which OTTO became the world's first retailer to receive ISO 14001 certification in 1997, sets clear targets for all these fields of action.

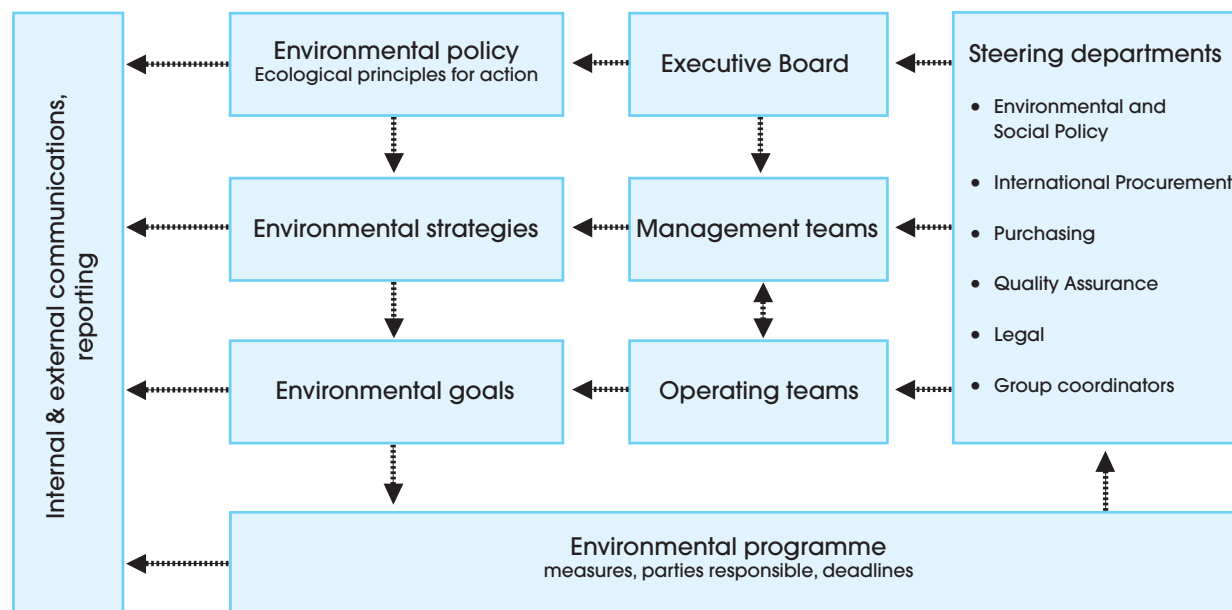
The six departments are charged with meeting these targets by a specified deadline. Environmental strategies and programmes are reviewed and developed annually during the internal environmental audit. The company has continually increased its environmental efforts since 1997, and has successfully passed annual environmental audits by the independent auditing firm DQS GmbH each year since, including the 2006/07 financial year. OTTO will continue to renew its ISO 14001 certification in the years ahead.

One key development in recent years pertains to the six other OTTO locations that had been integrated in the Environmental Management System by 2002. There were formal changes to the system when the merchandise distribution centres in Ohrdruf, Löhne and Burbach were transferred to the Otto Group company 1. HTS GmbH (now part of Hermes Warehousing Solutions GmbH) at the beginning of 2005, and the merchandise distribution centres in Haldensleben and Hamburg-Bramfeld, plus the Hamburg-Billbrook and Hamburg-Norderstedt business locations, were transferred to the Hermes Warehousing Solutions GmbH (another Otto Group company) at the beginning of 2006. However, all business locations remain under the OTTO environmental management system. Therefore, in-house environmental protection is ensured at all these locations, and the certified environmental management system will remain in place.

This "Ecology" chapter of the Facts (&) Figures for the 2006/07 financial year presents the strategy development and describes the environmental programme of the Environmental Management System.

Since measures to protect the environment are integrated in operations, usually the costs for OTTO's environmental activities cannot be calculated separately. Unless otherwise specified, all figures refer to OTTO or the Otto Group's Hamburg-Bramfeld location.

### The Environmental Management System at Otto (GmbH & Co KG)



All levels are included in the Environmental Management System.

### Hamburg-Bramfeld location

The strategic goals of the environmental programme at the Hamburg-Bramfeld location are to lower energy consumption and increase energy efficiency on the one hand, and to prevent and reduce waste and increase waste recovery on the other. The Hamburg-Bramfeld location records its consumption of energy (district heat, electricity, gas, heating oil) and water (drinking water and rainwater). It also logs the electricity used by devices such as PC units with monitors. Other environmental indexes include site-specific CO<sub>2</sub> emissions, wastewater generated, breakdown of space used, amount of waste generated, and costs of disposal, as well as the quantities of old household appliances and TV sets traded in by customers.

The number of old appliances taken back from customers has risen steeply compared with the previous year, due to the ElektroG, a law governing the return of old appliances. 2006 saw a near doubling of old

appliances taken back compared with 2005. The amount of waste generated at the Hamburg-Bramfeld location has levelled off at around 7,000 tonnes per year, with costs dropping off significantly again last year vs. the year before that. Waste requiring special supervision was professionally disposed of within Germany. None of it was exported beyond German borders.

During the period under review, there was no appreciable discharge of water pollutants or a pollution of bodies of water through discharges of wastewater or surface run-off. Ozone-damaging substances exist only in limited amounts in the closed cycles of the regularly maintained refrigeration facilities.

The CO<sub>2</sub> emissions (generated by the locations) have declined by around 4 percent based on the average for the past five years. Following an in-depth review, business trip-related CO<sub>2</sub> emissions were not record-

ed in the past for reasons of commensurability (cost vs. benefit). However, another review is planned as part of developing the new climate protection strategy, i.e. of the extent to which recording business travel-related CO<sub>2</sub> emissions and deriving appropriate measures would make sense due to the changed conditions. Environmentally friendly DIN A4 and DIN A3 size paper is used for in-house correspondence at OTTO. In 2006, nearly 86 percent of all the paper used in this way was recycled paper stock, while another 13.5 percent was FSC certified.

In the mobility department, the number of vehicles in the fleet is recorded, along with the number of job tickets (public transport passes) issued for public transportation. The numbers show that the subscription has been consistently popular among employees for years.

### Environmental Programme at the Hamburg-Bramfeld location

Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Status	Comments
1	Reduce heating energy	Use air-conditioning systems with heat recovery in Building 1 to reduce heat consumption and improve ambient air quality: 5 systems	2006	completed	
2	Reduce water consumption	Install maintenance valve in sprinkler clusters to prevent their being refilled during regular maintenance	2006	partially completed in 2006	Pending: Building 1, 4, 10
3	Reduce energy consumption: electricity, heat and cold generation	Review the use of 'high-efficiency pumps' in heating and cooling facilities	2006	completed	
Programme for 2007/08					
Pos.	Strategic goals	Measures	Deadline		
1	Reduce energy consumption: electricity, heat and cold generation	Use of a free-standing system for the new cooling machine at the data centre	end of 2007		
2	Other measures	Draw up a status report on the energy savings potential for the most energy-intensive cost centres at the locations	end of 2007		

Use of space	2002		2003		2004		2005		2006		2007	
	m²	percent	m²	percent	m²	percent	m²	percent	m²	percent	m²	percent
Built-up	77,289	34.2	77,289	34.2	65,682	29.0	65,682	29.0	65,749	29.0	65,851	29.1
Sealed	106,371	47.1	106,371	47.1	115,257	50.9	115,257	50.9	113,983	50.4	112,342	49.6
Green	42,380	18.7	42,380	18.7	45,392	20.1	45,392	20.1	46,598	20.6	48,130	21.3
Total	226,040	100.0	226,040	100.0	226,330	100.0	226,330	100.0	226,330	100.0	226,322	100.0

Mobility	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Vehicles	35	35	36	36	36	34
of which Euro 3 and Euro 4	28	28	29	29	29	27
of which Euro 2	7	7	7	7	7	7
	Jan 2002	Jan 2003	Jan 2004	Jan 2005	Jan 2006	Jan 2007
Public transport passes, 1 <sup>st</sup> + 2 <sup>nd</sup> class (entire Group, incl. trainees)	2,701	2,682	2,699	2,570	2,570	2,550
Public transport passes, 1 <sup>st</sup> + 2 <sup>nd</sup> class (OTTO only, incl. trainees)	2,153	2,090	2,069	1,933	1,844	1,196

Office equipment	2002/03	2003/04	2004/05	2005/06	2006/07
PC units with monitor	3,801	3,978	4,166	4,235	4,250
Fax machines	207	210	210	220	225
Laser printers	1,300	1,443	1,154	1,215	1,400
Photocopiers	96	96	98	98	98

Paper consumption*	2002/03	2003/04	2004/05**	2005/06	2006/07
Recycled paper (DIN A4) (t)	222.8	218.8	169.1	123.3	216.3
Recycled paper (DIN A3) (t)	15.7	19.9	10.9	5.0	5.5
Total recycled paper (t)	238.5	238.7	180.0	128.2	221.8
Recycled paper share in percent of total paper volume	87.7	85.0	69.6	80.3	85.9
White paper DIN A4 and DIN A3 (t)	33.4	42.0	78.6	31.5	36.4
Of which white FSC paper DIN A4 and DIN A3 (t)	0.0	0.0	0.0	29.8	34.8
White paper share in percent of total paper volume	12.3	15.0	30.4	19.7	14.1
White FSC paper share of total paper volume in percent	0.0	0.0	0.0	18.7	13.5
Total paper DIN A4 and DIN A3 (t)	271.9	280.7	258.0	159.7	258.2

\*) Quantities of standard paper (not including special papers), ordered for photocopiers and printing centres or submitted via the central warehouse

\*\*) Changed figures vs. the previous year because an order for 2.5 million sheets was cancelled. Also, the 2004/05 figure contains 29.8 t of white paper which were ordered but have not yet been used up



**Waste volume and disposal costs at the Hamburg-Bramfeld location**

	Recyclable waste requiring particular supervision (e.g. waste oils)		Disposable waste requiring particular supervision (e.g. oily operating fluids)		Recyclable waste requiring supervision (e.g. contents of grease removal tanks)		Disposable waste requiring supervision (e.g. domestic waste-like industrial waste for disposal)		Recyclable waste not requiring supervision (e.g. cardboard, Styrofoam)	
	in t	in euros	in t	in euros	in t	in euros	in t	in euros	in t	in euros
2002	40	22,192	71	28,335	89	5,048	567	82,629	6,746	-139,092
2003	73	42,570	59	26,845	107	5,776	524	78,970	6,767	-108,590
2004	95	55,501	28	11,584	88	4,936	572	80,163	6,191	-83,572
2005	48	24,947	6	5,654	628	82,987	3	1,173	6,328	4,196
2006	36	8,293	20	6,579	592	87,502	2	751	6,384	-73,050

	Total volume disposed of (t)	Total volume recycled (t)	Disposal rate (percent)	Recycling rate (percent)	Total costs of disposal (EUR)	Total costs of recycling (EUR)
2002	638	6,876	8.5	91.5	110,964	-111,852
2003	583	6,947	7.7	92.3	105,815	-60,244
2004	600	6,373	8.6	91.4	91,747	-23,135
2005	9	7,003	0.1	99.9	6,827	112,130
2006	22	7,012	0.3	99.7	7,330	22,745

	Total volume (t)	Total cost (Euro)
2002	7,513	-888
2003	7,530	45,571
2004	6,973	68,612
2005	7,012	118,957
2006	7,034	30,075

<b>Amount of waste generated, by category</b>	2002	2003	2004	2005	2006
Waste requiring particular supervision (t)	111.8	132	122.9	53.7	56.0
Waste requiring supervision (t)	655.9	631.4	659.2	630.4	593.0
Waste not requiring supervision (t)	6,746.5	6,766.8	6,190.9	6,327.6	6,384.5
Cardboard/paper (t)	5,290.7	5,444.5	4,729.7	4,866.3	4,858
Foils and film (t)	522.2	558.2	563.5	579.3	582.3
Wood (t)	67.1	66.6	180.9	118.2	120.9
Domestic waste (t)	564.1	517.4	567.9	530.1	504.0
ISO 14.001 certification	+	+	+	+	+

**Disposal of old appliances****Electrical appliances taken back from customers (coordinated by the corporate head office in Hamburg-Bramfeld)**

	2002	2003	2004	2005	2006*
Refrigerators/freezers (pcs.)	7,421	7,551	6,605	6,494	16,756
Washing machines (pcs.)	23,314	23,872	22,545	22,760	34,797
TV sets and the like (pcs.)	1,638	1,741	2,100	2,118	7,426
Total	32,373	33,164	31,250	31,372	58,979

\* taken back and settled with the disposal company in 2006

<b>Input water</b>	2002/03	2003/04	2004/05	2005/06	2006/07
Drinking water (m³)	74,958	83,380	78,045	85,931	86,330
Rainwater (m³)	9,216	9,455	9,403	9,053	9,637
Total water consumption (m³)	84,174	92,835	87,448	94,984	95,967

<b>Output air emissions (t CO<sub>2</sub>)</b>	2002/03	2003/04	2004/05	2005/06	2006/07	Conversion factor**	Units	Source
District heat*	3,353	3,800	3,165	3,424	3,041	0.155	t/MWh	UBA
Electricity*	22,456	23,108	23,409	23,944	22,130	0.600	t/MWh	UBA
Gas	605	506	546	484	589	0.160	t/MWh	UBA
Heating oil	36	42	20	49	-	2.623	t/m³	UBA
Total	26,451	27,456	27,140	27,901	25,760			

\* not emitted at the location

\*\* for comparability purposes the same (UBA) conversion factors were applied for every year. Because these values change each year, figures may differ compared with past reports

<b>Output water</b>	2002/03	2003/04	2004/05	2005/06	2006/07
Wastewater (m³)	63,476	71,923	66,886	73,138	n/a
Water consumed by the air-conditioning system (m³)	20,698	20,912	20,562	21,846*	n/a
Total (m³):	84,174	92,835	87,448	94,984	95,967

\* estimated

[illegible]



## Textiles

The environmental programme in the textiles department focuses on expanding the range of ecologically optimised textiles and has two fundamental goals.

The first is to expand the range of textiles tested for harmful substances. In 2006/07, the share of textiles bearing the "Hautfreundlich, weil schadstoffgeprüft" (Skin-friendly – tested for harmful substances) seal increased to 98 percent of OTTO's entire textiles range. The market qualification concept for our approved ecological suppliers was continued. Due to measures taken to streamline the supplier structure, the goal of increasing the number of such 'Approved Eco Suppliers' to 460 was not yet achieved. The new target is to qualify a total of 370 suppliers by the end of 2007.

At the same time, the share of sustainable textiles in the overall range is to be further extended. 'Sustainable textiles' refers to textiles made of certified organically grown cotton bearing the 'PURE WEAR' quality seal, as well as textiles produced from cotton harvested by 'Cotton made in Africa', a social development project by the Aid by Trade Foundation (formerly FSAF – Foundation for Sustainable Agriculture and Forestry in Developing Countries).

The PURE WEAR seal indicates that the origins of the cotton are clearly verified. The cotton must be certified organic, and following produc-

tion, the textiles are subjected to stringent chemical and physical tests in the laboratory. Thus PURE WEAR represents the highest ecological textile standard at OTTO. Communication measures, e.g. press releases and customer brochures, are designed to raise public awareness of ecological cotton in connection with PURE WEAR. The Otto Group company Witt Weiden also sells textiles bearing the PURE WEAR quality seal. At around 80 tonnes, the volume of ecological cotton processed in 2006 was unsatisfactorily low.

For 2008, clear targets have been set for the use of ecological cotton (PURE WEAR), which will lead to a strong increase in the volume of ecological cotton used: for instance, starting with the Spring/Summer 2008 season, five percent of the entire textiles range (except brand-name items) will be manufactured from ecological cotton.

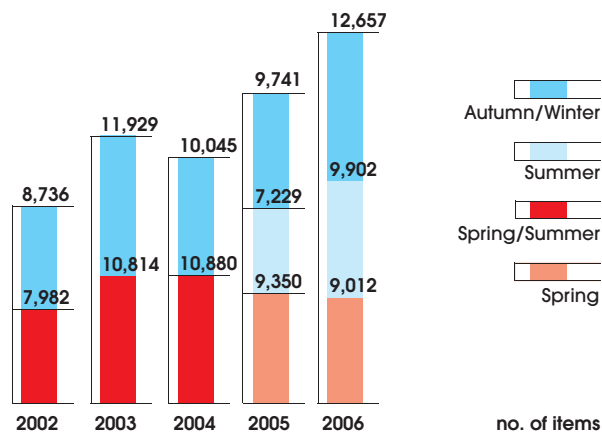
'Cotton made in Africa' is grown in the West African nations of Benin and Burkina Faso, as well as Zambia in southern Africa. In its cultivation, special attention is paid to efficient water use and a sensible, proper use of chemical pesticides and fertilisers; these are important measures for protecting the farmers' health as well as the environment. Workshops and systematic verifications ensure that measures are implemented and target values are met. Initiated in 2005, the 'Cotton made in Africa' project celebrated its first harvest in winter 2006. The first products made from

this first harvested were offered in the Spring 2007 'Feel Good Season' catalogue.

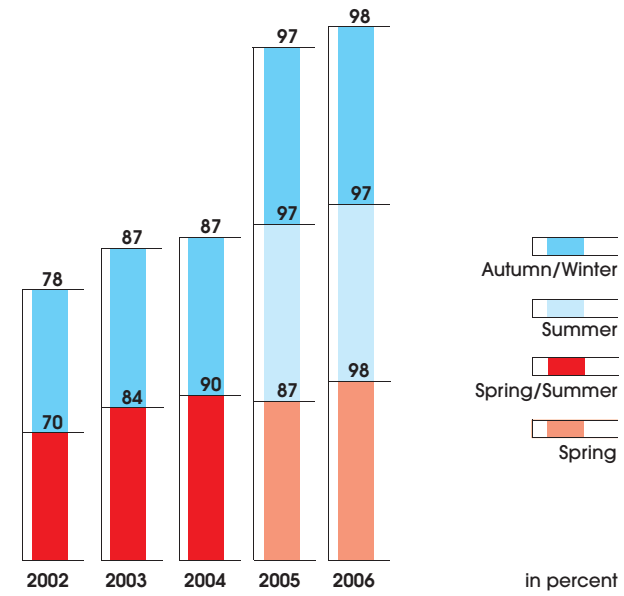
A section devoted exclusively to 'Cotton made in Africa' textiles is planned for OTTO's main Summer 2008 catalogue. Last not least, the range is culled under animal welfare considerations, another important element in the textiles environmental programme. As ever, the use of real fur or real fur trimmings and of angora is prohibited at OTTO and throughout the Otto Group. Leather and fur produced from cattle, pigs, sheep and goats are exempted from this rule. Feathers and down may be used only if live plucking is ruled out.

## Environmental Programme: Purchasing Textiles

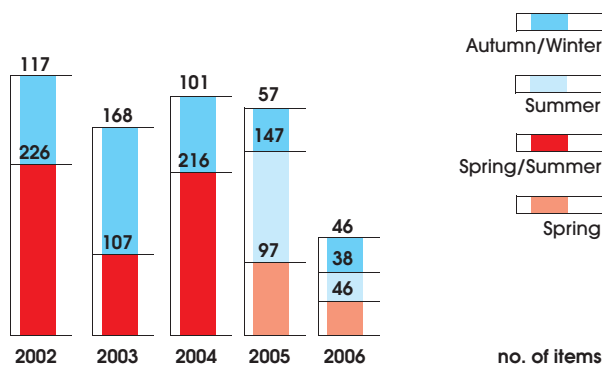
Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Comments	Next steps
1	Range of ecologically optimised (tested for harmful substances) textiles along the lines of the Öko-Tex Standard 100	Maintain the share of textiles tested for harmful substances at 97 percent	through the end of 2006	met (98 %)	Suppliers with whom no supplier relationship had existed for 2 years were removed from the approved eco-suppliers list. Further expansion
		Increase number of approved eco-suppliers from 447 to 460	by the end of 2006	not met: 356 approved eco-suppliers	
2	Increase ecological cotton consumption to 500 t	New concept for PURE WEAR (new target group and communications focus)	by the end of 2007	ongoing	
3	Exclude real fur from the range	Make sure the textiles range reflects animal welfare aspects. No selling of real furs	ongoing		
Programme for 2007/08					
Pos.	Strategic goals	Measures	Deadline		
1	Range of ecologically optimised (tested for harmful substances) textiles along the lines of the Öko-Tex Standard 100	Maintain the share of textiles tested for harmful substances at 98 percent	through the end of 2007		
		Increase number of approved eco-suppliers from 356 to 370	by the end of 2007		
2	Increase ecological cotton consumption to 500 t	Increase the use of eco-cotton, e.g. by creating a separate 2-page spread concept in the main catalogue	by the end of 2007		
3	Introduce sustainable textiles (Cotton made in Africa) to OTTO's textiles range	Offer Cotton made in Africa items in the textiles ranges	by the end of 2008		
4	Exclude real fur from the range	Make sure the textiles range reflects animal welfare aspects. No selling of real furs	ongoing		



Number of ecologically optimised textile items (tested for harmful substances) in OTTO's main catalogue

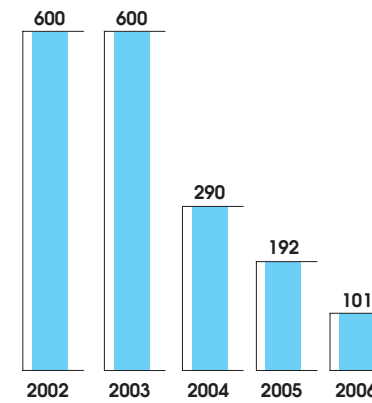


Share of ecologically optimised textiles (items tested for harmful substances) in OTTO's main catalogue



Number of comprehensively optimised textiles made from ecological cotton (PURE WEAR) in OTTO's main catalogue

\*) "PURE WEAR" since 2003, prior to that "kbA: kontrolliert biologischer Anbau" (certified organically grown)



Volume of ecological cotton processed (PURE WEAR)

Since 2005, there have been not just the two main catalogues (Spring/Summer season and Autumn/Winter season), but three catalogue seasons: Spring, Summer and Autumn/Winter.

### Hard Goods and Furniture

One overriding goal of the environmental strategy in the hard goods department is to reduce the environmental impact of using large electrical appliances.

Demand has risen significantly since OTTO began labelling energy- and water-saving household appliances with its OTTO eco-tree. Customers will increasingly demand ecologically optimised products if the ecological benefit is accompanied by economic advantages (lower energy and water costs). Since the Autumn/Winter season 1999, the number of ecologically optimised household appliances (washing machines, refrigerators and freezers, dishwashers, electric kitchen stoves) has been on a steady increase. In 2006, it rose to an average 136 models, and in 2007 to an average 170 models.

OTTO's Hanseatic brand has offered an 'eco line' of its own since the Spring 2007 season.

Nearly all of the points in the hard goods environmental programme were implemented in 2006. Among other things, the following goals of the hard goods environmental programme were achieved: no refrigerators and freezers with the energy efficiency rating C throughout the range, no dishwashers rated D for energy efficiency (standard 60 cm size), and average water consumption in washing machines was maintained at between 45 and 46.5 litres (for standard size appliances).

The envisioned increase in the share of especially energy-saving refrigerators and freezers (energy efficiency rating A++) to 10 percent was also achieved. The share of electric kitchen stoves with an energy efficiency

rating of A showed a greater increase than stipulated in the 2006 environmental programme, rising to 76 percent.

OTTO specifically supports sustainable forestry in the 'Furniture and Home Textiles' department. In the catalogues, solid-wood house and garden furniture produced from sustainable timber is labelled with the green FSC (Forest Stewardship Council) seal and a brief explanation. The FSC seal is reserved for wood products produced in a certified environmentally friendly and socially compatible manner. FSC products were first included in the range in 1999. The number of carpets and rugs bearing the Rugmark seal has also been further increased since 2005. Carpets bearing this seal are hand knotted or hand tufted and are produced under supervised conditions without any illegal child labour (children under the age of 14).

### Environmental Programme: Purchasing Hard Goods

Target vs. Actual for 2006/07				
Pos.	Strategic goals	Measures*	Deadline	Status
1	Reduce the environmental impact of appliances	10 percent of refrigerators and freezers rated A++ for energy efficiency	Dec 2006	not met: 8.5 percent
		32 percent of refrigerators and freezers rated A+ for energy efficiency	Dec 2006	not met: 30 percent
		54 percent of refrigerators and freezers rated A for energy efficiency	Dec 2006	met: 60 percent
		Refrigeration devices: eliminate energy efficiency rating C and below (standard size)	Dec 2006	met
		Reduce average water consumption in washing machines to between 45 and 46.5 litres	Dec 2006	met: 44.3 litres
		90 percent of washing machines < 50 litres water consumption (standard size)	Dec 2006	met: 91 percent
		Maintain combination washer/dryers with energy efficiency ratings A-C at 100 percent	Dec 2006	met
		Dishwashers: eliminate energy efficiency ratings C (standard 60 cm width)	Dec 2006	met
		74 percent of dishwashers < 15 litres water consumption	Dec 2006	not met: 65 percent
		70 percent of electric kitchen stoves rated A for energy efficiency	Dec 2006	met: 76 percent
2	Accompanying measures: environmental controlling hard goods	Continued focus on the issue of stand-by energy consumption in TV, video, DVD, and satellite receiver devices, through stocktakings and further awareness building among suppliers	Dec 2006	met

\*Figures are averages of a year's catalogue seasons



Programme for 2007/08			
Pos.	Strategic goals	Measures*	Deadline
1	Reduce the environmental impact of appliances	10 percent of refrigerators and freezers rated A++ for energy efficiency	Dec 2007
		35 percent of refrigerators and freezers rated A+ for energy efficiency	Dec 2007
		55 percent of refrigerators and freezers rated A for energy efficiency	Dec 2007
		Refrigeration devices: eliminate energy efficiency rating B and below (standard size)	Dec 2007
		Maintain average water consumption in washing machines at 45 litres (standard size)	Dec 2007
		93 percent of washing machines high-efficiency < 50 litres water consumption (standard size)	Dec 2007
		Maintain combination washer/dryers with energy efficiency ratings A-C at 100 percent	Dec 2007
		Dishwashers: eliminate energy efficiency ratings C and B (standard size)	Dec 2007
		74 percent of dishwashers < 15 litres water consumption	Dec 2007
		50 percent of condensation dryers rated B or better for energy efficiency	Dec 2007
		80 percent of electric kitchen stoves rated A for energy efficiency	Dec 2007
2	Accompanying measures: environmental controlling hard goods	Continued focus on the issue of stand-by energy consumption in TV, video, DVD, and satellite receiver devices, through stocktakings and further awareness building among suppliers	Dec 2007
3	Sustainable furniture range	Adopt a new timber sourcing policy reflecting sustainability aspects	Apr 2007

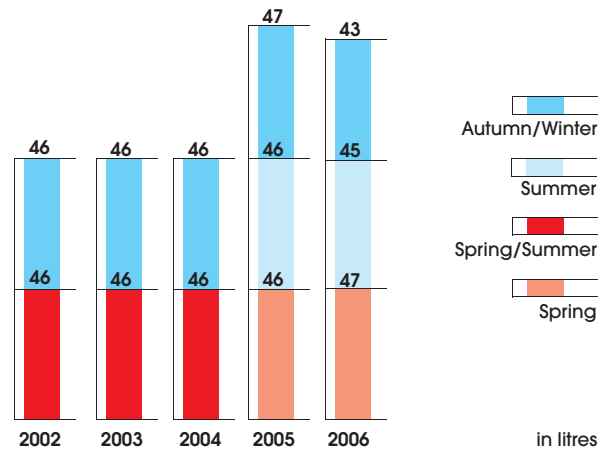
\*Figures are averages of a year's catalogue seasons

Share of washing machines in the total range, with water consumption, in percent\*

	2002	2002	2003	2003	2004	2004	2005	2005	2005	2006	2006	2006
	SS	AW	SS	AW	SS	AW	Sp	Su	AW	Sp	Su	AW
to 40 litres	0	0	29	16	13	15	20	19	15	6	36	43
41-45 litres	47	47	19	30	35	37	33	20	18	44	32	25
46-50 litres	41	43	43	46	43	41	38	53	60	39	22	25
51-55 litres	4	3	0	0	0	0	0	0	0	0	0	0
56-60 litres	4	2	0	3	7	6	9	8	7	8	5	5
61-65 litres	0	0	0	0	0	0	0	0	0	3	2	2
66-70 litres	4	5	7	3	0	0	0	0	0	0	2	0
71-75 litres	0	0	2	2	2	1	0	0	0	0	0	0

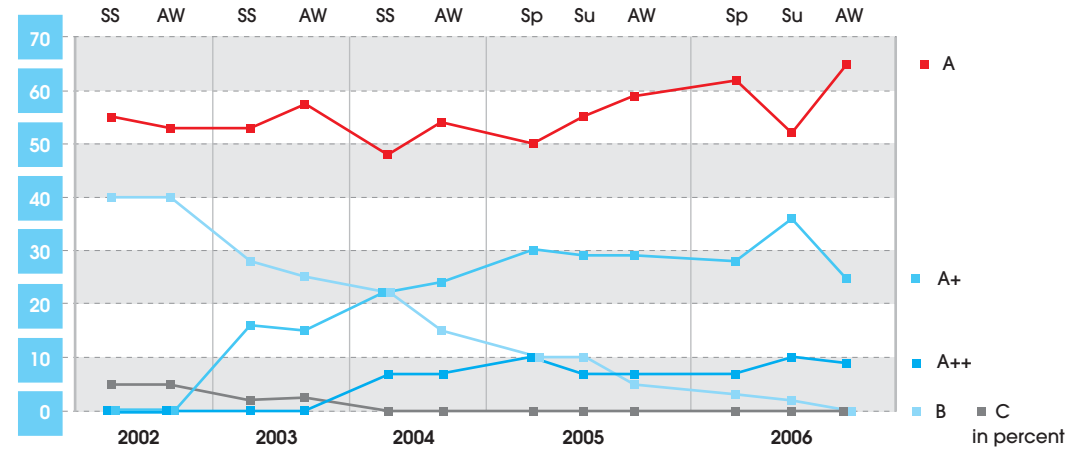
\*) refers to standard 5 kg size

Sp = Spring, Su = Summer, SS = Spring/Summer, AW = Autumn/Winter



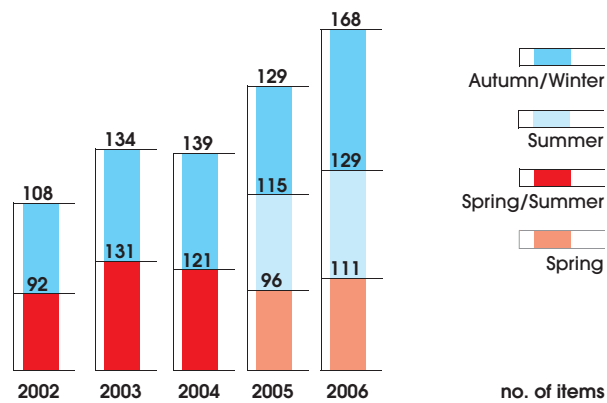
Average water consumption of the washing machines\*

\*) refers to standard 5 kg size

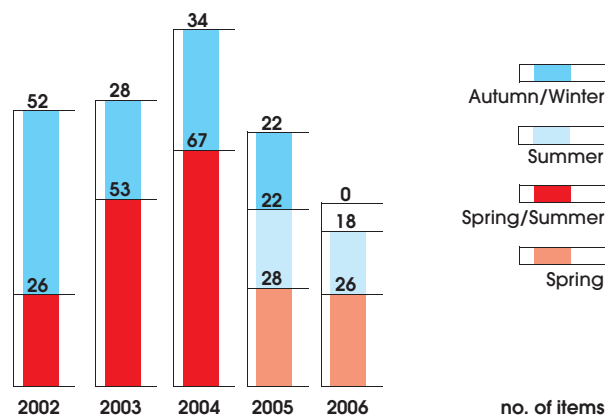


Share of refrigerators and freezers in the total range, by energy efficiency rating

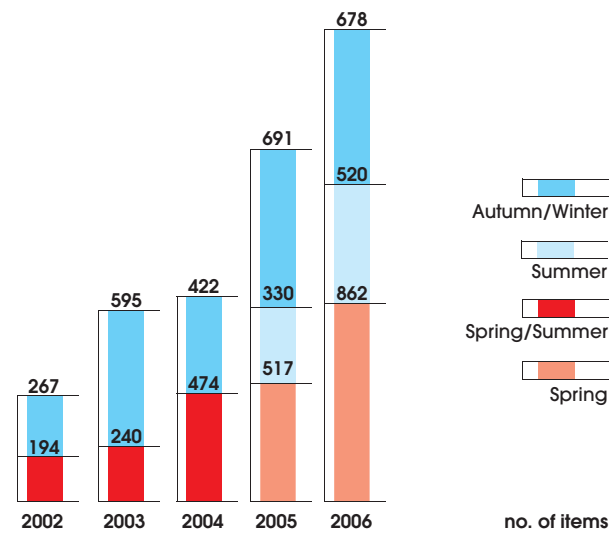
Since 2005, there have been not just the two main catalogues (Spring/Summer season and Autumn/Winter season), but three catalogue seasons: Spring, Summer and Autumn/Winter.



Number of ecologically optimised hard goods models (refrigerators and freezers, washing machines, dishwashers, electric kitchen stoves)



Number of FSC (Forest Stewardship Council) certified items in OTTO's main catalogue



Number of items bearing the Rugmark seal in OTTO's main catalogue

### Transport and Shipping

Helping to protect the climate by reducing emissions is an important element in OTTO's environmental protection programme. In the Transport & Shipping department, OTTO had set itself the goal of reducing transport-related emissions of the greenhouse gas carbon dioxide (CO<sub>2</sub>) by 45 percent vs. 1993 by the year 2005, using various strategic approaches. Emissions of other greenhouse gases were and continue to be negligible. To accomplish the aimed-for reduction in emissions, five strategic fields of action were defined and matching measures drawn up, involving shifting, logistical optimisation, technical optimisation, alternative means of propulsion, and competence building.

In 2006/07, transport-related CO<sub>2</sub> emissions were reduced by 6,660 t compared with the previous year. The reduction achieved since 1993 is 59 percent, or approx. 54 percent adjusted for tonnage. Adjusting for tonnage means current CO<sub>2</sub> emissions are related to the tonnage of the reference year 1993 using the currently calculated ecological efficiency, so that each year refers to the same number of tonnes. Combined transport schemes are particularly effective in helping to reduce CO<sub>2</sub> emissions. In this approach, goods transports from the Far Eastern markets go to Dubai by seagoing vessel, and from there on by airfreight to Germany. This reduces the CO<sub>2</sub> emissions per tonne of goods transported by nearly 45 percent compared with pure air transport. Another advantage is the added economic value. In terms of transport capacity (tkm), in 2006/07 over 70.6 percent of all incoming goods transports were handled by sea or by combined sea/air transport.

Transport-related CO <sub>2</sub> emissions for incoming and outgoing goods at OTTO					
	2002/03	2003/04	2004/05	2005/06	2006/07
All transport-related CO <sub>2</sub> emissions – incoming and outgoing goods, in (t) (absolute)	103,880	95,012	104,347	100,992	94,332
Transport-related CO <sub>2</sub> emissions from international incoming goods transports, in (t) (incl. post-transports) (absolute)	48,726	37,801	48,991	48,555	42,747
Transport-related CO <sub>2</sub> emissions for nationwide incoming goods transports, in (t) (absolute)	7,585	7,419	7,368	6,768	6,695
Transport-related CO <sub>2</sub> emissions for nationwide outgoing goods transports, in (t) (absolute)	47,569	49,793	47,989	45,669	44,890
Emissions adjusted for tonnage (reference year 1993: 230,045 t CO <sub>2</sub> )*	115,805	103,556	112,015	113,343	106,016

\*) This figure does not indicate the amount of reduction, but the status quo.

### Environmental Programme: Transport & Shipping

Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Status	Comments
1	Shift (incoming goods)	Increase the share of sea transport to 72 percent	Feb 2007	not met	reached 70.6 percent
2	Shift (incoming goods)	Increase the tonnage of sea-air transports to 4 percent	Feb 2007	not met	reached 1.5 percent
3	Shift (incoming goods)	Reduce the share of air transport to 14.5 percent	Feb 2007	not met	reached 17.1 percent
Programme for 2007/08					
Pos.	Strategic goals	Measures	Deadline		
1	Reduce transport-related CO <sub>2</sub> emissions	Develop a transport-related climate protection strategy with the aim of reducing CO <sub>2</sub> emissions by 50 percent by the year 2020	Dec 2007		
2	Record CO <sub>2</sub> transports	More detailed logging of transport-related CO <sub>2</sub> emissions for incoming and outgoing goods	Dec 2007		

Packaging

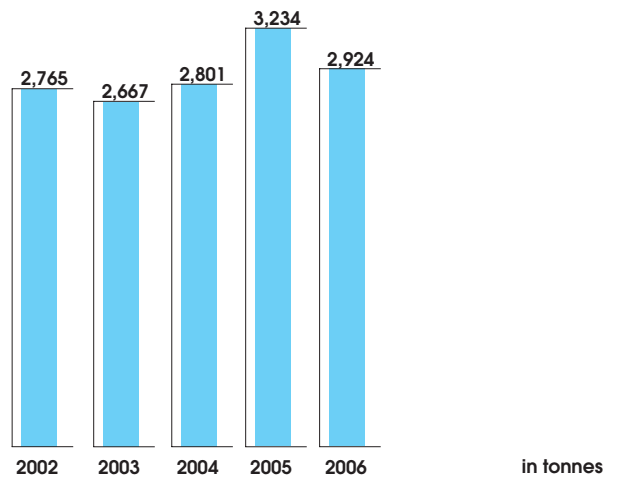
The primary strategic aim in the packaging department is to avoid disposable packaging for customer deliveries and internal logistics.

All disposable packaging used within the group has been switched to reusable systems. OTTO's comprehensive environmental controlling system is being used for benchmarks throughout the Otto Group.

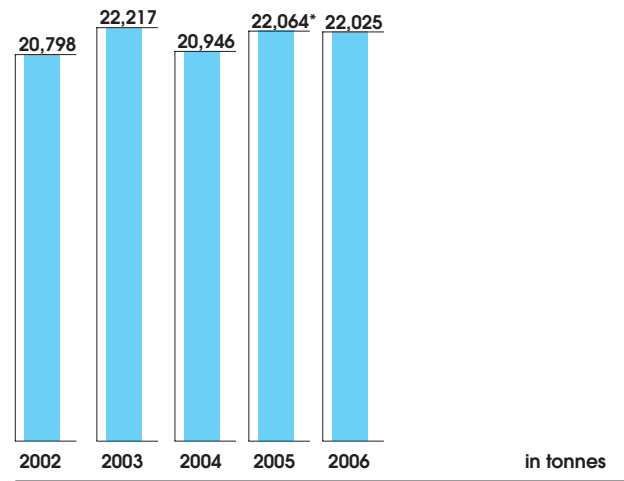
Another focus of the environmental strategy here is to reduce waste by cutting down the weight of packaging for customers deliveries.

Environmental Programme: Packaging

Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Status	Comments
1	Reduce packaging volume by reducing weight	Reduce the thickness of the foil used for mailing-bags. Implement following successful large-scale test	Dec 2006	implemented Sep 2006	gradual shift, completion May 2007
2	Cut down on disposable packaging through reuse	Review the option of a cardboard lid for closing boxes for final storage (final storage boxes) in Haldensleben with optimised labelling	Dec 2006	implemented Dec 2006	
Programme for 2007/08					
Pos.	Strategic goals	Measures	Deadline		
1	Reduce packaging volume by reducing weight	Review the possibility of reducing the foil thickness in machine-generated mailing bags in Hamburg. Implement following successful large-scale test	Dec 2007		
2	Cut down on disposable packaging through reuse	Cut down on disposable waste by reducing new packaging at goods receiving in Hanau. Perform an analysis of which packaging could be adjusted supplier-side in order to be suited for the whole process	Dec 2007		



Reduction in disposable packaging through reusable packaging for in-house purposes



Total consumption of disposable packaging (not including item and transport packaging hard goods, house & home textiles, and delivery transport packaging)

\*) These figures contain, for the first time, the numbers from the Altenkunstadt location and, from March 2006, the numbers from Corso as well

Note: OTTO has a comprehensive controlling system in place in the packaging department, which records all quantities and types of packaging used. The figures shown here are an excerpt.

### Catalogues and Advertising Materials

A high ecological standard has already been achieved in the Catalogues and Advertising department. As part of the strategic goal 'sustainable exploitation of forests' it has been ensured that no timber from protected regions (primary forests, tropical forests, no illegally harvested timber) is used. There is also a strong emphasis on supporting the Forest Stewardship Council (FSC). The Forest Stewardship Council is an international non-profit organisation to promote responsible management of the world's forests. OTTO has been a full member of the FSC since July 2006.

August 2007 will mark the publication of the first catalogue ever gravure-printed entirely on FSC certified paper in Europe. Here, the complete chain of custody, from the forest owners and paper factories to the printers and paper vendors, is FSC certified. As a result, OTTO has been FSC certified (certificate registration code GFA-COC-001949) since summer of 2007. The aim for 2007 is to purchase approx. 8 percent of the paper needed for catalogues as FSC certified.

Transparency is another crucial factor when it comes to paper. The following websites document the environmental efforts of OTTO's major paper suppliers:

www.upm-kymmene.com  
 www.storaenso.com  
 www.myllykoski.com  
 www.norskeskog.com  
 www.sca.com

Since 1997, semi-annual solvent concentration measurements have been performed on the sheets used for the main catalogue, to determine the toluene content. The suppliers are notified, in writing, about the results of each test, which serves to build their awareness. These measures have resulted in a significant reduction of the toluene content in the sheets.

Share of paper grades in total paper needed for catalogues OTTO (GmbH & Co. KG)	2003	2004	2005	2006
LWC paper 45 g/m <sup>2</sup> to 90 g/m <sup>2</sup> (in tonnes):	34,100*	28,200*	31,300*	32,900*
SC paper 45 g/m <sup>2</sup> to 56 g/m <sup>2</sup> (in tonnes):	48,100*	51,010*	45,700*	43,200*
AZT paper 52 g/m <sup>2</sup> to 56 g/m <sup>2</sup> (in tonnes):	7,000*	8,200*	6,300*	5,200*
Photo papers (without jobbing) 80 g/m <sup>2</sup> to 300 g/m <sup>2</sup> (in tonnes):	9,300	10,800	11,800	10,900
Total	98,500	98,210	95,100	92,200

\*) gravure only

LWC = Light-Weight Coated

SC = Super Calendered

AZT = enhanced newsprint for gravure printing

## Environmental Programme: Catalogues &amp; Advertising Materials

Target vs. Actual for 2006/07						
Pos.	Strategic goals	Measures	Deadline	Status	Degree of performance	Comments
1	Eliminate use of illegal timber	Use accredited forest certification systems for tracking timber, resulting in elimination of illegal timber	ongoing	ongoing	met	
2	Promote FSC paper	Review possibility of printing another specialogue on FSC paper	ongoing	ongoing	not met, delayed to 2007	
3	Increase the recycled paper share according to best-practice	Demand maximum possible recycled share in the paper grades to be ordered. Regulate via environmental indicators 'recycled share' and 'paper quality'	ongoing	ongoing	no information, partially met	These indicators were not used as a steering index
4	ECF*/TCF**: based on state-of-the-art industry practice	Continue with current strategy (i.e. TCF is contract requirement) until a different decision has been agreed between the departments involved	ongoing	ongoing	met	
5	Perpetuate the measures to reduce toluene content	- Perform seasonal toluene concentration measurements on the main catalogue - Advise printers of the toluene concentrations ascertained	ongoing	ongoing	met	
6	Research & develop environmental indexes	Determine new environmental indexes for the entire department	by 01 Oct 2006	see comments	not met	Information about the volume of recycled paper has not yet been received
Programme for 2007/08						
1	Eliminate use of illegal timber	Use accredited forest certification systems for tracking timber, resulting in elimination of illegal timber	ongoing			
2	Promote FSC paper	8 percent FSC (OTTO) in 2007	by 12/2007			
3	Promote FSC paper	Verify additional FSC suppliers in the gravure sector	by 12/2007			
4	Promote FSC paper	Produce an FSC certified catalogue in 2007	by 12/2007			
5	Protect the environment and natural resources	Optimisation of the paper-to-print quality ratio, i.e. reduce coating weight per unit area wherever possible	ongoing			
6	Protect the environment and natural resources	Use of 100 percent TCF** papers	ongoing			
7	Perpetuate the measures to reduce toluene content	- Perform seasonal toluene concentration measurements on the main catalogue - Advise printers of the toluene concentrations ascertained	ongoing			
8	Transparency	Continue stakeholder dialogue	through 12/2007			
9	Transparency	Involvement in FSC	through 12/2007			
10	Transparency	Publish paper suppliers	by 12/2007			

\* ECF: elemental chlorine free

\*\* TCF: totally chlorine free



### Communications

OTTO's sustainability communications extends to environmental as well as social responsibility topics. Internal communication takes place in the form of introductory lectures for new employees, which present the various areas of OTTO's sustainability efforts. Articles in the in-house media O.ton (employee newsletter) and otto.net (intranet) keep employees abreast of the latest developments. Since Autumn 2006 the "Zukunftsnetzwerk" (Future Network), the successor to the former Eco Network, has met three or four times a year. In it, representatives from all the various management and purchasing departments share thoughts and ideas on relevant sustainability topics.

To the outside, OTTO's CR measures are communicated through a wide variety of media: for instance, the 'Cotton made in Africa' project initiated by Dr. Michael Otto and supported by the Otto Group was presented at the German Federal President's 'Sommerfest' in July 2006, along with OTTO's environmental and social responsibility efforts. The [www.otto.com/sustainability](http://www.otto.com/sustainability) website was last updated in December

2006. Due to restructuring at Otto (GmbH & Co KG) and the subsequent hiving-off of the logistics arm, the publication of the sustainability report (incl. Facts (&) Figures 2005/06) originally scheduled for Autumn 2006 had to be postponed. The 'Corporate Responsibility Report 2007' has been available since early September 2007. The Facts (&) Figures for 2005/06 were integrated in the present tables.

For the first time, the company's sustainability efforts were increasingly picked up on in customer communications, in cooperation with the marketing department: The 'Feel Good Season' catalogue for the Spring 2007 season focused on environmentally and socially compatible products. The season was supported with the publication of a brochure entitled 'Follow your good feeling' (an overview of corporate social responsibility at OTTO) and the OTTO guide 'Sustainable Products' —both are available in printed form or as downloads from the Internet (at [www.otto.com/sustainability-report](http://www.otto.com/sustainability-report) and [www.otto.de/naturwelt](http://www.otto.de/naturwelt)). OTTO customers could also visit [www.otto.de](http://www.otto.de) for information about the

quality seals and labels that identify the sustainable products in the OTTO range: an audiovisual presentation illustrated the background and added value for which these labels stand. Today this information may be accessed at [www.otto.de/naturwelt](http://www.otto.de/naturwelt).

In early January 2007, the company hosted the "Fair Future Factory" — an event for 100 young people between the ages of 16 and 22, from Germany and abroad, who spent three days gaining and sharing information in workshops, discussion groups and lectures on 'fashion, sustainability and job opportunities in a globalised world'. A documentation of the event may be downloaded at [www.fairfuturefactory.com](http://www.fairfuturefactory.com) (in German only).

## Environmental Programme: Communications

Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Status	Comments
1	Transparency in communicating sustainability topics	Draw up a CR report for OTTO (the individual company)	Nov 2006	in progress	due to restructuring in the Otto Group, the necessary data could not be obtained for the individual company OTTO
2	Anchor 'Education and Youth' as a topic in the CR strategy	Host the 'Fair Future Factory' event for approx. 100 teens on the topic of fashion, globalisation and sustainability	Jan 2007	successfully implemented from 2 <sup>nd</sup> -5 <sup>th</sup> Jan 2007	
3	Strengthen the OTTO brand with sustainability topics	Draw up a concept for a 'Season of Sustainability'	ongoing	the Feel-Good Season began on 21 <sup>st</sup> Dec 2006	
4*	Develop an up-to-date, appealing customer approach	Revise information materials: info brochure on 'Corporate Responsibility at OTTO' and 'Sustainable Products' guide	Dec 2006	the two publications were published in early January 2007	
Programme for 2007/08					
Pos.	Strategic goals	Measures	Deadline		
1	Transparency in communicating sustainability topics	Complete the CR report for OTTO (the individual company) modelled on the GRI G3 Index, with reference to the 2006/07 financial year	Summer/ Autumn 2007		
2	Anchor 'Education and Youth' as a topic in the CR strategy	Develop a strategy following up on the 'Fair Future Factory'	Apr 2007		
3	Enhance the customer loyalty potential inherent in sustainability topics	Participation in customer lounges and visits to customer centres, and draw up a new marketing concept for sustainable products	1 <sup>st</sup> half of 2007		
4	Intensify internal communications	Host three Future Network meetings, including with Dr. Otto in attendance	ongoing		

\*) This goal was added to the programme during the year

## Social Responsibility

As part of the Otto Group's social programme, OTTO pays great attention to compliance with social standards in its trade relations, and aims for a continual improvement in the working conditions at its suppliers. The German companies in the Otto Group (OTTO, Heine, Schwab, Witt Weiden, Baur, Apart and Bon Prix), and Otto UK (Grattans, Freeman) have developed a common social management system whose social standards are based on the Group's Code of Conduct (posted for download at [www.otto.com/sustainability](http://www.otto.com/sustainability)), which in turn is modelled on the BSCI, internationally recognised conventions (e.g. by the International Labour Organisation and UN), and national legislation. Diagram 1 on page 31 shows the countries that participate in the Otto Group's social programme\*, by revenue.

### Inspections as part of the 'Business Social Compliance Initiative'

Since 2003, the Otto Group has played a leading role in the BSCI (Business Social Compliance Initiative), a consortium that now includes more than 80 European companies, whose common goal is to steadily improve social standards at suppliers all over the world.

To this end, the production conditions at the suppliers are reviewed by independent auditors. The diagram on page 31 shows the process that each supplier of textiles, home textiles, shoes and toys undergoes. The focus on these four types of product was the result of an internal risk analysis which concluded that the working conditions in the manufacture of these products showed great need for improvement.

An audit leads to three possible results: suppliers who score a 'good' can continue to do business with Otto Group companies for another three years before undergoing another audit. If the audit indicates that the supplier's practices are 'in need of improvement' or 'critical', this means the supplier does not yet meet the stipulated social standards and has six months to remedy the shortcomings identified during the review. A 'corrective action plan' is drawn up, and its implementation is checked in a re-audit six months later. The business relation is continued during this time. Especially progressive suppliers are encouraged to seek the SA8000 certification developed by Social Accountability International. The BSCI uses the SA8000 as its best-practice standard.

If a supplier refuses to be audited, or if no improvement process is discernible even after the second re-audit, sanctions are imposed which in the worst case can lead to a termination of business relations with the

supplier in question. Fortunately, this drastic measure has only become necessary in eight cases since the end of 2003.

### Qualifications under the Otto Group's 'Market Development Programme'

In addition to the BSCI review measures, the Otto Group sets great store by imparting to its suppliers the know-how necessary to improve their social standards. To this end, a separate qualification programme, known as the 'Market Development Programme' (MDP), was launched in 2003. The MDP involves workshops, systematic factory visits and training sessions performed with the help of a service provider. Since the launch of the programme, 344 qualification measures have been performed in the various markets.

Across the various countries, the greatest challenge still lies in introducing functioning at the suppliers. Ultimately, this aspect (see Table 3 on p. 31) is the cause behind most of the infringements in the various areas such as 'compliance with the maximum allowable working time per week of 60 hours, with one day off', 'appropriate documentation', and 'payment of at least the minimum wage stipulated by local law'. In many cases, workplace safety also does not yet come up to the minimum standard.

The 17 infringements under 'child labour' don't actually mean that children were working at the factories. Usually, a formality was the reason behind the audit finding, such as the failure to produce a written documentation of the hiring procedure. This also includes the documentation of the steps that the supplier can use to determine the real age of applicants, so that children don't get hired to begin with. The 'forced labour' infringements refer to the unfair practice of some factory owners who temporarily retain part of a new employee's salary during the training period, as well as to illegal disciplinary measures. Infringements of 'the right of employees to form or join workers' organisations of their own choice and to bargain collectively' occurred primarily in China, where no freedom of workers unions exists to date. Although companies there are obliged to allow 'comparable in-house employee representation', unfortunately this is still not a matter of course.

The Otto Group does a great deal to effect improvements especially in these areas: on average, each supplier in the relevant markets and ranges has undergone a qualification measure 1.3 times, at the Otto

Group's expense. The qualifications are distributed based on need, which is especially evident in the case of Bangladesh.

While nearly 98 percent of the revenue here is audited (see Tables 1 and 2 on p. 31/32), the audit results for suppliers from the individual countries indicate that 70 percent of the suppliers in Bangladesh still have a critical result. The Otto Group does not turn a blind eye to this circumstance: on average, every supplier in Bangladesh has been audited nearly five times in recent years (see Diagram 3 on p. 32) – the Otto Group shouldered all costs for these measures. The result of this commitment won't become visible until the next audit (scheduled for August 2007).

However, seen on average, the picture is considerably brighter: over 55 percent of the suppliers who work with the Otto Group had a good audit result or even boast SA8000 certification.

These good scores are the result of hard work: 64 percent of suppliers being audited for the first time don't pass muster. Following systematic measures for qualification and improvement, 86 percent of the suppliers achieved a 'good' score when they were re-audited.

### New Measures under the 'Market Development Programme'

Since early 2007, a pre-scan, an initial check of the working conditions, is run on each potential new supplier before establishing a business relationship. The results of this check, performed by Otto Group employees, serve as the supplier's self-assessment on social performance as demanded by the BSCI. If the supplier passes the pre-scan, he may start working with the Otto Group. Once the business relationship has stabilised, the supplier goes through the BSCI audit system and participates in qualification measures.

\* For easier readability, the following text speaks of 'the Otto Group' throughout. This does not refer to the whole Group with its four segments – multichannel retail, financial services, services, and wholesale—but to the 'subset' of multichannel retailers mentioned above, including OTTO. The Group's 'Corporate Responsibility' unit, which built the social management system for this target group on behalf of the Otto Group, is in charge of social responsibility matters. All information in this chapter is dated June 2007.

To anchor the social management system more deeply in the structure of its core business, the Otto Group has been expanding its staff for servicing and training suppliers locally, i.e. in their respective countries, since August 2006. Specially trained 'social officers' not only monitor the status of the audits, but also assist suppliers in implementing the jointly drawn up 'corrective action plans'. In a special 'Train the Trainer' programme, social officers and other employees at the national offices and agencies are schooled to host training sessions themselves in order to advance social responsibility as they deal with suppliers in their respective markets. The content of the workshops includes instructions on how to perform 'pre-scans' and practical exercises to systematically support suppliers in improving their own management structures. An accompanying manual explains the basic procedures and can serve as a quick reference guide in cases of uncertainty. In addition, the position of a 'CR Representative Asia' was created effective 1<sup>st</sup> March 2007, with the aim of facilitating intensified cooperation with local stakeholders and governments as well. This allows for strategically and intensively working on topics locally.

#### External Review under the SAI "Corporate Involvement Program"

To further improve its social management system, the Otto Group had it reviewed by the nongovernmental organisation Social Accountability International (SAI) in May 2007.

The system was reviewed for its comprehensiveness as well as the degree of implementation in business processes. For three days at the Otto Group headquarters in Hamburg, talks were held with responsible parties from all relevant departments in the purchasing process, as well as from HR, works council and communications. Documents were viewed and the social database reviewed.

The review concludes with an official report by SAI listing the identified strengths and weaknesses of the social management systems. The Otto Group hopes this report, which will probably be received sometime in Autumn 2007, will provide new impetus and specific suggestions for further improving its system. In an advance statement, Alice Tepper Marlin,

President of SAI, places the Otto Group's social management system firmly "in the upper echelon for social responsibility."

#### Goals

All measures described above ultimately serve to accelerate the attainment of our goals:

- By February 2008, 95 percent of revenue in the relevant markets and ranges are to be generated with audited suppliers.
- 70 percent of our suppliers should be audited by February 2008.

Specifying a double goal, one relating to the number of suppliers, another to the revenue, provides a double hedge. This is designed to ensure that even suppliers with a low revenue volume are appropriately taken into account in the social programme.

An example: Figure 1 on page 31 shows that most of the revenue in the relevant range is generated in China including Hong Kong. However, ensuring nationwide audit coverage there is very complicated due to the high number of suppliers. Therefore, especially in China, the number of audited suppliers is still rather low compared with the other countries. A mere 46 percent of suppliers here have been audited. However, these 46 percent generate around 76 percent of the revenue transacted in China (see Table 2 on p. 32). One example for a small market is Mauritius: here, all suppliers, and hence 100 percent of the revenue, are audited. But there are only five suppliers in all of Mauritius, meaning that the expense for audits in this country is much lower than, say, in China.

#### Outlook

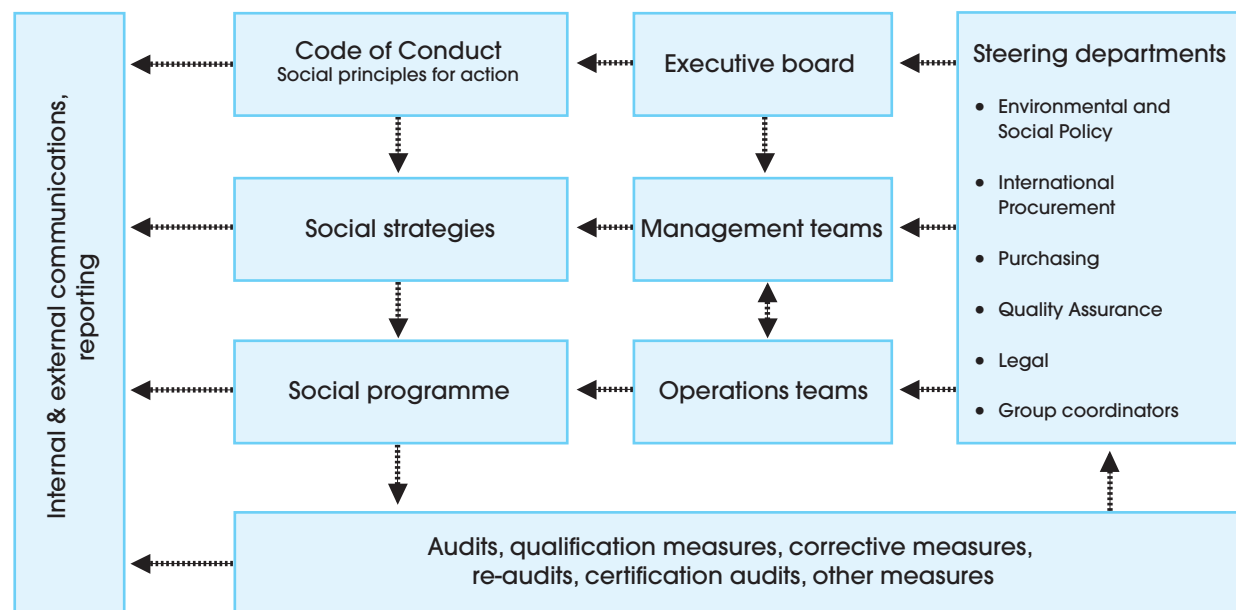
The Otto Group's direct suppliers do not practice child labour. Nonetheless, the Otto Group drew the consequences of a case of child labour in the production of a Heine item, unearthed by Stern reporters in December 2006 at one of our supplier's subcontractors:

- In future, subcontractors will be taken into account even more as part of the social programme, by means of better review and qualification.

- In addition, suppliers to OTTO's 'lingerie' purchasing department will be increasingly SA8000 certified in a pilot project.
- From now on, audits of production plant will be encouraged even for goods that Otto Group companies buy not directly, but via import companies.

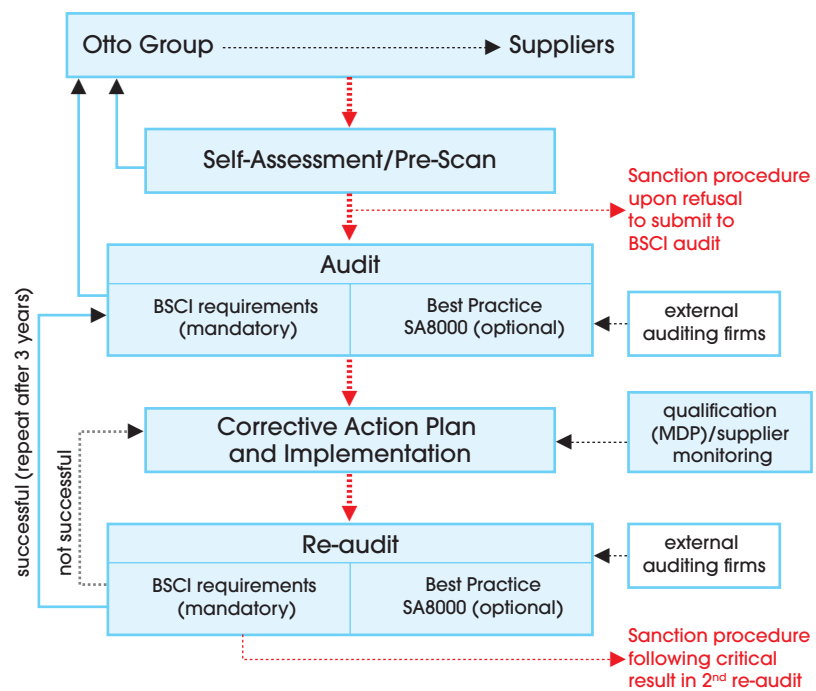
Apart from continuing the measures described above, in the interests of continually improving of the social management systems, a review of its scope of applicability will be performed, to identify any other countries or segments of the range that should be included.

## The Social Management System at Otto (GmbH &amp; Co KG)



All levels are integrated in the social management system.

## The Otto Group's Monitoring System Based on BSCI\*



\*) See p. 27f for detailed explanations of the terms in the diagram

Table 1: Audit results by country, in percent				
Country	SA 8000	Good	In need of improvement	Critical
Bangladesh	0.0	0.0	30.0	70.0
China (incl. Hong Kong)	1.2	40.2	23.2	35.4
India	19.0	62.1	8.6	10.3
Mauritius	0.0	20.0	80.0	0.0
Pakistan	50.0	0.0	33.3	16.7
Thailand/Indonesia	11.1	44.4	33.3	11.1
Turkey	0.0	62.5	14.1	23.4
United Arab Emirates (UAE)	33.3	66.6	0.0	0.0
Other	17.7	29.4	47.1	5.9

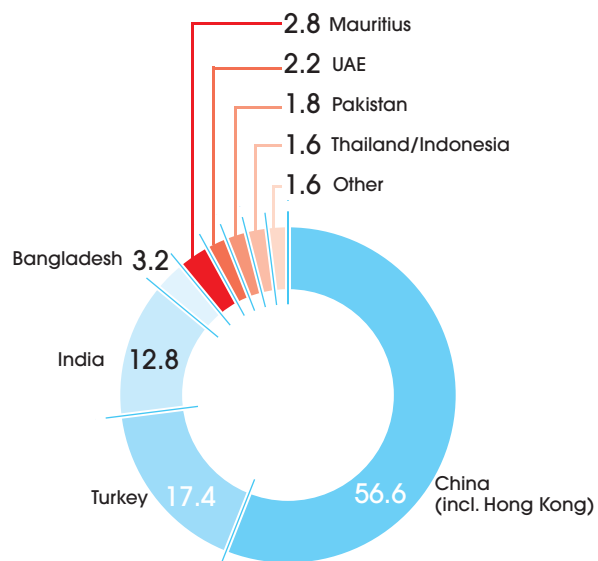


Diagram 1:  
Suppliers in the Otto Group social programme,  
by revenue, in percent

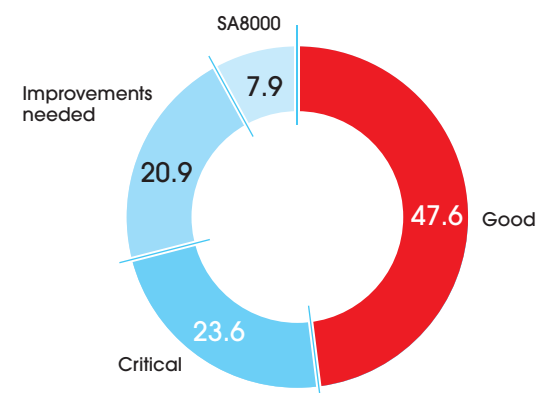


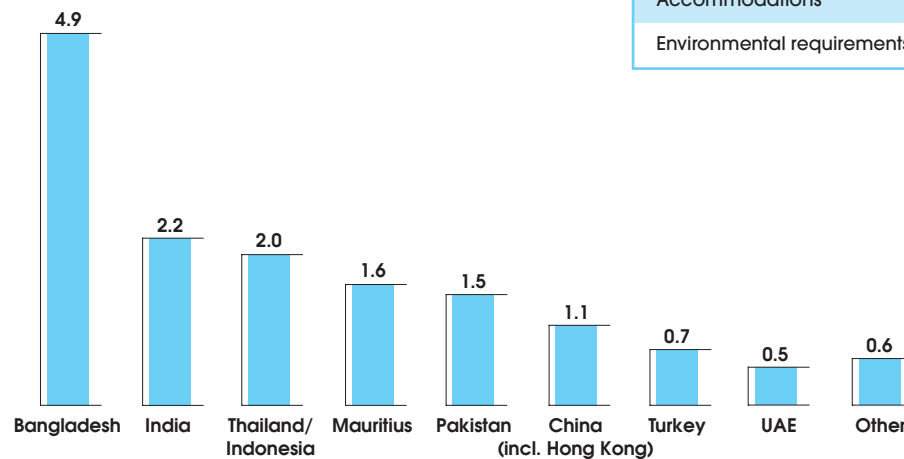
Diagram 2:  
Distribution of audit results, in percent

**Table 2: Revenue share generated with audited suppliers in the Otto Group social programme, in percent**

Country	Audited revenue	Non-audited revenue
Bangladesh	97.7	2.3
China (incl. Hong Kong)	75.7	24.3
India	96.2	3.8
Mauritius	100.0	0.0
Pakistan	90.0	10.0
Thailand/Indonesia	93.0	7.0
Turkey	91.0	9.0
United Arab Emirates (UAE)	68.0	32.0
Other	81.3	18.7

**Table 3: Number of infringements, by type**

Indicator	Number of infringements ('critical' and 'improvements needed')
Management system	45
Documentation	51
Maximum working hours	53
Pay	49
Child labour/teenage workers	17
Forced labour	5
Right to form workers' organisations and practice collective bargaining	22
Discrimination	3
Working conditions	10
Health and social facilities	36
Occupational safety	50
Accommodations	8
Environmental requirements	10



**Diagram 3: Average no. of qualification measures per supplier in the Otto Group social programme**



## Social Programme

Target vs. Actual for 2006/07					
Pos.	Strategic goals	Measures	Deadline	Status	Comments
1	Supplier qualification	Target group-specific range of qualification measures (workshops, factory visits) for suppliers in the BSCI range	ongoing	met	Since the programme's launch at the end of 2003, a total of 344 qualification measures were implemented and on average, each active supplier was qualified 1.3 times. This resulted in a 50% improvement rate vs. the first audit
2	Review compliance with social auditing standards in production	Supplier audits by independent auditing firms	ongoing	met	In all, 411 audits were performed since the programme's launch at suppliers who are currently active
		Implement a pilot project for systematic inclusion of subcontractors in India (Greater Delhi Region)	Jul 2007	met	pilot project concluded
3	Continual improvement of the social management system	Revise and amend the Code of Conduct	Dec 2006	met	The new Code of Conduct was distributed to suppliers at the end of 2006
		Perform a system review (Corporate Involvement Program) by SAI*	May 2007	met	The official SAI report is still pending
		Increase personnel at the national offices	Mar 2007	met	Creation of 12 social officer positions at the national offices. Launch of a training programme (Train the Trainer) for the social officers
		Build expertise in the national offices by introducing a training programme (Train the Trainer) for social officers in the national offices	Mar 2007	met	First workshop hosted in January 2007 in Shanghai, followed by practical exercises in all the countries involved
		Introduce a pre-scan for suppliers prior to placing first order	Mar 2007	met	Pre-scans are performed on an ongoing basis by the social officers and are prerequisite to an order being placed by Purchasing
4	Improved networking and communication with stakeholders	Set up a social database	Apr 2006	met	Rollout for the national offices at the end of 2006, for the Group companies and purchasing departments in March 2006. The database contains all relevant social data. All departments involved in the purchasing process have access to it
		Create the position of Corporate Responsibility Representative Asia headquartered in Shanghai	Mar 2007	met	Started 1 <sup>st</sup> Mar 2007

\*) SAI: Social Accountability International

Programme for 2007/08			
Pos.	Strategic goals	Measures	Deadline
1	Supplier qualification	Target-group specific qualification measures (workshops, factory visits) for suppliers in the BSCI range	ongoing
2	Review compliance with social standards in production	Supplier audits by independent auditing firms, 95% of revenue and 70% of suppliers	Feb 2008
		Systematic inclusion of subcontractors in all of India, Bangladesh and Pakistan	Sep 2008
3	Continual improvement of the social management system	Include indirect production sites (through importers) in the social programme. Launch of the pilot project scheduled for Sep 2007	Dec 2008
		Perform a risk analysis of products and countries included and expand the scope of the social management system if necessary	Jan 2008
4	Improved networking and communication	Introduce Group reporting based on the new social database	Jan 2008
		Review stakeholder management	Apr 2008

## Employees

### Developments and Focuses in the 2006/07 Financial Year

As in years past, this section presents a selection of key figures the vast pool of regularly surveyed employee data. Compared to previous years, one development on the employee front carried particular weight and is accordingly reflected in the numbers: on 1st March 2006 (immediately after the end of the 2005/06 financial year), Hermes Warehousing Solutions GmbH (HWS) was hived off. This explains, for instance, the large discrepancy between 2005/06 and 2006/07 in the diagram 'No. of Employees at OTTO (headcount, not IFRS)'. Unless otherwise specified, the figures in this chapter refer to the actual headcount at OTTO. The IFRS stipulate that jobs are converted to full-time units, this mainly applies for Otto Group figures.

With their myriad skills, experiences and readiness to perform, OTTO's around 5,600 employees (headcount) are crucial to the company's success. Respecting and promoting all employees – regardless of age, gender, skin colour, nationality or disability – is a priority for OTTO. The company's aim of continually hiring more employees with disabilities and integrating them is reflected in the ratio of employees with disabilities, which has now reached 4.1 percent. The company has also forcefully pursued the hiring of severely disabled trainees in recent years.

Extensive educational offerings for all employees and executives, along with targeted programmes for certain target groups – e.g. a programme to build a skilled junior executive staff – provide professional and personal coaching for employees: in all, 2,410 employees participated in the 212 seminars hosted by the OTTO Academy in 2006. In executive training, the 'Leadership Programme', re-launched in 2006, alone accounted for 841 participant days. The 'Leadership Programme' is a mandatory interval training for executives and junior executives with the aim of basing OTTO's management on shared principles.

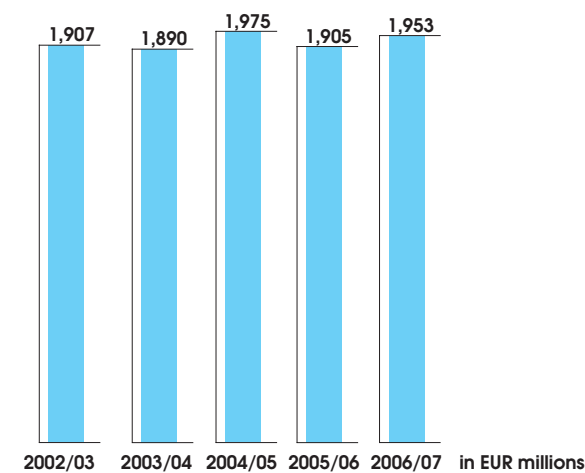
The works council represents the interests of employees vis-à-vis the company. Of its 31 members, eight are exempted from their job duties in order to devote themselves exclusively to their works council duties. During the reporting period, OTTO's works council chairman also served as deputy chairman of the supervisory board.

Since OTTO's establishment, an open management and collaboration in mutual partnership has been an essential foundation of the company's success. Apart from existing company benefits, the stock ownership plan provides another form of employee participation in the company's success. The option of having a stake in OTTO's equity and profits is one way to encourage employees to become partners in the company.

The idea is to illustrate how necessary it is for each and every individual to get involved and contribute their thoughts and opinions and how very worthwhile this can be. On the one hand, it provides special recognition of past commitment, and on the other it provides incentive to keep delivering excellent performance to customers. During the reporting period, the stock option participation rate increased further, to 22.5 percent.

Based on the combination of social responsibility and economic common sense, OTTO has built a systematic, comprehensive health management system. This in-house health management system, known as 'aktiv.net', takes a holistic approach, based on the principles of protecting and promoting health. Beyond company sports and occupational medicine, the aktiv.net department's staff of ten is also in charge of occupational safety and the company's social counselling work. In 2006/07, aktiv.net focused its efforts on developing 'aktiv.programm', a programme targeted specifically at executives. In the long term, their status as a role model and their influence will be used to create awareness for health issues among all employees, and motivate them to take preventive measures. The individual modules and goals of 'aktiv.programm' are presented in greater detail on page 40.

Otto Group employees (under IFRS)	2003/04 No.	2004/05 No.	2005/06 No.	2006/07 No.	Change in %
Multichannel retail	43,255	41,750	34,961	35,525	1.6
Financial services	4,674	4,871	5,468	6,083	11.2
Services	4,879	5,325	9,512	9,433	-0.8
Wholesale	2,345	2,234	2,246	1,782	-20.7
Holding	253	248	239	228	-4.6
<b>Group</b>	<b>55,406</b>	<b>54,428</b>	<b>52,426</b>	<b>53,051</b>	<b>1.2</b>

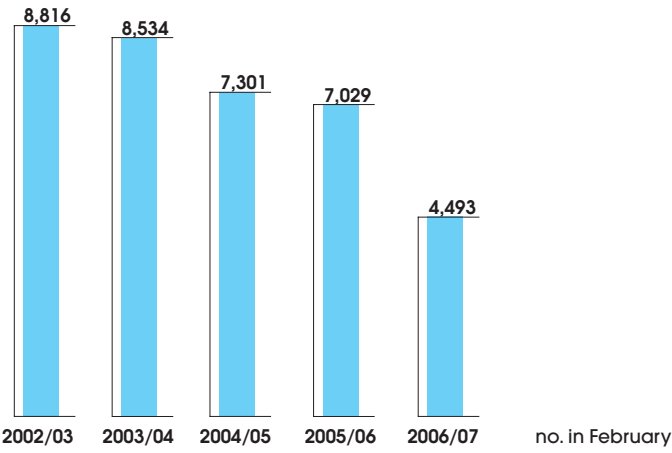


Personnel expenses in the Otto Group (IFRS)

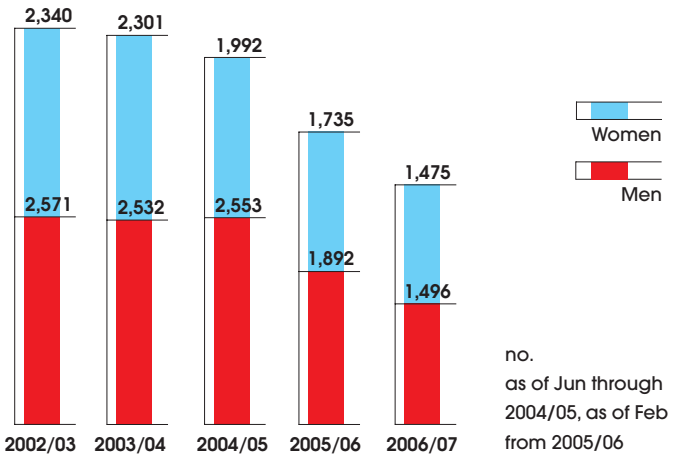
\*) new accounting

OTTO employees (headcount, not IFRS)				
2002/03	2003/04	2004/05	2005/06	2006/07
11,696	11,502	10,109	9,423	5,619*

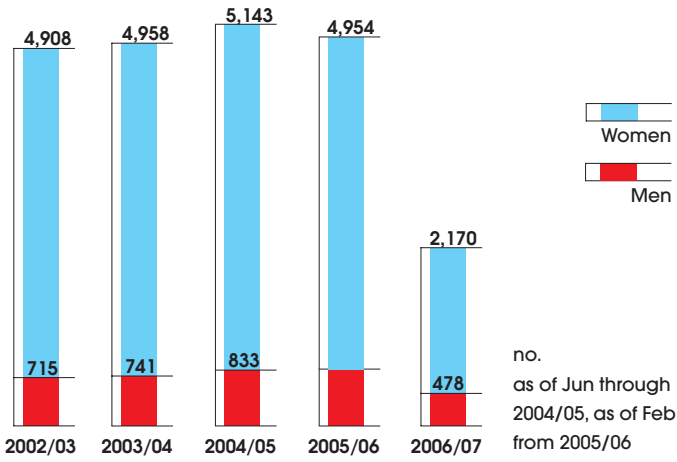
\*) Explanation for the decline in member numbers see introductory text on p. 35



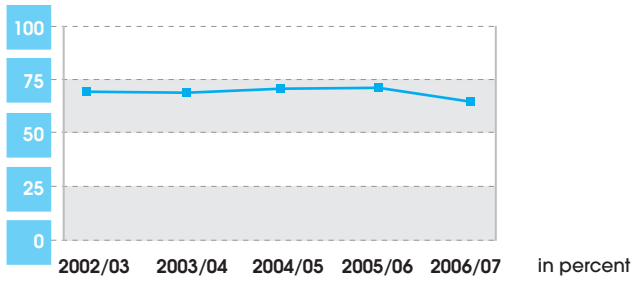
No. of employees Otto (GmbH & Co KG), converted to full-time (figure includes trainees and job changers, as well as overtime for FTE)



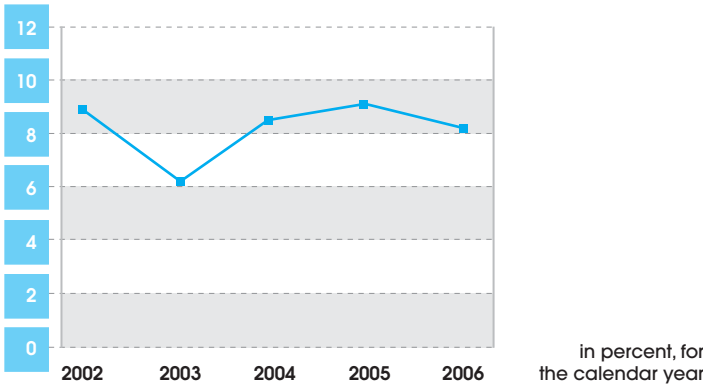
No. of full-time jobs by gender at Otto (GmbH & Co KG)



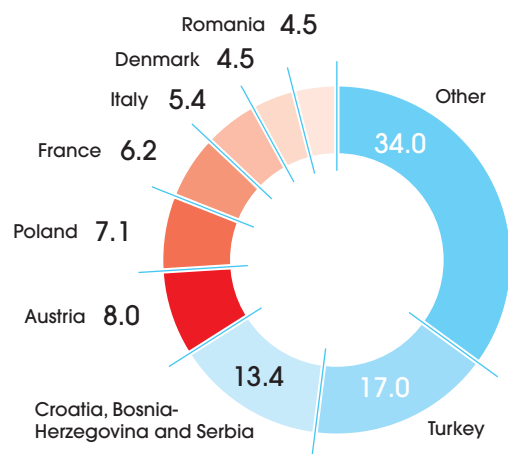
No. of part-time jobs by gender Otto (GmbH & Co KG)



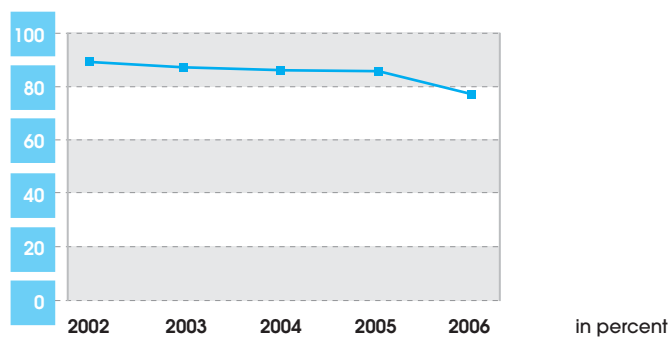
Share of women employees Otto (GmbH & Co KG) as of: February



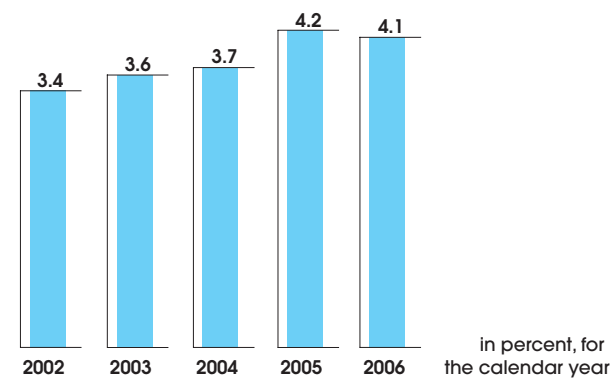
Labour turnover ('churn' rate)



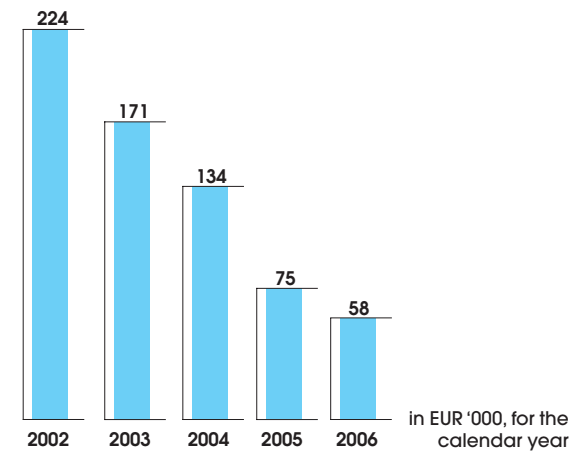
Countries of origin of foreign employees in percent as of: February 2007



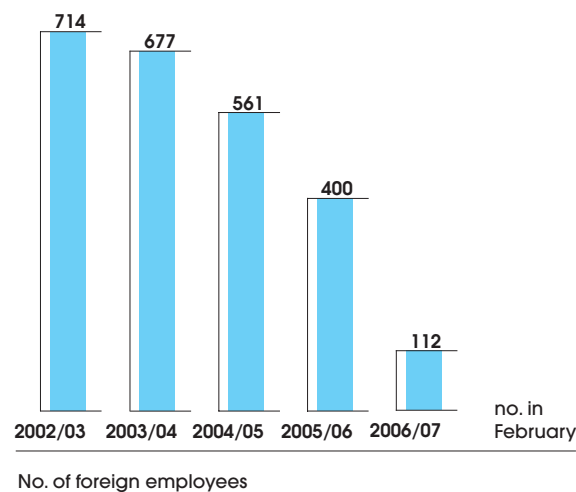
Share of employees paid at union rates (non-union rate employees = executives and other employees with individual employment contracts) as of: February



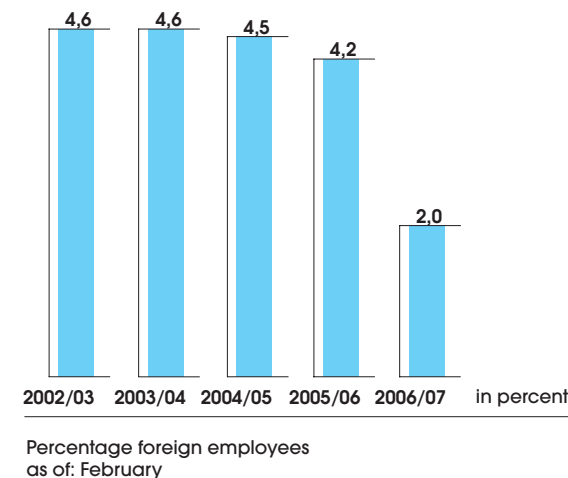
Rate of severely disabled employees (statutory rate 5%, see table on right)



Compensation payments (compensatory tariff for not meeting statutory disabled rate after deductible benefits)



No. of foreign employees

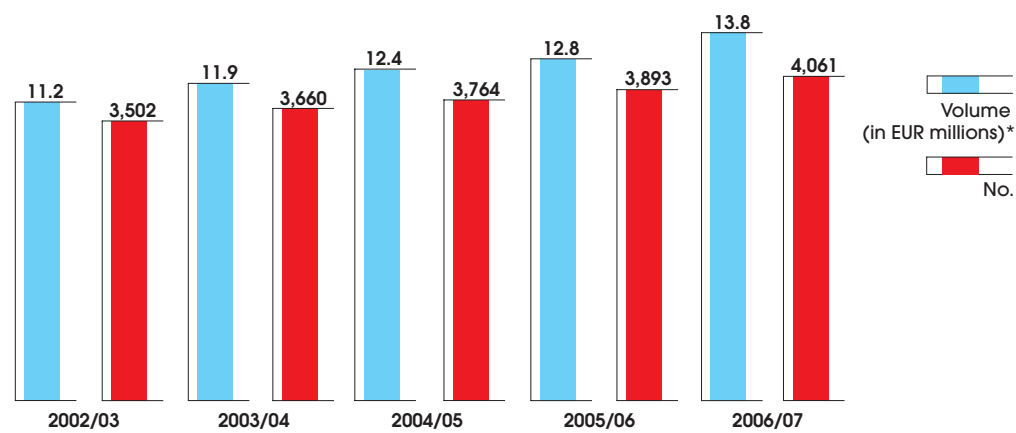


Percentage foreign employees as of: February

Type of pension provision Otto (GmbH & Co KG)	calendar year 2004			calendar year 2005			calendar year 2006		
	Volume (in EUR millions)	No.	Share (in %)*	Volume (in EUR millions)	No.	Share (in %)*	Volume (in EUR millions)	No.	Share (in %)*
Deferred compensation	1,090	1,173	11.60	1,749	1,152	12.23	1,385	899	15.41
Direct insurance	1,559	1,294	12.80	1,542	1,202	12.76	1,252	947	16.23
Pension provisions under collective agreement	1,356	6,512	64.42	1,284	6,358	67.47	0,693	3,112	54.73

\*) The rate was calculated based on eligible employees

Stock ownership plan Otto (GmbH & Co KG) per calendar year	2002	2003	2004	2005	2006
Subscribed capital in EUR	8,288,500	4,768,000	3,435,750	3,574,000	4,070,500
Average subscribed capital in EUR	1,624	1,037	930	942	985
Total profit participation capital in EUR '000 (at the balance sheet date)	66,320	69,637	66,311	60,729	57,628
No. of participants	5,103	4,596	3,694	3,796	4,131
Participation rate in %	23.4	21.5	19.1	20.5	22.5



Pension payments made by Otto (GmbH & Co KG)

\*) the figures shown do not include payments from direct insurance policies/pension funds

Illness-related absenteeism (incl. chronic illness) vs. average age of employees at Otto (GmbH & Co KG) for calendar year	2002	2003	2004	2005	2006
Absence rate in percent	6.9	6.2	5.9	6.1	4.7
Average age of Otto (GmbH & Co KG) employees in years	40.5	40.8	41.3	42.5	40.3

**Percentage of employees with  
and without absent days, for the 2006 calendar year**

Absence rate	No. of employees	Share
0 %	2,070	33.7 %
to 10 %	3,303	53.8 %
to 20 %	476	7.8 %
to 30 %	128	2.1 %
to 40 %	48	0.8 %
to 50 %	24	0.4 %
to 60 %	19	0.3 %
to 70 %	8	0.1 %
to 80 %	6	0.1 %
to 90 %	5	0.1 %
to 100 %	7	0.1 %
100 %	44	0.7 %
	<b>6,138</b>	<b>100,0 %</b>

**Vocational and further education**

	2002/03	2003/04	2004/05	2005/06	2006/07
No. of trainees at Otto (GmbH & Co KG)	264	254	268	268	271

<b>OTTO Academy</b>					
<b>No. of seminars*</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Employee training	203	178	144	118	154
Executive training	48	79	67	67	58
Total	251	257	211	185	212
<b>No. of participants*</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Employee training	2,340	2,015	1,518	1,266	1,674
Executive training	1,100	1,342	1,109	688	736
Total	3,440	3,357	2,627	1,954	2,410
<b>No. of participant days*</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Employee training	5,164	4,666	2,900	1,456	3,566
Executive training	1,406	1,323	1,263	1,205	1,153
Total	6,570	5,989	4,163	2,661	4,719

\*) per calendar year

**'aktiv.net - Your Partner for Health, Occupational Safety and Counselling'**

To be able to meet employees' health concerns in a comprehensive manner, OTTO has grouped its Occupational safety, Counselling and Company Medical Services departments, which all operated separately until 2002, into the 'aktiv.net' department. The resulting competence centre for health management, enhanced with a comprehensive range of movement, relaxation and nutritional counselling offerings, also organises company sports, which comprises 29 categories ('aktiv.sport'). A gym/fitness studio has been installed on the company grounds since 2004, and offers a wide range of machines and courses.

The synergy effects arising from the systematic cooperation between the individual health modules make it possible to provide an intervention catalogue that can be ideally adapted to the health situation of the respective departments and employees.

In addition to OTTO, aktiv.net currently services over 16,000 employees in 16 Otto Group companies at 249 locations throughout Germany. In 2006, 4,698 Otto Group employees took advantage of the offerings at the Hamburg-Bramfeld location.

Executives play a key role in OTTO's health management concept. For one, sound health is an important prerequisite for excellent performance. Especially given the increasing average age on the executive floor (the average age at OTTO is currently around 42 years), the necessity of stepping up efforts to maintain and promote wellbeing becomes clear. And for another, experience has shown that executives often possess the authority needed to propagate health measures in their area and, as importantly, to legitimise them. OTTO wants its managerial staff to

model the idea of taking responsibility for one's health and establish it in the work environment. To this end, during the reporting period aktiv.net drew up the 'aktiv.programm' specifically designed for executives, which seeks to promote health consciousness and a responsible treatment of health.

aktiv.programm gives executives at OTTO a combination of a preventive check-up ('aktiv.check'), health seminar ('aktiv.start up'), and personal training ('aktiv.coaching'). OTTO thus provides its executives with the opportunity to effectively promote their health in three steps:

**1. aktiv.check**

At the aktiv.check stage, the individual state of health is assessed. In cooperation with Hamburg's Institute for Sports and Movement Medicine, the executive is given a comprehensive preventive check-up, which should be repeated every two years thereafter. The results of the preventive check-up serve as an 'actual' base for analysis, on the basis of which personal goals (the 'target') can be formulated in an in-depth closing discussion. The basics needed to achieve these goals are the main component of the next stage.

**2. aktiv.start up**

aktiv.start up is a one-and-a-half-day seminar on 'Personal Change Management', in which executives are exposed to methods for dealing more healthily with their personal and professional life and work. The aim is to build a multi-focus spectrum of knowledge and actions that cover the three components of health postulated by the World Health Organi-

sation WHO: physical, psychological and social wellbeing. The seminar is organised as a dynamic training programme in which theoretical and hands-on units complement each other.

**3. aktiv.coaching**

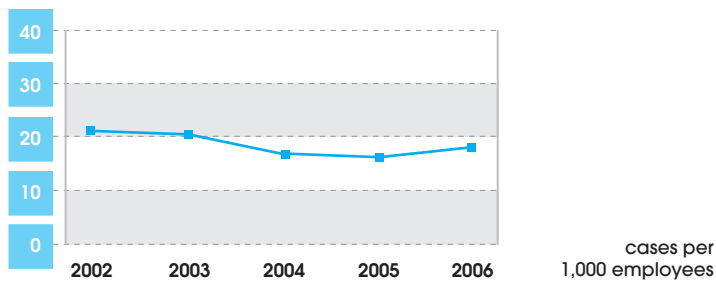
aktiv.coaching is a follow-up measure. The aim is to draw up an individual health promotion strategy which takes into account the participant's personality and constitution. With professional support, options for integrating the insights and resolutions drawn up at the aktiv.start up stage into the busy executive routine. The number of sessions and their content depend on individual needs and requirements.

**Conclusion and Outlook**

In 2006, 53 of 300 executives already participated in the preventive check-up, reflecting a 24 percent year-on-year rise in demand. An aktiv.start up pilot seminar was held in July 2006, which concluded with a questionnaire survey of participants. The resoundingly positive response to the structure and content of this part of the programme tipped the scales in favour of perpetuating it. In all, 34 executives have completed the entire three-step aktiv.programm to date.

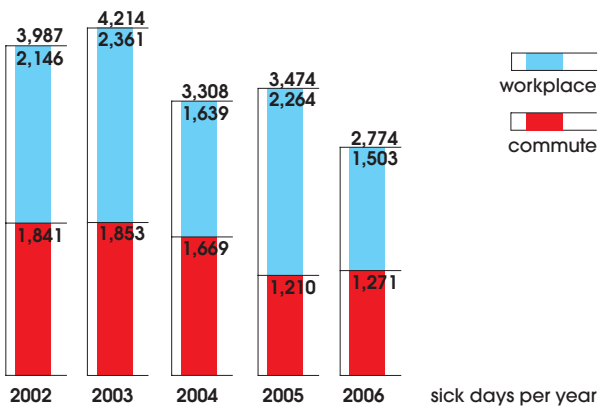
All in all, we are striving for average penetration of 75 percent on the executive floor. A scientific evaluation of the project is planned.



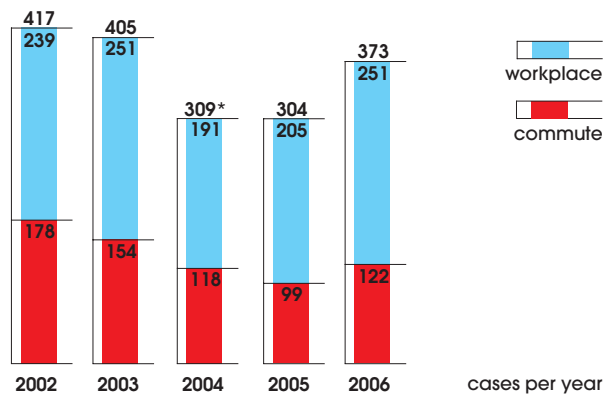


Accident statistics

The accident statistics on this page refer to Otto Group employees in Hamburg, as well as OTTO and Hermes Warehousing Solutions employees throughout Germany.



Accident statistics for the past 5 years



Accident statistics for the past 5 years  
\*figures adjusted after Facts (&) Figures were published for 2004/05

<b>Participants in aktiv.net classes/activities</b>	2003	2004	2005	2006
Driver safety training	265	152	93	55
Health check-up	not offered	80	340	300
'Health Days'	500	200	not offered	not offered
Trainings in all:				
Number	27	13	33	25
Participants	96	200	375	315

<b>Preventive measures</b>	2003	2004	2005	2006
Flu shots	850	812	646	726
Screenings	colon cancer screening	melanoma screening	cataract screening	stroke prevention
(participants)	1078	480	794	668
First Aid training (participants)	68	73	85	94

<b>Counselling</b>	2003	2004	2005	2006
No. of employees counselled	1,399	1,192	1,189	1,196
Total number of individual counselling sessions	1,565	1,343	1,406	1,265
By specific issue:				
Debt	655	582	627	501
Illness	332	370	348	376
Workplace	281	157	226	221
Employee management (new descriptor: executives)	151	126	102	74
Addiction	58	46	38	44
Family	88	61	63	49

<b>aktiv.net activities</b>	2004	2005	2006
aktiv. center (in-house fitness studio)	500	560	524
Ergonomics consultation	112	81	105
Driver safety training	152	93	55
Fire-fighting drills	264	none	94
Fit at work	47	none	60
Classes on improving health	200	150	none
Mobile Massage	45	25	none
Smoke-free promotion	140	none	10
Seminar on 'The Autumn Years at Work'	40	45	50
Seminar on 'Alcohol at the Workplace'	none	42*	12
aktiv.sport (company sports)		1600*	1600
Total	2,865	3,327	3,330

\*) new/listed for the first time

## Reporting under GRI (G3)

The sustainability reporting is based on OTTO's many years of practical experience in the field of sustainability communications, as well as ongoing intensive communications with stakeholders on the individual subject areas. Wherever it is possible and makes sense, the content takes its cue from the reporting elements set up by the Global Reporting Initiative (GRI G3). The following table provides an overview of where information about the company and the various performance indicators can be found. The long version of the GRI reporting elements may be viewed at [www.globalreporting.org](http://www.globalreporting.org).

Schlange & Co GmbH, a Hamburg-based consulting firm, has reviewed the present report and confirms that it meets the requirements of GRI Application Level 'B+'.

### Key

- \* see explanatory remarks on p. 47, at the end of the GRI tables
- F&F Facts (&) Figures for the 2006/07 Financial Year (present publication)
- AR Otto Group Annual Report 2006/07
- n.r. not relevant

The page numbers given in the cross-reference column refer to OTTO's sustainability report, the 'Corporate Responsibility Report 2007'.



### Application Level Table

Standard Disclosures	Report Application Level	C	C+	B	B+	A	A+
	G3 Profile Disclosure Output	Report on: 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach, Disclosures Output	Not Required		Management Approach for each Indicator Category		Management Approach for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators Output	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility		Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

## GRI Reporting Elements

Profile information		
No.	Profile	Reference
Strategy and Analysis		
1.1	Statement about the relevance of sustainability	1, 4-5
1.2	Description of key impacts, risks and opportunities	6-8, 59-62
Organisational profile		
2.1	Name	1
2.2	Primary brands, products and services	9, F&F, AR
2.3	Operational structure	9-10, 58
2.4	Location of headquarters	11
2.5	Countries where we operate	F&F, AR
2.6	Nature of ownership and legal form	9-11, AR, *
2.7	Markets served	AR
2.8	Company profile/Scale of the organisation	11, F&F, AR
2.9	Significant changes during 2006/07 (regarding size, structure and ownership)	1, 10
2.10	Awards received	inside front flap, 16, 54
Report parameters		
3.1	Reporting period	11
3.2	Date of most recent previous report	11
3.3	Reporting cycle	10
3.4	Contact point	outside back flap, F&F
3.5	Process for defining report content	11, F&F
3.6	Boundary of the report	11, F&F
3.7	Limitations on the scope/boundary	10-11, F&F
3.8	Basis for reporting on joint ventures and holdings	10-11, F&F
3.9	Data measurement techniques and bases for calculation	F&F
3.10	Effects of any re-statements of information provided in earlier reports	10-11

No.	Profile	Reference
3.11	Significant changes from previous reporting periods	10
3.12	GRI Content Index	F&F
3.13	External assurance of the report	*
<b>Governance, Commitments and Engagement</b>		
4.1	Governance structure	10, 58, AR
4.2	Independence of the Chairman & CEO	AR
4.3	Number of independent members of the highest governance body	AR
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	F&F, AR
4.5	Linkage between compensation of the executive board and the organisation's performance	*
4.6	Mechanisms for avoiding conflicts of interest on the board	59, *
4.7	Sustainability qualifications and expertise of the executive board	1, 4-9
4.8	Statements of sustainability-related missions or values, internal code of conduct and principles	inside back flap, 6-9, 37, F&F
4.9	Overseeing of sustainability efforts by the executive board	56-58, F&F
4.10	Processes for evaluating the executive board's own performance, particularly with respect to economic, environmental, and social performance	56-58
4.11	Explanation of whether and how the precautionary approach or principle is addressed	59-62, inside back flap
4.12	Support for external economic, ecological and social activities	inside front flap, 35, 37, 59, 63-64
4.13	Memberships in associations and advocacy organisations	inside front flap, 30, 34-35, 63-64
4.14	List of stakeholder groups engaged by the company	63-64
4.15	Basis for identification and selection of stakeholders	63-64
4.16	Approaches to stakeholder engagement	63-64, F&F
4.17	Key topics/concerns raised through stakeholder engagement	63-64

<b>GRI Economic Performance Indicators</b>		
No.	Indicator	Reference
<b>Management approach</b>		6-8, AR
EC 1	Direct economic value generated and distributed	F&F, AR, *
EC 2	Implications of climate change for the organisation	8, 44-47
EC 3	Defined benefit plan obligations	F&F, AR
EC 4	Significant financial assistance received from government	
EC 5	Ratio of standard entry level wage to local minimum wage	37
EC 6	Policy, practices and proportional spending on locally based suppliers	*
EC 7	Procedures for local hiring	n.r.
EC 8	Development and impact of infrastructure investments	52-55
EC 9	Type and scope of indirect economic repercussions	

GRI Environment Performance Indicators		
No.	Indicator	Reference
<b>Management approach</b>		48, 46, 49, 57-58, 61, inside back flap, F&F
EN 1	Materials used by weight or volume	46-48, F&F, *
EN 2	Percentage of recycled materials in total material used	46-48, F&F
EN 3	Direct energy consumption	F&F
EN 4	Indirect energy consumption	F&F
EN 5	Energy saved due to conservation and efficiency improvements	F&F
EN 6	Energy efficient products and services	19-21, F&F
EN 7	Reduction of indirect energy consumption	46, 57-58
EN 8	Total water withdrawal by source	F&F
EN 9	Water sources significantly affected by withdrawal of water	F&F
EN 10	Recovered water and reused water	n.r.
EN 11	Properties in protected areas or in areas with high biodiversity	n.r.
EN 12	Impact of the business activities on high-biodiversity areas	n.r.
EN 13	Protected or rehabilitated natural habitats	n.r.
EN 14	Strategies (current and future) for managing the repercussions for biodiversity	n.r.
EN 15	Endangered species in areas affected by operations	n.r.
EN 16	Direct and indirect greenhouse gas emissions	F&F
EN 17	Other relevant greenhouse gas emissions	F&F
EN 18	Initiatives to reduce greenhouse gases and reductions achieved	outside front flap, 44, 46-47, F&F
EN 19	Emissions of ozone-depleting substances	F&F

EN 20	NOx, SOx and other significant air emissions	n.r.
EN 21	Total water discharge	F&F
EN 22	Total weight of waste by type and disposal method	48, F&F
EN 23	Total number and volume of significant spills	F&F
EN 24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	F&F
EN 25	Water bodies significantly affected by discharges of water and runoff	F&F
EN 26	Initiatives to mitigate environmental impacts of products and services	inside back flap, 19-21, 44, F&F
EN 27	Percentage of products sold and their packaging materials that are reclaimed by category.	46, F&F
EN 28	Significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	*
EN 29	Environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	44-46, F&F
EN 30	Total environmental protection expenditures and investments by type	F&F

GRI Human Rights Performance Indicators		
No.	Indicator	Reference
<b>Management approach</b>		9, 34-39
HR 1	Investment agreements that include human rights clauses or have undergone human rights screening	34-36
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	34-35, F&F
HR 3	Employee training in the field of human rights	38, F&F
HR 4	Incidents of discrimination and measures taken	34-39, F&F
HR 5	Operations in which the right to freedom of association and collective bargaining may be at risk, and actions taken to support these rights	34-39, F&F
HR 6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	34-39, F&F
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	34-39, F&F
HR 8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	*
HR 9	Incidents of violations involving rights of indigenous people and actions taken	*

GRI Labour Practices & Decent Work Performance Indicators		
No.	Indicator	Reference
<b>Management approach</b>		8, 22-31, AR, F&F
LA 1	Total workforce by employment type, employment contract, and region	11, F&F
LA 2	Number and rate of employee turnover	31, F&F
LA 3	Benefits provided only to full-time employees	24
LA 4	Percentage of employees covered by collective bargaining agreements	28, F&F
LA 5	Minimum notice period(s) regarding significant operational changes	*
LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	30-31, F&F
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	F&F
LA 8	Education, training, counselling, prevention, and risk-control programs to assist workforce members, their families, or community members regarding serious diseases	30-31, F&F
LA 9	Occupational health and safety agreements with unions	30, *
LA 10	Training and education measures	24, F&F
LA 11	Programs for skills management and lifelong learning that support the continued employability of employees	24, 25
LA 12	Percentage of employees receiving regular performance and career development reviews	25
LA 13	Diversity of employees and governance bodies	27-28, F&F
LA 14	Ratio of basic salary of men to women by employee category	*

**GRI Product Responsibility Performance Indicators**

No.	Indicator	Reference
<b>Management approach</b>		6, 14-21, F&F
PR 1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement	inside back flap, 17-21, F&F
PR 2	Non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	*
PR 3	Type of product and service information required by procedures	inside back flap, 19-21, F&F
PR 4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	*
PR 5	Customer satisfaction	17, 20
PR 6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	
PR 7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	*
PR 8	Privacy protection complaints	17
PR 9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products	*

**GRI Social Performance Indicators**

No.	Indicator	Reference
<b>Management approach</b>		37, 50-55, 59, F&F
SO 1	Programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	
SO 2	Business units analysed for risks related to corruption	59, *
SO 3	Employees trained in anti-corruption policies and procedures	*
SO 4	Actions taken in response to incidents of corruption	34, 59
SO 5	Public policy positions, participation in public policy development and lobbying	47, 63
SO 6	Financial and in-kind contributions to political parties, politicians, and related institutions	*
SO 7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	*
SO 8	Significant fines for non-compliance with laws and regulations	*

**Explanatory remarks on the GRI Reporting Elements**

- 2.6 Otto (GmbH & Co KG) is 75 percent owned by the Otto family. 25 percent is owned by E. Brost & J. Funke GmbH and Co. KG.
- 3.13 Due to the restructuring of the data basis, an external verification is not planned at this time.
- 4.5 During the reporting period, management pay at Otto (GmbH & Co KG) totalled 8,096 TEUR, of which 3,200 TEUR was fixed components and 4,896 TEUR were variable components. The variable components reflect individual performance as well as the overall performance of the company. Conformity with corporate values and guidelines such as the Code of Conduct plays an important role when determining individual salary components.
- 4.6 These mechanisms are described in the internal rules and regulations.
- EC1 OTTO annually donates a figure in the seven-digit range to charitable organisations.
- EC6 This indicator is of only very limited relevance for OTTO, as the company has no production sites of its own.
- EN1 A mail-order retailer primarily uses catalogue papers, packaging and office materials.
- EN28 No relevant incidents during the reporting period.
- HR8 OTTO does not itself employ any security personnel in the at-risk countries.
- HR9 No such risk exists based on the company's operations.
- LA5 Covered by the Works Council Constitution Act in Germany, therefore applies for all employees.
- LA9 The aktiv.net department works closely with the works council and the trade associations in various committees.
- LA14 There are no significant differences attributable to gender-specific characteristics.
- PR2 No relevant incidents during the reporting period.
- PR4 No relevant incidents during the reporting period.
- PR7 No relevant incidents during the reporting period.
- PR9 No relevant incidents during the reporting period.
- SO2 Group Auditing monitors compliance with the Anti-Corruption Directive on an ongoing basis.
- SO3 Employees are familiarised with anti-corruption measures by their supervisors and through the in-house media.
- SO6 The individual company Otto does not make donations to political parties.
- SO7 Compliance with antitrust rules is a top priority for OTTO. In 2006, there were no relevant incidents caused by OTTO.
- SO8 Compliance with laws is a top priority for OTTO. In 2006, there were no relevant incidents caused by OTTO.

Global Compact Communication on Progress

OTTO has been a member of the UN Global Compact since 2002 and will continue to support the compact in the implementation of its goals. Among other things, this report points up how OTTO puts into practice the Global Compact's ten principles, and thereby serves as a 'Communication on Progress' in accordance with the statutes of the Global Compact. The following table contains references to the relevant page numbers.

Global Compact Principles		Reference
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	19-21, 27-31, 34-41, 63-64, F&F, *
Principle 2	make sure that they are not complicit in human rights abuses.	34-41, 63-64, F&F, *
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	28, 34-39, F&F, *
Principle 4	the elimination of all forms of forced and compulsory labour;	34-39, F&F
Principle 5	the effective abolition of child labour; and	34-39, F&F
Principle 6	the elimination of discrimination in respect of employment and occupation.	27-28, 31, 34-39, F&F, *
Principle 7	Businesses should support a precautionary approach to environmental challenges;	flap, 8, 19-21, 40-49, 57-58, 63-64, F&F
Principle 8	undertake initiatives to promote greater environmental responsibility; and	19-21, 40-49, 63-64, F&F
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	19-21, 44-46, 48-49, 63-64, F&F
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	34, 37, 59, *

Legal Notice

Publisher

Otto (GmbH & Co KG)  
Dr. Johannes Merck  
Director Corporate Responsibility  
Wandsbeker Straße 3-7  
22172 Hamburg  
Germany  
[www.otto.com/sustainability](http://www.otto.com/sustainability)

Contact

Otto (GmbH & Co KG)  
Andreas Streubig  
Environmental and Social Policy Manager  
Wandsbeker Straße 3-7  
22172 Hamburg  
Germany  
Phone: +49 (0) 40 64 61- 70 70  
Fax: +49 (0) 40 64 61- 71 98  
E-mail: [andreas.streubig@ottogroup.com](mailto:andreas.streubig@ottogroup.com)

Art Director

Matthias Welker  
Claim GmbH, Hamburg  
[www.claim.de](http://www.claim.de)

English Translation

Larissa Stillman Wagner  
Wagner Translations Ltd.  
[www.wagner-translations.com](http://www.wagner-translations.com)

