

United Nations Global Compact

Communication on Progress 2010

FOREWORD BY THE CHAIRMAN OF THE EXECUTIVE BOARD



Dear Readers,

the Otto Group has been a member of the United Nations Global Compact since March 2002, and as a group of companies acts in accordance with the ten principles of the Compact. In my role as Chairman of the Otto Group Executive Board I would like to expressly restate and renew our company's commitment to the Global Compact. Adherence to human rights, humane social standards, environmental and climate protection as well as corporate action in accordance with ethical principles has the highest priority for us.

To express this commitment and to show how we live our Corporate Responsibility (CR), we have decided that in addition to our many initiatives on the individual company level, each member of the Group Executive Board is to assume personal responsibility for one CR area of action. In this way we intend to dynamise and personally drive the uncompromising realization of each CR goal. In addition, we have anchored 'Responsibility towards People and Nature' in the new Otto Group Vision, so that we can consolidate and build the Group's leading role among responsibly governed companies. In addition to our Sustainability Report, which we publish every two years, with our 'Communication on Progress 2010' we aim to inform you about the sustainable progress in the Otto Group in the preceding financial year 2009/10.

I hope you will find this report interesting, and look forward to a constructive exchange with you!

On behalf of the Executive Board,
Yours faithfully,

Hans-Otto Schrader
Chairman of the Otto Group Executive Board

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

By joining the Global Compact, a participating company explicitly commits to realizing the ten Global Compact Principles as a catalogue of core values within its own sphere of influence. The ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the Principles of the Rio Declaration on Environment and Development.

Human Rights	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
Labour Standards	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	
Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

PORTRAIT OF THE OTTO GROUP

Founded in 1949 in Germany, the Otto Group is a global trading and services group with 47,952 employees. The Group is present in 20 countries in Europe, North America and Asia with 123 main companies. Its business activities extend over three segments: Multichannel Retail, Financial Services and Services. In the 2009/10 financial year (to February 28th 2010), the Group's turnover was 10,132 million euros. It is the world's largest online retailer of fashion and lifestyle products, second behind Amazon overall and the undisputed number one in Germany. Catalogue, e-commerce and over-the-counter retail make up the three distribution channels within Multichannel Retail in the Otto Group. The Group's worldwide activities and a large number of strategic partnerships and joint ventures provide excellent opportunities for knowledge transfer and the use of synergy potential. Group companies enjoy a high degree of independence, guaranteeing flexibility and customer focus as well as the optimum targeting of customer groups in each country.

For further information about the Otto Group's business development, please see the Annual Report 2009/10, available at: http://www.ottogroup.com/eannual10_en

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Reporting period for 'Communication on Progress 2010': March 1st 2009 to February 28th 2010.

MEASURES TAKEN IN THE REPORTING PERIOD

The Otto Group has anchored a clear commitment to 'Responsibility towards People and Nature' as an important element of its new Vision. So that sustainable actions are integrated progressively into the core processes of all Group companies, we harmonize economic targets with social and environmental goals. Sustainability-orientated activities are summarized in five CR areas of action: 'Climate and Environment', 'Social Responsibility in the Supply Chain', 'Employees', 'Products and Customers' and 'Society'. In each of these areas, our Group of companies intends to continue to deliver substantial CR performance. To achieve this, the Otto Group has fixed binding and measurable targets for ten of the larger Group companies as part of its new CR Strategy.

On the following pages you will see what measures the Otto Group took in the 2009/10 financial year and what progress it made towards the realization of its strategic goals in the relevant CR areas of action.

HUMAN RIGHTS

Principle 1 · Principle 2

Internal Systems and Standards

- Otto Group Vision
- Code of Conduct
- Group Data-Protection Directive
- Group IT Security Directive

Effective Lever for Human Rights

Adherence to human rights is the subject of fundamental strategic and operational programmes within the Otto Group. The Group pays particular attention to the realization of social standards in sourcing countries through its extensive Social Programme. It is based on our Code of Conduct, an integral part of supplier agreements at OTTO since 1997 and which now applies to all Otto Group companies and trading partners.

Our Code of Conduct requires all Group business partners to adhere to specific social standards in their production processes; it also commits them to ensuring that their sub-contractors' working conditions conform to the requirements of the Code. Our required standards are in line with the guidelines laid down by the International Labour Organization (ILO), as well as with the UN Convention on the Rights of the Child and on the removal of all forms of discrimination against women. These standards also follow the guidelines of the Business Social Compliance Initiative (BSCI) and the OECD Guidelines for Multinational Enterprises. As a Group we tolerate neither child labour nor forced labour, nor working weeks longer than six days. Wages must not fall below local statutory and convened minimum levels. In addition, trading partners must uphold workers' right to freedom of association and ensure environmental, health and safety protection in the working environment. Other standard requirements are anti-corruption measures and the optimization of management processes.

As of March 2009, our Code of Conduct also applies to suppliers of non-merchandising goods. For this, the section on Anti-Corruption was expanded significantly and some overall changes were made.

The implementation of these required standards is carried out and monitored through independent, external audits as part of the Otto Group Social Programme, for example by the TÜV (German Technical Inspection Association), as well as intensive training and qualification measures for suppliers. In addition, the Otto Group supports its suppliers locally with 18 Social Officers in creating and maintaining effective Social Management Systems in their companies.

Since introducing its Social Program, the Otto Group has achieved significant progress in those risk markets that were newly defined within the Communication on Progress reporting period, i.e. Egypt, Brazil, Bulgaria, Israel, Morocco and Romania. As part of the Group's Market Development Programme, all markets nominated Social Officers. Additionally, in Egypt, Morocco, Bulgaria and Romania we already carried out training courses on Pre-Scans (preliminary internal checks) and on our Social Program. The first Pre-Scans already took place at relevant production facilities in Egypt and Morocco, while Bulgaria also underwent its first audits.

More Transparency through a Group-wide Social Database

As part of the Otto Group's Social Management, our Social Officers meet with the Social Compliance Team on an annual basis. This year's meeting took place on July 13th and 14th 2010 in Hong Kong. The central topic was the re-launch of the Social Database, which can be accessed by the entire Group. With its new functions this creates considerably more transparency on suppliers' social performance by giving access to detailed data on individual production facilities - for example, audit results and information on Pre-Scans and Follow-Up audits. Through the automatic calculation of Action Indicators, the Database also functions as an early warning system for necessary measures to maintain social standards. Following an initial test of the new Database by the Social Officers, we are now introducing Group Coordinators and Buyers to the new functions step-by-step, supported by a clear Handbook.

Training and Awareness for Responsible Procurement

In the preceding financial year 2009/10, the Otto Group began the implementation of a training concept that includes all employees. It applies particularly to employees in Group companies' Purchasing departments, as well as staff in Purchasing organizations. The first phase began at the single company OTTO in November 2009, with training for its Buyers in the Hard Goods area. Furthermore, scheduled to match visits by Mrs. Maren Böhm, Otto Group CR Manager for Purchasing Markets, training took place for office staff in the Otto Group's Purchasing departments. This was of particular interest for Merchandisers, the local buyers in the purchasing markets.

To raise staff awareness, in autumn 2009 the Otto Group published a three-part series of intranet articles on the practical realization of the Group-wide Code of Conduct in everyday work.

Cooperation for a Sustainable Supply Chain

In the financial year 2009/10, the Otto Group again participated intensively in the work of the BSCI (Business Social Compliance Initiative), an association of more than 500 trading and manufacturing companies that have agreed to implement binding social standards at their suppliers. With the participation of Dr. Johannes Merck, the Otto Group's Corporate Responsibility Director, the Steering Committee of the Initiative carried out a review of its own governance structures. The Committee works to ensure that after the BSCI's strong growth phase, the Initiative continues to be run efficiently and sustainably.

The Otto Group also participates in the multi-stakeholder initiative Social Accountability International (SAI), an organization promoting humane working and living standards worldwide. SAI's goal is to provide companies with tools for the systematic and independent development of sustainable supply-chain management. The working focus of the initiative was primarily on the further development of methods for measuring and comparing the sustainability performance of suppliers. The Otto Group was an active participant on the SAI Advisory Board.

Regional Projects in Social Management

In November 2009 in Bangladesh the Otto Group and Grameen together founded a joint venture for the creation of the Grameen Otto Textile Company – the world's first Type II Social Business. In contrast to a Type I Social Business, this enterprise is also designed to make a profit. These funds will be managed through a foundation, the Grameen Otto Trust, and will be used solely to improve the living conditions of the employees, their families and supported communities. Investors will not receive any dividends. The goal of this cooperation project is to give employees and the local population the opportunity to free themselves from poverty. A 'production facility of the future' is to be set up in the capital, Dhaka. As a first step, around 500 people are to be employed there under good social conditions.

The Otto Group is to grant an interest-free loan for the construction and operation of the production facility to cover the investment costs. The loan will be repaid over a period of 10 to 15 years from the profits of the Grameen Otto Textile Company.

GRI Indicators

EC5, LA4, LA6-9, LA13-14, HR1-9, SO5, PR1-2, PR8

LABOUR STANDARDS

[Principle 3](#) · [Principle 4](#) · [Principle 5](#) · [Principle 6](#)

Internal Systems and Standards

- Code of Conduct
- E-Learning Tool on Anti-Discrimination
- Group Agreement to Promote Diversity and Protect from Discrimination

Socially Acceptable Restructuring in Warehouse Logistics

The Otto Group is one of the world's largest online retailers of fashion and lifestyle products. Worldwide it is number two, after Amazon; in Germany, it is the undisputed number one. Continual increases in efficiency in the value chain as well as pioneering developments in warehouse logistics ensure that we will continue to meet the requirements of international markets in future. The related restructuring measures were developed and agreed jointly by the Otto Group Management Board and Works Council along with the trade union ver.di, under the banner of New Market-Orientated Warehouse Logistics. The agreed package of measures serves as a reconciliation of interests between Group management and the Works Council and details a Group-wide social plan for affected employees. It also includes an addition to the retail wage settlement for logistics staff.

In Germany, this restructuring affected around 750 jobs. Besides relocations, the bottom line was a maximum reduction of 410 of the existing 8,250 workplaces in the logistics network. The Otto Group offered affected employees numerous options as part of the Social Plan: these ranged from placement on internal and external labour markets, through integration support for relocations, to severance pay. Thanks to this comprehensive plan the Otto Group avoided redundancies exclusively triggered by prevailing economic conditions, and was thereby able to forego the creation of a transfer company.

Future-Orientated HR Development

Equality and equal opportunities have had high priority at the Otto Group long before the Equal Opportunities Act (AGG) came into force in Germany in November 2006. This is true for both the training offered and the filling of leadership positions within Group companies. As a matter of principle, both male and female employees receive the same training courses as part of the Otto Group's Leadership Programme. Additional specific training is offered to women in leadership positions.

However, the main focus of the Otto Group's training measures in the financial year 2009/10 was on e-commerce. On specialised training courses every employee got to know their own individual capacity for innovation, as well as the whole potential of the Otto Group, so as to develop a well-

founded understanding of electronic commerce and its realization on the highest level. It was also intended to transmit as a personal experience the passion with which the Otto Group runs its most important business segment: Multichannel Retail.

The effective preparation of young employees for the general requirements of the modern working world is another component of our Group-wide HR Policy. Besides issues relating to work itself, health and work-life balance form further learning topics for Otto Group trainees.

Best Employer in the Fashion Industry

The Otto Group's strengths are its employees. This insight is reflected in the Group's innovative HR development, whose performance is well recognized both within the sector and beyond. For example, in October 2009 the Otto Group was selected as 'Top Employer in the Fashion Industry 2009' in an online poll by the trade magazine 'Textilwirtschaft'. Around 900 graduates, young professionals and job-seekers in the fashion sector took part in this survey. With 75 percent of respondents' agreement, the Otto Group received well above-average scores in categories such as 'Good Promotion / Career and Development Prospects'. This, as well as other positive assessments, led to the Group winning first place overall.

The Hamburg School Model is a Nationwide Pioneer

At its head office in Hamburg the Otto Group is engaged in numerous social activities and projects, including the 'Hamburg School Model', initiated by the Chairman of the Supervisory Board, Dr. Michael Otto. This project, which is run together with the Hamburg Senate and the Department of Employment, serves the integration of school leavers with a high-school diploma into vocational training. In 2009, 91 schools in Hamburg and 75 companies took part with great success. The ratio of successful participants accepted on unsponsored traineeships straight after school has tripled. By the end of 2009, 18 German regions had adopted this multi-award-winning model, which is now set for further expansion.

The Michael Otto Foundation's Commitment to Education

The Michael Otto Foundation for Environmental Protection has been committed for years to future-orientated perspectives in environmental protection and sustainable development. Particular emphasis of the Foundation's work is the protection of rivers, lakes and streams. Besides supporting environmental projects and facilitating dialogue on current environment policy topics, the commitment to education underpins one of the Foundation's main activities.

In 2010 it launched its own education offer with 'AQUA AGENTS': this is intended to get primary school pupils in Hamburg enthusiastic about water as a resource. In a topical workshop, children research water as an element in all its aspects and learn to develop their own solutions to related

problems. Afterwards, they have the opportunity to actively use their new knowledge in learning experiences outside school, e.g. in waterworks, harbours, sewage treatment plants or waterways, and to develop their own ideas for projects on the protection of water as a resource. AQUA AGENTS is harmonized with Hamburg's education policy and is supported by the Hamburg Education Authority. Many actors from industry, education, science and environmental protection support the AQUA AGENTS as cooperation partners. The German UNESCO Commission has already selected the project as an Official Project of the UN Decade of Education for Sustainable Development. There is extensive information on AQUA AGENTS at www.aqua-agenten.de (German only).

'Future through Education' Project

Education is not merely a human right. It also helps in overcoming inhumane living and working conditions. This is the fundamental insight of the 'Future through Education' project on which the Otto Group has been working since March 2008, together with the children's organization 'Terre des Hommes' and local agents in the Indian capital New Delhi, as well as the Indian state of Bihar. The joint goal is to support former child labourers in taking charge of their own lives.

By the end of February 2010 the project achieved considerable successes in Delhi. All sections of the project programme are now up to full strength, with a total of 300 former child labourers and schoolchildren in twelve educational establishments supported while attending school. 200 children between the ages of ten and fourteen also meet in four children's clubs. In three centres for young women, another 75 girls are receiving vocational training as seamstresses.

There has also been significant progress in Bihar: the project opened 28 evening schools which give 700 children the opportunity to catch up on their learning and therefore enable them to continue with regular schooling. 80 girls and 80 boys also receive vocational training. One particular aspect of this project is the 28 self-help groups for teenagers and mothers of child labourers: these enable participants to found small businesses and receive micro-loans. Successes so far: by February 2010, around 80 percent of children affected within the project area were being schooled. 140 successfully moved from evening school to regular school in the course of 2009, and around 100 youths completed various vocational training courses.

The Otto Group's Indian project partners, 'Ankur Society for Alternatives in Education' and 'The Charitable Association for Rural Education and Development' also support state schools with teacher-training and management courses. Another success can be reported for 2009, as both organizations were officially tasked by the Indian authorities with improving the local school system in the region.

GRI Indicators

EC7, LA2, LA4-5, LA13, HR1-7, SO5

ENVIRONMENT

[Principle 7](#) · [Principle 8](#) · [Principle 9](#)

Internal Systems and Standards

- Code of Conduct
- Group Guideline Risk and Crisis Management
- Environmental Management System under DIN EN ISO 14001
- Climate Protection Strategy

A Long Tradition of Systematic Environmental Protection

Environmental protection became a company goal at the single company OTTO as early as 1986. Today, the self-image of the entire Otto Group is characterized by responsibility for the environment. The Otto Group pursues the goal of continuously improving location-based environmental protection and implementing ambitious climate-protection targets.

As the first trading company in the world, OTTO received its DIN EN ISO 14001 certification for Environmental Management Systems (EMS) in 1997 and has since undergone regular audit and certification processes. The Group companies Baur, Hermes Logistics Group Germany and Hermes Fulfilment, as well as the Unito logistics facility in Bergheim, also have certified Environmental Management Systems. Other companies such as Heine also design their EMS in accordance with the ISO Standard without undergoing regular external certification. However, the planned expansion of the ISO 14001 certification to the Group companies Schwab and SportScheck could not be implemented due to a changed focus in the preceding financial year in both companies.

Beyond location-based environmental protection, climate protection and the conservation of species continues to require far-reaching strategic solutions as well as innovative steering tools and marketing concepts. The Otto Group is meeting these sustainable development challenges with numerous initiatives and Group-wide projects.

Setting Ambitious Climate Protection Targets

The Otto Group's Climate Protection Strategy requires all companies with at least 50 million euros in annual turnover and in which the Otto Group has a (direct or indirect) majority of voting rights, to halve their transport, mobility and facility-related CO₂ emissions by 2020. The basis for calculations are these companies' CO₂ emissions in the financial year 2006/7. International Otto Group companies use the CO₂ emissions from the financial year 2008/9 as the basis. Following the start with an initial 18 German Group companies in 2008, in the financial year 2010/11 a total of 42 Otto Group companies from ten European countries as well as the USA and Japan will be integrated in the Climate Protection Strategy.

Reducing CO₂ Through Increasing Efficiency

Of great importance in the implementation of the Otto Group's ambitious climate protection targets is Purchasing. The largest potential for CO₂ reduction is the minimization of the proportion of air freight. By the year 2012/13, OTTO, bonprix and Witt Weiden intend to save a total of around 20 percent of their CO₂ emissions per tonne of imported goods.

Significant reductions can also be achieved in Distribution. For example, Hermes managed to reduce its emissions resulting from goods distribution by 10 percent in the financial year 2009/10. Another two percentage points per year will follow up to 2020. The Hermes Logistics Group Germany is therefore continuously modernizing its distribution fleet: 99 percent of its own fleet already meet the EURO 4 or 5 emissions standard, which also stipulates that vehicles should not be older than 18 months on average. In addition, the company uses 165 vehicles with the Eco Stop mechanism, as well as 20 natural gas vehicles. At its Berlin location Hermes has been testing two fuel cell-powered cars since 2004 in one of the world's largest hydrogen demonstration projects, run by the Clean Energy Partnership (CEP).

The Otto Group is making another contribution to emissions reduction through its Company Car Policy, which came into force on January 1st 2010. The goal is to achieve a progressive reduction in maximum emissions for new company vehicles; to this end, the limit was initially fixed at 200g CO₂/km. The Policy will be revised every two years and maximum emissions limits lowered as applicable.

Climate Protection through Renewable Energy Sources

For the Otto Group the use of renewable energy sources plays an important role in climate protection. For example, the logistics facility in Ohrdruf brought a photovoltaic generation system into operation in the first half of 2010. With peak output of 1 MW the system produces enough electricity to supply 300 average households. Hermes and Witt Weiden focus more on renewable fuels to achieve their climate protection targets: both companies have installed wood-chip fired heating systems. CO₂ emissions can be reduced to a fifth this way, compared to using natural gas as fuel. The SportScheck facility in Unterhaching uses geothermal energy to reduce its CO₂ emissions by 30 percent, a substantial contribution to climate protection.

Controlling and Management within the Group-wide Climate Protection Strategy

Further Otto Group companies will be successively included in the systematic controlling and management of the measures for the implementation of quantitative sustainability targets. To manage processes efficiently across companies, the Otto Group decided in 2009 to introduce a CR Database. The implementation of this cross-company management and controlling tool was

launched during the first half of 2010 for the CR action areas of 'Assortment and Customers', 'Climate and Environmental' and 'Employees'. The CR Database is currently in its initial test phase. The Group-wide Social Database continues to be the relevant management tool for all supplier-related data.

Climate Protection and Conservation of Biodiversity

As climate protection and maintaining biodiversity are closely linked, the Otto Group also considers their positive impact on biodiversity in its choice of CO₂ compensation projects. The more global warming accelerates and endangers natural habitats, the more important the conservation of the diversity of animal and plant species becomes. In the face of the massive extinction of species that has already started, as an international trading entity the Group recognizes the conservation of biodiversity as one of the most urgent tasks of this century.

The Otto Group has identified four areas of action in which it can contribute effectively to conserving biodiversity. Through the use of paper for advertising materials, wood for furniture and the cultivation of cotton for textiles, our Group has an influence on the natural habitats of many endangered species. In all three areas, we have been actively engaged for many years in conserving biodiversity. Another lever in this effort is networking politics and industry: to promote this, the Otto Group participates in a cross-company organisation, the 'Business and Biodiversity Initiative'.

Stimuli for the Conservation of Biodiversity

As a founding member of the Business and Biodiversity Initiative, the Otto Group is committed to giving the conservation of biodiversity a special significance in its corporate governance. The Initiative was founded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and coordinated by the German Society for Technical Cooperation (GTZ); together with other leading German companies the Otto Group signed the Leadership Declaration of the Initiative in spring 2008. Within this framework, companies are required to analyze the material effects of their business activities on biodiversity, integrate meaningful indicators into their own Environmental Management Systems and determine measurable and realistic targets for the protection of biodiversity. The first results and successes will be presented in October 2010 at the Biodiversity Conference COP 10 in Nagoya, Japan.

In February 2010, the Business and Biodiversity Initiative's travelling exhibition arrived at the Otto Group's head office in Hamburg. This raised employees' and business partners' awareness of the issue of biodiversity and provided them with information on the Otto Group's opportunities for influence as a globally active trading company. Furthermore, the Otto Group delivered best-

practice examples for the first edition of the Business and Biodiversity Initiative Handbook, which is intended to guide other companies in taking account of biodiversity in their business activities.

Research and Dialogue on Biodiversity

Apart from climate change, the loss of biodiversity is one of the main challenges of the 21st century. The General Assembly of the United Nations Organization therefore declared 2010 as the International Year of Biodiversity. In the series of 'Hamburg Forum on Nature Conservation' discussions held by the Michael Otto Foundation, this topic was high on the agenda during 2008 and 2009. Together with well-known experts from politics, science and trade unions, possible solutions were developed and debated. Thereafter, the Foundation developed its own position on the maintenance of biodiversity in rural areas. As part of this work, the 'Technical Evaluation of the Level of Compensation Payments for Commercial, Organically Orientated Agriculture in Germany', with which Professor Ulrich Hampicke had been tasked, was completed in June 2009.

In its position paper on 'Biodiversity in Germany's Agricultural Spaces', in order to protect biodiversity in Germany the Michael Otto Foundation formulated core demands on politics with regard to the design of the EU Agricultural Reform 2013. Both the evaluation and the position paper were discussed with a number of renowned experts during three workshops in 2009. Both papers were presented to the public at a press conference in Berlin and subsequently made available for download at www.michaelottostiftung.de.

Sustainable Forestry: Timber and Paper Consumption

The printed catalogue continues to be an essential communication medium for the Otto Group's mail-order business, while paper and wood are also needed for many other processes and products in the Group. To lessen the negative impact of timber procurement on natural biodiversity as far as possible, the Group agreed a Timber Sourcing Policy for the procurement of solid-wood furniture in 2007, as a successor to our Tropical Wood Policy. With the revised Policy the Otto Group seeks to exclude the possibility that illegal wood is procured through overexploitation or raze felling of forests in the Group's name. The Group thereby contributes to the maintenance of all forests worldwide – including boreal coniferous woodlands – as diverse habitats and the protection of endangered species. To prove the origin of the timber we source, the Otto Group accepts the Forestry Stewardship Council (FSC) and Tropical Forest Trust (TFT) certificates from its suppliers, as well as other sufficiently stringent regional certifications.

Group companies increased the proportion of FSC-certified products in their ranges during 2009. Across the Group, the number of items rose from 135 in the previous year to 200 articles. Developments at the US multichannel retailer Crate & Barrel Holdings, Inc. were highly satisfactory, as this company increased its range during the reporting period from 25 to 62 FSC-

certified products. In 2009 the Otto Group distributed and mailed paper products with a total of 155 million FSC logo prints in 13 different languages – including catalogues, letterheads, remittance slips and invoices. The Group thus has a pioneering role in the area of sustainable use of paper and FSC certified products.

So far OTTO, Baur, Schwab and bonprix have successfully undergone the FSC certification process. However, the Otto Group intends to extend FSC certification to at least one other company within the Group. In addition, delivery packaging at OTTO, Schwab and Frankonia will be changed over entirely to FSC-certified materials during 2010. The hang-tags for Ecorepublic fashion at OTTO will also be printed on paper that customers can see clearly is printed on FSC-certified card.

During the financial year 2009/10, the Otto Group delivered another substantial environmental contribution by reducing its paper consumption significantly through permanent automation and putting HR administration processes online. For example, the wage calculation via the HR portal is entirely digitalised; in addition, many management reports are made available paper-free via the leadership portal and in the SAP archive.

Active Marketing of Ethical Consumption

Otto Group companies again took a range of measures in the 2009/10 financial year to design their ranges more sustainably. The Ecorepublic themed Online Shop, accessible via the www.otto.de and www.schwab.de portals since July 2009, has its own area for sustainable products. At www.otto.de/ecorepublic and www.schwab.de/ecorepublic, customers can find FSC articles as well as other environmental products from the consumer electronics, living and textile ranges. With the Online Shop's uniform presentation and strong presence, OTTO and Schwab make it easy for their customers to buy in line with sustainable criteria. In continuation of this strategic focus OTTO has decided to include a total of 1,500 sustainable products in its range for the financial year 2011/12.

The sales figures for ecological and fair-trade products remained good despite the economic crisis in 2009, and this makes it clear that sustainable products are more than just a passing fad. Global sales of cotton items from the Aid by Trade Foundation's 'Cotton made in Africa' (CmiA) initiative also increased by more than 150 percent in 2009 compared to the previous year. The CmiA cotton cultivation regions were expanded to include Malawi and the Ivory Coast. This increased the number of producers of CmiA cotton to a total of just under 200,000 farmers, and the number of people directly involved in cultivation to 1.4 million. In 2010, Malawi and the Ivory Coast will produce a total of 36,000 tonnes of CmiA cotton on an additional CmiA cultivation area of 80,500 hectares.

The Otto Group creates the basis for the credible marketing of its products by pushing the continual expansion of its contact network between certifiers, cotton farmers, product brands and retailers in the area of sustainably produced textiles. In addition to our membership of the 'Organic Exchange' we pursue the systematic, Group-wide expansion of knowledge on different sustainable textile concepts. In addition, in the reporting period we carried out initial experiments with sustainable foreign brands made with sustainable fibres other than organic cotton, such as recycled polyester or wool from controlled organic livestock.

GRI Indicators

EC2, EN1-30, SO5, PR3-4

ANTI-CORRUPTION

Principle 10

Internal Systems and Standards

- Code of Conduct
- Group Guideline Anti-Corruption
- Group Guideline Data-Protection
- Group Guideline IT Security
- Group Guideline on Gifts from Business Contacts
- Group Guideline on Donations
- Group Guideline on Procurement of Merchandising Goods
- Group Guideline on Procurement of Non-Merchandising Goods
- Group Guideline on Risk- and Crisis Management

Anti-Corruption Rules Expanded in the Code of Conduct

In the Otto Group, anti-corruption, data protection, crisis management and donations are regulated by Group Directives. The implementation is overseen and ensured by the Group-wide Compliance Committee. This decision-making body was created at the end of 2008 and consists of the Group Management Board as well as representatives from Security, Legal, Internal Audit, Controlling and Group Human Resources.

In managing these tasks the Group-wide Anti-Corruption Guideline plays a central role. It follows the principles of the International Chamber of Commerce, requires fairness and adherence to all legal requirements from all managers and employees, and compels them to act in such a way that they do not create any personal dependence, obligation or influence. In particular they are asked to reject advantages of any kind that could result in a dependence or influence. In January 2009 the Code of Conduct for Suppliers was expanded to include its own anti-corruption section. In particular, the contact options to Internal Audit and the Ombudsman were added. Both ensure the confidential handling of corruption-related reports by employees. As part of the Otto Group's Social Programme, suppliers are required by contract to commit to the Otto Group's anti-corruption standards and to apply them equally to their own sub-suppliers. This innovation has already allowed the Otto Group to clear up a case of suspicion in one of its Purchasing markets.

To avoid compliance risks in Purchasing through long-term supplier relationships, a proportion of employees was reallocated to different product groups during the 2009/10 financial year.

Data Protection is a Central Responsibility

The protection of mail-order customer and employee data is given the highest priority in the Otto Group. Data protection and IT security are regulated Group-wide through strict guidelines and secured by means of stringent requirements on all our IT systems.

In accordance with the German Data Protection Act, an Otto Group Executive Board decision in 2009 demanded stronger independence of the Group-internal data-protection organization. Thus, responsibility for data protection and IT security was removed from operational areas and brought together in a new 'Data Protection and IT Security' organisational unit. This unit is now structurally independent within the Group and reports directly to the Group Management Board Member for Finance (CFO) and IT.

The operational implementation of recommended data protection and IT security measures is nevertheless carried out by the IT Service areas. Adherence to measures continues to be monitored by the Internal Audit department and ensured through regular follow-ups. The Data Protection and IT Security unit also represents data-protection issues and interests on the Otto Group's core Compliance team, which consists of Group Legal, Personnel and Controlling as well as Development and Corporate Audit. The new unit has a central advisory function for IT security and data protection in IT projects. In addition, it has a coordinating function for all Data Protection Officers within the Group, to represent data protection and IT security in the interest of customers as well as Corporate Governance in the Otto Group and to raise awareness of these issues across the Group. To achieve this, the unit holds regular data-protection meetings and training courses, runs a data-protection Wiki (quick reference intranet guide) and publishes contributions in the Group's 'O-Ton' employee magazine and on the intranet.

GRI Indicators

SO2-6

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