



UN Global Compact

Communication on Progress for the 2013/14 financial year

Dear Readers,

pursuing sustainable business practices is a fundamental principle of the Otto Group. It is part of our self-understanding and is consequently embedded deeply within our Group's organisational structures. As a globally active retail and services group, complex supply chains present a major challenge in this regard. This is why we have been promoting the ten principles of the UN Global Compact since 2002, wherever we can bring our influence to bear, in the areas of human rights, labour standards, environmental protection and fighting corruption. The Otto Group chose this path over 28 years ago and has unerringly followed it ever since.

In the last financial year the Otto Group developed the CR management process 'impACT'. This supports us in capturing and evaluating the environmental impacts and social risks resulting from our business activities along the whole value chain. 'impACT' provides us with an holistic view of our business, enables us to better identify interrelations and interdependencies and to take more precise measures. impACT thus opens up new opportunities in supporting the ten principles of the UN Global Compact, as we can measure and evaluate our sustainability-related activities and align our CR management correspondingly.

This UN Global Compact Communication on Progress offers information on the most recent action the Otto Group has taken and its results. Our next CR Report is scheduled for pub-

lication in July 2015; in this we will provide more detailed results of the impACT analysis. Along with our website, the CR Report makes key information available to our stakeholders.

Hamburg, September 2014
on behalf of the Otto Group Executive Board,
Yours,

Hans-Otto Schrader
Chairman of the Executive Board and Chief Executive Officer
Otto Group (CEO)



otto group

Progress made by the Otto Group in the implementation of the ten principles of the UN Global Compact in the 2013/14 financial year

Founded in Germany in 1949, today the Otto Group's companies and over 54,000 employees are present in over 20 countries in Europe, North and South America and Asia. The business activities of the globally active retail and services group comprise the three segments of Multichannel Retail, Services and Financial Services. In the 2013/14 financial year the Otto Group increased its sales by 1.8% compared

to the previous year to reach approximately 12 billion euros. The Multichannel Retail segment contributed a share of 83% to Group sales in the 2013/14 financial year. The share in sales from the Financial Services and Services sectors were 6% and 11% respectively.

Taking responsibility towards people and nature has been a guiding principle for the Otto Group in all its business activities since 1986. This self-understanding is anchored in the Group through systematic CR management and forms the basis of the CR Strategy 2020 endorsed by the Executive Board in 2012. This comprises five sub-strategies, each with a

priority objective to be achieved by 2020. Only sustainably cultivated cotton is to be used in the textile assortment of own and licenced brands, while under the Durable Goods Strategy only FSC®-certified wood types will be used in furniture. The objective of the Climate Strategy is to halve location, shipment and mobility-related CO₂ emissions, while the Paper Strategy aims to increase the share of FSC®-certified paper in catalogues and advertising materials to 50%. The Social Programme targets the complete integration of all suppliers for own and licenced brands by 2015. To secure the implementation of the CR Strategy, the CR Board headed by the Chairman of the

Executive Board was established in 2012. From the 2014/15 financial year onwards, the degree of achievement of the CR Strategy objectives will be an integral factor in the calculation of Group Executive Board Members' performance-related bonus. From the 2013/14 financial year onwards the Otto Group also publishes the most important non-financial key figures in its Annual Report.

The table below shows the systems that we have created to implement the UN Global Compact and its principles, which measures we took over the past year and what results we have achieved with these.

Principles	Systems ¹	Measures	Results ²
Human Rights and Labour			
Principle 1 Supporting human rights	<ul style="list-style-type: none"> • Otto Group Vision and mission • Code of Conduct (Merchandising Goods, and Non-Merchandising Goods and Services) • A Social Programme for checking compliance with and improving labour standards and human rights in risk countries 	<ul style="list-style-type: none"> • Execution of the modelling and management method impACT to capture and evaluate the environmental impacts and social risks caused by the business activities of the Otto Group along the value chain • Implementation of qualification measures to achieve compliance with the Code of Conduct 	<ul style="list-style-type: none"> • Training of employees active in purchasing markets in compliance with the Code of Conduct • Implementation of supplier-qualification processes for compliance with Social Programme standards
Principle 2 Exclusion of any human rights abuses	<ul style="list-style-type: none"> • Code of Conduct of the Hermes Logistik Gruppe Deutschland • A uniform Group Guideline Sustainability in Procurement 	<ul style="list-style-type: none"> • Training to create employee awareness for the implementation of the Social Programme • Roll-Out of the new Social Programme with the objective of integrating all suppliers with production facilities for own and licenced brands in risk countries and to expand qualification measures • Qualification training in factories 	<ul style="list-style-type: none"> • Transparency regarding production-facility structures and their status, compliance with social standards, fire-protection and building safety regulations and possible corrective-action plans • Roll-Out of the Social Programme launched at international Group companies

¹ For exact data on the Group companies integrated in the sub-strategies of the CR Strategy 2020, see the CR Report 2013, p. 16.

² Quantitative figures relate to the 2013/14 financial year and unless otherwise indicated refer to the 13 reporting companies: baumarkt direkt, Baur, bonprix, EOS, Frankonia, Heine, Hermes, OTTO, OTTO Office, Schwab, SportScheck, UNITO and Witt.

Principles	Systems ¹	Measures	Results ²
Human Rights and Labour			
Principle 3 Upholding freedom of association		<ul style="list-style-type: none"> Continual expansion of the effective scope of the Social Programme Start of implementation of a supply-chain database Otto Group joins the sector initiative Accord on Fire and Building Safety in Bangladesh baumarkt direkt GmbH & CO KG joins the sector initiative Business Social Compliance Initiative (BSCI) Continuous supplier audits for compliance with the standards of the Business Social Compliance Initiative (BSCI) Successive reduction of the supplier portfolio to enable more extensive qualifications of the remaining suppliers 	<ul style="list-style-type: none"> Working conditions audited at supplier factories and selected importer factories (Top 40 importers; Level 1 of the Social Programme) 200 factories took part in the Qualification Programme training (Level 2 of the Social Programme) Pilot phase of the Excellence Programme: factory selection process in preparation (Level 3 of the Social Programme) 98% of Otto Group employees covered by collective bargaining agreements
Principle 4 Elimination of all forms of forced labour			
Principle 5 Abolition of child labour			
Discrimination			
Principle 6 Elimination of discrimination	<ul style="list-style-type: none"> Group Agreement to strengthen diversity and protection against discrimination Diversity Charter Code of Conduct for Merchandising Goods, and for Non-Merchandising Goods and Services (for specific measures and results see the section 'Human Rights and Labour') The Social Programme for improving compliance with labour standards and human rights in high-risk countries (for specific measures and results see the section 'Human Rights and Labour') 	<ul style="list-style-type: none"> Carrying-out of training on the German General Law on Equal Treatment (AGG) Group-wide Diversity Controlling Group-wide Diversity Management under the banner of 'Diversity first!' Holding of Otto Group Diversity Conferences (2013 and 2014) Presentation of a Diversity Award Initiative 'Power of Diversity' undertaken by female top managers Carrying-out of the programme 'Boost your Career' to promote the careers of young female managers Network meetings of female managers Project-related integration of former employees in retirement 	<ul style="list-style-type: none"> Training of all new employees on the AGG Workplaces individually equipped for handicapped employees Cooperation with the Specialist Integration Service (IFD) on the topic of people with handicaps Share of women in upper and middle management increased to 16.9% (previous year: 15.6%) Share of severely handicapped employees in Germany increased to 4.5% (previous year: 4.1%) Three programme cycles of 'Boost your Career' completed since autumn 2013

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Principles	Systems ¹	Measures	Results ²
Environment			
Principle 7 Precautionary environmental protection	<ul style="list-style-type: none"> • Code of Conduct • Group Risk and Crisis Management Guideline • CR Board Meetings held three times a year for strategic planning and further development of the CR Strategy 	<ul style="list-style-type: none"> • Expansion of the Group Climate Protection Strategy to integrate the international companies Crate & Barrel, 3 Suisses, Freemans Grattan Holdings, Eddie Bauer Japan, Otto Group Russia, Hermes UK and bonprix in Italy, France and Poland • Renewal of heat-distribution systems; installation of more efficient lighting systems 	<ul style="list-style-type: none"> • Adjusted³ CO₂ emissions vs. previous year reduced from 249,000 t to 246,000⁴ t • Adjusted CO₂ emissions reduced by 17% vs. the benchmark year 2006/07
Principle 8 Initiatives to promote greater environmental protection	<ul style="list-style-type: none"> • Climate Protection Strategy with the objective of reducing relative CO₂ emissions in the areas of shipping, location and mobility by 50% by 2020 • Textile Strategy with the objective of progressively increasing the share of sustainable cotton in the cotton assortment of own brands to 100% by 2020 	<ul style="list-style-type: none"> • Execution of the modelling and management method impACT to capture and evaluate the environmental impacts and social risks caused by the business activities of the Otto Group along the entire value chain. • Use of cotton produced under the Initiative Cotton made in Africa (CmiA), which has significantly lower environmental and social impacts than conventional cotton thanks to resource-conscious smallholder cultivation methods and rainwater irrigation 	<ul style="list-style-type: none"> • Share of FSC®-certified catalogue / advertising materials paper increased to 8% (previous year: 7%) • Share of sustainable cotton (organic cotton, Cotton made in Africa) in the whole textile assortment increased to 7% (previous year: 6%)
Principle 9 Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> • Paper Strategy with the objective of increasing the share of FSC®-certified paper in catalogues and advertising materials by 50% by 2020 • Durable Goods Strategy with the objective of raising the share of FSC®-certified furniture products to 100% by 2020 	<ul style="list-style-type: none"> • Switchover of work apparel of 13,000 Hermes parcel deliverers to CmiA cotton • Construction of Hermes buildings in accordance with the Silver Standard of the German Sustainable Building Council (DGNB) 	<ul style="list-style-type: none"> • Share of FSC®-certified articles in the furniture assortment⁵ increased to 26% (previous year: 16%) • Overall electricity consumption at locations reduced in the 2013/14 financial year by 5% vs. the previous year to 286,186 MWh • Increased efficiency in route planning and vehicles used by delivery and logistics services provider Hermes • External certification of 18 Hermes subsidiary buildings constructed according to the DGNB Silver Standard
Anti-Corruption			
Principle 10 Measures to combat corruption	<ul style="list-style-type: none"> • Code of Conduct • Group Anti-Corruption Guideline • Group Gifts Guideline • Group Guideline Sustainability in Procurement • Group Risk and Crisis Management Guideline • Embargo measures • Group IT Security Guideline • Global Compliance Management System 	<ul style="list-style-type: none"> • Standard requirement for all employees to participate in an e-learning course on handling business gifts • The Group Data Protection Officer has been a permanent member of the Compliance Committee since 2010 • Group-wide IT Security Officer network 	<ul style="list-style-type: none"> • E-learning course passed by all employees on how to handle gifts and other benefits • All employees of the German Group companies trained in anti-trust law

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³ CO₂-emissions are performance-unit adjusted, thus enabling comparison with the benchmark year 2006/07. For details on the adjustment method see the CR Report 2013, p. 44.

⁴ Key figures relate to the 2013 calendar year.

⁵ Data for baumarkt direkt GmbH & Co KG still gathered under a previous, slightly divergent definition.