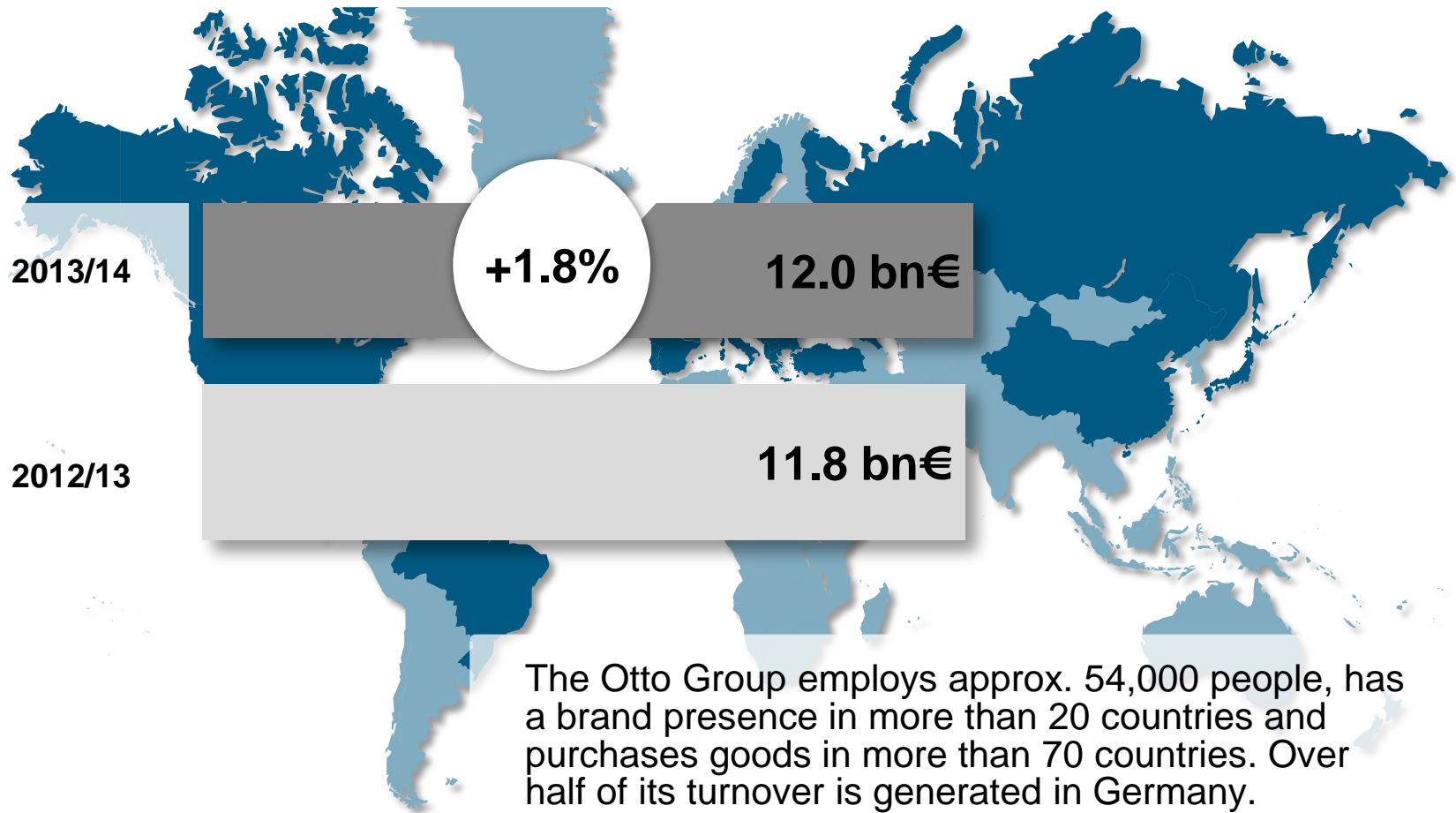




impact- How to link quantitative facts and stakeholder feedback to manage a CR-program

The Otto Group, a globally active retail group with its focus on Germany, is multi-national



Retail activities contribute 85% of turnover in the Otto Group

The Otto Group's three business segments and their share of overall turnover



85%
Umsatzanteil

Multichannel Retail

Multichannel Retail is the Otto Group's highest-turnover business segment. To meet customers' individual needs, the segment covers Group companies which offer their assortment – including clothing, furniture, electrical equipment, toys and sports goods – via the sales channels of e-commerce, catalogues and over-the-counter (OTC) retail.

Of the distribution channels, e-commerce contributes more than 60% of turnover to this business segment (at OTTO, over 80%); the OTC retail and catalogue business accounts for just under 40%.



10%
Umsatzanteil

Services

Under the Hermes umbrella brand, the Services segment covers all the services of the retail logistics value chain – from sourcing, through quality testing, transportation and warehousing, to delivery to business and private customers.

Hermes delivers these services not only to the Otto Group's retail companies but also to other companies.



5%
Umsatzanteil

Financial Services

The focus in the Financial Services segment is on commercial services such as receivables management and consumer loans under the EOS umbrella brand.

Stakeholders claim and reflect society expectations

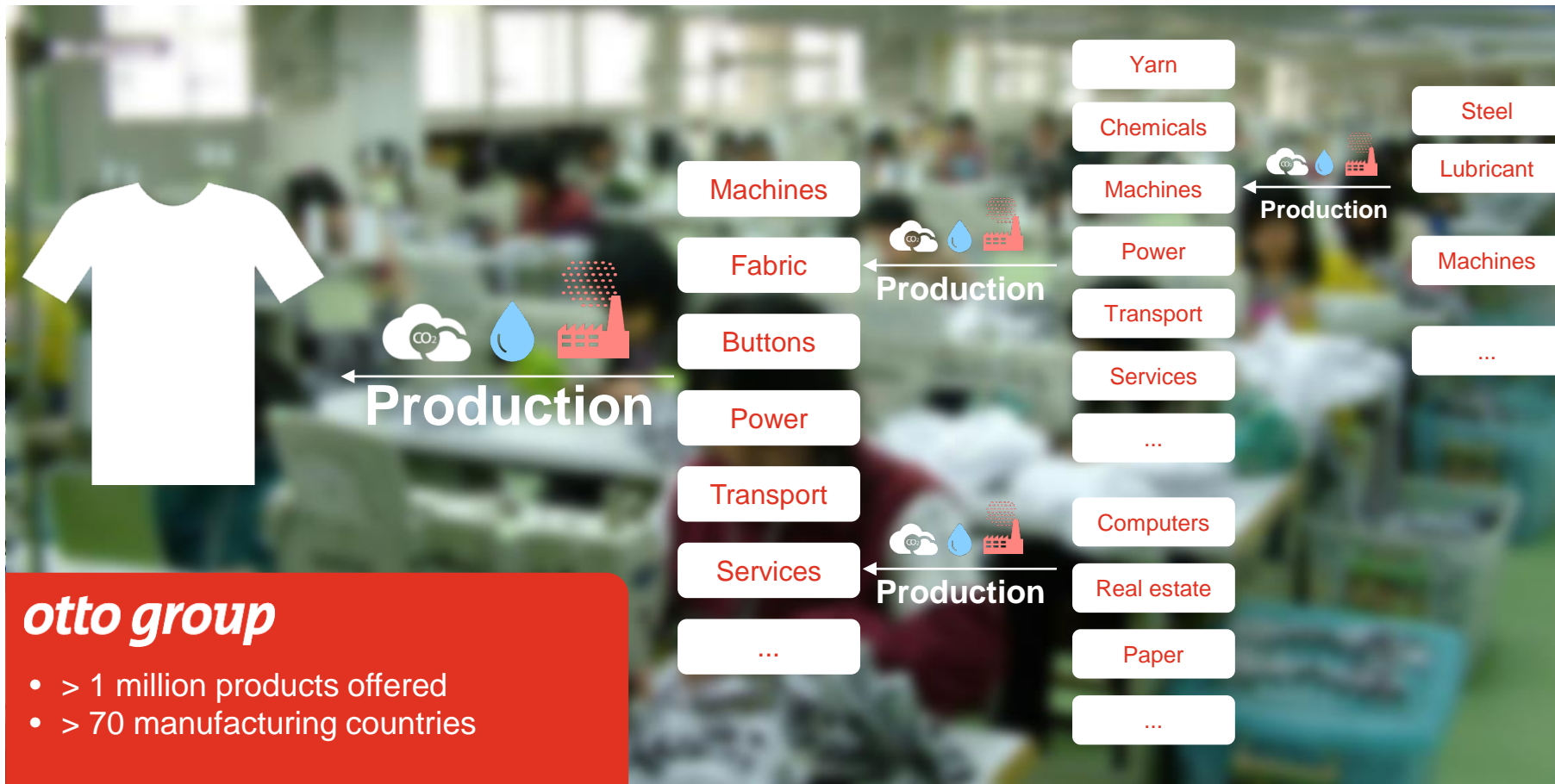
Sketch of the stakeholder universe

Employees	<ul style="list-style-type: none">• Want to identify with the company they work for• Applicants take sustainability aspects into account, when applying for a job
Consumer	<ul style="list-style-type: none">• Want to consume carefree• Want to buy ethically correct products, but are not willing to pay more
Business Partners	<ul style="list-style-type: none">• Want to be secured against risks• Ask for CR-requirements for cooperating (e.g. Code of Conduct)
Politics	<ul style="list-style-type: none">• Increase statutory requirements as for example EU directives• Demand for activities among regulatory minimum
Capital Market	<ul style="list-style-type: none">• Currently are the strongest driver for CR-activities• Investors and analysts ask for a better management of non-financial key figures
NGOs	<ul style="list-style-type: none">• Act with a lot of credibility in the surrounding society• Are simultaneously partner and opponents• Exert moral pressure



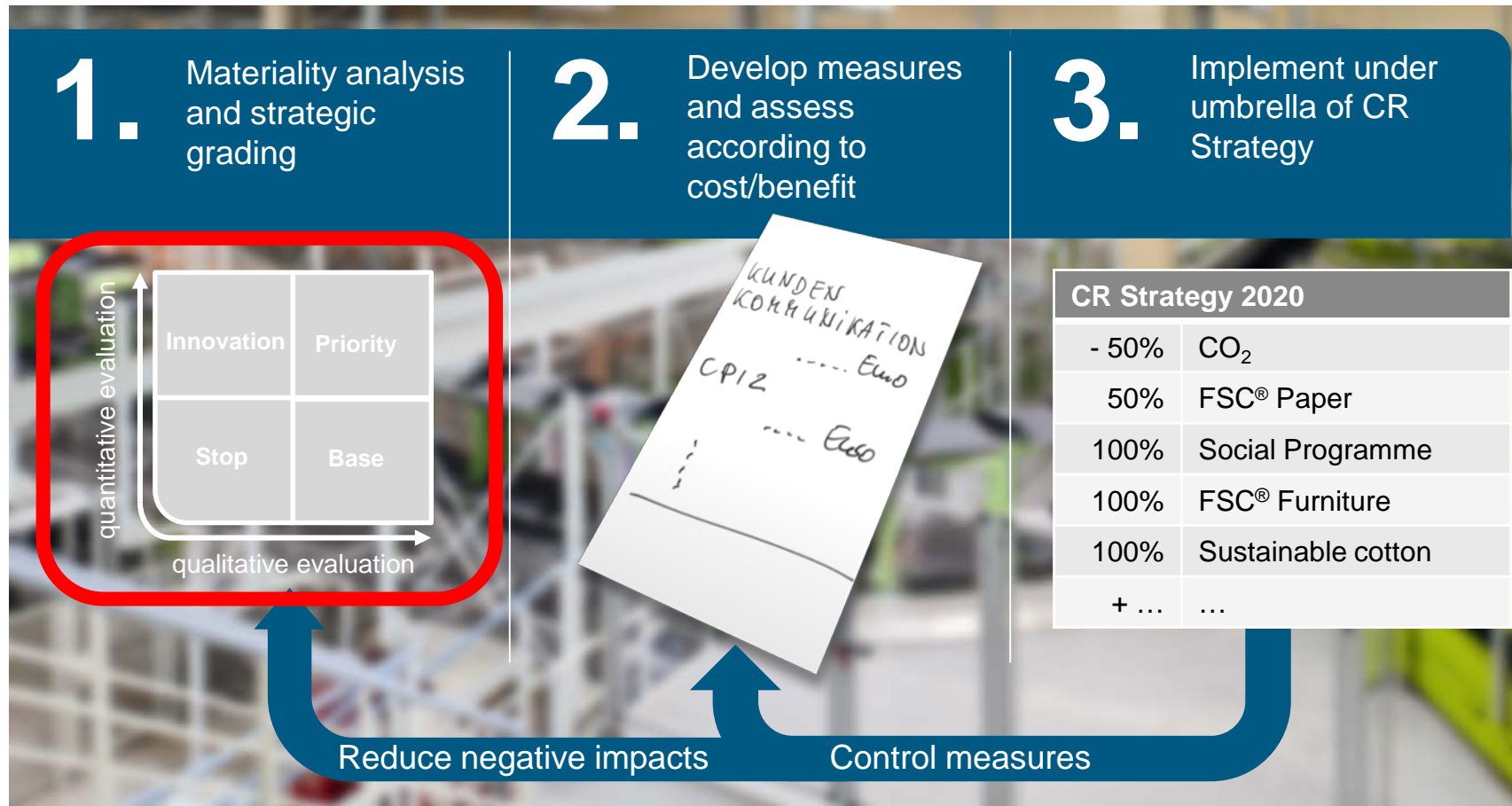
The biggest challenge to effective and efficient sustainability management is the high degree of complexity

Example: complexity demonstrated by textile manufacturing







impACT enables effective and efficient CR management along the whole value chain

Overview of the impACT management process in three steps



First, environmental impacts and social risks are evaluated using a modelling tool

Key data sources and features of calculation system

Corporate data	Company financial data
Use of quality-assured data and scientifically recognised methods	Exiobase, ILO, World Bank, UN expanded input-output calculation as per Leontief
Coverage for the whole value chain	    Raw materials/production Finishing Retail Customers
Consider material sustainability topics	<ul style="list-style-type: none"> • Greenhouse gases • Pollutants • Water consumption • Land use • Social standards
Comparability of sustainability impacts	Materiality mass: <ul style="list-style-type: none"> • € external costs (environment) • h risk hours (social standards)

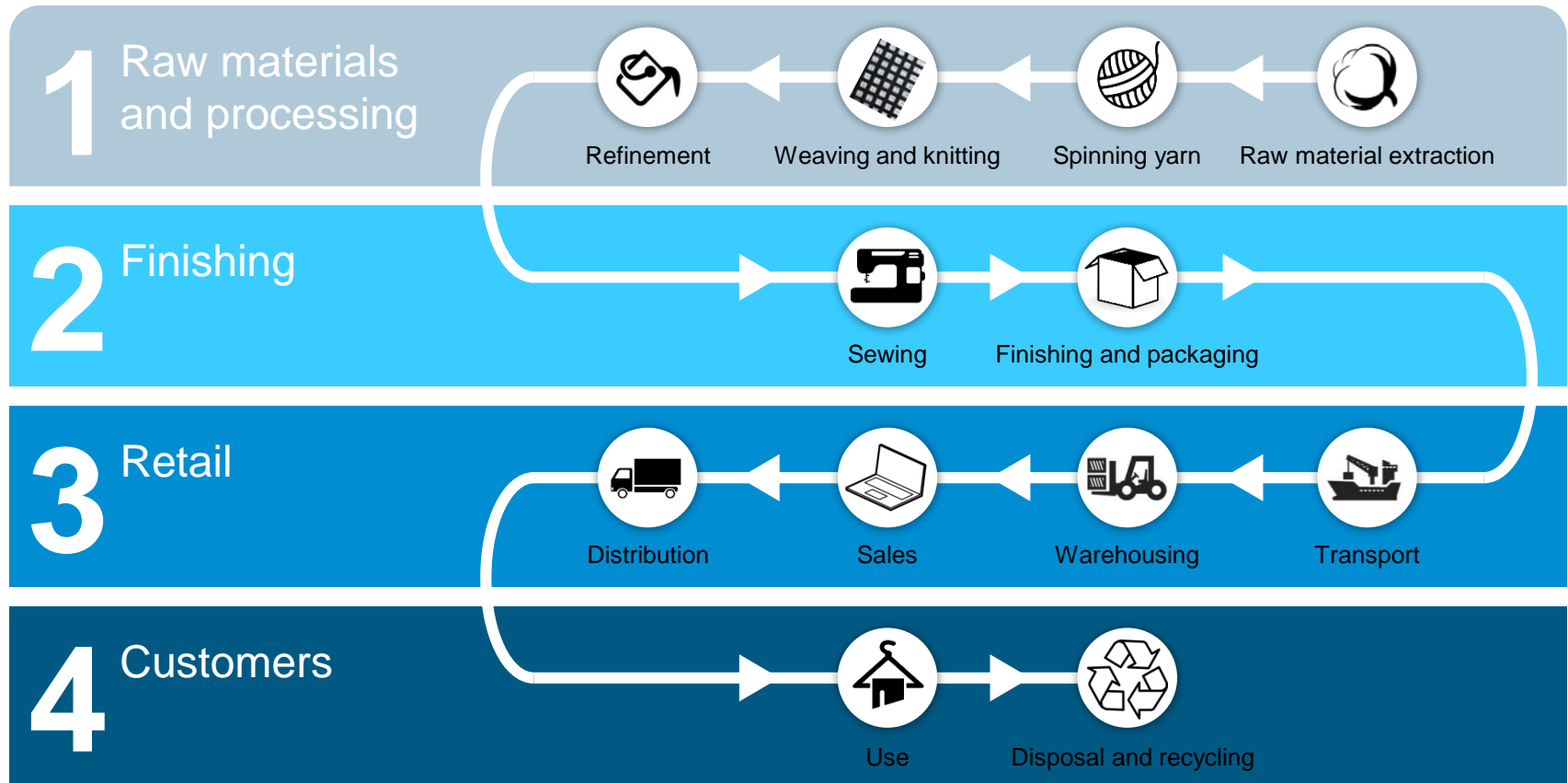
Social risks along the value chain are measured in so-called 'risk man-hours'

Calculation system for social risks



To make complexity manageable we currently use a simplified and clustered structure

Sample value chain for textiles

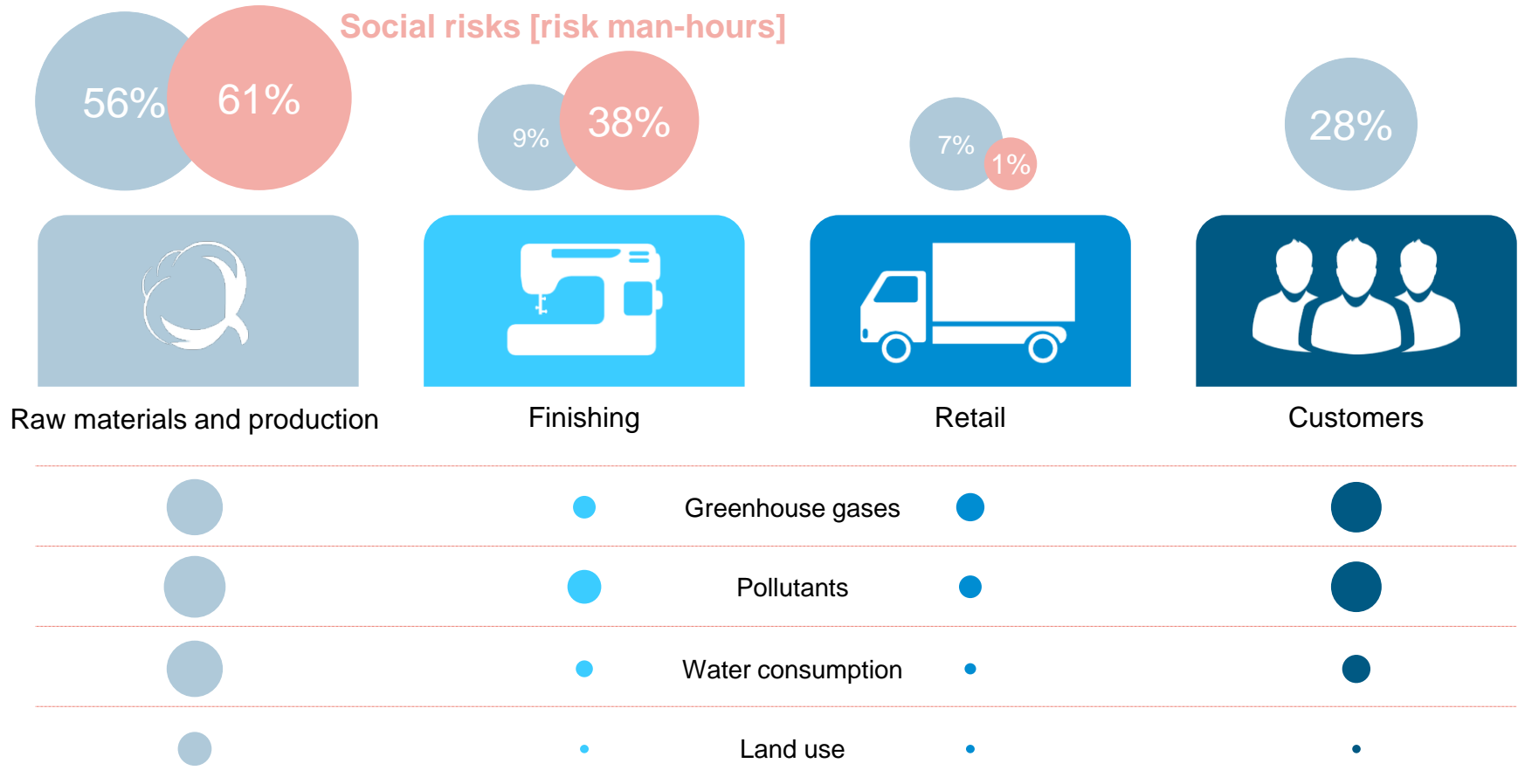


The results of the quantitative assessment show sustainability hotspots in the business model

Biggest impacts: supply chain and consumers

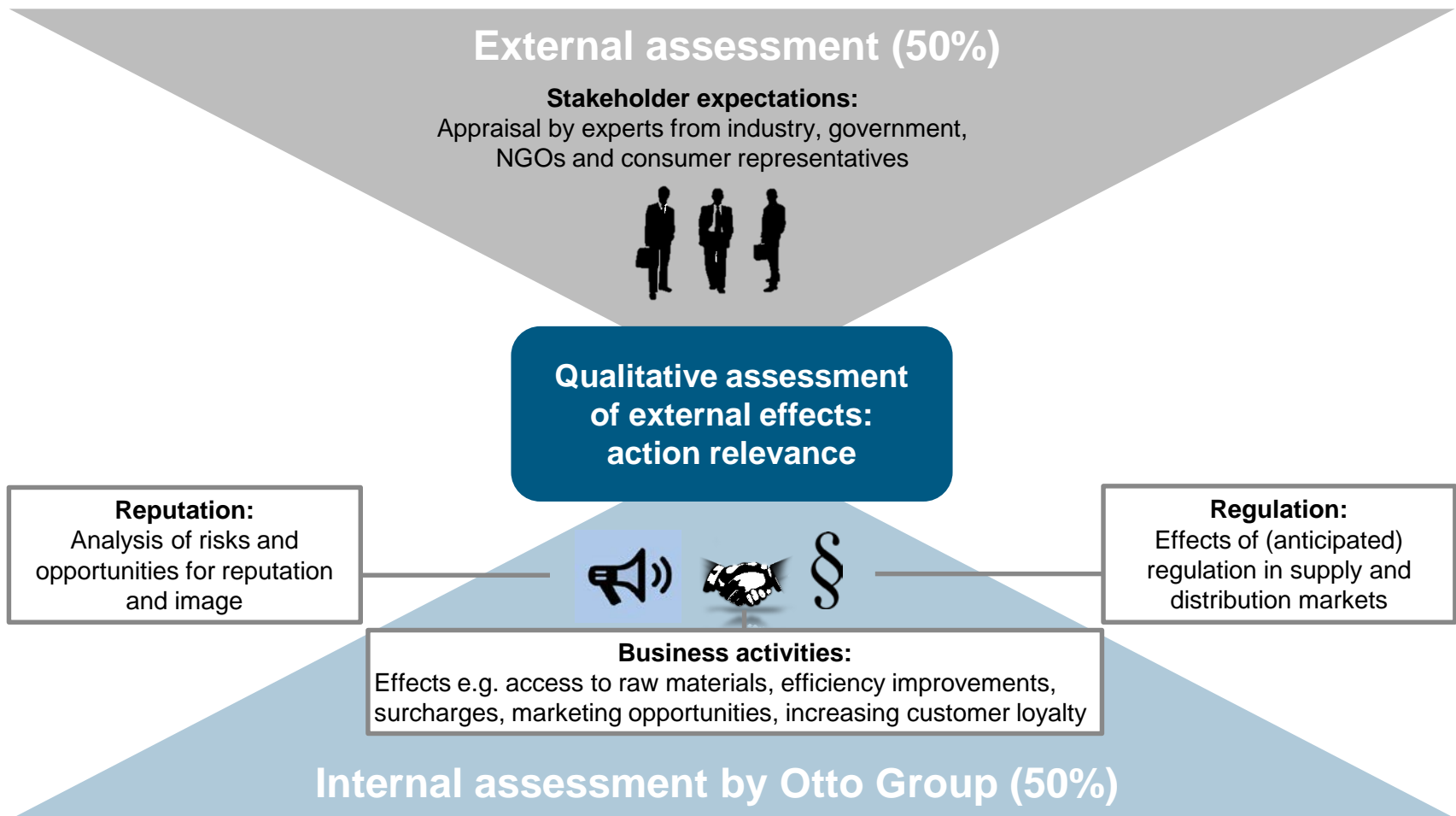
Environmental impacts [external costs in €]

Social risks [risk man-hours]



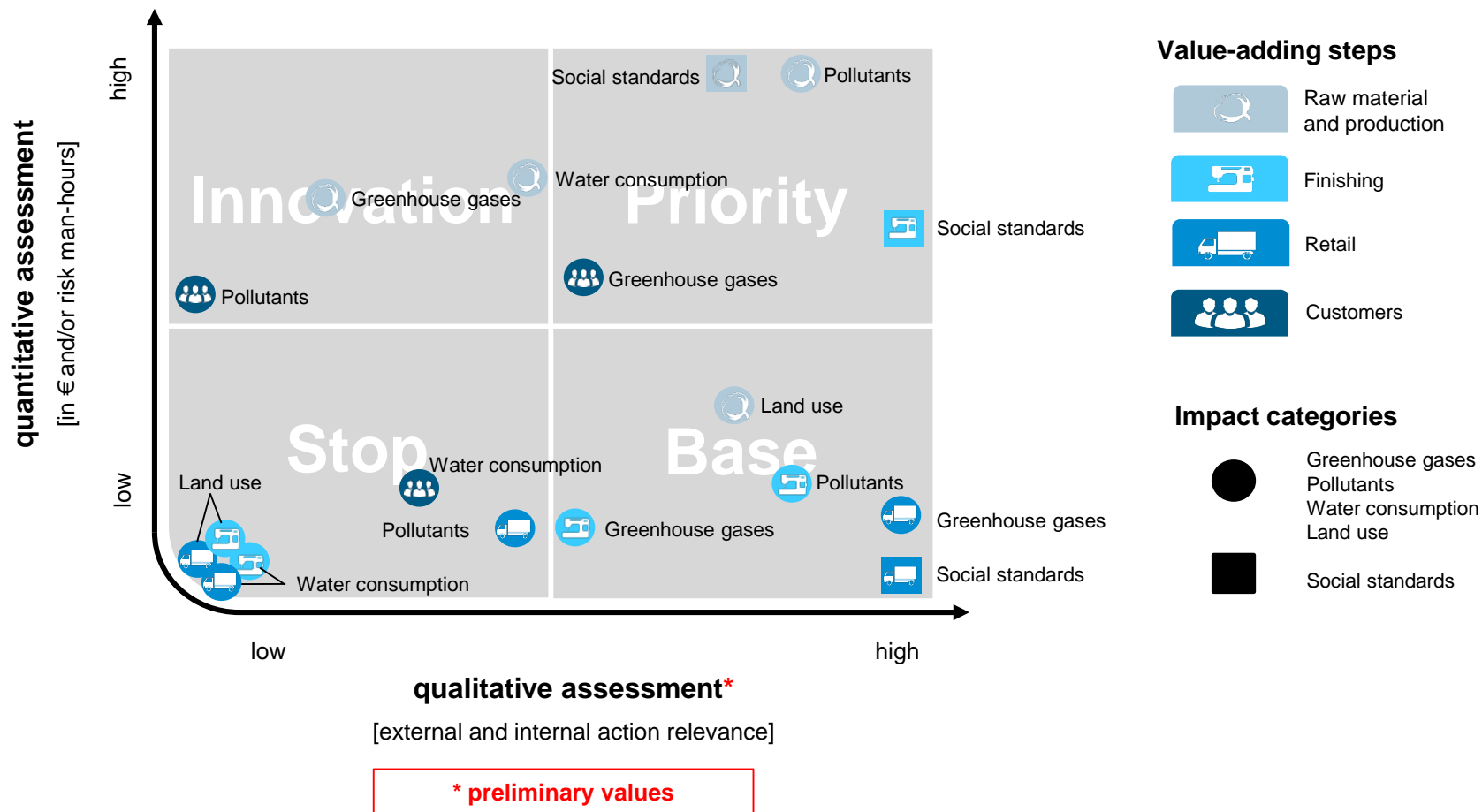
The quantified evaluation is combined with the qualitatively determined relevance for action

Parallel assessment of environmental damage/social risks



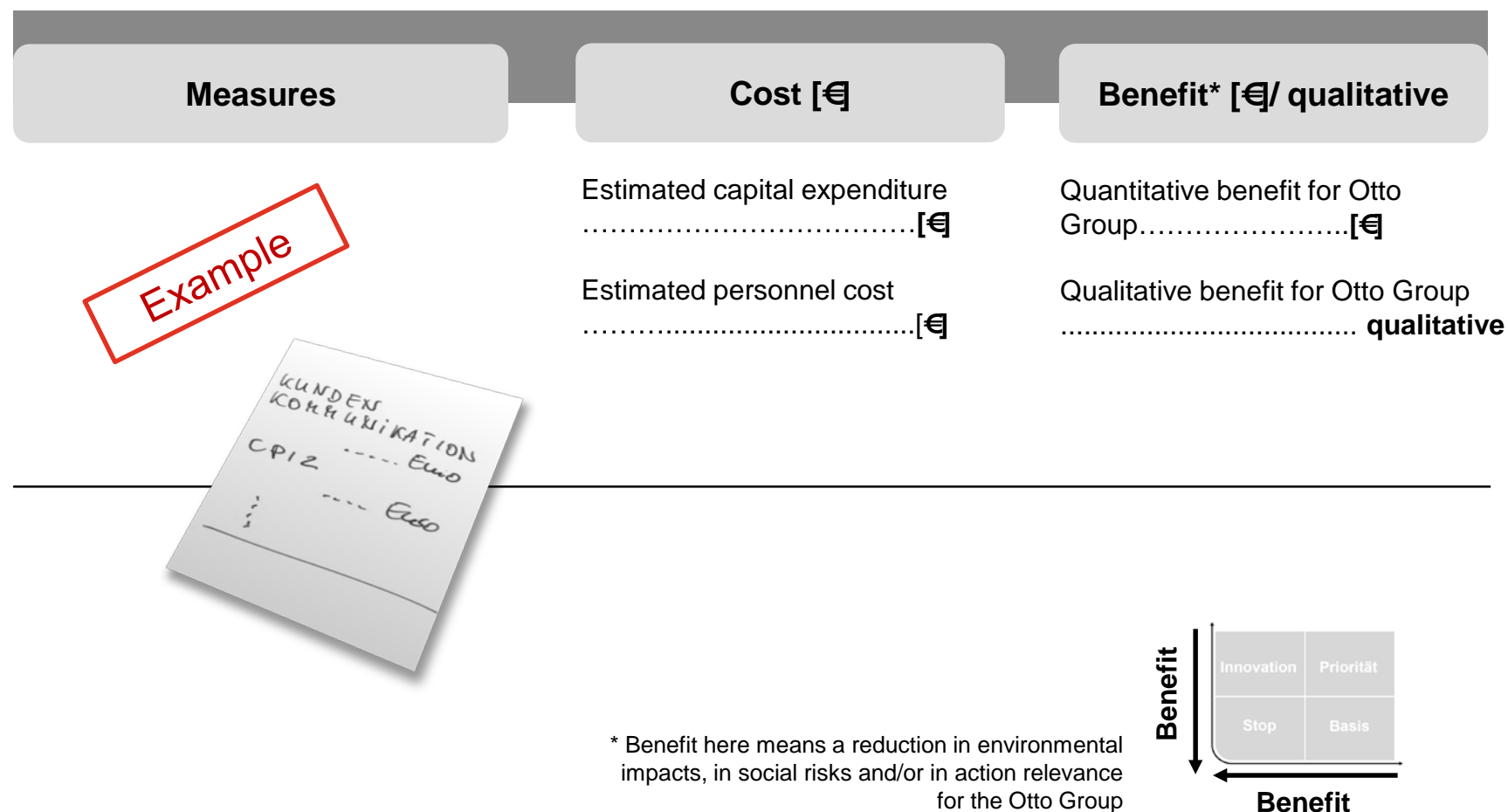
The result of the quantitative and qualitative assessment is the Otto Group's Materiality Matrix

Evaluation and strategic ranking of external impacts



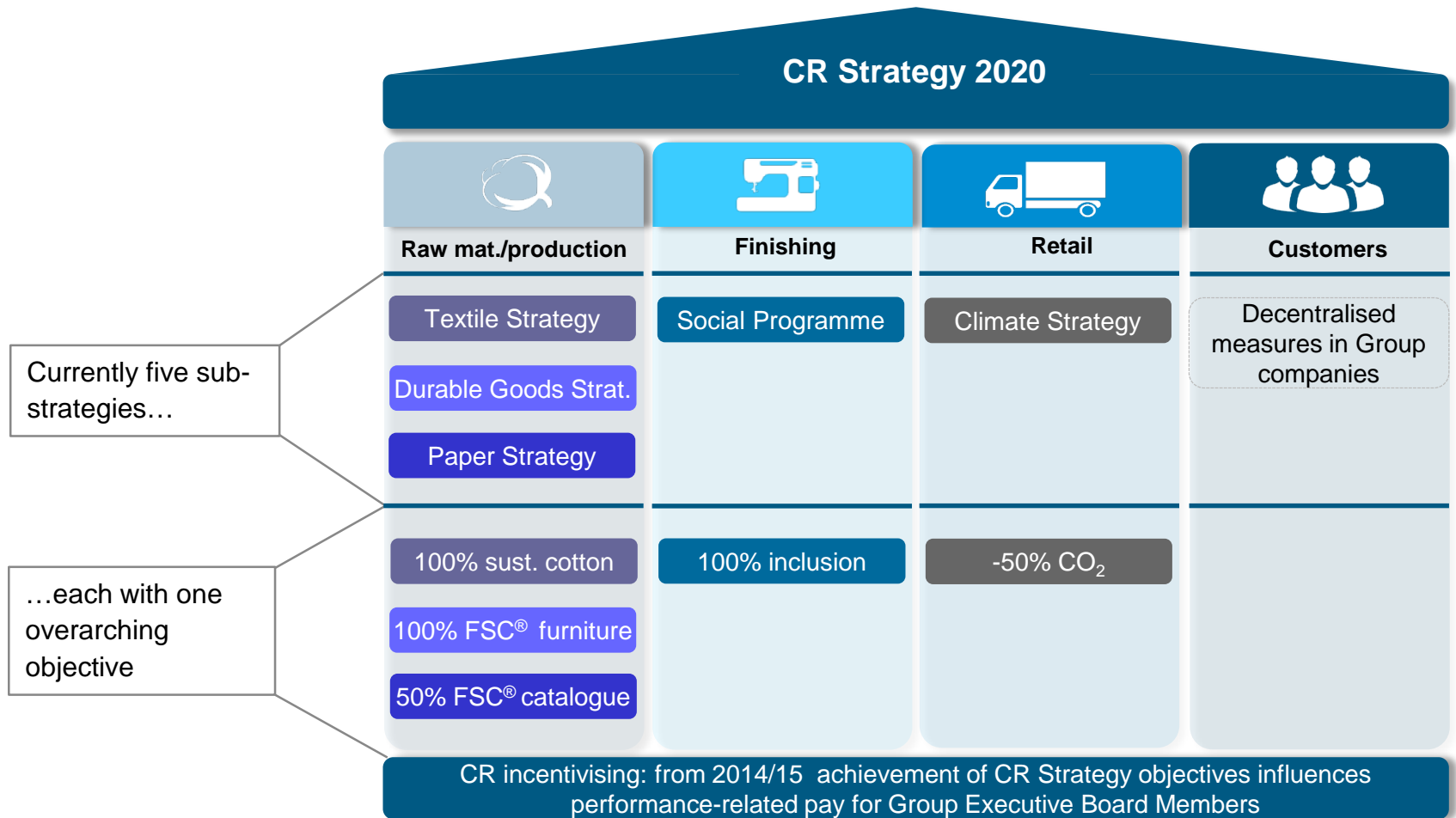
Specific measures are derived and evaluated from the strategic ranking

Example illustration of the cost-benefit analysis for measures



The most efficient measures are mandatory for implementation under the CR Strategy 2020 umbrella

The CR Strategy has five sub-strategies, each with one overarching objective



Thank you for your attention!

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