

## Code of Conduct – Merchandising and Non-Merchandising

(Version January 2009)

We, the Otto Group, believe in social responsibility, environmental protection and fair cooperation as the guiding tenets of all that we do. Our objective is to reconcile our economic, ecological and social responsibilities.

This Code of Conduct sets forth the fundamental requirements the Otto Group imposes on its suppliers. These firm principles are consistent with the Business Social Compliance Initiative (BSCI), the conventions of the International Labour Organisation (hereinafter referred to as “ILO”), the United Nations Universal Declaration of Human Rights, the U.N. Conventions on the Rights of the Child and for the Elimination of All Forms of Discrimination Against Women, the principles of the U.N. Global Compact as well as the OECD Guidelines for Multinational Enterprises.

The principles set forth in this Code of Conduct are not to be regarded as maximum requirements. Instead, they are to be exceeded whenever possible.

### 1. Scope of application

This Code of Conduct forms the basis of all business relationships in reference to all national and international production processes and sites with regard to the final processing level (hereinafter “Production Sites”) for the commodities and non-commodities purchased by the Otto Group. It applies around the world to the Otto Group itself, its direct business partners and any other suppliers working on their behalf in relation to the production of goods for the Otto Group (hereinafter collectively “Business Partners”). The Business Partners guarantee, and shall be responsible for procuring, acceptance of and compliance with the principles set forth in this Code of Conduct.

### 2. Legal compliance

At the various Production Sites, the strictest of all applicable national and international laws and regulations, industrial norms, ILO and U.N. conventions as well as of all other relevant provisions (hereinafter collectively “Regulations”) shall be observed.

Compliance with this Code of Conduct as well as with the above Regulations must not be circumvented by manipulating the terms of employment or taking comparable actions (e.g., false training programs).

### 3. Child labor / young employees

The Otto Group does not tolerate child labor or any other form of the exploitation of young employees.

The minimum age for employment must be below neither the age at which compulsory education ends nor the age of 15. Subject to the exemptions granted under ILO, national regulations designed to protect children and employed youths must be observed.

Compliance with the ban on child labor and the limitations imposed on the employment of young employees must be ensured. In particular, youths must not be exposed to dangerous, unsafe or hazardous conditions. In the event of violations against this ban, the Business Partner shall promptly take, and document, remedial action on behalf of any endangered children and/or other young employees. In addition, the Business Partner shall take such actions and implement such processes as may be necessary to see to the rehabilitation and social integration of any endangered children and must further enable them to finish school in accordance with domestic regulations.

ILO Conventions 79, 138, 142, 182 as well as ILO Recommendation 146 apply.

### 4. Discrimination

Any form of discrimination in hiring and employment practices, including any distinction, exclusion or preference based on race, caste, skin color, gender, age, religious belief, political opinion, membership in workers’ organizations, physical or mental disability, ethnic, national or social background, nationality, sexual orientation or other personal characteristic, is prohibited. This is the case irrespective of whether such distinction, exclusion or preference originated with the Business Partner.

ILO Conventions 100, 111, 143, 158 and 159 apply.

## **5. Freedom of association and collective bargaining**

Employees must be protected against any variation in treatment that is related to their employment and aimed against their freedom of association. Their rights to form, join or leave and work for associations or other organizations dedicated to promoting and protecting employee interests at their own discretion must be respected, and the pursuit of such activities must not be impeded.

If the freedom of association or collective bargaining is restricted by law, employees must at least be permitted and enabled, by way of an alternative, freely and independently to associate for bargaining purposes.

ILO Conventions 87, 98, 135 and 154 as well as ILO Recommendation 143 apply.

## **6. Forced or compulsory labor**

The Otto Group tolerates no form of forced or compulsory labor, bondage, servitude, slavery or conditions similar thereto. It also disapproves of prison labor. Employees must not be compelled to work by way of violence or intimidation, be it directly or indirectly. Instead, all employees must have sought work and/or employment on their own free will.

ILO Conventions 29 and 105 apply.

## **7. Disciplinary measures**

Employees must be treated with dignity and respect. Sanctions, fines and other penalties or disciplinary measures must (i) conform with applicable national and international regulations and (ii) be imposed in accordance with internationally recognized human rights.

No employee must be exposed to verbal, psychological, physical, sexual and/or physical abuse, coercion or harassment.

## **8. Working hours**

Working hours must comply with the applicable law, industry standards or relevant ILO conventions, whichever standard is more stringent. The maximum number of weekly hours permitted by national law must not be exceeded. On a regular basis, however, an employee's weekly hours are limited to 48 hours and to 60 hours with overtime. Individual business and employment models are subject to pertinent national and international regulations, including but not limited to the exemptions granted under ILO. The same is true in the event of serious disruptions to the regular course of business.

Following six consecutive days of work, employees must be permitted at least one day of rest. Employees cannot be compelled to work overtime, and any overtime worked must be compensated separately in accordance with national regulations.

ILO Conventions 1 und 14 apply.

## **9. Documentation of employment relationship**

The Business Partners guarantee that their employees' terms of employment (e.g., commencement and duration of employment, hours, wages and incentives) in relation to relevant production stages are documented in writing, including but not limited to employee name, date of birth and, whenever possible, residential address.

Direct business partners further guarantee such written documentation for any of their other suppliers.

Domestic labor and social insurance regulations must not be circumvented.

## **10. Compensation**

The Business Partners guarantee that the wages paid to employees equal or exceed the minimum wage prescribed by law or applicable industry-specific custom, whichever is higher. The wage paid shall be sufficient to cover an employee's basic needs.

Illegal and unjustified wage deductions, including but not limited to those effected by way of direct or indirect disciplinary measures, are prohibited. Wages must be disbursed in a manner that is convenient for employees (e.g., in cash or by check), and employees must be informed of the composition of their wages in a comprehensive manner, in regular intervals and in sufficient detail.

ILO Conventions 26 und 131 apply.

## **11. Health & safety**

The Business Partners shall provide a safe and healthy working environment.

They shall adopt the measures needed to prevent such accidents and health hazards as may arise in connection with work. For this purpose, Business Partners put into place systems capable of detecting, avoiding and responding to potential health and safety hazards. In addition, they guarantee, and shall document, that employees are periodically updated and trained on applicable health and safety regulations as well as any precautions taken.

Clean toilets and access to drinking water must be provided in sufficient quantity. Insofar as dormitories are available, they must be kept clean and safe and cover basic needs.

ILO Convention 155 applies.

## **12. Environmental protection**

The protection of nature and the environment is an integral component of the Otto Group's business practice. The Business Partners must comply with all applicable environmental regulations. They are further expected to undertake an ongoing effort to prevent and reduce contaminations. Processes and standards prescribed for waste management, for the handling and disposal of chemicals and other hazardous substances as well as for emissions and wastewater treatment must be observed, with special emphasis placed on the protection and preservation of natural resources as well as on the promotion of environmentally friendly and socially responsible production processes.

## **13. Information and communication**

This Code of Conduct must be prominently displayed in the appropriate language and freely accessible to all of the Business Partners' employees. To individuals who cannot read, the Code of Conduct must be explained verbally.

## **14. Bribery and corruption**

The Otto Group does not tolerate any form of bribery or corruption, and all Business Partners as well as their employees must conduct themselves in such a way so as to steer clear of personal dependency, obligation or interference. In particular, all are expected to exhibit a professional manner informed by fairness and full compliance with applicable national and international regulations. In addition, Business Partners shall introduce anti-bribery and anti-corruption policies to be observed by all business divisions. Where gifts are presented in adherence to a country's individual customs or etiquette, care must be taken to ensure that (i) such gifts do not give rise to obligatory dependencies and (ii) applicable domestic regulations are observed.

Information on corrupt practices is to be reported to the Otto Group (divisions Group Auditing or Corporate Investigation) or to the independent external ombudsman (identified in item 18).

## **15. Management systems**

In order to implement, ensure compliance with and monitor the principles set forth in this Code of Conduct, the Business Partners shall introduce a management system, which must include clear responsibilities and processes as well as adequate documentation. Documenting, implementing, enforcing and improving the principles set forth in this Code of Conduct require ongoing monitoring, which shall be documented.

Direct business partners shall ensure that any other suppliers working on their behalf, too, observe the principles set forth in this Code of Conduct.

## **16. Monitoring Code of Conduct**

The Otto Group is responsible for enforcing the principles of this Code of Conduct. For this purpose, the Business Partners are obligated to have the Production Sites undergo social audits at the request of the Otto Group.

Direct business partners guarantee that, whenever the need arises, the Otto Group itself or any third party authorized by the Otto Group may conduct a review of Business Partners' compliance with the principles set forth in this Code of Conduct at the direct business partner or other suppliers working on its behalf. For this purpose, the direct business partner undertakes to name the Production Sites accordingly.

## 17. Sanctions and remedial actions

The Otto Group is entitled to monitor compliance with the principles set forth in this Code of Conduct. Insofar as instances of non-compliance are unearthed, Business Partners are obligated immediately to take remedial action, with the Otto Group providing support and allowing sufficient time for such actions.

The Otto Group's right to terminate the business relationship with Business Partners is not compromised thereby, regardless of whether a direct business partner or other suppliers working on its behalf violated the principles set forth in this Code of Conduct.

## 18. Procedure for complaints

Complaints or information about violations of this Code of Conduct may be reported to the Otto Group (see below for contacts) at any time - and even anonymously.

Individuals filing a complaint are asked only to report information they believe to be true.

All Business Partners guarantee that individuals filing complaints will not be subject to reprisals or disciplinary action of any kind.

### General contact:

- Division: Corporate Responsibility  
Address: Otto (GmbH & Co KG)  
Department VV-CR  
Wandsbeker Str. 3-7  
22179 Hamburg  
Germany  
Email: [social-compliance@ottogroup.com](mailto:social-compliance@ottogroup.com)

### Contact for cases of bribery and corruption:

- Division: Group Auditing Corporate Investigation  
Address: "private/confidential" "private/confidential"  
Otto (GmbH & Co KG) Otto (GmbH & Co KG)  
Division Manager PC-RV Division Manager SI-EM  
Wandsbeker Str. 3-7 Wandsbeker Str. 3-7  
22179 Hamburg 22179 Hamburg  
Germany Germany  
Tel.: +49 (0) 40 6461 8655 +49 (0) 40 6461 8631  
Fax: +49 (0) 40 6464 8655 +49 (0) 40 6464 8631  
Email: [corporate-compliance@ottogroup.com](mailto:corporate-compliance@ottogroup.com) [corporate-compliance@ottogroup.com](mailto:corporate-compliance@ottogroup.com)
- External Ombudsman: Dr. Rainer Buchert, Attorney at Law  
Address: Rechtsanwalt Dr. Rainer Buchert  
Rechtsanwaltsgesellschaft mbH  
Rossertstr. 9  
60323 Frankfurt am Main  
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Tel.: +49 (0) 69 971 419 20 or +49 (0) 6105 921 355  
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