

Business Partner Declaration on Sustainability

To all Otto Group business partners of merchandise for **brands**

Preamble

Global challenges such as resource scarcity, climate change, species extinction, environmental pollution, poverty and human rights violations influence the global economy and therefore also the ethical and economic conditions of international trade. These issues, combined with the complexity of upstream and downstream value chains, are among the greatest challenges of sustainability management that require a holistic approach and the involvement of stakeholders.

The Otto Group has a long-standing commitment to improving sustainability aspects in its supply chain and is guided by regulatory requirements in the area of human rights and environmental due diligence.

Social responsibility and respect for human rights are core issues and determine the Otto Group's actions. We work continuously to improve working conditions for people in our supply chains and to fulfill our human rights due diligence obligations.

Animal welfare is a key concern for the Otto Group. We are committed to the protection of animals, comply with national and international conventions and laws and do not allow any products or components from endangered animal species. In addition to applicable conventions and laws, our animal welfare principles also include the "Five Domains"¹ of animal welfare.

The Otto Group attaches immense importance to sustainable materials and seeks to continuously increase their use wherever possible. Our activities therefore focus on socially and environmentally responsible cultivation, production, disposal and reuse.

We believe that compliance with chemical requirements to protect people and the environment is an indispensable basis, so we care deeply about the extent to which – and how – chemicals are used along the supply chain.

¹ The "[Five Domains](#)" model was developed by Professor David Mellor and Dr. Cam Reid in 1994 as a framework to build on the previous "Five Freedoms" model. It broadens the physical factors of an animal's welfare (freedom from hunger and thirst, freedom from pain, injury and disease, freedom from fear, freedom from discomfort, freedom to exhibit behaviors that promote well-being) by considering the overall mental state. ([Source: Four Paws International](#))

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1 Formal conditions

1.1 Scope of application

The *Business Partner Declaration on Sustainability* (referred to in the following as the "*Business Partner Declaration*") applies to all business partners of the Otto Group's national and international Group companies (referred to in the following also as the "Otto Group"). The Otto Group comprises all companies affiliated with Otto GmbH & Co. KGaA in accordance with Section 15 German Stock Corporation Act (AktG).

It refers to all stages of the value chain for the procurement of merchandise that is distributed to customers via one of the Otto Group's sales channels.

The intended audience for the *Business Partner Declaration* is therefore all business partners involved in non-Group merchandise (brands).

1.2 Integral part of the contractual provisions

The *Business Partner Declaration* is an integral part of the Otto Group's contractual provisions, as are the Otto GmbH & Co. KGaA and its Group companies' terms and conditions of purchase (T&CP for short). All conditions referred to in this declaration and in the T&CP are binding for the business partner.

1.3 Requirements for business partners

We expect our business partners to comply with and apply all the provisions of this *Business Partner Declaration*.

It is the responsibility of the business partner to check which of the requirements apply to its products, depending on the type of merchandise.

The *Business Partner Declaration* is supplemented by binding Annexes (refer also to the last page of this document), which are part of the *Business Partner Declaration* and can be accessed [here](#). The business partner will be notified by the Otto Group companies in the event of changes to the Annexes. It is then the duty of the business partner to familiarize themselves with the changes and put them into practice.

1.4 Values and basic principles of the Otto Group

Aside from the requirements set out in this *Business Partner Declaration*, the following principles apply:

- **Compliance with applicable laws:** All business partners are expected to conduct themselves lawfully.
- **Priority of stricter provisions:** Where several requirements that govern the same matter and stipulate different requirements exist, the stricter requirement that affords greater protection to the respective legal asset or objective shall apply in all cases.
- **Ethical standards:** Ethical standards apply, which are regulated in particular by recognized and applicable international conventions such as the United Nations Universal Declaration of Human Rights or the conventions of the International Labour Organization (ILO).
- **Avoidance of negative impacts:** The principle applies that neither people nor the environment may be harmed by actions or omissions. These maxims are classified as indispensable, in particular in the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.
- **Precautionary principle:** In addition to risk analysis, measures must be taken as part of a solid risk management system to ensure that risks are identified at an early stage, eliminated or minimized to the greatest possible extent in order to prevent any infringement of rights or other damage. Effective remedial action must be taken in the event of injuries and/or damage.
- **Equal treatment of the individual stakeholders:** The involvement of directly and indirectly affected parties and/or their representatives, e.g. trades unions or other interest groups, should be sought in particular when eliminating or minimizing risks and remedying injuries and/or damage. This active involvement creates a valuable and often necessary basis for effective risk management.
- **Cascade effect:** Business partners undertake to ensure that the requirements of this *Business Partner Declaration* are appropriately addressed by upstream supply chain facilities, including homeworkers, along the value chain. The aim is to ensure gradual development of the underlying supply chain regarding responsible and sustainable management along the lines of good governance.

1.5 Equivalence

In exceptional cases, equivalent standards, requirements and principles of the business partner may be accepted instead of the requirements of the Otto Group Business Partner Declaration. This requires explicit approval from the Otto Group. The business partner shall contact the document sender to obtain this approval.

Any approved equivalent requirement shall become a formal part of this Declaration and the TC&P.

2 Human rights – requirements

2.1 amfori BSCI Code of Conduct

The **Otto Group is committed** to the principles and values enshrined in the amfori BSCI Code of Conduct. It can be accessed [here](#).

The latest version of the amfori BSCI Code of Conduct is **binding** and its principles must be observed by all business partners.

2.2 Addressing conflicts and human rights violations

The Otto Group is committed to respecting human rights and to responsible purchasing practices.

It follows, therefore, that the Otto Group will decline to maintain business relationships with companies or individuals that are directly or indirectly associated with conflicts or crimes that involve the violation of human rights. Any such information will be reviewed by the Otto Group and may result in the **immediate termination of the business relationship**.

2.3 Country-specific requirements

All steps that are necessary to manufacture the Otto Group's products and provide its services may only be performed in countries and regions recognized by the Otto Group as permissible for business activities from the perspective of human rights.

[Annex 1 – Country restrictions](#) contains a **list of approved countries** and the current restrictions.

3 Animal welfare and materials – requirements

3.1 Animal welfare

Business partners are obliged to observe and comply with the requirements for the use of materials of animal origin as set out in [Annex 3 - Animal welfare](#).

3.2 Materials

3.2.1 Polyvinyl chloride (PVC)

Polyvinyl chloride (PVC) is a plastic that is hazardous to health.

The use of PVC for textiles (clothing, household and home textiles), including prints and applications on textiles, **is prohibited**. This does not apply to PVC tablecloths and non-slip rugs with a PVC coating.

The use of PVC in **packaging** is also **prohibited**.

3.2.2 Articles containing peat

Peat is an organic sediment that is formed from dead plants standing in shallow water. Given that peatlands act as an important reservoir for greenhouse gases and are therefore essential for combating climate change, the sale or distribution of articles containing peat is **prohibited**, except for seedlings and plants.

3.2.3 Wood

The use of tropical wood in products is only permitted if the products **are certified** according to the FSC® (Forest Stewardship Council) standard.

The purchase or sale of products whose raw materials were obtained from illegal logging and from HCVF (High Conservation Value Forest) **is prohibited**.

Any trade or purchase/use of all timber species that fall under Appendices I and II to the CITES² list **is prohibited**.

In addition to the official documents required for these species, a valid FSC® (Forest Stewardship Council) certificate for the product is mandatory for the import/trade/purchase/use of timber species listed in Appendix III of CITES.

3.3 Safeguarding and labeling of products with sustainability requirements (Responsible Products)

Responsible Products and their endorsement may potentially inspire customers to make more sustainable purchasing decisions, while communicative risks must be avoided at the same time.

² CITES is the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora, which monitors international trade in endangered and protected species.

Business partners are obliged to provide Group companies with the certificates used and relevant proof on request.

4 Compliance mechanism and dealing with reports and violations

4.1 Complaint mechanism

Business partners of the Otto Group are obliged to ensure that their employees and the employees in their supply chains have access to an effective complaint mechanism. The Otto Group also provides access to other external complaint mechanisms (refer to [Annex 7 – Complaint channels](#)).

Business partners of the Otto Group are obliged to notify their employees and the employees in their supply chain about the available complaint mechanisms.

4.2 Dealing with reports and violations

Business partners of the Otto Group must guarantee that they will refrain from any discriminatory measures against persons who report violations. The identity of whistleblowers must be treated confidentially unless disclosure is required by law.

The Otto Group will initiate an investigation in the event of substantiated indications of human rights or environmental violations. The business partner undertakes to actively cooperate in the investigation and implementation of remedial measures.

In the event of a violation, the Otto Group's primary aim is to remedy the grievances in the interests of those affected. The business relationship may be terminated if the required remedial measures are not implemented or if the business partner shows a lack of willingness to cooperate in remedying the violations. Termination of a business relationship is the last resort and is only necessary if all other measures have been unsuccessful.

5 Compliance with international trade law

Otto Group companies and their business partners are obliged to comply with all applicable laws and regulations, including export control regulations, embargoes and financial sanctions. To ensure compliance, Otto Group companies must check whether their business partners are on a sanctions list that is relevant to the Otto Group. These include the legally binding sanctions lists for the respective Otto Group company as well as the sanctions lists of the EU, the USA and the UK, insofar as such a review is legally permissible ("sanctions lists relevant to the Otto Group").

The business partner provides the following assurances:

- The business partner shall regularly check that its own business relationships (including suppliers, subcontractors and other partners) that are directly or indirectly related to its activities for Otto Group companies are not included on any of the sanctions lists relevant to the Otto Group ("Sanctioned Person"), are not directly or indirectly controlled by any Sanctioned Person and that neither one nor several Sanctioned Persons alone or jointly hold a direct or indirect interest of 50% or more in these business partners.
- That neither they nor their company is not directly or indirectly controlled by any Sanctioned Person and that no Sanctioned Person or Sanctioned Persons alone or jointly, directly or indirectly, hold 50% or more of their shares.

The business partner shall notify the relevant Otto Group company without delay if it ascertains at a later date that a business relationship exists with a Sanctioned Person or that one of the assurances is inaccurate.

Moreover, the business partner confirms its compliance with the applicable import and export control regulations under international trade law.

The assurances in this section shall only apply to the extent that they do not constitute a breach of or conflict with any anti-boycott regulation applicable to the relevant person in the form of a law, regulation or statute (including, but not limited to, EU Regulation (EC) 2271/96 and Section 7 Foreign Trade and Payments Regulation (AWV)) as amended.

6 Noncompliance with the Business Partner Declaration

Should the business partner fail to comply with the requirements set out in the Business Partner Declaration and the associated annexes, the Otto Group reserves the right to take the following action:

- In the event of violations of the Business Partner Declaration, the Otto Group will not place any new orders with the business partner until violations have been remedied or clear action plans to remedy the violations are in place.
- Furthermore, the Otto Group reserves the right to block current orders, refuse to accept the goods and/or remove the goods from the range.

7 Annexes

- [Annex 1 – Country restrictions](#)
- [Annex 3 – Animal welfare](#)
- [Annex 7 – Complaint channels](#)

8 Glossary

Term	Definition
Complaint mechanism	A complaint mechanism is a process that enables individuals to draw attention to human rights and environmental risks and violations in these areas. These violations can be caused by the economic actions of a company or its suppliers.
Report	Reporting a (potential) violation.
Whistleblower	Person who uses a whistleblower system to make a report.
Whistleblower system	System to report (potential) compliance violations.