

Business Partner Declaration on Sustainability

To all Otto Group business partners of merchandise for **own and licensed 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 produced on behalf of the Otto Group and 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 the Group's own merchandise (own and licensed brands).

1.2 Integral part of the contractual provisions

The *Business Partner Declaration* is an integral part of the Otto Group's contractual provisions, such as the Otto GmbH & Co. KGaA and its Group companies' terms and conditions of purchase (T&CP for short). All specifications 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](#) or via the [OI Vendor Portal/Library](#). The contents of the Annexes are subject to change and will be updated as required. The business partner will be notified by the Otto Group company in the event of changes. 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 as far as possible 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 further development of the underlying supply chain with regard to responsible and sustainable management along the lines of good governance.

1.5 Verification of compliance

In justified cases, the Otto Group reserves the right to verify compliance with this *Business Partner Declaration*, including with other upstream supply chain facilities, and to request additional information and evidence.

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 current 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.

In regard to business activities in countries that are not listed in [Annex 1 – Country Restrictions](#) or are subject to special restrictions, **business partners are obliged to** reach out to their primary contact in Group companies and obtain their consent.

2.4 Supply chain transparency

The Otto Group and its Group companies seek to achieve complete transparency in their supply chains, from the extraction of raw materials to final production.

Business partners are obliged to disclose all final production facilities in risk countries² (according to the current amfori BSCI classification).

² Country that is in the Medium, High or Incomplete risk category according to the amfori Worldwide Governance Indicator.

Business partners are obliged to disclose additional final production facilities in low-risk countries and pre-final production facilities on request. This includes information on the period in which the supply chain facilities produced goods or sub-products on behalf of the Otto Group or its Group companies. All information must be kept up to date.

Business partners are contacted separately regarding the specific details of the process.

2.5 Social standards (social audits and certificates)

Final production facilities in risk countries³ (according to the current amfori BSCI classification) **are obliged** to demonstrate a valid social standard accepted by the Otto Group.

Business partners are obliged to ensure that this is guaranteed when the order is passed on to the final production facility. Refer to [Annex 2 - Social standards](#) for more information.

A valid social standard must be in place for the entire period of production of goods. It is the responsibility of business partners to ensure this. Business partners may be requested to provide evidence of this.

2.6 Publication of supply chain data

The Otto Group is entitled to publish information about its business partners and their supply chain facilities on the Otto Group websites and the [Open Supply Hub](#). Financial information and personal data -are not disclosed.

2.7 International Accord for Health and Safety in the Textile and Garment Industry

The Otto Group is a signatory to the *International Accord for Health and Safety in the Textile and Garment Industry* (referred to in the following as the *Accord*) and the *Country-Specific Safety Programs* (referred to in the following as *CSSPs*) in Bangladesh and Pakistan.

All supply chain facilities producing on behalf of signatories to the *Accord* must undergo independent inspections and take remedial action to prevent fire, electrical, building safety and boiler accidents.

The signatories, including the Otto Group, must disclose to the *Accord* the supply chain facilities producing on their behalf. To this end, the Otto Group discloses supply chain facilities that are classified as mandatory under the relevant *CSSPs*.

³ Country that is in the Medium, High or Incomplete risk category according to the amfori Worldwide Governance Indicator.

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Details on the scope of the supply chain facilities according to country are defined below:

- Bangladesh: [Bangladesh - International Accord](#) and specifically [here](#) under III.8.
- Pakistan: [Pakistan - International Accord](#) and specifically [here](#) under II.1.

Prior to the start of production, **business partners are obliged to** proactively notify their primary contact in Group companies in regard to all supply chain facilities producing on behalf of the Otto Group. Production may only start once the business partners have received approval.

Procurement from some supply chain facilities is prohibited as a rule. An overview of these facilities can be accessed [here](#) (at the bottom of the page under "Status of factories in Bangladesh", listing of all non-approved supply chain facilities marked as "*ineligible*" factories). **Business partners are obliged** to check this overview as a first step

Business partners are responsible for ensuring that all supply chain facilities that fall within the scope fulfill the requirements of the *Accord* and the relevant *CSSP*.

Business partners are obliged to notify their primary contact with Group companies as soon as cooperation with a supply chain facility ends.

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 Cotton

The cultivation and processing of cotton is associated with high environmental and social risks. The requirements for cotton, assortments and components as set out in [Annex 4 - Cotton](#) apply in order to mitigate these risks.

Details concerning the product and component scope – as well as the cotton standards accepted by the Otto Group – are found in [Annex 4 - Cotton](#).

3.2.2 Polyvinyl chloride (PVC)

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

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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**.

3.2.3 Recycled polybags

Business partners are obliged to ensure that flap bags/polybags contain at least 80% (by weight) **recycled post-consumer polyethylene** and that this can be verified by accepted certifications. Accepted certifications are listed in [Annex 5 – Recycled polybags](#).

3.2.4 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.

3.2.5 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 CITES⁴ 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.

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

Responsible Products and their labeling may potentially inspire customers to make more sustainable

⁴ 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.

purchasing decisions. The Otto Group has specific guidelines for labeling as Responsible Products in order to avoid greenwashing and communicative risks. The Otto Group guidelines are adopted from the regulations set out in the EU directive "Empowering Consumers for the Green Transition", govern applications by Group companies and define the accepted seals and certificates for the relevant endorsement.

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

4 Chemical management - requirements

4.1 Chemical requirements for end products

The chemical requirements for end products apply exclusively to business partners of the **German Otto Group companies**.

Business partners are obliged to comply with the Otto Group's current chemical requirements for end products. They are contained in the chemical requirement profiles. The chemical requirement profiles can be accessed in the [OI Library](#) and are also listed in [Annex 6 – Chemical requirement profiles](#). Business partners are notified of any changes to the chemical requirements. At the same time, business partners are obliged to familiarize themselves with the annual changes to the chemical requirements.

4.2 Chemical requirements for textile production

Risks of negative health and environmental impacts during the textile manufacturing process must be avoided.

Compliance with the Manufacturing Restricted Substances List ([MRSL](#)), which applies throughout the Otto Group, must be ensured by all business partners and their production sites working on behalf of the Otto Group.

5 Complaint mechanism and dealing with reports and violations

5.1 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.

5.2 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, possibly by engaging an external case handler. If the Otto Group discovers a violation, the business relationship will only be continued if the business partner takes appropriate remedial action without delay. The business partner will be offered case-specific assistance for this purpose. The business partner undertakes to actively cooperate in the investigation and implementation of remedial measures; in particular, the case handler must be granted access to all relevant documents and locations if required.

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.

The business partner must notify Group companies without delay of situations that (may) present acute danger to life and limb and/or high reputational risks.

6 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

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- 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.

7 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:

- 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.
- The Otto Group may block current orders, refuse to accept the goods and/or remove the goods from the range.

8 Annexes

- [Annex 1 – Country restrictions](#)
- [Annex 2 – Social standards](#)
- [Annex 3 – Animal welfare](#)
- [Annex 4 – Cotton](#)
- [Annex 5 – Recycled polybags](#)
- [Annex 6 – Chemical requirement profiles](#)
- [Annex 7 – Complaint channels](#)

9 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.
Case handler	Service provider commissioned by the Otto Group to investigate and/or implement remedial measures in the event of (potential) human rights or environmental violations in the supply chain.
CSSPs (Country-Specific Safety Programs)	The conditions of the individual CSSPs are set out in the appendices to the International Accord. All CSSPs Appendices build on the basic principles, standards and protocols of the International Accord.
Final production facilities	A final production facility is a production facility in which a product is given its final form and function.
Report	Reporting a (potential) violation.
Whistleblower	Person who uses a whistleblower system to make a report.
Whistleblower system	System to report (potential) compliance violations.
Supply chain data	Data collected in the context of the supply chain. This includes, for example, master data (name, address, country, etc.), production steps or activity data.
Production steps	Information on the type of process step/production that takes place in a company.
Risk country	Country that is in the Medium, High or Incomplete risk category according to the amfori Worldwide Governance Indicator.
Social standards	Social standard accepted by the Otto Group describe all social audits or certificates accepted by the Otto Group in accordance with Annex 2 – Social standards .
Pre-final production facility	Company that is involved in the production of goods for the Otto Group but is not a final production facility.

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By signing the Business Partner Declaration on Sustainability, the business partner undertakes to act responsibly and to comply with the principles and requirements listed therein.

We request that a representative of the business partner sign this document (please provide first and last name in block letters).

place, date

.....

**company name of business
partner**

.....

**business partner's
representative**

.....

signature

.....

titel / function

.....

company address

.....