Sustainability-Linked Financing Framework

June 2024

otto group

Background and Rationale

Otto (GmbH & Co KG), with its registered office and place of management in Hamburg, and the other Group companies – hereinafter referred to as the Otto Group – is a globally active group of retailers and retail-related service providers. The Otto Group is – based on our own estimates – one of the world's largest online retailers. The Otto Group's primary markets are Germany, the rest of Europe and the USA. The Otto Group divides its business activities into the following reporting segments:

- The **Platforms segment** basically includes the two e-commerce platforms OTTO and About You, whose strategic focus – besides their own trading business – is also on operating a marketplace solution where participating partners sell goods and services to end customers. In addition to the trading business and associated B2C services, B2B services closely related to the trading business are offered as well.

- The **Brand Concepts segment** involves internationally represented vertical concepts and product brands – including the bonprix Group, Crate and Barrel Group and the Witt Group – that sell both products of their own brands as well as licensed brands to end customers. Mainly, our own distribution channels are used, including e-commerce, as well as brick-and-mortar retail and catalogs.

- The **Retailers segment** consists of multichannel retail concepts that primarily buy and sell products from own and third-party brands. The segment includes, among others, the retail activities of the Baur Group including Otto Austria Group GmbH (formally known as UNITO Versand & Dienstleistungen GmbH) in Austria, the shopping offers of the Limango Group and the Manufactum Group. In this segment, e-commerce is also a focal point in the sales channels.

- The **Services segment** is made up of the extensive services of the Hermes Group and the sourcing activities of the Otto International Group. They provide services both to customers outside the Otto Group as well as to Group companies from the Platforms, Brand Concepts, and Retailers segments. The Hermes Group characterizes this segment and offers numerous services all along the logistics value chain, from transport and warehousing to delivery to private and business customers. Within the Hermes Group, the Hermes Fulfilment Group plays a key role in the trading activities of the Otto Group with its warehousing activities.

- The **Financial Service segment** includes the range of financial services within the Otto Group. The international EOS Group, one of the leading investors and experts in the technology-based processing of non-performing receivables, determines the main activity of the segment. Its numerous Group companies offer a wide range of services in the area of receivables management.

We think sustainability holistically and our philosophy is: **the economy is here to benefit people – not the other way round**. This mindset and the strong awareness it engenders for social responsibility are among the hallmark of the Otto Group. Prof. Dr. Michael Otto recognized at an early stage that the future would be built on sustainable practices, inspiring customers, employees, business partners and like-minded people from other companies. Climate protection and corporate social responsibility were incorporated within the Otto Group's business strategy as early as 1986, giving rise to numerous initiatives for people, nature and society over the decades. Since then, these topics have been an integral part of our corporate strategy.

Contents

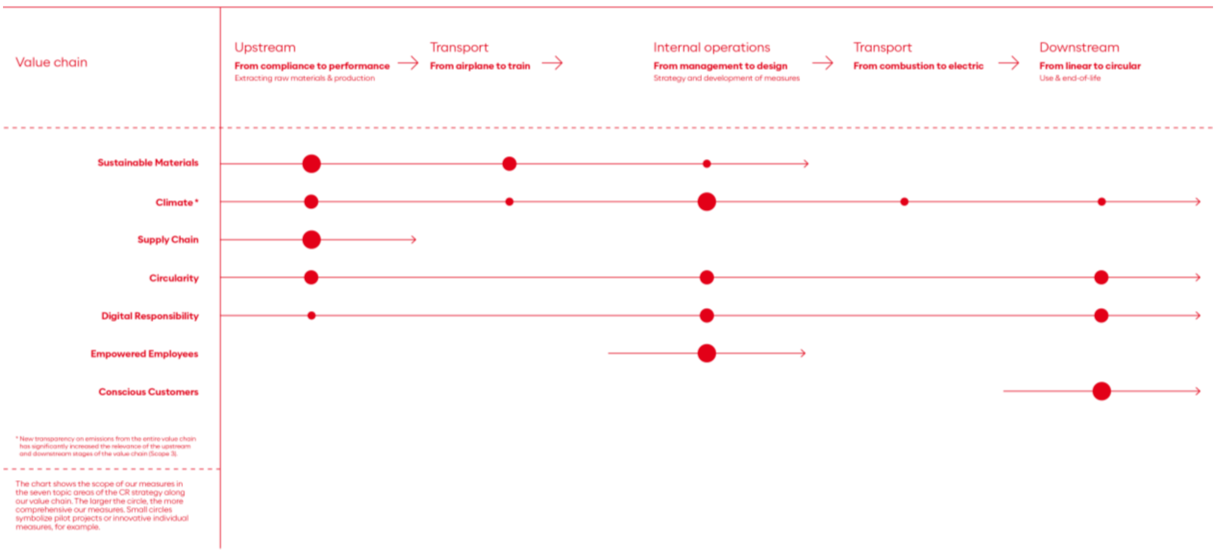
Approach to sustainability

Vision and strategy

Today, the Otto Group upholds a Corporate Responsibility (“CR”) strategy that is firmly anchored in our corporate strategy, the Otto Group Path, and the shareholder vision “Responsible commerce that inspires”. Sustainability and corporate responsibility have been integral to our identity for almost 40 years and are closely linked to the Otto Group’s corporate success. The Executive Board members’ variable remuneration has also been linked to the achievement of sustainability goals since the 2014/15 financial year.

The Otto Group covers the entire retail value chain: from sourcing and purchasing to transport, marketing, general services and financial services. The different business models have different focal points and impacts. Each business model has an impact on our sustainability goals, but the greatest impacts occur in connection with our merchandise and its production. As a Group, we always consider the entire value chain of our own and licensed brands, from the production of the products to their transportation and use by the customers. Our goal is to make the entire value chain of our products environmentally and socially compatible. We work every day to anchor sustainability more firmly in the entire Otto Group and its business processes.

Based on our materiality analysis, we identified seven topic areas, which are material along our value chain. On this basis, we have developed the following seven strategic areas for action: Climate[1], Sustainable Materials, Supply Chain, Circularity, Empowered Employees, Conscious Customers and Digital Responsibility.



[1] New transparency on emissions along the entire value chain leads to significantly increased relevance of the upstream and downstream stages of the value chain (Scope 3)

Within each of our topic areas we have formulated visionary, long-term goals – the "transformational goals" –, which enable us to align our daily actions to the long-term objectives of the Otto Group. These goals are substantiated in each case by shorter-term targets with clearly defined time horizons - the "core priorities". They help to measure our progress on the way to long-term change. They are dynamic, regularly reviewed, adjusted, and gradually supplemented to respond to current developments. The CR strategy is a dynamic, learning concept and therefore has no fixed end date.

We are currently reviewing our CR strategy in light of current national and international regulatory requirements such as the Corporate Sustainability Reporting Directive ("CSRD").

Our climate approach

Otto Group's long-term goal is to achieve net zero emissions along the entire value chain by 2045 at the latest. We want to ensure that our goals and activities are in line with the 1.5 degree target of the Paris Climate Agreement. Therefore, in 2022, we committed to developing an ambitious and holistic science-based target (SBT) for our entire value chain. We submitted our near-term SBT to the Science Based Target Initiative (SBTi) for validation in spring 2023 and successfully completed the validation process at the end of February 2024[2]. Our near-term SBT and our long-term transformational goal to achieve net zero emissions across our entire value chain by 2045 completely replace the previously valid core priorities of our CR strategy from FY 2024/25 onwards.

Otto Group's CR strategy reflects this commitment and is characterized by a broad understanding of responsibility, has ambitious goals and requires a strong commitment by employees and Otto Group's management. Moreover, we attach importance to giving Group companies sufficient leeway to develop solutions appropriate to their own business models within the framework of strategic guidelines. In this way, we create a balance between group-wide requirements and individual adaptability in order to promote sustainability effectively and efficiently in all areas.

[2] The official target formulation can be found on the SBTi website

Corporate Responsibility strategy

Overview of the seven topic areas and their respective Transformational Goals

Eco shift: New goals

Sustainable Materials
We apply more sustainable raw materials in all our products.

Climate
We achieve net zero emissions throughout our whole value chain by 2045 (net zero target).

Business shift: New economy

Supply Chain
We continuously improve the social and ecological performance together with the facilities in our supply chains.

Circularity
We incorporate circular principles and ensure circular solutions.

Digital Responsibility
We shape value-oriented digitization for people and society.

Mind shift: New awareness

Empowered Employees
We empower our employees to experience and actively shape sustainability

Conscious Customers
We enable and inspire our customers to make conscious and sustainable decisions

A. Eco shift

Sustainable materials

The use of more sustainable materials is the basis for us to increasingly align our business model with resource efficiency and steps to reduce the environmental impact of the materials we use. This also contributes to our goals in the areas of circularity and climate protection. We achieve the greatest positive impact at the point of raw material extraction, for example in the cultivation of cotton, and in the manufacturing processes in our supply chains. Our strategy therefore starts in the upstream value chain, with targets for textiles, furniture, packaging, and catalogue paper. We apply sustainable raw materials in all our products.

We are constantly striving to be a trustworthy company, known for its innovative and sustainable products. Whenever we have a sufficient data, we evaluate materials according to the results of their life cycle assessment, in order to make transparent and data-driven decisions. Based on this, we aim to use "more sustainable" materials in our products. The use of more sustainable materials forms the basis for our ability to increasingly focus our business model on resource efficiency.

- 65% "preferred fibers" by 2025 while maintaining the 100% sustainable cotton target.
- 100% FSC®-certified furniture products by 2025.
- 100% sustainable catalog paper, of which at least 70% FSC® by 2025.
- 100% sustainable packaging by 2023 (extended until 2024).

For further details please see the sustainability part of our annual report.

Climate

In recent years, the climate crisis has worsened further – making it the most pressing challenge of our time. Additionally, climate protection has had broad and significant economic implications, resulting in increases in the cost of raw materials, increased carbon prices or the risk of license losses for Otto Group's main suppliers, for example in the case of environmental damage caused by extreme weather events, in general entailing financial risks.

As the Otto Group, we want to make a tangible and measurable contribution to limiting global warming and ensure that our goals and activities are in line with the 1.5 degree target of the Paris Climate Agreement. With the SBT, we are intensifying our ambitions and addressing the greenhouse gas emissions of our entire value chain (Scope 1, Scope 2 and Scope 3 emissions) – from the cultivation of raw materials and the manufacture of products to the use phase and the disposal of merchandise. In the spring of 2023, our SBT was approved internally by the Otto Group Executive Board and subsequently submitted to the Science Based Target Initiative (SBTi) for validation. At the end of February 2024, we successfully completed this validation process with the SBTi.

With the start of the 2024/25 financial year, we officially manage according to the new SBT target architecture. Our SBT and our long-term transformational goal to achieve net zero emissions across our entire value chain by 2045 completely replace the previously valid core priorities of our CR strategy from the new financial year. The old climate targets have been incorporated into the new SBT target architecture.

Total greenhouse gas emissions in the base year (FY 2021/22) of the new SBT climate strategy amount to approximately 9.4 million metric tons. The largest share, almost 75%, comes from own brand production (upstream supply chain), transportation and the use phase of products by customers. These three areas are therefore critical to our future achievement of the SBT targets. We want to achieve our climate goals by consistently avoiding and lowering emissions.

B. Business shift

Supply chain

We at the Otto Group strive to take responsibility for people and the environment in our own operations, towards our customers, and in the supply chain of our own brands. In addition to complying with legal requirements, we want to achieve that the products we sell are produced in a socially responsible and resource-efficient manner while respecting human rights. The upstream supply chain of our own and licensed brands presents both the greatest risk and the greatest opportunities for us to make a difference, both in terms of environmental issues and human rights. We view our approach as a continuous process to improve our environmental and social performance step by step in close cooperation with our business partners and actors along the supply chain. To this end, we continuously increase transparency in regard to our complex supply chains to gain a better understanding of the working and production conditions on site.

In the coming years, the environmental aspects in the Supply Chain area will be strongly influenced by the Otto Group´s climate targets, which reached a new level of ambition and commitment with the adoption of a SBT. In particular, our long-term net zero target can only be achieved through far-reaching measures in the upstream value chain, which we design, pilot and scale together with our partners. In 2023, we have initiated the climate protection projects "Scalezero" and "Clean by Design" in the supply chain, through which we provide individual support to textile factories in Bangladesh, China and India in developing and implementing measures in the areas of energy efficiency and solar energy. We continuously further develop our actions in the area of chemicals, water, raw materials and waste.

To obtain specific improvements, we rely on a collaborative approach that includes key actors in our supply chains. Therefore, our memberships amongst others in the globally recognized International Accord for Health and Safety in the Textile and Garment Industry and in the Amfori BSCI are especially relevant. Following the success of the International Accord in Bangladesh, we were also one of the first companies to sign the Pakistan Accord on Health and Safety in the Textile and Garment Industry.

Circularity

We incorporate circular principles and ensure circularity in our business models. Besides consistent climate protection, circularity is the only plausible answer to the question of how our economic model can function within planetary boundaries while maintaining the stability of ecosystems and human livelihoods. To keep materials and products in circulation for as long as possible through circular design, appropriate usage models, such as second-hand or repair and recycling options, we look throughout the entire value chain.

We want to measure the number of circular solutions for our products to check the effectiveness of our measures and to monitor the progress on our way to a circular business model. For this reason, we have collected quantitative metrics on circularity for the first time and had them verified by an external auditing firm. In 2023, circular solutions were implemented for 15.6 million products, such as the use of recycled materials, circular product design, the sale of second-hand products, repairs and recycling solutions. The majority of the KPI is currently achieved through the use of secondary materials. Moreover, our aim is to implement circular solutions for a total of 18 million products in calendar year 2024.

Progress, step by step: we will also continue to take a learning and collaborative approach in the future. We want to be part of a transformative process and create solutions that work for manufacturers, retailers, customers and recyclers alike. With our experience and established repair, take-back and recycling services, we are able to respond quickly to new regulatory and technological developments.

Digital responsibility

We shape value-oriented digitization for people and society. We have a responsibility to shape the digital world of work even in the interests of our employees. A digital learning culture is a central aspect of the cultural change that the Otto Group has been intensively promoting for years. We are gathering internal experience through initiatives and pilot projects in the areas of Digital Responsibility such as future of work, data and awareness, digital education, and environmental protection. Furthermore, digital technologies and solutions are important throughout our entire value chain. This applies to the extraction of resources, their use and disposal, and the recycling of our products, as well as the daily work of our employees.

Digitization is fundamentally changing the way we live and work. It creates new opportunities for participation, design and transparency, but the rapid pace of change also brings challenges. Our understanding of what it means to be digitally responsible is correspondingly broad: in our own operations and beyond, we want to help shape the future of work in the digital age and promote learning with and about digital technologies. We want to harness the potential of technology to conserve natural resources and promote the ethical use of artificial intelligence. We also look at our own digital footprint and harness the power of cross-sector collaboration: through initiatives and projects, we foster discourse between business, government, academia, and civil society to create a responsible framework for human-centric digitization.

In the area of digital education one of our most important tools is Masterplan, a digital learning platform that we introduced as part of the Group-wide training initiative TechUcation. An example in the topic of data and awareness is the annual "data cleaning" campaign to dram employee's attention to the environmental impact of storing unused data and motivate them and others to consciously reduce the amount of data during the campaign period.

C. Mind shift

Empowered employees

We empower our employees to experience and actively shape sustainability. Our employees are the experts for our products, processes, services, and interaction with our customers. With their knowledge and ideas, they make a decisive contribution to achieving our sustainability goals as a group of companies. That is why it is important for us to create transparency and opportunities for our employees to get involved. We communicate our CR commitment and activities to our employees through various offers and contact points and create the framework and opportunities for them to experience sustainability, actively shape it and integrate it into their daily work routine.

Conscious customers

We enable and inspire our customers to make conscious and sustainable decisions. With our products and services, we appeal to the entire population and want to have a broad impact. We would like to make our customers aware of sustainability along the entire customer journey and inspire them to adopt more sustainable lifestyles. In line with our CR strategy, we therefore create incentives for more conscious consumption and continuously improve the transparency of the sustainability features of our products.

We want to make sustainability more visible and therefore increase the proportion of sustainability-related products offered by our Group companies. At the same time, our expectations regarding the definition of these products are constantly growing, as both our level of ambition and the requirements of our customers, as well as regulatory requirements, continue to evolve.

Selected memberships, initiatives and partnerships

The conviction that the economy should serve society has been shaping the Otto Group for decades. In our core business and beyond, we aim to have a positive impact on the communities around our locations and along our value chain. To achieve this, we regularly exchange views with our stakeholders through events, trainings, surveys, and background discussions, and contribute to addressing societal challenges through numerous initiatives (see below):

B.A.U.M. Network for Sustainable Economy (member since 1987)	Michael Otto Foundation for Environmental Protection (foundation in 1993), with its AQUA-AGENTEN and F.R.A.N.Z. projects
amfori (incl. amfori BSCI, Business Social Compliance Initiative) (founding member since 2004)	Aid by Trade Foundation with its Cotton made in Africa initiative (CmiA) and The Good Cashmere Standard® (GCS) (founding member since 2005)
Textile Exchange (member since 2006)	Forest Stewardship Council Germany, FSC® (member since 2006)
German Retail Federation, HDE (member since 2009)	Stiftung KlimaWirtschaft [Foundation Climate Economy] (formerly Foundation 2 Degrees, initiated and joined by Prof. Dr. Michael Otto since 2011)
International Accord for Health and Safety in the Textile and Garment Industry Bangladesh & Pakistan (signatory since 2013 and 2023 respectively)	Fur Free Retailer, program run by the organization Vier Pfoten (member since 2014)
Partnership for Sustainable Textiles (member since 2015)	Corporate Digital Responsibility (CDR) Initiative by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, BMUV (founding member since 2018)
Fashion for Good (member since 2018)	Sustainable Apparel Coalition (SAC, Cascale since February 2024) (member since 2018)
UN Fashion Industry Charter for Climate Action (since 2018)	Finlit Foundation (founded in 2019)
ZukunftsWerte initative (initiation and member since 2020)	Save the Children (partner since 2020)
Value Balancing Alliance (2021 to 31 December 2023)	toMOORow (partner since 2021)
Leather Working Group (Member since 2022)	Science Based Target Initiative, SBTi (committed since 2022)

Sustainability-Linked Finance Framework

Rationale for sustainability-linked financing

In alignment with the broader Otto Group CR strategy, Otto Group has established a Sustainability-Linked Finance Framework (hereinafter referred to as the "Framework") to be able to issue sustainability-linked finance instruments. Sustainability-linked finance instruments will be used to foster enhanced accountability with regards to our ambitious sustainability targets. Otto Group is committed to promoting sustainable business activities in the industry sector and regions where the company is operating. By issuing a sustainability-linked finance instrument, Otto Group seeks to maximize the connection between its funding and sustainability strategy, while highlighting the related investments and targets that we make today to have a positive impact on the environment and our future trajectory to support our decarbonization across the value chain. Otto Group hereby wants to further promote our sustainability ambitions that will assist in reaching the targets set forth by the Paris Climate Agreement and the UN Sustainable Development Goals (UN SDGs).

In addition, sustainability-linked finance instruments could help to diversify Otto Group's investor base, broaden the dialogue with existing investors and contribute to the development of the sustainable finance market.

Basis of this framework

This Sustainability-Linked Finance Framework has been developed to be aligned with the Sustainability-Linked Bond Principles (SLBP) June 2023[3], established by the International Capital Market Association (ICMA) and also takes into account the Loan Market Association's (LMA) Sustainability-Linked Loan Principles February 2023 (SLLP)[4]. Otto Group may under this Sustainability-Linked Finance Framework issue different securities including sustainability-linked bonds, Schuldschein, Private Placements and Loans (together, sustainability-linked instruments).

The five core components of the SLBP are:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
- Bond characteristics
- Reporting
- Verification

[3] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/
[4] https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/

The basis for the following KPIs is the validated SBT of the Otto Group. The scope differs slightly from the scope of consolidation in the consolidated financial statements and consists of the Otto Group with its Group companies, but excluding About You (own SBT), but including Hermes Germany GmbH[5].

1. Selection of Key Performance Indicators (KPIs)

The issue of global warming is more in our focus than ever. We want to help limit the temperature increase to 1.5°C. The primary challenge of climate protection is still to reduce GHG emissions. Cutting GHG emissions has been one of our strategic corporate goals since 2006. Climate is embedded as one of seven strategic fields of action and sub-strategy. Our long-term goal is to reduce our GHG emissions along the entire value chain from the production to use phase to net zero (i.e. reducing all avoidable emissions). This also includes business areas over which the Otto Group can only exert an indirect influence, such as the production of merchandise. We are therefore in the process of developing a whole series of further measures to achieve this goal.

Otto Group's selected KPIs mirror the key climate challenges the retail industry is facing as well as reflect our ambitions and efforts in tackling the climate issue. To further ensure accountability around our climate approach the climate KPIs will be incorporated into management's incentive structures alongside other strategic sustainability KPIs.

GHG emissions
KPI #1: Scope 1 and 2 GHG emissions of the Otto Group in tonnes CO_2e

Definition and methodology
Scope 1 emissions are all direct GHG emissions from our own operations. Scope 2 represents indirect GHG emissions from consumption of purchased electricity, heat or steam used in our own operations. Scope 1 and 2 GHG emissions include all GHG emissions as defined in the GHG Protocol.
The GHG emissions accounting and reporting are aligned with the GHG Protocol.

Rationale and materiality
While the bulk of our GHG emissions are attributed to our scope 3 GHG emissions, it remains crucial to address our scope 1 and 2 emissions. We understand the term "carbon-neutral" to mean that our products and services do not increase the amount of harmful greenhouse gases in the atmosphere. We will achieve this first and foremost by reducing our own emissions. Initiatives such as increasing green electricity and enhancing the energy efficiency in buildings are tangible starting points.

[5] Hermes Germany GmbH is included in the consolidated financial statements according to the equity-method since the 2021/22 financial year.

Baseline and historical performance

GHG emissions	FY 2021/22 (baseline year)	FY 2022/23
Total scope 1 GHG emissions (tonnes CO_2e)	68,528	57,350
Total scope 2 GHG emissions, (tonnes CO_2e)	116,147	75,089
Total scope 1 & 2 GHG emissions, (tonnes CO_2e)	184,675	132,439

Otto Group has historically reported different emission indicators in its public reports as our disclosures have evolved over time. Therefore, with the release of our updated KPIs the historical performance for KPI 1 is limited to the past 2 years. Otto Group plans to have its historical data as well as the baseline year for scope 1 and 2 GHG emissions externally verified with the publication of the annual report FY 2024/25. As a result of this exercise, it may be possible that adjustments to the calculation for emissions may be made which potentially impact the baseline figures. In the event that the exercise results in adjustments to the baseline, Otto Group will disclose the rationale to the note holders upon request.

Reporting and data assurance
KPI performance will be reported in the annual report on an annual basis starting from FY 2024/25. Otto Group will engage an external assurance provider to provide a limited assurance regarding such KPI performance information on an annual basis.

Contribution to EU environmental objective
Climate Change Mitigation

Contribution to UN SDG

Supplier engagement
KPI #2: % of third-party brands and marketplace partners by spend covering purchased goods and services with Science Based Targets

Definition and methodology

KPI2 defines as the share of third-party brands and marketplace partners that set their own science-based target by spend. We determine whether a supplier has its own science-based targets based on Science-Based Target Initiative's public disclosure[6], and calculate the revenues generated from the suppliers, that have their SBTs validated by SBTi, in EUR spend. We then calculate the share of revenues from the marketplace partners and third-party brands with SBTs in relation to our total revenues by EUR spend. Due to legal requirements we need to measure third party and marketplace business separately with different datapoints. Marketplace business will be measured based on sales revenue (gross merchandise value, "GMV"). Third party brand business will be measured in EUR spend. We then aggregate both figures into one aggregated KPI by EUR spend, based on assumptions made from our third party brand business e.g. with regards to gross margins for different product categories and return quotas. The final KPI value is then displayed as a % share calculated in EUR spend.

Please note: this methodology will also be externally verified and may be subject to change based on the third party assurance. This KPI covers only scope 3 GHG emission category 3.1. purchased goods and services from our third-party brand and marketplace business, remaining emissions from these business segments e.g. use phase emissions (Category 3.11.) are integrated in KPI3.

Rationale and materiality

Cross-industry momentum to mitigate climate change and achieve net zero emissions globally by 2050 continues to grow. However, the acceleration and scale of reduction efforts need to increase if we want to achieve the net zero target across the value chain by 2045. For Otto Group, supply chain-related emissions are the largest source of emissions, and the most challenging to reduce. This is due to the limited visibility and perceptions of limited influence on the upstream emission reduction measures. It is therefore critical for the Otto Group to activate wide-scale decarbonization efforts across supply chains to avoid the worst impacts of climate breakdown and enable the transformation to a net zero economy. In particular by including the emissions of the fast growing marketplace business, the Otto Group wants to take responsibility and goes beyond the minimum boundary of the SBTi, which allows for the exclusion of these emissions. Supplier engagement targets offer a way to influence decarbonization efforts within company's supply chain when granular emissions data is challenging to track or unavailable. This target focuses on engaging a defined set of suppliers in the near-term to set their own science-based targets on all applicable scopes and categories.

[6] See SBTi target dashboard here

Baseline and historical performance

Supplier engagement	FY 2023/24 (baseline year)
% of third-party brands and marketplace partners covering purchased goods and services with Science Based Targets by spend	28%

This is a new KPI developed in 2023. Otto Group has not historically reported on this new indicator. The Otto Group plans to have FY 2023/24 performance externally assured for the first time with the publication of the annual report FY 2024/25. As a result of this exercise, it may be possible that adjustments to the calculation for emissions may be made which potentially impact the baseline figures. In the event that the exercise results in adjustments to the baseline, Otto Group will disclose the rationale to the note holders upon request.

Reporting and data assurance

KPI performance will be reported in the annual report on an annual basis starting from FY 2024/25. Otto Group will engage an external assurance provider to provide a limited assurance regarding such KPI performance information on an annual basis.

Contribution to EU environmental objective

Climate Change Mitigation

Contribution to UN SDG

GHG emissions
KPI #3: Scope 3 GHG emissions of the Otto Group in tonnes of CO_2e

Definition and methodology

Scope 3 GHG emissions account for all indirect emissions that occur in the value chain of the Otto group, including both upstream and downstream emissions. Scope 3 emissions consist of emissions from category 3.1 purchased goods and services for our own and licensed brands, 3.3. fuel-and energy-related activities that are not included in scope 1 & 2 emissions, 3.4. upstream transportation and distribution, 3.6. business travel, 3.7. employee commuting, 3.11. use of sold products and 3.12. end of life

treatment of sold products. We cover all relevant scope 3 categories with this target, except scope 3.1. emissions from our third-party and marketplace business. These emissions will be addressed through the supplier engagement target (KPI 2). No relevant exclusion in the overall SBT are made, as other categories do not apply to the Otto Group or are negligible (<0,3%).
The Otto Group's scope 3 emissions were determined using a spend based multi-regional extended input-output model. This is based on company specific turnover in the reporting period per business model and sector average emission data. For multiregional sector average data, we are using renowned databases/data from Exiobase, Worldbank, OECD, WIOD. This Input-output model is merged with the Otto Group's purchasing data. The shopping cart by product (type) and country of origin is assigned to the sectors and countries of the input-output model. The model then calculates the economic linkages of the value added and assigns emission values. We are then able to calculate specific emission factors per Euro spend. This simulates the economic activities of the Otto Group across the entire value chain (downstream and upstream). This methodology will be consecutively improved aligned with the process of external assurance.
The GHG emissions accounting and reporting are aligned with the GHG Protocol.

Rationale and materiality

The Otto Group assumes responsibility for every part of its value chain — from the extraction of resources, to the processing of products and their delivery and ultimately the use of the product by consumers to the end of life. Our goal is to make the manufacture of our products ecologically and socially compatible. Similar to other global retailers, Otto Group's GHG emissions are predominantly associated with its supply chain and end user. This is why Otto Group has chosen to prioritize scope 3 GHG emissions as a KPI for this Sustainability-Linked Finance Framework. Tackling our scope 3 GHG emissions is essential not only for aligning with the goals of the Paris agreement but also for addressing various other environmental concerns.

Baseline and historical performance

GHG emissions	FY 2021/22 (baseline year)	FY 2022/23
Scope 3 GHG emissions (tonnes CO_2e)	7,378,760	6,741,529

Our past climate disclosures were focusing on own operations (scope 1+2 and only minor scope 3 emissions where we have direct influence). Over the course of FY 2023/24 we started developing a holistic carbon accounting and calculated a full GHG inventory for the first time for the baseline year FY 2021/22. Otto Group has not historically reported on this indicator in its public reports. Therefore, any previous data on KPI 3 is unavailable. Otto Group plans to have its historical data as well as the baseline year for scope 3 GHG emissions externally verified with the publication of the annual report FY 2024/25. As a result of this exercise, it may be possible that adjustments to the calculation for emissions may be made which potentially impact the baseline figures. In the event that the exercise results in adjustments to the baseline, Otto Group will disclose the rationale to the note holders upon request.

Reporting and data assurance
KPI performance will be reported in the annual report on an annual basis starting from FY 2024/25. Otto Group will engage an external assurance provider to provide a limited assurance regarding such KPI performance information on an annual basis.

Contribution to EU environmental objective
Climate Change Mitigation

Contribution to UN SDG

2. Calibration of Sustainability Performance Targets (SPTs)

GHG emissions
SPT #1: Absolute scope 1 and 2 GHG emission reduction by 42% by the end of FY 2030/31 compared to FY 2021/22

Ambition
By 2020 Otto Group had already reduced around 45% of absolute scope 1 and 2 GHG emissions compared to 2010. We now aim to reduce an additional 42% absolute GHG emissions in our own operations (scope 1+2) by the end of FY 2030/31. We set the emission reduction target based on the latest science. The SBTi's Target Validation Team has classified our scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory.

- Baseline year: FY 2021/22
- Baseline figure: 184,675 tonnes CO_2e
- Target observation date: 28th February, 2031

External validation of SPT
Otto Group developed scope 1 and 2 reduction target for the end of FY 2030/31 in line with the Paris Agreement goal of limiting the global temperature rise of below 1.5 °C. The target was developed based on latest SBTi criteria e.g. (SBTi Corporate Manual (2.0, Dec 2021); SBTi Criteria (5.0, Oct 2021) with support of the WWF, in order to assure alignment with science and the 1.5° pathway.

Measures to achieve the SPT

To achieve carbon neutrality, amongst other objectives, the Otto Group will roll out a new CR Strategy, which is applicable from FY 2025/26, that contains specific measures for the further reduction of emissions. The Otto Group is stepping up its GHG reduction measures at the company's own sites through the investment in renewable energies including photovoltaic and solar systems, and at the same time raising its energy efficiency through combined heat and power plants as well as modern lighting and building climate-control technologies. Foremost, the Otto Group intends to switch to 100 % green energy at all its German and international sites where it is available.

- Energy efficiency measures: insulation of buildings, updating HVAC-system, BEMS, retrofitting of lights, improved warehousing techniques, installation of energy efficient electric drives
- Increase purchase of renewable Energy
- Renewable energies on site (Solar/PV, geothermal)
- Reduction of business trips via remote meetings (video)

Risks to achieve the target

- Unexpected global events (such as war, trade war)
- Extreme weather (unexpected natural disasters)
- Availability of renewable energy in particular for heating
- Missing leverage for leased buildings, economic feasibility and reduced governmental subsidies for investments

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Supplier engagement

SPT #2: At least 50% third-party brands and marketplace partners by spend covering purchased goods and services set science-based target by the end of FY 2027/28.

Ambition

For Otto Group, supply chain related emissions are the largest source of total emissions and are the most challenging to reduce due to indirect control. Achieving the target requires constant engagement with suppliers. To reach and engage in the next years more than 30,000 marketplace partners (as of 29.02.2024: 6,500 marketplace partners) is challenging due to the nature of our partners. OTTO is an open platform where many small retailers offer products that they do not produce themselves. It is our customers that select products and decide which suppliers we need to engage with. Otto Group does not directly control the revenue streams. In addition, we have very limited direct influence on the partner and in particular on the production of the products sold. This differs from other platforms with engagement targets that are closed platform businesses where products are mainly offered by pre-selected well-known brand partners. Nevertheless with the inclusion of the marketplace business, we go beyond the minimum boundary of the SBTi and want to take responsibility for a growing business model.

- Baseline year: FY 2023/24
- Baseline figure: 28%
- Target observation date: 29th February, 2028

External validation of SPT

Otto Group developed a supplier engagement target for the end of FY 2027/28 to align our business with the goal of the Paris Agreement. The target was developed based on SBTi supplier engagement guidance, in order to assure alignment with the latest SBTi criteria.

Measures to achieve the SPT

To achieve SPT 2 Otto Group will focus on the following activities:

- Constant supplier engagement
- Increasing supplier awareness and knowledge of scope 3 GHG emissions via trainings, e-learning and guidance
- Enabling procurement team and identify suppliers to engage
- Collaborating with suppliers and supporting them if needed through the creation of action plans, capacity building, training programs
- Monitoring progress and establishing reward systems
- Reinforcing suppliers by steering of their portfolio and brands, preferred onboarding, setting minimum requirements, incentivize SBTi partners via better placements on platform, for example

Risks to achieve the target

- Unresponsive supplier behaviour
- Customer preference and choice
- Unexpected global event (such as war, trade war)
- Extreme weather (unexpected natural disaster)
- Missing leverage at individual suppliers and limited influence on spend/growth of individual suppliers

GHG emissions
SPT #3: Absolute reduction in scope 3 GHG emissions by 42% by the end of FY 2031/32 compared to FY 2021/22

Intermediate SPTs:	Sustainability Performance Targets				
Reduction vs. baseline year FY 2021/22	FY 2027/28 -21.6%	FY 2028/29 -25.8%	FY 2029/30 -30.0%	FY 2030/31 -35.5%	FY 2031/32 -42.0%

Ambition

In the coming year, the environmental aspects in the scope 3 GHG emissions will be strongly influenced by the Otto's Group climate targets, which will reach a new level of ambition and commitment with the adoption of a science-based target. In particular, our long-term net zero ambition until 2045 can only be achieved through far-reaching measures in the upstream value chain, which we design, pilot and scale together with our partners.

We set ambitious goals that are based on the latest science. We have identified intermediate targets between the FY 2021/22 baseline and the FY 2031/32 target and our scope 3 SBT is to reduce absolute scope 3 GHG emissions by 42% by the end of FY 2031/32 compared to a FY 2021/22 baseline. These goals are at the forefront in the retailing industry. The SBTi does not classify scope 3 targets by temperature, but ensures that any scope 3 targets are in line with at least a well-below 2°C trajectory for 1.5°C certified scope 1 and 2 targets. However, we have decided to go beyond the SBTi minimum requirement for scope 3 emissions and set absolute reductions are as ambitious as the minimum emissions reductions required to align with the SBTi's 1.5°C temperature pathways.

The path towards achieving these goals will not be linear. Investments made by Otto Group and our suppliers will require some time before impact is shown in the form of reduced scope 3 GHG emissions and we need a variety of partners and companies to contribute, initiate measures themselves and join us on our journey towards net zero.

- Baseline year: FY 2021/22
- Baseline figure: 7,378,760 metric tons CO_{2e}
- Target observation date: 28th or 29th February of the relevant year

External validation of SPT

Otto Group developed the scope 3 reduction target for the end of FY 2031/32 in line with the Paris Agreement goal of limiting a global temperature rise of below 1.5 °C. The target was developed based on the latest SBTi criteria e.g. (SBTi Corporate Manual (2.0, Dec 2021); SBTi Criteria (5.0, Oct 2021)) with support of the WWF, in order to ensure alignment with science and the 1.5° pathway.

Measures to achieve SPTs

We continue to expand the availability and quality of information of our supply chains. Therefore we use amongst others the supplier questionnaire HIGG-FEM (Higg Facility Environmental Module) from Sustainable Apparel Coalition (SAC; Cascale since February 2024). The Higg FEM collects data on GHG emissions as well as policies and the management approach on GHG reductions. Thus, suppliers need to provide quantitative data e.g. on the energy used in the reporting year and the energy source. The submission of the Higg FEM questionnaire is required for strategic textile suppliers of our major brands and is integral part of the performance evaluation of suppliers.

At the moment, we are only able to approach direct suppliers (tier 1) and partially their direct suppliers (tier 2), however the major emissions in textile production occur, especially in wet-processing (dyeing, finishing, bleaching) and fiber production. We are in the phase of pilot projects to evaluate approaches for involving producers and suppliers of other consumer goods such as furniture.

In order to reduce scope 3 emissions until the end of FY 2031/32, the Otto Group plans to implement various measures:

Purchased goods and services, own brands

- Use of renewable energy (electricity) at direct suppliers sites - e.g. through Power Purchase Agreements and building up additional renewable electricity capacity in producing countries
- Increasing the use of renewable energy at indirect suppliers within more increasingly transparent textile supply chain
- Increasing energy efficiency at supplier sites through guidance, individual support and trainings
- Use more climate friendly materials in the production of textiles, furniture, electronics e.g. recycled materials, support the climate friendly production of raw materials

Logistics

- Reduce emissions in the logistics by electrification of the last mile and also the long distance for Hermes Germany
- Additionally switch from air freight to sea freight and from freight on the road to freight on rails
- Usage of more sustainable fuel for ships
- Intelligent transport and route-planning software are set to raise logistics and delivery-process efficiency, for instance by analysing parcel-delivery flows and optimising transport routes, as well as responding better to current traffic situations and upcoming jams

The Otto Group will ramp up its use of electromobility in "Last Mile" deliveries to reduce its transport-related environmental footprint. With its “Urban Blue” strategy, Hermes aims for emission-free goods delivery, including returns, in the inner-city areas of the 80 biggest cities of Germany by the end of FY 2025/26.

Downstream and use phase emissions of electrical products sold

- Offer more energy-efficient electrical appliances and electronic devices to reduce electricity consumption at consumers
- Ensure 100% renewable energy use (by investments in wind energy or for short term certificates for the amount of energy the sold electronic devices use)
- Improved product design to increase the recyclability of the sold products and by investing in new recovery paths for materials

The Otto Group aims at building on industry alliances, focusing on renewable energy transformation in the production markets, more circular products and services and more sustainable materials. Due to the business model of the Otto group and mainly indirect scope 3 emissions, thus huge dependency on market behaviour, we anticipate a variable rate of progress.

Risks to achieve the target

- Access to sustainable renewable energy in key production markets
- Access to low-emission materials
- Customer preference and choice
- Unexpected global event (such as war, trade war)
- Extreme weather (unexpected natural disaster)

3. Characteristics of the sustainability-linked financing instruments

For each sustainability-linked finance instrument issued under this Framework Otto Group may use a single SPT or a combination of multiple SPTs. The financial and structural characteristics of the sustainability-linked finance instruments, including the impact of Otto Group's KPI performance compared to the applicable SPT, will be specified in the relevant transaction documentation (e.g., offering circular, terms and conditions, final terms, facility agreement). The financial and/or structural characteristics of Otto Group's sustainability-linked financing instruments may vary depending on whether or not the selected KPI(s) reach(es) the predefined SPT(s). This may include coupon step-down (s), coupon step-up(s) and/or a higher repayment amount in the case of bonds, and margin adjustments in the case of loans.

The relevant transaction documentation might provide that the SPTs may be subject to recalculation based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on Otto Group's structure, and/or might provide that the occurrence of certain events, outside Otto Group's control, will not result in the financial penalty being triggered.

With regard to sustainability-linked loans, annual SPTs setting and test dates will be covered in relevant loan documentation (e.g. loan agreement).

Recalculation policy

In order to accurately track progress towards our emission targets, we will adjust our baselines and/or SPTs to account for the significant changes described below, if the changes drive an increase/decrease in KPIs performance greater than 5%. We may also choose to recalculate our baseline(s) and/or SPT(s) for changes below this threshold.

Significant recalculations of the SPT(s) and/or baseline(s) may be performed on the condition that an external assurance provider independently confirms that the revised SPT(s) and/or the baseline(s) are consistent with, or more ambitious and material than, the initial SPT(s) and/or the baseline(s).

The SPT(s) or the baseline(s) may be recalculated or redefined in good faith by Otto Group and applied to outstanding sustainability-linked bonds to reflect material changes:

Structural change. Changes in Otto Group's perimeter (due to an acquisition, a merger or a demerger or other restructuring, an amalgamation, a consolidation or other form of reorganization with similar effect, a spin-off, a disposal, or a sale of assets). Organic changes to the organization will not trigger a recalculation or update of the baseline.

Methodology changes. Changes to the methodology for calculation of any KPI to reflect changes in the market practice, the relevant market standards, which, individually or in the aggregate, have a significant impact on the level of any SPT or any KPI. Methodological changes include updated assumptions or calculation methods. This also covers updates in emission factors, where the update is not related to an actual change in conditions such as annual updates of electricity grid factors.

Regulation changes. Changes in or any amendment to any applicable laws, regulations, rules, guidelines, and policies relating to the business of the Otto Group, including transition plan disclosure regulation.

Errors and other changes. Changes in the Group's ability to calculate its SPT(s)s and/or baseline(s), for example as a result of changes to data accessibility, or data quality. Recalculation will also be triggered by the discovery of an evident significant error or multiple cumulative evident errors.

4. Reporting

Otto Group will communicate annually on the relevant KPIs and SPT(s), making up-to-date information and reporting available on its website through:

- Otto Group's annual report and/or corporate responsibility report will include the performance of the selected KPIs, including baselines where relevant, covered by an assurance statement of the independent auditor.
- Following a target observation date, a verification assurance certificate confirming whether the performance on the KPI meets the relevant SPT will be published on Otto Groups website.
- Any information enabling investors to monitor the level of ambition of the SPT (e.g., any update in Otto Group's sustainability strategy or on the related KPI/ESG governance, an illustration of the positive sustainability impacts of the performance improvement, and more generally any information relevant to the analysis of the KPIs and SPT(s)) will also be published on Otto Group's website.
- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis.

Information may also include when feasible and possible:

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance/KPI on an annual basis;
- Illustration of the positive sustainability impacts of the performance improvement; and/ or
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs

Regarding sustainability-linked loans, Otto Group will communicate annually to lenders on KPI performance in relation to the SPTs.

In case the recalculation or updates are significant enough to impact our own or external parties' decision-making, Otto Group will publish the update as quickly as is practically possible.

5. Verification

This Framework and the associated annual reporting will benefit from two layers of external verification:

- **A Second Party Opinion** by an external verifier with recognised environmental and social expertise on the alignment of the Framework and the associated documentation with the SLBP and SLLP, including an assessment of the relevance, robustness and reliability of selected KPIs, the rationale and level of ambition of the proposed SPTs, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant; and

- **An assurance statement** by an auditor on the KPI information included in Otto Group's integrated annual report annually, starting with the publication of the annual report FY 2024/25

- **A verification assurance certificate** confirming whether the performance of the KPI meets the relevant SPT, published on Otto Group's website following the target observation date.

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