As a partner to the retail industry, Hermes conducts its business balancing many expectations. The chart below highlights particular challenges along the retail supply chain.

**Our Sustainability Hotspots**

- Sourcing
- Product testing
- Transport logistics
- Fulfilment
- Parcel delivery
- Internationalisation in retail trade
- Climate protection and CO2 cuts
- Digital transformation and data protection
- Networking and exchange with stakeholders
- Demographic change: Development of junior staff and specialists
- Ecological services for clients
- Promoting diversity and a healthy work-life balance
- Customising services in e-commerce
- Resource efficiency and the deployment of renewable energy

**Our Approach to Sustainability**

- Top-quality and sustainable services
- Cutting CO2 emissions and conserving resources
- Forward-looking management and stakeholder exchange
- Attractive employer and fair working conditions

Hermes Sustainability Report 2015
About this Report

With this, our second, Sustainability Report we aim to update our stakeholders on projects and progress made in respect of our economic, ecological and social responsibility. And in 2015, we are doing this for all Hermes Group business units along the retail supply chain.

The current reports depicts just how we implement and maintain our corporate responsibility in our business processes both as an employer and as part of our social commitment. The content we have chosen reflects the principle of materiality and the interests of our key stakeholders - our customers, our clients, contracting partners and employees. The themes and section structure correspond to the four strategic areas of action promulgated by Hermes in the field of sustainability: Management & Dialogue, Service & Clients, Climate & Environment and Work & Life.

GRI reporting

In order to facilitate comparability, our second Sustainability Report has also been compiled in line with the internationally recognised guidelines of the Global Reporting Initiative (GRI-G3.0). In the course of this, we are continuously building on the transparency of our reporting. And the results speak for themselves: in this year’s report we immediately satisfy the second highest GRI structure correspond to the four strategic areas of action promulgated by Hermes in the field of sustainability: Management & Dialogue, Service & Clients, Climate & Environment and Work & Life.

Integration of new business units

Unless stated otherwise, key data refers to the following Hermes companies:
- Hermes Europe GmbH (HE)
- Hermes Transport Logistics GmbH (HTL)
- Hermes Fulfilment GmbH (HF)
- Hermes Logistik Gruppe Deutschland GmbH (HLGD)
- Hermes Ermittlungs Service GmbH & Co. KG (HES)
- Hermes Ltd. UK (HUK)

In addition, we have also integrated Hermes-OTTO International (H-OI) which provides worldwide sourcing services for us in the report for the first time. Our current Sustainability Report for 2015 therefore reports on all four business areas of the Hermes Group: Sourcing & Product, Transport Logistics, Fulfilment & E-Commerce and Distribution. All told, the companies included in this report achieved a 96.4% share of Group revenues.

Data collection and reporting period

The reporting period covers the 2013 and 2014 financial years – in total from 1 March 2013 to 28 February 2015. Since 2013, the key data required for the report have been largely captured on the basis of the calendar year. Exceptions to this have been identified. This has resulted in a trunk year for 2013, which has to be taken into account when interpreting the figures. The report is based on a qualitative data gathered by our specialist departments and the sustainability coordinators, and key data from the Otto Group’s corporate responsibility database.

Editorial note

For the sake of readability, this report omits gender-based dual entries and uses the masculine form. In those cases, however, both women and men are intended.

The Hermes Sustainability Report 2015 is available in both German and English. It has been published in printed form, and online as both a PDF file and as an e-book at www.hermesworld.com. Editorial deadline for the current report was April 2015. In principle, we report on our progress in sustainability in two-year cycles. The previous Hermes Sustainability Report was published in summer 2013; the next report is planned for release in summer 2017.

Dear Reader,

Companies have to accept responsibility. In societies characterised by a division of labour, corporate success is not measured solely in terms of maximizing profit; enterprises also exist to serve people. In the bigger picture, this means that companies are required more than ever before to contribute to a society’s well-being and its advancement.

This belief has been a constituent component of Hermes corporate strategy for years now and is expressed succinctly in the title of this second Sustainability Report: Net-worked Action – a formulation that is the maxim of all our work. Every day, worldwide. With its twelve specialised companies, Hermes is currently the only service provider worldwide capable of offering its clients all the relevant services along the global retail supply chain from under one roof. This provides significant value-added because only those products and services that promote greater efficiency in trade are sustainable in line with our definition – and contribute to corporate success in the long term. This applies just as much to us as it does to our clients. Well-positioned in this way, Hermes generates transparency and reliability. And in the light of increasingly complex supply chains and with an eye on the future, these factors are becoming ever more important.

This is what makes our report credible for our stakeholders, particularly as we can constantly complement the image the public has of us – through this report or through other communication channels we maintain and can draw on new perspectives. Both Hermes UK, our rapidly growing parcel division in Britain, and Hermes-OTTO International have made key contributions to this in recent months. The latter has partnered many retailing clients over the last 50 years and more, developing bespoke sourcing strategies in crucial markets in Asia and Europe. This remarkable history has only been possible because the company has faced up to its responsibility for people and the planet as well as pursuing its economic goals and developing its specialist expertise. It has managed to do this in a highly sensitive market that is strongly characterised by cost pressures and growing competition. We are highly delighted to be able to present our current report, a continuation and development of the sustainability reporting we initiated in 2013.

As a wholly-owned subsidiary of the Otto Group, Hermes has traditionally been an integral component of the sustainability efforts of our parent company – and, as part of the services division, has made major contributions in this regard. With its CR Strategy 2020, targeting reductions in ecological and social effects along the supply chain, the Otto Group has deeply anchored the principles of sustainable business in its organisation and in all related business processes.

The mission of the Group’s ‘Power of Responsibility’, formulated in 2012, places focus on people as our company’s most important resource. We are fully aware that in global trade, we are already in competition today for the talent of tomorrow. This is why we are positioning ourselves as a corporate group that is sustainable, for example by publicly emphasizing our plans to become better – as an employer, a service provider and as partner. You can see just how far we have come in this our current Sustainability Report.

We hope you enjoy reading our report and would be delighted to have your continued support along our journey.

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A wholly-owned subsidiary of the Otto Group, Hermes was founded in 1972 as the mail-order company’s in-house home delivery service. Today, the enterprise has become a specialist for the whole band of retail-related services and partners numerous distance sellers, multi-channel retailers and online traders both in its native Germany and abroad. The array of services provided by the twelve companies operating under the Hermes brand range from sourcing and quality assurance through to transport logistics, fulfilment and the delivery of parcels to the customer’s doorstep. Hermes is still the only company worldwide capable of offering its clients such a complete package.

On course for growth

In 2014, the Hermes Group secured its eleventh year of continued growth, achieving total revenues of 2.23 billion euros (2013: 2.083 billion euros). The number of employees also continued to grow, rising to 12,470 (2013: 11,814). Hermes is currently active in 22 countries: operations of 12 Hermes companies continue to expand.

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A Strategic Approach to Management & Dialogue

As before, e-commerce is the prime driver of growth in global retail – 2014 saw record revenues being achieved again in this segment. This is a dynamic development that offers us a myriad of opportunities. But because the role and responsibilities of logistics is becoming more diverse and is characterised by increasing international competition it also gives rise to a number of challenges. At the same time the stipulations for the logistics industry have become tighter and our customers and clients are expecting increasingly more complex services with an eye for quality – and sustainability. Given this demanding market environment, our highly motivated employees are our greatest asset and we are looking to create the best possible working conditions for them. This applies as much for employees engaged at our contracting parties as it does for our own employees. Because corporate responsibility at Hermes does not end at the company gates, we also have to ensure that our suppliers and partners work with us on sustainability.

Preparing the ground, we manage sustainability in a holistic manner, setting ourselves ambitious targets and defining clear standards and processes. However, we can only continue to develop in the long term if our clients, employees and partners accompany us along the path we have laid and when we include them in such events as the Hermes Sustainability Weeks or in the Hermes Future Forum. Only by engaging our stakeholders in dialogue in this way can we learn about their expectations and take these into account in future action.
Managing Sustainability Holistically

For Hermes, sustainability is not a passing trend: it is the foundation for long-term successful business. We set ourselves clear goals, enabling us to grow by harmonising economics, ecology and social matters – and to report on them.

Hermes has a tradition combining economic progress with ecological and social goals. Back in 1986 we strategically anchored the issue of sustainability – in particular environmental protection – in our corporate goals. In other words, we have been looking to conserve resources and continually reduce our carbon footprint. Every day, our employees help in a variety of ways to anchor and foster sustainability activities in the company. In return, we aim to offer them attractive working conditions throughout our organisation. At the same time, we also help clients achieve their own sustainability goals, supporting them in an advisory capacity. Through responsible management and a steady commitment to people and the planet we are aiming to secure the trust and acceptance of all our stakeholders.

Networked management of sustainability
Given the broad base of our business, the challenges the Hermes Group has to face in the field of sustainability are highly diverse. In order to achieve the goals we have set ourselves, Hermes companies have each appointed their own CR coordinator who are not only responsible for the topic of sustainability in their business units, but who also promote it. Together they form the Corporate Responsibility (CR) Network which convenes several times per year to exchange ideas and coordinate cross-company projects.

All the strands from around the Group converge at our sustainability officer whose job it is to coordinate data management and act as the interface to CR management at the Otto Group. The Corporate Communications division at Hermes Europe (HE) is then responsible for internal and external communication of sustainability issues. At executive level, the topic is in the hands of Frank Rausch, CEO of Hermes Logistik Gruppe Deutschland (HLGD) and Hermes Transport Logistics (HTL). A member of the Executive Board is also on the Otto Group’s Sustainable Supply Chain Management Board. The Hermes Group’s sustainability performance is also monitored in the Group’s Supervisory Board, set up in 2014, with TV moderator and producer Sabine Christiansen holding responsibility.

Dialogue on an equal footing
For us, networked action means maintaining dialogue with all our stakeholders on an equal footing. Only by being in direct contact with them can we begin to understand what is expected of us and where we have to channel our energies. Our key stakeholders at Hermes are our employees, customers, clients and contracting partners. But we are also in constant exchange with business associations, competitors, NGOs, the media, the critical public, academia, local government, politics and regional authorities. As part of this, we use a variety of channels, from employee and customer surveys and events through to our PR work, which includes client and employee magazines, and a newsroom with a special focus on sustainability. For us, networked action means maintaining dialogue with all our stakeholders on an equal footing.

Our Sustainability Programme

<table>
<thead>
<tr>
<th>Action field</th>
<th>Aim</th>
<th>Date</th>
<th>Status quo</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management &amp; Dialogue</strong></td>
<td>Elaborate a groupwide strategy for sustainability</td>
<td>2016</td>
<td>A task force has been set up to develop the strategy</td>
</tr>
<tr>
<td>Conduct a materiality analysis, including a survey of stakeholders</td>
<td>2016</td>
<td>Planning and start for HLGD and HTL in current financial year 2015; other business units to follow</td>
<td></td>
</tr>
<tr>
<td>Continually expand the scope of the Sustainability Report</td>
<td>Ongoing</td>
<td>Full integration of the largest Hermes companies (HE, HLGD, HTL, HES, HF, HUK) and the integration of H-OI with regards to qualitative information</td>
<td></td>
</tr>
<tr>
<td><strong>Service &amp; Clients</strong></td>
<td>Successfully increase the rate of first-visit deliveries to customers</td>
<td>Ongoing</td>
<td>Currently, 96.3% of parcels reach customers at the first visit</td>
</tr>
<tr>
<td>Continually expand the Hermes ParcelShop network</td>
<td>Ongoing</td>
<td>The Hermes ParcelShop network grew by 44% in the period under review. Status: 38,000 pick-up/drop-off points in Europe</td>
<td></td>
</tr>
<tr>
<td>Generate CO2 compensation offers to clients</td>
<td>2015</td>
<td>Pilot project based on CO2 compensation in 2-man handling (HE) launched</td>
<td></td>
</tr>
<tr>
<td>Record all pollutants and emissions generated during transport for Hermes clients</td>
<td>2020</td>
<td>100% allocation of transport-related CO2 emissions as a standard service for clients</td>
<td></td>
</tr>
<tr>
<td><strong>Climate &amp; Environment</strong></td>
<td>Cut CO2 emissions at all German sites by 50% (base year 2006)</td>
<td>2020</td>
<td>Cuts in CO2 emissions at all German sites of 9%</td>
</tr>
<tr>
<td>Cut CO2 emissions in German parcel distribution by 30% (base year 2006)</td>
<td>2020</td>
<td>Cuts in CO2 emissions in German parcel distribution 19%</td>
<td></td>
</tr>
<tr>
<td>Certified environmental management system in line with ISO 14001 at all sites in Germany and UK</td>
<td>2016</td>
<td>94% of German sites and 55% of UK sites have already been certified in line with ISO 14001</td>
<td></td>
</tr>
<tr>
<td>Comply with exhaust emission standard Euro 6 across the whole Hermes fleet</td>
<td>2020</td>
<td>19% of the Group’s own fleet of trucks meet Euro 6 standards</td>
<td></td>
</tr>
<tr>
<td>Continue to expand the deployment of alternative drives</td>
<td>Ongoing</td>
<td>Engagement in various pilot projects, such as in electromobility: 100% electric-driven deliveries in London through transport partner</td>
<td></td>
</tr>
<tr>
<td><strong>Work &amp; Life</strong></td>
<td>To have 30% of management positions in service and administration held by women (HLGD, HTL and HE)</td>
<td>2020</td>
<td>18% of management positions in service and administration units are already held by women</td>
</tr>
<tr>
<td>Successively expand the certification of working standards at contracting partners across all Hermes companies</td>
<td>Ongoing</td>
<td>Continuously integrating new contacting partners in the certification process, SGS-TÜV Saar have been certifying HES depots since 2014</td>
<td></td>
</tr>
<tr>
<td>Set up a groupwide Corporate Volunteering Programme</td>
<td>2017</td>
<td>Making employees aware of social commitment as part of the Sustainability Weeks, individual Corporate Volunteering Programmes running in companies</td>
<td></td>
</tr>
</tbody>
</table>
Inspiring ideas

Only by generating innovative ideas and having the courage to implement them can Hermes expect to prosper on its markets in the long term. At the inaugural Innovation Camp which took place in autumn 2013, involving representatives from all Group companies, we gave free rein to the creative potential of our employees. Together, delegates attending the Camp developed forward-looking ideas – from deploying new services for shipping parcels and innovative ways to generate customer loyalty through to optimising processes throughout the organisation. This one-day workshop is just one example of how Hermes is promoting innovation. Since 2012, HTL has been regularly audited, which includes an assessment of environmental and social standards based on standards promulgated by the International Labour Organisation (ILO) and the United Nations. In addition, the Honourable Global Duty Management (HGD) has drafted the principles of its leadership in its own Code of Conduct. This applies to its own employees as well as to those employed at its contract partners. In 2016, this Code of Conduct was also adapted by Hermes Einrichtungs-Service. Should any employee suspect that standards are being infringed they can contact the Social Compliance department at Hermes as well as an appointed independent ombudsm. Norbert Eichler, Mayor of Haldensleben (1996-2015)

Environmental and social standards at partners

The Otto Group’s Code of Conduct for non-merchandise and services also serves as guidance for our management of contractual partners and suppliers and is a firm component of service agreements. As an international sourcing organisation, Hermes-Otto International (H-OI) also applies the Otto Group’s Code of Conduct for merchandise. This is rooted in the globally recognised standards of the Business Social Compliance Initiative (BSCI), which the Otto Group supports in conjunction with several worldwide enterprises to improve production standards in sourcing markets since 2003. This Code of Conduct is taken into account in all supplier contracts negotiated by H-OI. In parcel distribution and 2-man handling, the Hermes Code of Conduct applies to all business partners. As from 2015, this is now signed by our suppliers as well as contract partners. Complementing the Otto Group’s Code of Conduct, this regulates topics such as employee protection, working conditions and minimum wages (see page 32).

Contemplating the future together

In November 2016, Hermes organised its second Sustainability Weeks, raising employee awareness of sustainability issues in everyday life. Over a period of four weeks, employees at the Hamburg head office were made more cognizant of economic and social issues through a variety of campaigns – from bike inspections and new electric-vehicles through to a market for volunteers. Measures were selected on the basis of an online survey in which staff were encouraged to propose topics, ideas and wishes. These Sustainability Weeks proved so popular – even at the second time around – that the idea is to be expanded to other locations in future. The programme has already included an energy-saving and ideas competition among Hermes depots throughout Germany.
“An Investment in the Future”

The Hermes Group has its own Supervisory Board. Set up in November 2014, it binds sustainability even more securely in the company and strengthens dialogue with key stakeholders. As part of the CR workshop, Frank Rausch (Executive Board member with responsibility for sustainability at Hermes) and Sabine Christiansen (member of the Hermes Supervisory Board) discussed the challenges Hermes has to face up to. The discussion was moderated by Claudia Schanz, spokeswoman and the person responsible for CR communication at Hermes.

In 2015, Hermes publishes its second Sustainability Report. What for you was the greatest progress made in the last two years?

F. Rausch: Generally speaking, 2013 and 2014 saw us grow significantly on the market. This is the key prerequisite for new investment. With our ‘Always Better!’ pledge, we have built on our service portfolio and aim to improve customer contact even more. For us, there is no question that this growth will go hand in hand with sustainability. It’s quite easy really, given the growth we have achieved, felt we needed it, and why now?

F. Rausch: It’s quite easy really. Given the growth we have achieved, the company is now so big that law requires us to have a Supervisory Board – and that is completely acceptable for us. With its equal representation, it has developed quite positively. Since 1994, Hermes has been able to cut carbon emissions by a respectable 43% per parcel on the way to the customer. We’ve not achieved that sort of success everywhere, but we’re making progress. The media has been focussing on improving working conditions in the parcel sector recently. Hermes has responded both well and quickly to this and has undertaken a lot to create transparency. The minimum wage is another major challenge. But there are also issues such as women in management, diversity as well as training and development.

Climate change, globalisation, demographic change – what are the most urgent challenges facing Hermes?

F. Rausch: We are in a highly competitive market. Trade today is no longer a national or European issue, it really is global. And this means that today we are managing global supply chains which ensure that every product is available everywhere and at any time. It is logistics that guarantees that this can happen. We often forget this.

S. Christiansen: I’ll be taking a look at all aspects of sustainability. Hermes has traditionally been well positioned on ‘green’ issues and has developed quite positively. Since 1994, Hermes has been able to cut carbon emissions by a respectable 43% per parcel on the way to the customer. We’ve not achieved that sort of success everywhere, but we’re making progress. The media has been focussing on improving working conditions in the parcel sector recently. Hermes has responded both well and quickly to this and has undertaken a lot to create transparency. The minimum wage is another major challenge. But there are also issues such as women in management, diversity as well as training and development.

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S. Christiansen: That’s right! And more importantly, nobody wants to pay for it. There is a feeling that shipping should offer quality, flexibility and returns for nothing – how is that ever going to work? We also need to discuss the value and, thus, the price of logistics services.

F. Rausch: On top of this is the demographic change; people are getting older, moving more to towns and cities, there are more and more single households. Neighbours are becoming more anonymous. On top of this is the demographic change; people are getting older, moving more to towns and cities, there are more and more single households. Neighbours are becoming more anonymous. With its equal representation, had its constituting meeting in November last year. And after just a short period of time I can already tell you that the Supervisory Board is doing a great job for us, opening up new perspectives, expertise and discussion.

S. Christiansen: We might be very inconvenient sometimes (laughs), but the diversity of members and our critical questions require the company to adopt a manner of thinking that is forward-looking. We have to picture many stakeholders: customers, employees, suppliers, partners. Wherever we see challenges, it is our job to place our finger on them and ask questions. At the same time, the Supervisory Board also has to support key developments, such as the ongoing restructuring in the logistics and parcel units in Germany. Our common interest is to position the company so that it remains future-proof.

Ms Christiansen, you were appointed to the Hermes Supervisory Board especially with the issue of sustainability in mind. What are you going to be taking a particular look at?

S. Christiansen: I think this is some achievement. But we’re not resting on our laurels. We know that there is still a lot of work to do.

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Even politics is becoming increasingly involved in the development of sustainability issues. With success?

F. Rausch: Sure, politics has to provide the framework for things to happen. Networking business, politics and research is key to sustainability. Even the cities and the local councils have to do their share, by making space available, or by opening bus lanes for electric delivery vehicles, for example. I think it is extremely important to maintain dialogue and to push on innovation together.

From your perspective, why is Hermes an attractive company?

S. Christiansen: As an employer and training organisation, Hermes has received multiple praise, it has a track record on innovation and is a forward-thinking company. This increases the appeal of the employer brand Hermes. And sustainability is increasingly important here.

F. Rausch: I can only underline that. In job interviews, one of the first questions we are asked is what are you doing socially and what are your values? These aspects have an impact both within and outside the company. However, we are not awarding ourselves feel-good factors. Our engagement is an integral part of our core business and a clear investment in the future.
According to a recent study, roughly 80% of internet users in Germany regularly shop online.* And they are doing this increasingly across borders. Today, e-commerce is a global reality 24 hours a day. This is due not least to legislation, such as the new EU consumer rights directive. In the course of this, logistics is developing into a key industry in the digital age. Expectations are high: customers want logistics services to be speedy, reliable and flexible, and of course available worldwide – and, best of all, should cost nothing. At the same time, retail customers are making more conscious purchases and asking for specific information, such as about transport channels and fair working conditions. We have to measure ourselves against such requirements which the market is demanding of us.

In our own interest, but also in those of our customers, we want to become better. In order to satisfy these demands we are continually building on our services, making them more efficient. And we are actively involving our customers and clients in this process: by expanding our mobile services or providing a carbon footprint, we are jointly contributing to greater transparency along the global supply chain. At the same time we are looking to contribute to a public awareness of the role and position of logistics in retail and trade. Through dialogue and discussion we are hoping to promote the development of sustainable logistics.

* German Federal Office of Statistics: Number of the week. destatis.de, 2.9.2014.
CO₂ monitoring for customers
If you are looking to improve your CO₂ balance, you need two things: transparency in capturing CO₂ emissions and proven expertise in implementing measures aimed at improving the situation. As part of its WE DO! initiative, Hermes provides its customers with a free statement of their individual CO₂ emissions for goods transported by Hermes. This statement is based on specific real data such as the length of a delivery round and the load, and is thus able to indicate CO₂ emissions in a detailed manner per round or shipment. In a monthly status report, the Service Compass, our customers receive a regular concise overview of the CO₂ emissions resulting from their transport using Hermes. Based on this report, we can provide advice on how to reduce CO₂ emissions and include other pollutants such as soot particles. Also, our aim is to offer our customers a chance to offset their CO₂ emissions through their participation in climate protection projects or the purchasing of emissions certificates. A first project of this type was implemented by Hermes Einrichtungs Service (HES) in cooperation with the shipper Kaiser + Kraft.

More service, less emissions
Each failed delivery attempt results in approximately 400 g of CO₂. Thus, the more we avoid these unnecessary journeys, the more we protect the environment and the more we can increase customer satisfaction. Consequently, an increasing number of customers are looking to have customizable shipping processes to ensure that their shipments reach them directly, whether at home, in the workplace or even where they are on holiday. With the aim of permanently improving customer focus, Hermes instigated the Always Better pledge in 2014. This entails new services for parcel delivery. First amongst these is the Hermes App, which immediately dispenses with the need for delivery notes and facilitates paper-free parcel delivery.

Another example is ‘Hermes request delivery’. This offers four new service modules, that link our customers and their customers even better:
• Request time band: Binding delivery within a freely selectable 3-hour time band
• Request delivery day: Binding delivery on a freely selectable weekday
• Request parcel shop: Delivery to one of over 14,000 Hermes ParcelShops in Germany

The aim of our service offensive: To deliver 100% of our shipments at the first delivery attempt. Everyone involved will profit from this, both customers and recipients, our organisation and of course the environment. Since autumn 2014, the parcel notification service has been contributing to this goal. Thanks to it, the customer discovers the day before delivery, when, to within an hour, their shipment will be delivered anywhere within Germany. The date and time of an order can be seen in the online tracking service and are integrated in the Hermes App. Hermes UK also has an attractive offer for both customers and the environment, delivering parcels on Sundays – a service it has been providing since 2014.

It is much easier for customers to receive their parcels on work-free days, and this in turn saves unnecessary return visits. The Hermes ParcelShop as an alternative. Since 2000, the Hermes ParcelShop has been combining customer proximity with sustainable service. A reason why our network has grown constantly over the years, and has established itself as the alternative delivery address for distance selling. Today with more than 36,000 pick-up/drop off points in Europe, and more than 14,000 in Germany, we maintain the largest national network of collection points in private parcel shipment.

As this type of parcel shipment focuses individual delivery traffic at a central ParcelShop, it is particularly environmentally-friendly. In addition, delivery of parcels to ParcelShops is particularly convenient for customers because shops such as news agents, bakeries or petrol stations are highly flexible, often staying open for long hours. In large German cities, our customers are generally less than 600 metres away from the closest shop. The outcome is that ParcelShops can be conveniently accessed by cyclists and pedestrians alike. Thanks to our carbon footprint calculations, we know that ParcelShop deliveries result in up to 30% less CO₂ being generated than results from deliveries to the front door. Moreover, some of our clients are encouraging their customers to have deliveries sent to a Hermes ParcelShop thus saving CO₂.
Data security for our customers
Thanks to intelligent IT solutions, we can offer our customers more transparency plus the latest updates on their orders. These digital platforms help us manage large quantities of data on a day-to-day basis, including personal customer data, which we are bound to protect. And the results speak for themselves: the positive finding is that in the current reporting period, no infringements of the data protection law have been reported nor have any cases been brought to court.

Customer product standards
We have also set ourselves the target of combining high service with social and environmental responsibility outside Europe and globally. Hermes OTTO International (H-OI) procures products from global markets. As an international sourcing organisation, the company has comprehensive knowledge in the areas of quality, social and environmental standards, which is available to our customers in the main procurement markets, primarily in Asia. Alongside the usual quality controls in the production facilities, H-OI therefore also typically offers product final acceptance in its own inspection centres. These ensure expert goods inspection under optimum conditions. The staff in these facilities are supported by specially trained management. Moreover the newly-founded Astra Supply Chain Services Ltd. ensures, thanks to its environmental and social audits, that, as a minimum, nationally applicable standards are complied with in production facilities.

Feedback exchange with our customers
We find out about our customers’ requirements by means of regular surveys. Using the “Customer contact monitor” we regularly ask our parcel customers in Germany about their willingness to recommend Hermes to others. The results of the latest survey: In financial year 2014, 68% of our customers were happy to do so.

In addition we instigated studies on relevant industry topics. In 2014 we asked 200 logistics decision-makers from wholesale and manufacturing industries about how relevant green logistics was for their company. Around 40% indicated that sustainability was important or very important. Moreover 59% wanted their logistics service provider to offer professional and comprehensive CO₂ reduction solutions. These findings basically confirm that sustainability has to remain a central aspect of our service strategy.

Prize-winning service
Our service has also received multiple awards from external, independent sources during the reporting period. In 2014, the largest service ranking survey of the daily newspaper Die Welt and the consultants ServiceValue selected Hermes as the best German Parcel Service Provider for the third time. The award of “Service Champion” was based on the positive assessments of our customers. Once again HES received top marks from its customers: in 2014 the delivery of furniture and large appliances by Hermes was tested for the fourth time by TÜV Saarland and awarded the top marks.

Of the 1,700 customers surveyed, 96% said they would recommend our 2-man handling service without any reservation.

Best-in-class by Stiftung Warentest
Following on from 2004 and 2010 Hermes was awarded best-in-class for the third time in a row by the German consumer watchdog Stiftung Warentest. In the parcel service test (Issue 12/2014) Hermes achieved best marks both in the category “Delivery reliability and timeliness” and in the category “Convenience of ordering, payment and tracking”. Overall Hermes shared top spot with another provider. A second parallel test inspected the working conditions and the environmental protection of companies in the parcel industry. Here, Hermes secured second spot with the top marks of all tested parcel services in the “Environmental policy” category. The independent institute mentioned explicitly how transparent and cooperative Hermes was in respect of its research. However we are not resting on our laurels, rather are using them to provide pointers. They offer us valuable information about where we can improve in the areas of environmental protection and employment provision.

59% of decision-makers in retailing call for logistics service providers to offer solutions to cut CO₂ emissions.

Safe2Go: reusable packaging for bulky items
To ensure that the returns of white goods are safer and environmentally friendlier, Hermes Einrichtungs Service has been using the patented packaging system Safe2Go since the beginning of 2015. This can be used to pack household appliances such as fridges and washing machines ready for return, thereby effectively minimising damage. When it comes to avoiding damage, the reusable packaging has clear advantages over the standard use of bubble wrap, corrugated board and other disposable materials – and is significantly environmentally friendlier. A small service with a big impact!

Hermes is Service Champion: In terms of service, 2014 saw Hermes achieve top spot for the third time in a row in a ranking of nine parcel delivery companies.

In the baby’s, children’s and maternity wear segment, sustainable service is a clear competitive factor. Our customers rightly expect that the transportation of the products is just as sustainable as their production. So we are pleased to know that in Vertbaudet we have a logistics partner at our side that shares our social and ecological values. This common sustainable approach was one of the factors in choosing to work with Hermes.

Andreas Schröder, CEO of Vertbaudet Deutschland GmbH
Clear Goals for Climate and Environment

Experts agree that by 2050 carbon emissions in road and rail traffic arising from international trade will rise four-fold.* This forecast is a clear imperative to retail processes and logistics. As a service provider along the retail supply chain Hermes has a particular responsibility when it comes to CO₂. This is something we recognised early, integrating climate and environmental protection in our corporate strategy as early as 1996. Today, we have bundled all our climate and environmental activities into our Hermes WE DO! initiative. The programme aims to avoid carbon emissions, conserve resources and to continually improve our carbon footprint. In implementing this, we have set ourselves ambitious targets: by 2020, we are aiming to cut carbon emissions of all German Hermes companies by at least half at all sites and, in addition, by 30% in parcel distribution. This way, Hermes is offering support to the climate strategy of the Otto Group which envisages halving carbon emissions across the Group by 2020 (from 2006).

Because successful climate protection is a joint effort, our clients and employees are an integral part of Hermes WE DO!. Through specific activities we not only involve them individually and commensurate with their interests in corporate environmental protection, we also encourage awareness of ecologically responsible business. On top of this we cooperate extensively with key parts in climate and environmental protection.

* OECD, ITF Transport Outlook 2015.

Oliver Lanka (r.) and Rob Elmore (l.) are responsible for fleet management at Hermes Logistik Gruppe Deutschland and Hermes UK respectively. They ensure that our vehicles emit as few harmful substances and carbon as possible – such as by deploying of electric-powered vans.

Since 2011, Hermes parcels in Hamburg and Berlin have been delivered using 20 environmentally-friendly Vito E-CELL vehicles. As a cooperation partner in the ‘Showcase Project Electromobility’ we are testing electro-prototype delivery vehicles.
Climate Protection on All Routes

As a global provider of transport services we are responsible for ensuring that our networks are as efficient as possible. Thanks to a mix of intelligent tour planning, the use of alternative drive technologies and our collaboration with strong partners, we are managing to steadily reduce CO₂ emissions along the worldwide supply chain, despite the growth in transport volumes.

Lower emissions in transport

In 2014, Hermes reporting companies generated a total of 311,447 t of CO₂. The greatest CO₂ pollutant in our organisation is, as before, transport – currently, 85% of our carbon emissions are transport related. And the key factor for us to control in this respect is distribution logistics. Here, we have direct influence on both fleet management and route planning. We are getting close to the goal the German Hermes companies have set, namely to cut carbon emission in distribution by at least 30% by 2020. Since the base year, 2006, we have reduced CO₂ by 79 g per parcel, a saving of 19% in the greenhouse gas. In international sourcing logistics we also have to take account of the specially complex supplier network. An effective contribution to climate protection has largely been achieved by the carbon footprint assessment for long haul transport broken down by source. Our monthly CO₂ report (see page 16) provides the transparency increasingly called for by clients and retail customers.

The fields of business the Hermes Group is active in offer a variety of potential areas to cut CO₂. This is why several Hermes companies have developed and implemented their own master plans to reduce CO₂.

Innovative fleet management

The key to reducing emissions lies in optimising and modernising our fleet. At present, all our own fleet vehicles meet the Euro 5 emission standards. In view of the stricter Euro 6 standard emission threshold, introduced in 2014 for all newly registered lorries within Europe, we are now in a process of successively converting our vehicles. 19% of our fleet currently meets this emission standard. By 2020, all our vehicles will comply with the Euro 6 standard.

The Hermes Group is looking to go beyond legal requirements and invest in climate conserving technology and alternative drive systems. At the end of 2014, Hermes UK (HUK) put the largest fleet of electrically-operated vehicles to date in a major European city into service. Parcels destined for households and Hermes ParcelShops in London are now delivered using 44 electric prototypes “Renault Kangoo Z.E.” vehicles. Thanks to an innovative charging technology, the vehicles are powered by sustainably-sourced electricity which emits neither carbon dioxide nor any other harmful substance. This has enabled us to save 146 t of CO₂ each year. Another benefit is that the vehicles are virtually noiseless and take up around 40% less parking space than conventional transporters – which helps reduce noise levels and ease the parking situation. This not only benefits the environment but also the people of London.

The electric-mobility project in London is the latest of many initiatives concerning trials of alternative drive systems that Hermes has actively explored since the 1980s. In Germany, Hermes has been involved in a pilot project with Mercedes-Benz, for example, on developing and launching the Vito E-CELL. The 20 vehicles used as part of the project have been used since then to deliver parcels in Berlin and Hamburg. Since 2013, Hermes has also been engaged in the “Showcase Project Electromobility” in Berlin and Brandenburg. As part of a sub-project supported by Hermes and sponsored by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, the programme aims to develop an electrically operated transporter optimised for the CEP industry ready for serial production. By mid-2015, we are looking to deliver the first parcels to customers with a test vehicle in the Berlin city centre.

Besides electrified prototypes, we are continuing to deploy gas-fuelled transporters in the delivery process. In addition, we are intending to reduce fleet emissions further by deploying optimised starter stop systems in vehicles. Through its audits, Hermes Transport Logistics regularly assesses the efficiency of larger belonging to its transport partners and in an attempt to exploit efficiency gains together. By deploying aerodynamic trailers and more energy-efficient types, HUK has been able to save an average of 16.6% on diesel consumption per year.

Planning tours efficiently

We regularly check our transport routes and are constantly implementing improvements in conjunction with our clients. Besides taking account of time and cost, carbon emission levels are also a key factor. For our clients, we are looking to find logistics solutions that deploy the best possible mix of carriers that has as little impact on the environment as possible. The most environmentally-friendly carrier is rail: a tonne-kilometre on the tracks releases around 20 kg of CO₂ – thirty times less than transport by plane. For example. Accordingly, since 2014 HTL has been offering clients the option of transporting their goods by rail between China and Germany. Following rail transport, ships are the most CO₂ efficient option. For clients who are a little more flexible, we therefore recommend sending their goods by sea. With the combined sea and air transport, part of the route is covered by ship.

A significant proportion of business traffic is made up of parcel delivery services. By participating in the “Showcase Project Electromobility” in Berlin, Hermes is making a major contribution towards providing emission-free, environmentally-friendly parcel deliveries in cities. The joint aim of all involved is to have zero emissions in the capital.

Werner Schönewolf, Coordinator of the “Showcase Project Electromobility”

Since 2014, Hermes has deployed 44 electrovans through its transport partners, Gnewt.

“Hermes is setting a fantastic example for London’s logistics companies, all of whom have their part to play in helping to improve London’s air quality. It is an urgent challenge, which affects the health and well-being of all Londoners. Environmental protection is a joint public-private initiative, because today’s challenges affect all of us. By doing their bit, Hermes too is helping to create cleaner, greener, more breathable air for every Londoner.”

Boris Johnson, Mayor of London

Total carbon emission (transport, sites and mobility) absolute figures in t¹

<table>
<thead>
<tr>
<th>Year</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013²</th>
<th>2014³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>364,200</td>
<td>400,000</td>
<td>403,571</td>
<td>311,447</td>
</tr>
</tbody>
</table>

¹ Details were calculated on the basis of the DIN EN 16258 standard and on the basis of the manual for emission factors in road transport. The audit comprises all transports, including those of our contracting partners.
² Excluding air and sea freight emissions.
³ Because of the conversion of data to calendar years, 2013 is a track year.

Because of the conversion of data to calendar years, 2013 is a track year.

19% CO₂ has already been cut in German distribution logistics since 2006.

Climate & Environment
encouraging the take to pedal power for short trips – for example, as part of our Sustainability Weeks in Hamburg (see page 15). Staff covered a total of 2,468 km simply by cycling to work. At the Hermes head office, ten company bicycles are permanently available to staff to rent.

We are also promoting environmentally-friendly drives deployed in our company cars. New vehicles such as the electric Smart and Fiat 500 are parked at Hermes head office and can be booked at any time through the intranet. Employees at Hermes-Otto International use electric and hybrid cars at sites in Turkey for short business trips.

In road transport, the key is to combine intelligent tour planning with efficient driving. With the help of professional programs, we calculate in advance the best possible route for all delivery tours in 2 man handling. HUK deploys telemetrics to encourage its couriers to drive in a manner that saves fuel. With its own driving schools, HUK in fact goes one step further, not only training their own drivers, but also helping employees from other companies learn a more efficient style of driving. In Germany, HTL also offers regular professional driving training through transport partners.

In collaboration with atmosfair, Hermes is supporting a holistic aid project in India, encouraging the use of energy-saving cookers to save on CO₂ and firewood. Reducing smoke emissions is also set as a goal. In the course of this, Hermes acquired offsetting certificates in the reporting amounting to 964 t of CO₂. In addition, we have been encouraging staff awareness of environmentally-friendly travel. Among other things, we have been

### Sustainability at our Sites

Hermes is careful to ensure that its 100 logistics and administration buildings are as efficient as possible and that environmental impacts are avoided. Our site planning is a clear statement in this regard while directly involving our employees in environmental protection.

#### Certified environmental management

At a total of 84 sites – 67 of which are in Germany and 17 in the UK – environmental management is regularly certified in accordance with ISO 14001 requirements. We are successively expanding the process in the reporting period, seven new sites were awarded the certificate – including Hermes Fulfilment’s (HF) distribution centre in Haldensleben and its logistics centre in Ohdruf, as well as Hermes Einrichtungs Service (HES) administration building and hub in Löhne. By 2016, all Hermes sites in Germany and the UK are to have their environmental management systems certified in accordance with ISO 14001.

In addition, Hermes is the only company in the logistics industry to be authorised by DGÜ, a German institute that certifies management systems and processes, to apply the Trust Improvement Program (TIP) under its own direction – an audit procedure for particularly advanced environmental management systems. Environmental officers in our Facility Management division ensure that legal and internal requirements are complied with on our sites.

#### Climate protection

Besides cutting carbon emissions in transport, we also address climate protection at our logistics and administrative buildings. Since 2006, we have reduced CO₂ by 3,145 t (adjusted) at our sites in Germany, saving 9% of greenhouse gas emissions – equivalent to the average amount emitted by 300 people per year. By 2020, we are looking to cut carbon emissions at our sites by at least half, using 2006 as the base year. To achieve this we need to lower energy consumption and convert to alternative energies. Energy consumption at reporting companies amounted to 127,039 MWh in 2014 – a saving of 4.3% on the reporting year 2012/13.

#### Energy efficient building

Our aim is to build new property that is as sustainable as possible. In this respect, corporate responsibility for us starts in the planning phase. In doing so, we focus on recognised standards; to date, more than 20 buildings have been constructed in accordance with the silver standard of the German Sustainable Building Council (DGNB). The DGNB system evaluates the economic, social and ecological quality of commercial property across the whole life cycle of the building. The new building in Löhne which will be completed in 2016 and used jointly by HES and HF, is also to receive DGNB’s certification in silver. The topic is also highly relevant for the German parcel unit: by 2018, around 300 million euros will have been invested in building 35 modern logistics centres – all subject to high ecological and social standards.

#### Air quality partner to the city of Hamburg

The City of Hamburg officially recognised our efforts to put together a CO₂ efficient fleet by bestowing on us the award ‘Air Quality Partner of the City of Hamburg 2014’. Hermes was largely acknowledged because of its overall efforts; praise was not only forthcoming from other companies learn a more efficient style of driving. In Germany, HTL also offers regular professional driving training through transport partners.

### Direct and indirect energy consumption on our sites

<table>
<thead>
<tr>
<th></th>
<th>Unit 2011/12</th>
<th>2012/13</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Total energy consumption</td>
<td>MWh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which relates to energy</td>
<td>MWh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which relates to renewable energy</td>
<td>%</td>
<td>4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which heating energy</td>
<td>MWh</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which heating from heating oil</td>
<td>%</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which heating from natural gas</td>
<td>%</td>
<td>5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which heating and generation from renewable energies</td>
<td>MWh</td>
<td>1,571</td>
<td>953</td>
<td>2,721</td>
</tr>
<tr>
<td>Own renewable electricity generation</td>
<td>MWh</td>
<td>161</td>
<td>292</td>
<td>0</td>
</tr>
<tr>
<td>of which relates to renewable energy</td>
<td>%</td>
<td>4.6</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Own renewable electricity generation</td>
<td>MWh</td>
<td>4,946</td>
<td>5,886</td>
<td>2,609</td>
</tr>
</tbody>
</table>

1 Because of the conversion of dates to calendar years, 2013 is a trunk year.
Exploiting alternative technologies
We are continually assessing new technologies to generate electricity and heating energy in an environmentally-friendly manner. We now use renewable raw material biomas to heat the buildings at ten logistics sites. To promote climate-friendly solar energy, we installed a photovoltaic system on the roof of the Hermes hub in Langenhagen near Hanover. In the meantime, we are also using solar energy at other sites – such as the office building of Hermes-OTTO International in Turkey. In order to generate environmentally-friendly energy based on requirements, HF is building two new combined heat and power stations. Such a system was put into operation in Haldensleben in 2015 for the first time. Other sites are being planned. This is an investment that will have a positive impact on our carbon footprint. Operating a combined heat and power station will save over 1,000 t of CO₂ each year.

And when it comes to lighting, we are also looking to become more sustainable – by converting to energy efficient light bulbs or installing sensors at all Hermes sites.

Cutting paper consumption
Paper is another resource we are looking to save. In Germany, Hermes has been offering the mobile parcel note since winter 2014. This uses a smartphone to facilitate delivery and replaces the conventional printed label. The mobile returns note has been in use since 2015. The paper documents used to process HES deliveries have now been replaced with immediate effect by deploying mobile devices. This will help save several million sheets of paper per year in future. In 2014, we used 147.7 t of office paper – 95% of which was recycled. This rate is set to rise steadily. Since 2014, Hermes has underlined its commitment to this by signing up to the ‘CEOs for Recycling Paper’ initiative. Paper consumption has now been replaced with immediate effect from 2015. The paper document used to process HES deliveries has been in use since 2015. The paper document used to process HES deliveries was replaced with immediate effect from 2015. The paper document used to process HES deliveries now been replaced with immediate effect from 2015. The paper document used to process HES deliveries has now been replaced with immediate effect from 2015.

Recycling materials
Avoid or recycle waste effectively – this is the subject of training of fered to employees at logistics sites in half-yearly courses. Companies also undertook a number of measures to recycle used packaging, feeding it back into the materials cycle. At its hubs, for instance, Hermes UK (HU) recycles plastic packaging, cardboard boxes and pallets. And at the fulfillment facility in Haldensleben, over 5,000 t of used cardboard boxes are pressed and returned to regional paper plants.

Avoiding adverse effects on the environment
To avoid the risk of environmental pollution, first-aid vehicles are generally on hand for oil accidents at all Hermes logistics sites. Intervention plans define precautionary behaviour in the event of emergency and ensure that, in case of accidents, the environmental impact is kept as low as possible. Eighteen accidents occurred in the reporting period. In all of them, leaking oil or fuel was absorbed and/or removed, and environmental damage avoided.

We also monitor noise emissions: not only do we want to reduce transport related noise; we are also looking to design process at our sites to be as quiet as possible for our employees and the neighbourhood. With this in mind, HF upgraded its cardboard presses in 2013 by encasing the system, it now runs ten decibels quieter than before.

Preserving the diversity of nature
We are committed to protecting the environment and biodiversity, and have been cooperating extensively with the German Nature and Biodiversity Conservation Union (NABU) since 2010. When new buildings are constructed, NABU advises us on how best to optimise local ecology. At 18 new HILGD depots we have planted ecological compensation areas, providing nesting opportunities for birds and set up ‘insect hotels’. At HF sites, the environmental protection organisation carried out an inventory of biodiversity in 2013, which revealed that biodiversity and logistics facilities are not at mutually exclusive. In all areas naturalised with the help of NABU, diverse flora and fauna have developed, and to make sure that they stay that way. HF has freed meadows and ditches – habitats for a variety of fish and frogs – from overgrowth to prevent silting. On top of this it also set up 25 new nesting sites and five perches for birds of prey.

Hermes also supports NABU’s work beyond our own sites, such as in the Erbtalauen biosphere reserve. In 2013 and 2014, together with NABU’s Hamburg branch, we acquired more land (currently 250 hectares) for the Lower Saxony conservation area. By purchasing the land, Hermes is aiding the long-term protection of a unique habitat for many species of animals and plants. At the same time, the Erbtalauen project is also an encouragement for our apprentices to become involved in environmental protection. Here they can spend some of their training time and take part in workshops, for example.

Humming and buzzing on our roofs
More than 150,000 bees have found a new home on the roof of the distribution centre in Haldensleben. Together with a local beekeeper, Hermes Fulfilment has set up several hives there, providing a major contribution to maintaining biodiversity. Bees are one of the most important insects because they pollinate both crop and wild plants. But employees too are delighted with their flying housemates: for example.

Nature conservation needs partners from business who are prepared to commit themselves over a longer period of time. This is what makes the collaboration between NABU Hamburg and Hermes so valuable.

Tobias Hinsch
Director, NABU Hamburg

H-OI Hong Kong receives Loop Award
The prize is awarded by the World Wide Fund for Nature (WWF) to companies in Hong Kong for their special commitment. Hermes-OTTO International (H-OI) has been a member of the initiative since 2013 and achieved the silver award in its first year. The company has cut its carbon emissions by over 10% in just two years. Among other things, this has been achieved through the use of LED lamps and sensors, and by asking employees to simply switch off electronic equipments when they leave their office.

In 2015, Hermes Fulfilment commenced operation of a combined heat and power station.

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Good Working Conditions for All Employees

We want to win over talent for Hermes and offer our staff attractive working conditions. As part of this we secure comprehensive training and development opportunities and help staff balance family and working life. Our aim is to promote and deploy individual skills, experience and prospects for our employees in the best possible way. We see diversity and inclusion as an opportunity – especially in the light of the ongoing demographic change. To promote the issue, Hermes has signed a framework agreement and is an active member of the demographic network sponsored by the Federal Ministry for Labour and Social Affairs. In this way, we are also looking to build on our appeal as a leading employer in the industry and the renewed ‘Top Employer 2015’ award, granted by the CRF Institute, is valuable evidence of this.

We assume social responsibility throughout our whole organisation for everyone who works for us. This applies as much for employees engaged at our contracting parties as it does for our own 12,470 employees. The long-standing collaboration we have enjoyed with many of our partners is based on mutual trust and on high standards, which we assess on a regular basis. In 2012, Hermes became the first and still remains the only company in the industry to maintain its own certification system for the final mile: in collaboration with SGS-TÜV Saar we have developed a verification system that explicitly documents compliance with fair working conditions. We also ensure fair conditions in our international business with our partners and suppliers.

One of the staff at the alsterarbeit facility explains just how work is done in the sheltered workshop.

Sylvie Reichel, work/study student at Hermes and three apprentices swapped places with staff at the alsterarbeit e.V – an organisation that provides valuable support to disabled people. Such an exchange gives people the chance to experience inclusion and strip away reservations.

Changing places was not only informative, it was also a great deal of fun.
Promoting Individual Potential

Our 12,500 plus employees are our greatest asset. By recognising their individual strengths, promoting their skills and providing enough freedom for both professional and private priorities, we can grow successfully together.

Listening and understanding

We regularly poll employee opinion to stay in tune with their needs. Thus Hermes Fulfilment initiated a comprehensive employee survey in 2013 in which over 2,200 colleagues participated. Based on the results of this, 37 moderated workshops were carried out and ultimately 64 concrete measures derived, e.g. for individual development options or to improve cooperation with the management. Hermes UK (HUK) also regularly assesses how satisfied employees are at work. The last survey, conducted in 2014, showed employee satisfaction had risen once again.

Individual development

In annual employee reviews, our employees decide, together with their superior, about options for their development plus appropriate continuing professional development. The aim is to support each and every employee in line with his/her individual needs and prospects. In addition, we offer our employees and management a comprehensive range of seminars and workshops, that we are constantly expanding and which is matched to actual requirements. During the reporting period for instance, particular focus was placed on the training of our field staff team leaders, in order to prepare them as best as possible for the latest requirements arising from the certifying of our contractual parties.

High quality training

So that we can retain the rising stars of tomorrow at Hermes, we place particular emphasis on the quality of our apprentice and trainee programme. This was once again acknowledged in 2015 by the award ‘Hamburg’s Best Apprenticeship Company’. By signing the ‘Career promoting and fair trainee programme’ charter we have also avowed ourselves to remaining a high quality training provider. Across Germany we currently have a total of 77 apprentices.

Promoting diversity

As long as go 2006, Hermes signed a Diversity Charter. In doing so we understand that our employees would receive equal opportunities, irrespective of sex, age, religion, sexual identity, origin or disability.

Additionally HUK has adopted a guideline for equal opportunities. Our basic principle is that discrimination will not be tolerated within Hermes. During the reporting period, no cases of discrimination were reported to our ombudsman, human resources or the works’ council.

As with many other companies in the logistics industry, it is also our aim to achieve a more even balance between the proportion of female and male staff in the workforce, especially in management positions. Hermes Logistik Gruppe Deutschland (HLGD), Hermes Transport Logistics (HTL) and Hermes Europe (HE) have accordingly set themselves the target, that by no later than 2020, at least 30% of management positions (heads of department or higher) in both service and administration will be filled by women. In 2014 the proportion of female staff was 18% (2013: 15%). An ambitious target therefore that we want to achieve with the expansion of the women’s network Flash@Hermes plus targeted recruitment campaigns, as for example through regular employer branding activities.

Creating scope for development

Offering flexible work models we support our employees of both sexes in meeting the demands of both their work and private lives. In 2014 46.3% of the workforce were employed part-time. Alongside part-time work, annual working hours models and home-office positions provide extra flexibility. As part of the ‘WE CARE programme’, since 2013 we have been offering our employees help and advice on childcare and the care of other family members in cooperation with the AWG’s parental service. This extends from subsidising nursery places and counselling services to providing emergency care for small children through to supporting applications for home nursing.

Safe and healthy working

In 2014, there was an average of 56.8 accidents per 1,000 employees in our companies. To keep the risk of injury as low as possible, we annually check the health and safety at all sites and inform the workforce of all relevant health and safety risks. Moreover we offer our employees an extensive workplace health promotion programme: the spectrum extends from health checks, flu injections and training in ergonomics through to 33 different sports as part of the Otto Group’s company sports activities. Our employees can obtain help in respect of psychological or private problems via our social care provision. Moreover where necessary our addiction counsellors are on hand to provide support.

Empowering and empowering

In order to encourage women to pursue a career in logistics, HUK sponsors the ‘Everywoman Awards for Transport & Logistics’ and regularly recommends its own excellent female staff for the award.

Creating scope for development

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Fair employment

Our remuneration system is designed to ensure that the performance of the individual is fairly rewarded. Correspondingly the wages and salaries at Hermes are significantly above those set by wage agreements in almost all employee groups. Nearly half of salaried commercial staff profit from variable compensation elements. For provision in these old age, permanent employees of HLGD, HTL and HE (employed before 1 Jan. 2014) have a right to a company pension without having to make personal contributions. In addition, after six months employment, all employees can convert a portion of their gross salary into a subsequent occupational pension. Hermes subscribes this converted pension contribution by up to 10%. Depending on wage agreements we pay our employees an amount of up to €26.60 per month for capital accumulation purposes.

30% of management positions in service and administration are to be filled by women by 2020.

Nominated by our own employees

The most credible employer prizes are those based on employee opinions. Hermes was particularly happy once again to receive the quality seal ‘Hamburg’s Best Employer’ in 2015 thanks to the positive assessment of our trainees. They particularly praised the ‘Career promoting and fair trainee programme’ and achieved the highest score for promoting Individual potential.

In 2015 Hermes was particularly happy once again to receive the ‘Hamburg’s Best Employer’ prize, and also received the ‘Everywoman Awards for Transport & Logistics’ and regularly recommends its own excellent female staff for the award.

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Exploiting opportunities and managing risks

The courier, express and parcel industry (CEP) is particularly reliant on a high degree of flexibility. On the one hand it needs to cover fluctuating volumes reliably – in the lead up to Christmas, for example – while on the other hand being capable of delivering to structurally weak and to low-density areas every day. Besides our own employees, Hermes relies on around 10,500 employees at contracting partners. On our behalf, they deliver all types of parcel to Hermes customers and have made it possible for us to maintain the levels of reliability of our services across the whole year. When we organise our deliveries, we only cooperate with independent enterprises who are themselves responsible for managing their operations, including drawing up contracts with their employees. What binds us, is an interest in trying to secure a long-term partnership rooted in transparency and reliability. To achieve and expand upon this, we maintain direct contact, set clear standards through our certification process and offer a wide variety of options for open dialogue.

Providing clear standards

Since 2011, the Hermes Code of Conduct has been the foundation of any business relationship with the Hermes parcel unit. This Code obliges our contracting partners beyond simple compliance with the law to employ and remunerate their employees at conditions that are fair. We have presented this body of rules and regulations to contracting partners personally and distributed 20,000 copies to all couriers. In addition, the document is available online. The Code of Conduct is an overriding document for organising the collaboration with partners in the ‘final mile’.

Reporting infringements

However, should disputes or uncertainties arise we offer a number of channels for dialogue. If the principles defined in the Code of Conduct are not complied with or if there is a need for clarification in any other way, anybody can contact the Social Compliance department at Hermes through its whistleblower facility, or can contact an independent ombudsman should there be any suspicion of criminal activity. In the reporting period, five people actually made use of the latter option and contacted the ombudsman. These reports related to alleged infringements of labour law, which were later dropped following exhaustive checks. A total of 123 cases were reported using the whistleblower facility during the reporting period – 37 of which were substantiated. By and large these related to matters in connection with the non-payment or delayed payment of wages and infringements of working time regulations. Our clear aim is to eradicate any infringements against, or any misinterpretation in respect of, our Code of Conduct completely. Developments show that we are on the right path: in 2014, we registered 68% fewer substantiated or partly substantiated reports.

Ensuring high standards of work together

In 2012, Hermes Logistik Gruppe Deutschland and SGS-TÜV Saar developed a comprehensive certification system to assess social standards in the delivery of parcels. A particular focus of the certification process lay in the employment conditions of couriers – for example, adequate remuneration, compliance with holiday entitlement and continued payment of wages, in the event of sickness. In order to achieve a high degree of transparency, all general contractors working for Hermes were professionally audited in 2012 and 2013, using these factors as a basis. In 2014, we successfully completed the third round of certification and have now expanded the inspection process. Alongside SGS-TÜV Saar, which is now randomly assessing one-third of our contracting partners – as is usually the case with accredited standards – we have also been deploying specially-trained internal auditors since 2014. They also conduct audit-like interviews with randomly selected contracting partners at their sites, questioning them on four areas: safety at work, environmental protection, health care and quality. In addition, we require all general contractors to carry out self-assessments twice a year. These are web-based surveys and are carried out independently by the companies themselves. The catalogue of questions leans heavily on the contents of the SGS-TÜV Saar audits and are adapted to meet the latest developments. These mainly include labour law regulations, such as the payment of a minimum wage which has applied in Germany since January 2015. We have therefore significantly faciltated in a degree of personal responsibility as part of our certification process.

Companies and contracting partners who fail an audit have to demonstrate improvements and/or remedies within an agreed period. And such companies do of course receive Hermes support in the process. If deficiencies are not remedied in the medium to long-term, we terminate our business relations – this was something we had to do four times in total in 2013 and 2014.

Reducing complexities

Some of our general contractors subcontract their work. To keep such complex structures under control, we insist that their sub-contractors cannot pass on work to other sub-contractors. This allows us to check with certainty whether our key requirements – such as the payment of hourly rates instead of piecemeal rates – are being met. As part of the auditing process carried out by SGS-TÜV Saar, we also carry out interviews with couriers employed at subcontractors and receive documents on their standards of work. This helps us effectively control the delivery process.

The audits are having a positive effect. Since 2012 we have been seeing steady progress. The reason for this is clear: Hermes is pushing ahead with its long-term certification project. There are continuous independent inspections conducted by SGS-TÜV Saar. The audit catalogue is regularly updated and breaches are followed up rigorously.

Dirk Schmidt, Lead Auditor at SGS-Gruppe Deutschland and head of the Hermes certification project
Global Commitment

We become involved where we are required the most: in the direct vicinity of our sites. But beyond this, we are also committed to people in need. This is why we have networked with established charitable organisations and involve our employees. A glimpse at the map shows the broad range of our commitment.

**Hermes Sustainability Report 2015**

**UK**

**Donating joy**

At Hermes UK, employees are involved in decisions on which charitable organisations to support. As part of the company’s favourite campaign, ‘25 Days of Giving’, employees can decide on how to allocate donations on each of the 25 days in December leading up to Christmas. Seventy-five employees made proposals for donations, and a total of 15,000 pounds was raised to support a wide variety of social projects. But employees can also push the cause of charitable initiatives throughout the year.

In addition, we are also investing in teaching materials and in teacher training.

**Germany**

**Promoting inclusion**

Hermes is looking to actively integrate people with disabilities in the company. To demonstrate this we signed a letter of intent entitled ‘We’re following the road to inclusion’ and were officially recognised by the City of Hamburg. We are working particularly closely with the charitable organisation alsterarbeit e.V. in Hamburg, which promotes the inclusion of the disabled in working life. The current project, ‘Changing Sides’, offers our apprentices a chance to work in a sheltered workshop for two days. In the other direction, ten employees from alsterarbeit took up the opportunity to gain practical insight into daily work at Hermes (see pages 28/29).

**Germany**

**Speedy flood aid**

For our colleagues at the Hermes Fulfilment (HF) distribution centre in Haldensleben – one of the largest employers in Saxony-Anhalt – speedy and uncomplicated help during the 2013 floods was given without thinking. HF provided volunteer transport, manual help, food and clothing. The employees not only got their hands dirty, they also collected donations totalling 6,200 euros – to support those most affected by this natural disaster.

**Germany by classical music**

The Hamburg-based music project YoungClassX aims to inspire children and youths in a playful manner for music. One of the modules of this programme, initiated by the Otto Group, is The YoungClassX MusikMobil. MusikMobil buses pick up the boys and girls directly from school and take them to concerts, rehearsal and music school events. Hermes Transport Logistics supports the project as a transport partner, providing the buses free of charge. Since 2010, this has given over 4,000 children and young people the chance to enjoy a wonderful musical experience.

**Plan International**

Plan International and Hermes are not only connected through the city of Hamburg, but also internationally. Together, we are committed to the most important thing: children, who are our future – here at home and around the world.

**Kathrin Hartkopf**, head of Plan’s foundation centre

**In the period under review, we have donated**

733,000 euros to the community.
The report was not audited by external parties.

Besides web-based training for all new employees, none other corruption training has been carried out.

In the reporting period no fines based on such infringements were reported.