

NETWORKED ACTION

SUSTAINABILITY REPORT 2013



 **Hermes**

IMPRINT

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FOREWORD

DEAR READER,

Logistics moves the world: in fact, modern consumption as we know it would not be possible without it. It is impossible to conceive of the core elements behind retail – e-commerce and globalisation – without the provision of global transport services. However, it is precisely these services that exacerbate pressure on the environment because road and air transports are seen as the greatest CO₂ emitters in global transportation, responsible for around one-eighth of carbon emissions, a figure that has risen sharply in recent years. Viewed like this, it is quite understandable when retailers and consumers reproach transport providers for the ecological impact of their actions and call on them to take immediate action. However, what people quickly and conveniently forget is that logistics is not an end in itself, it is a contracted service, part of an economy that is based on the division of labour. Therefore as a consequence we all have to share responsibility. Or to draw on the title of this report, we have to network our actions and tap synergies along the routes to customers.



A tradition of responsible business

At Hermes, this conviction has become a tradition of good governance. A sustainable business approach has been part of our day-to-day business, which was founded in 1972 as the parcel service of the former Otto Versand, since the start of the 1980s. And it has been for our own benefit: ecologically sustainable logistics solutions are generally more efficient and commercially viable if they directly shorten transport routes and help to cut fuel consumption and operating costs. So, by maintaining a modern fleet of vehicles and rigorously optimising regular distribution runs, we have reduced transport-related carbon emissions by 42% per parcel over the last mile since 1994, for example. This is a remarkable achievement which shows that profitable growth and the commercial success of a company are only possible in the long term by acting responsibly towards the environment and society.

Optimisation of social and ecological issues

As a learning organisation, Hermes is constantly striving to optimise its performance in economic, environmental and social terms across all areas – from sourcing and transport logistics through to fulfilment and home deliveries. To this end all companies operating under the Hermes brand have set common goals and coordinated activities. Traditionally this includes maintaining an attractive working environment for our staff as well as specifying mandatory social standards for the employees of our contract partners.

Sustainability is the responsibility of management

This commitment also serves a growing market demand with an increasing number of people looking for services and products that meet sustainable values such as transparency, social responsibility and environmental protection. Accordingly corporate responsibility must be borne primarily by senior management and executives. Sustainability is an aspect of corporate strategy, not marketing. Just as important is the need to successfully convey the issue to the company across multiple channels and then ensure it is firmly anchored. This is what we do when we engage our employees and cooperation partners in dialogue – and work together with our customers and clients, who we are also involving in sustainable development.

Our claim: to always improve

The following pages describe how we at Hermes act with this in mind. Form your own picture of how we face up to responsibility in our Hermes companies and their various business units, conduct business successfully with a sense of proportion and thus enable sustainable growth. In this sense, networked action means always improving. We would be glad if you supported and followed us on our path.

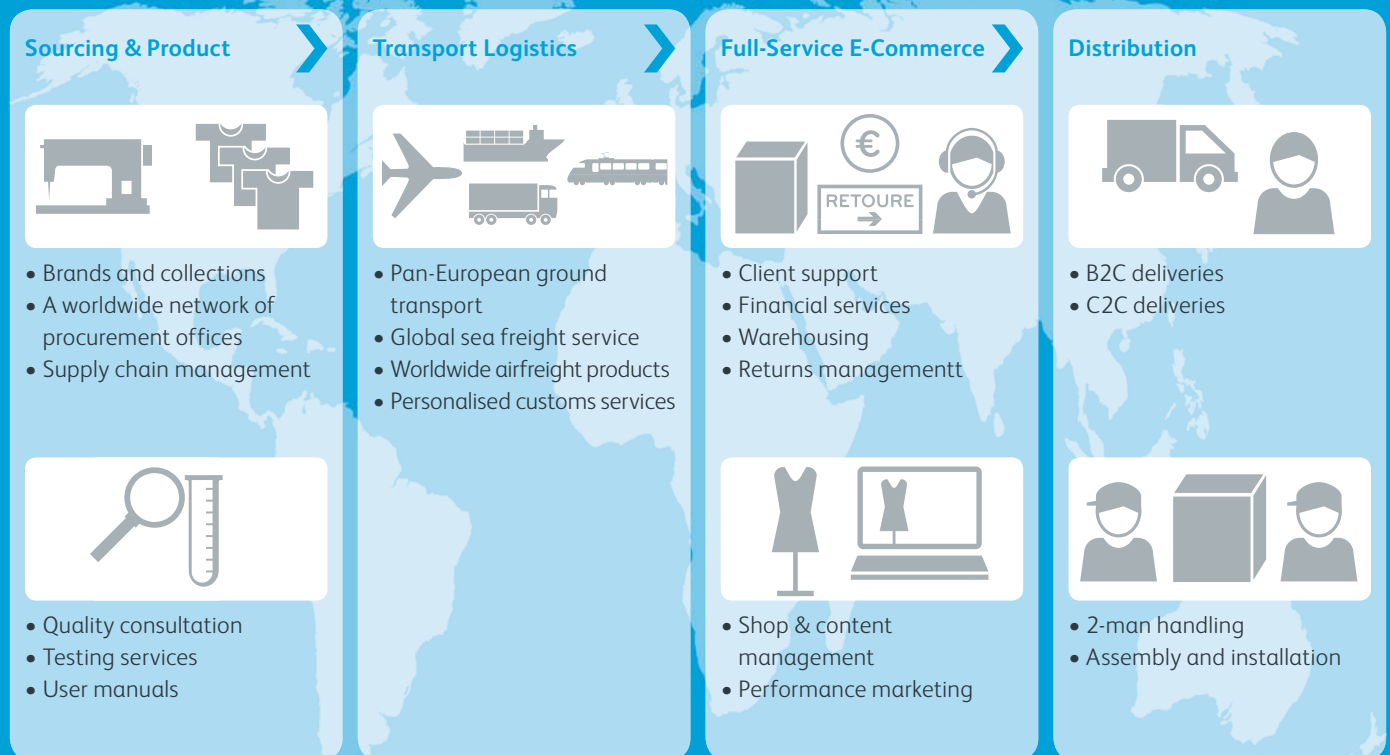


Hanjo Schneider

A NETWORKED SERVICE FOR RETAIL

What began as a home delivery organisation for Otto Versand back in 1972 has become much more than a parcel service today. As a globally networked supply chain provider, Hermes now offers all services along the value-added chain in the retail industry.

Business units within the Hermes Group





Today the Hermes brand comprises twelve specialised companies located in 22 countries. In 2012, the 11,118 employees achieved record revenues of 1.9 billion euros (2011: 1.8 billion euros). A wholly-owned subsidiary of the Otto Group, the Hermes Group provides retailers with a comprehensive range of services – including sourcing and product testing, transport logistics and full-range fulfilment, and distribution to the end customer. Worldwide we are the only provider who can boast such a networked service. This has made us the preferred logistics partner for a broad range of clients in a variety of industries.

In future we are looking to push ahead with our international expansion and to tap new e-commerce markets – primarily in emerging economies such as Brazil and Russia. In addition, we are planning to develop a pan-European network of ParcelShops. Group-owned companies are already represented in Germany, the UK, Austria, Italy and Russia. Our head office is located in Hamburg. This is home to the Hermes headquarters with its umbrella organisation Hermes Europe GmbH, which manages all inter-company processes. Chairman of the Executive Board of the Hermes Group is Hanjo Schneider, who is also member of the Executive Board of the Otto Group where he is responsible for the Services segment.

Reporting companies at a glance

In our first sustainability report our aim is to provide comprehensive information about our economic, ecological and social performance. We have focussed on the business units transport logistics, fulfilment and distribution. The first international company to be included in the report is Hermes UK.

Transport Logistics

Hermes Transport Logistics GmbH (HTL)

Whether on water, over land or in the air – HTL transports goods to clients from some 30 countries around the world. In European ground transport alone, HTL manages roughly one million individual orders annually. In intercontinental freight, the company focuses on importing and exporting to and from the Far East, managing volumes of more than 18,000 tonnes of freight per year. In addition to its head office in Hamburg, the logistics company has eight other locations in Germany. HTL has considerably expanded its services in the field of ground transport and opened additional regional sales and dispatching offices in the reporting period. In total, HTL has 266 employees.

Full-Service E-Commerce

Hermes Fulfilment GmbH (HF)

Webshop creation, financial and customer services, warehousing or returns processing – as a provider of fulfilment services, HF offers a full range of services along the goods chain for e-commerce. With 5,000 employees in four company-owned logistics centres in Germany and direct access to further international logistics sites, HF moves 300 million items per year covering an assortment of roughly one million items. Thanks to its comprehensive portfolio of services for internet retail, HF is establishing itself increasingly as an expert in e-commerce, gaining a growing number of new clients in international markets.

Distribution

Hermes Logistik Gruppe Deutschland GmbH (HLGD)

Parcel distribution to the end customer is the responsibility of HLGD and its 4,000 employees. Seven of the top ten German retailers currently ship their parcels with Hermes. To manage this, Hermes knocks on the doors of 1.5 million private households each and every day. Besides its home delivery service, its 14,000 Hermes ParcelShops across the country is the largest national network of pick-up/drop-off points for private shipments in Europe. The logistics network includes six hubs and 57 depots.

Hermes Einrichtungs Service GmbH & Co. KG (HES)

HES is the market leader when it comes to delivering furniture and large household appliances to end customers. Founded as a joint venture between HLGD and the Löhne-based Sängers group of companies, HES is specialised in 2-man handling – i.e. the delivery, assembly and also repair of bulky goods. With its 42 German and five international depots, HES delivers to around four million private customers in Germany, Austria, Switzerland and the Netherlands. Every second item of furniture or bulky items ordered in distance selling today is delivered by HES. Based in Löhne, the company has some 250 employees.

Hermes Ltd. UK (HUK)

Formed from the rebranding of Parcelnet Ltd., HUK has been part of the Hermes Group since 2009 and today employs 1,650 employees. With some 164 million home deliveries per year and supported by its network of 1,000 ParcelShops, HUK manages the UK's largest independent network for deliveries and courier services. To manage this, HUK collaborates with more than 7,500 self-employed lifestyle couriers. The aim is to offer UK customers 3,000 Hermes ParcelShops as an alternative shipping address by the end of 2013. All of this is managed from the company's head office in Morley, West Yorkshire, and from its 27 depots and three hubs.

WHERE WE ARE CHALLENGED

MANAGEMENT & DIALOGUE

Growing claims

Our stakeholders' requirements are growing – also in relation to the issue of sustainability. They expect us to contribute to solving societal and ecological problems.

1986

saw us anchoring environmental protection in our corporate goals.

Need for information

Our stakeholders want to receive transparent information about our performance in the field of sustainability.

136

stakeholders were surveyed on their expectations on Hermes in 2012.

In 2003

we published the first environment report. From now on, our sustainability report will not only review our ecological but also our social and economic responsibility.

In 2012 we built up a group-wide sustainability management team.

For 14 years we have been certifying our environmental management in line with ISO 14001.

Read more on the issue of management and stakeholder dialogue on pages 8–13.

CLIMATE & ENVIRONMENT

Climate change

As a logistics service provider, Hermes is particularly called upon when it comes to climate protection – 15% of global carbon emissions is attributable to the transport sector.

WE DO!

As part of our environmental programme, we have set ourselves the target of cutting 50% of our carbon emission at logistics sites and 30% in distribution logistics by 2020.

Scarcity of resources

Given that fossil fuels are becoming increasingly scarce, the prices of oil and gas are rising. This is reflected in our transport and operations costs.

42%

CO₂ has been cut in our parcel service since 1994.

Biodiversity

Many of our locations take up larger areas of land and the habitats of flora and fauna.

Since 2010 NABU has been advising us on how we can optimise our sites and maintain local biodiversity.

18

new depots have been built to meet the silver standard of the German Sustainable Building Council (DGNB).

Read more on climate and environmental protection on pages 18–25.

AND WHAT WE HAVE ACHIEVED

SERVICE & CLIENTS

Boom in e-commerce

Growth in online retail goes hand in hand with increasing demands on logistics processes, primarily in terms of service and quality.

20,000

Hermes ParcelShops in Europe and Russia, of which 14,000 in Germany alone, enable many customers to pick up their parcels on foot or by bicycle.

452 million
parcels per year are delivered by Hermes in its European markets.

Top marks

were awarded for our services in 2-man handling by the TÜV Saar certification.

Sustainability as a competitive factor

Clients and customers are calling for sustainable services – also to achieve their own environmental goals.

100%

allocation of carbon emissions – business clients can view their carbon performance in a cost-free, monthly audit.

Read more on our services on pages 14–17.

WORK & LIFE

5

times in succession – the CRF Institute labels Hermes as Top Employer.

Fair working conditions

Not only do we want to ensure fair working conditions for our own staff, but also those of our contractual partners and their employees.

650,000

euros was donated to the local community by Hermes in 2011 and 2012.

3,260

training days were taken up by Hermes staff in 2012.

Demographic change

Given the rising average age of our employees and the increasing shortage of skilled workers, we have to actively invest in our people and in the training of junior staff.

386

contractual partners in the parcel sector were assessed on their working and safety standards using our certification system, developed in conjunction with SGS-TÜV Saar. In addition, since 2011 our Code of Conduct obliges all contractual partners to comply with applicable laws and to maintain fair working conditions.

Read more on the issue of employees and on our social commitment on pages 26–31.



Dr Philip Nöbling


is Commercial Director at Hermes Logistik Gruppe Deutschland. In this function he is also responsible for sustainability issues at Hermes. He regularly holds meetings of the Environmental Board and with corporate responsibility coordinators, and also heads the Otto Group's working board on climate strategy.

BALANCING EXPECTATIONS

The boom in e-commerce shows no signs of relenting. Thanks to this growth, Hermes was able to increase its net profit for the ninth year in succession in 2012/13. Such performance links high expectations and new challenges. Our customers and clients are calling for more flexible and quicker deliveries at lower prices; at the same time, energy costs are rising in many places and legislation is tightening in the logistics industry; what is more, as an employer we have to offer fair conditions and a reasonable salary. To be able to meet the range of demands we face, we need a forward-thinking system of management that recognises the needs of our stakeholders and takes them seriously.

As early as 1986 we anchored environmental protection in our strategic corporate aims. Connecting issues relating to profit, planet and people is something of a tradition at Hermes. For us, sustainability is not a passing fad but is fundamental to the way we do business. Of course, responsible action begins with compliance to current law. On top of this our sustainable corporate management has set three significant core goals. These include:

1. successively reducing CO₂ volumes within the company,
2. using scarce resources in an innovative and sustainable manner in day-to-day logistics,
3. ensuring high social standards along the whole supply chain.



“At Hermes, business success and corporate responsibility go hand in hand. This is why we anchored sustainability as a corporate goal at an early stage and measure ourselves against these standards. For us, doing business sustainably means securing our future viability.”



A fixed institution: The Hermes Environment Board (from l. to r.: Amadeus Kurz, Carlheinz Lindenau, Claudia Schanz, Dirk Rahn, Dr Philip Nöling, Saskia Bloch, Alexander Bartelt and Axel Niessner).

THINKING IN NETWORKS, ACTING CONSCIOUSLY

In everyday logistics, decisions often have to be taken quickly and pragmatically. Nevertheless, we strive to harmonise our economic activity with our responsibility to people and the planet. This understanding is also reflected in our sustainability management.

Twelve networked companies in 22 countries, Hermes today is a broad-based group of companies. As varied as our companies are, so diverse are our challenges. Many sustainability issues are therefore managed and implemented locally. To secure a holistic perspective on developments and to exploit synergies we are currently building up a group-wide system of sustainability management which we are continually developing.

Managing corporate responsibility across the Group

All Hermes companies have appointed coordinators for the issue of sustainability – our Corporate Responsibility (CR) Network. They coordinate the activities of the individual companies. As a forum for exchange and to learn from one another, the coordinators meet several times a year. With an eye on data management all the strands run through our environment officer who forms the interface to CR management at the Otto Group. The Corporate Communications division at Hermes Europe is then responsible for the group-wide communication of sustainability issues.

Compliance with legislation and regulations

All Hermes companies are obliged to comply with the Otto Group's Code of Conduct for non-merchandise and services. This demands compliance with respective national laws and internationally-recognised labour standards based on standards promulgated by the United Nations' International Labour Organization (ILO). In addition, the Hermes parcel service has formulated the fundamentals of its corporate management in its own Code of Conduct. This targets the company's own employees and those employed at contractual partners alike.

We draw on internal audits and ad-hoc assessment to control whether these guidelines are being observed. We regularly run anti-corruption courses to sensitise our employees to be conscious of their actions. Should suspicion of abuse arise, everyone – including employees at contractual partners – can contact an independent ombudsman anonymously, and has a number of other contact points within the company.

Systematically conserving resources and protecting the climate

As a corporate group of companies we feel particularly responsible for climate and environmental protection. For 27 years now, we have anchored this responsibility as a core goal in our corporate strategy. Our own environmental guidelines oblige us to continually enhance our carbon footprint and to promote environmental awareness in our employees, clients and partners. The basic principle is: reduce before compensating. The Hermes WE DO! programme has been bringing together numerous activities relating to climate and environment since 2010. Here we actively involve our clients and provide them, for example, with a monthly CO₂ footprint for their orders, free of charge. As part of our WE DO! programme, we have set ourselves the target of cutting carbon emissions by 50% at logistics sites and by 30% in distribution logistics by 2020 – this is on top of the 42% reduction we have already achieved in parcel service since 1994. Our WE DO! concept has already been awarded the Hanse Globe, the city of Hamburg's prize for sustainable logistics.

Dr Philip Nöling, Commercial Director at HLGD, has been heading the Otto Group's working group on climate strategy since 2012. In addition he invites Hermes managers to Environment Board meetings twice a month – a body that the company set up

Certified for
14 years
in accordance to
ISO 14001



The Hermes WE DO! campaign brings together our ecological activities.



back in 2008. The committee takes joint decisions on key ecological measures. In future representatives from other Hermes companies will be invited to discuss social issues as well.

For 14 years now, we have been certifying our environmental management in line with ISO 14001 at 64 locations in Germany. In the UK 14 locations received the ISO certification. Based on this, Hermes was the first logistics company in the world to be authorised by DQS, a German institute that assesses and certifies management systems and pro-

cesses, to apply the Trust Improvement Program (TIP) – an exclusive audit procedure for highly advanced environmental management systems. Nine internal auditors in the company ensure that legal and internal requirements are complied with at our sites.

Collaboration with partners and suppliers

We expect our business partners and suppliers to work in a responsible fashion. The Otto Group's Code of Conduct also serves as guidance for our management of contractual partners and suppliers and is a firm

component of service agreements. In transport logistics, Hermes targets long-term collaboration with transport partners – creating planning security for both parties. Sustainability aspects are major criteria in the selection of partners. Our Code of Conduct obliges contractual partners in parcel distribution to provide fair working conditions for their employees. Hermes is the first company in the industry to assess social and safety standards in a certification system, developed jointly with the SGS-TÜV Saar and put into practise in collaboration with our general contractors (see page 30).



Exploiting the power of ideas

Assuming responsibility – this guiding principle lies behind the Otto Group's 'Power of Responsibility' mission. All Group employees are called on to submit contributions for sustainable development on a dedicated website – Hermes has already generated 176 ideas. One of these is from Mr D. O. Gooder, the Ideas Manager at Hermes Transport Logistics (HTL). As a new employee (actually, a small plastic figure), he can be found in every office since the beginning of 2012 and is there to encourage employees to submit ideas on how the company can become more efficient. A jury of representatives from the work's council and the departments assesses the ideas for their feasibility and efficiency. If an idea meets all the criteria set, the proposer receives a bonus. One of these ideas was implemented under the slogan 'The great paper diet'. A4 paper printed on one side no longer lands in the waste-paper basket, but is collected and sent to the workshop for the disabled in the Alsterdorf district of Hamburg. Here, the paper is processed into notepads and used again in HTL offices. A great idea, and one that would not have been possible without Mr D. O. Gooder and his helpers.



Hermes Future Forum 2012: Visionary Jeremy Rifkin discusses the necessity of a sustainability global economy.



IT'S ALL ABOUT LISTENING

Wherever we are active along the value-added chain, there is constant interaction with other people and market players. This is why we actively seek dialogue with our stakeholders and listen carefully to them.



Hermes is in constant dialogue with its stakeholders. These include: employees, clients, contractual partners, suppliers, business associations, competitors, NGOs, media, the public, academia, politics and public bodies. We use a number of channels to facilitate exchange: from surveys and events through to our press and PR work, which includes a client magazine (Hermes Wings) and an employee magazine (Hermes News). In addition, we already keep our stakeholders informed of our corporate responsibility through two environmental brochures and, from now on, through a sustainability report. By interacting with stakeholders we can identify risks and opportunities at an early stage. Open dialogue takes place and we use it to learn more.

Asking stakeholders for their opinion

An important measure to assess the interests of our key stakeholders was the survey carried out by the Otto Group in 2012. A total of 136 stakeholders responded online to crucial sustainability issues affecting Hermes. A review of responses revealed that they would place significant importance on Hermes playing an active role in:

- Reducing carbon emission in transport and traffic
- Ensuring reasonable salaries for Hermes employees and those employed at suppliers and sub-contractors

- Product transparency
- Anchoring sustainability in the corporate culture
- Triggering impetus for sustainable developments in the industry

Results show that we are on the right path with our current commitment. However, they also show where we need to invest in the future and what challenges lie ahead.

Connecting knowledge

Our commitment to associations and organisations, cooperations and initiatives focuses primarily on the issue of climate and environmental protection. This is where we can use our expertise particularly effectively. Significant memberships and cooperations of Hermes are:

- Member of Bundesverband Internationaler Express- und Kurierdienste e.V. (since 1993)
- Founding member of the Wasserstoff-Gesellschaft Hamburg (since 1996)
- Member of the UmweltPartnerschaft Hamburg (since 2003)
- Member of the Logistik-Initiative Hamburg (since 2006)
- Member of the Bundesverband Logistik (since 2009)
- Official cooperation partner of the German Nature and Biodiversity Conservation Union (NABU) (since 2010)

- Participant in the Carbon Disclosure Project Mittelstandsinitiative (since 2011)
- Member of Partnerschaft für Luftgüte und schadstoffarme Mobilität (since 2012)
- Cooperation partner in Schaufensterprojekt zur Elektromobilität Berlin-Brandenburg (since 2013)

True impetus: the Hermes Future Forum

A platform we are particularly proud of is the Hermes Future Forum. Every two years renowned personalities from business, society and politics come together to exchange ideas on current developments and issues. The Future Forum was successfully launched in 2010 with the theme of 'Sustainability Creates Growth' and attended by guest of honour Kofi Annan. In 2012, under the heading 'The Order of the Markets', economist Jeremy Rifkin, US astronaut Buzz Aldrin and over 100 Hermes stakeholders discussed the future of trade. We are hoping to organise our forum regularly in the future, bringing decision-makers from various industries together.

136

stakeholders
surveyed

“YOU CAN TRULY SENSE THE PRIORITY HERMES GIVES TO SUSTAINABILITY”



Sabine Christiansen moderated both Hermes Future Forums. The journalist and TV producer is not only active in various foundations and associations herself, she also advises companies on their sustainable development. In the near future, Sabine Christiansen will also be appointed to the newly-founded Hermes Supervisory Board, representing the issue of sustainability.

Ms Christiansen, you regularly moderate the Hermes Future Forum. What is the attraction of this event for you?

Hermes uses this event to bring a top-class, international forum to Hamburg and convey the issue of sustainability beyond the bounds of the company and even the country. In focus is not only the question of the future of trade, but also how we want to live in future. I'm interested in the different perspectives and the active dialogue on the issue – only in this way can we achieve something.

The slogan of the Future Forums at Hermes is 'connected by responsibility' – why is this so important in today's economic process?

Sustainability is no longer a regional issue, it affects us all. Global trade assumes that we re-define the topic of responsibility for business. It is no longer sufficient to comply with laws as they apply to a national headquarters. The consensus has to be that companies voluntarily accept more responsibility for their whole supply chain. Hermes is an enterprise that took this step early. Starting with traditional environmental protection, CR management has constantly and credibly been developed. And we are looking to use the Future Forum to share and leverage the benefits of this experience and pioneer role with others.

You will be joining the supervisory board of the Hermes Group in 2014. What moved you to join the board?

I've been in contact with the Otto Group for many years through my various engagements, such as for children's and human rights. I'm also a member of the advisory board of the Otto brand Arqueonautas. When I heard of the plans to set up a supervisory board at Hermes, this was further evidence for me that Hermes is not about greenwashing. You can truly sense the priority Hermes gives to sustainability and there is a true willingness to develop things. This joint basis both motivates and strengthens me to become involved in other processes and, where possible, to provide fresh impetus.

What will be your mandate? What would you like to achieve?

The 20 members of the supervisory board will take up their work by 2014. I will be explicitly responsible for the issue of sustainability. The mandate embraces the promotion and monitoring of processes within the company, but also external representation – and I'm sure I'll be able to draw on experience gained in my professional career. As a member of the supervisory board, I'd like to develop CR management in the Group, especially in view of the Hermes Sustainability Report 2015. The results of the collaboration should be there for all to see – timely and transparent.



Dieter Urbanke


is chairman of the management board at Hermes Fulfilment. Under his leadership, the former Otto warehousing provider has become a full-service provider of integrated multichannel fulfilment solutions especially developed for e-commerce. For him, it is particularly important to have a feeling for the needs of clients.

AN EYE ON CUSTOMER WISHES

Networking is our core business. We connect people and markets and this has corporate and economic implications. Our worldwide transport network makes it possible to provide an efficient flow of goods around the whole world. The boom in online retail has been a major driver in the logistics and fulfilment industry for years. Hermes transports several million tonnes of freight and more than 450 million parcels a year in Europe alone. In doing so, we have one goal: that of satisfying our clients. This fundamental service applies for all Hermes companies. Besides price and service quality, sustainability is playing an ever-increasing role. The demand for appropriate offers is not only growing with end customers, but also with clients, who are looking to improve their own carbon footprint. With the help of an array of offers as part of our Hermes WE DO! programme, we help them achieve their aims.

Growing client requirements also present us with greater challenges. Increasing competition in the logistics industry and the desire for more flexible and shorter delivery times strengthens the need to balance economic requirements with ecological and social issues. In order to meet our corporate responsibility and the wishes of our clients, we are working to constantly improve our organisation. At the same time, we are also looking at ways to sensitise our clients about the issue of sustainability because their demand in global trade is one of the biggest drivers of sustainable development.

“We deal with our clients on an equal footing – as is customary among Hanseatic merchants. In dialogue, we can find the best path to achieve agreed targets and together we can develop long-term economic solutions.”





Innovative logistics ideas:
Hermes Fulfilment receives the
VDI innovation prize for its
automated returns warehouse.



Gewinner des
VDI-Innovationspreises Logistik
2013

SERVICE WITH RESPONSIBILITY

The Hermes service portfolio encompasses all aspects relevant to modern trade. While our clients focus on their core business, we look after the rest. Our claim is to offer them a first-class service – and that as sustainably as possible.



Transparency creates good service. We focus on intelligent systems that provide our clients with precise details of their deliveries. In the German parcel sector, we provide our 220 service staff with the KISS customer information and management system, a platform for them to view the status of each and every order. Private customers can also use this direct parcel tracking service free of charge on our website. In transport logistics and 2-man handling we also use GPS tracking to trace the delivery process in real-time. Fulfilment has a similarly detailed reporting system of all movements of goods.

Protecting client privacy

These digital platforms manage huge amounts of data – customers' personal data, which we guarantee to protect. We work with a great deal of personal information in the field of fulfilment and build up a sense of awareness among our employees – e.g. through an information leaflet – to ensure they handle such data responsibly. In the whole reporting period, Hermes did not receive one single complaint concerning data protection infringements that could have led to litigation.

Excellent customer service

When it comes to service quality, Hermes is the best positioned parcel service in Germany. This was the conclusion of the largest German service ranking conducted in 2012 by the Goethe University in Frankfurt in conjunction with the Die Welt newspaper and consultants ServiceValue. German consumer magazine Stiftung Warentest assessed ten parcel delivery services, with Hermes coming out on top for the second time in succession. Hermes has also repeatedly demonstrated its high level of service quality in its



Hermes Fulfilment: When you process 60 million orders per year every move has to be perfectly executed.

2-man handling. In 2012, the performance level of the Hermes Einrichtungs Service was again given top marks by TÜV Saarland. Moreover, Hermes Fulfilment received the innovation prize awarded by the Association of German Engineers (VDI) for the first time in April 2013.

Generating win-win situations

In Germany, Hermes makes up to four visits to deliver a parcel – a standard service. Despite this pledge, we try to avoid unnecessary journeys – as each visit generates an average 440 grams of CO₂. For this reason from 2014 we will be able to define with greater accuracy a maximum time band of two hours for deliveries. This not only makes customers happy, it is also good for the environment. We generate similar synergy effects with our network of ParcelShops, that is constantly growing and currently amounts to 20,000 pick-up/drop-off points in Europe – with 14,000 ParcelShops in Germany alone, this is the largest independent national network of facilities for private parcel shipments. In larger German cities customers have to walk no more than 600 metres on average to pick up or drop off their parcels. A survey revealed that our customers often leave the car at home, picking up their parcels by bike or on foot instead.



TÜV Saarland certifies our service quality in 2-man handling with top marks.



Stiftung Warentest names Hermes best-in-class among tested parcel services for the second time in succession.

Local parcel service:
14,000 pick-up/drop-off
points Germany-wide



WE DO! – service for clients

With our environmental initiative Hermes WE DO! we are looking to continually cut carbon emission in daily business. In doing so, we are looking to actively involve our clients and support them in improving their CO₂ footprint. A central building block of this is our wide ranging CO₂ monitoring system that breaks down transport-relevant carbon emissions for our clients allocated by source. The procedure comprises carbon emissions by tour and parcel and is based on real individual data such as tour duration and load. Our clients receive their CO₂ values in a monthly status report, the Service Compass, or free of charge together with their invoices. In addition, we can also simulate alternative routes and consult our clients in the selection of their carrier in terms of carbon efficiency. To raise ecological awareness, we include our business partners in environmental projects that we carry out in cooperation with the German Nature and Biodiversity Conservation Union (NABU). On top of this, we encourage them to use the WE DO! logo free of charge in their own public relations work. Retailers such as bonprix and Sport Scheck or cooperation partners such as the German railway, Deutsche Bahn, already use the logo on their cardboard boxes, vehicles and websites.



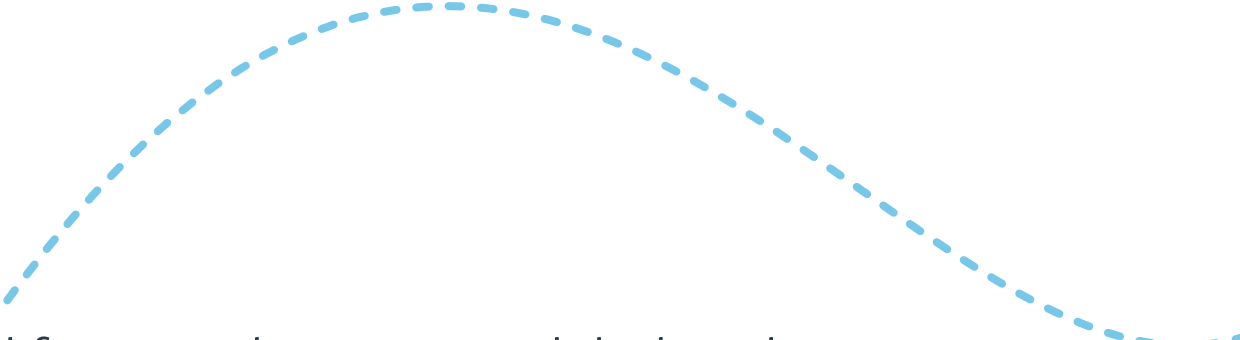
Frank Rausch

became chairman of the executive board in 2008, taking over responsibility for Hermes Transport Logistics which since May 2009 has been operating independently in the market. He is convinced that being competitive in future requires an active approach to the issue of sustainability.

A COMMON FRONT FOR CLIMATE AND ENVIRONMENT

The transport and logistics sector currently causes around 15% of global carbon emissions. By 2020, the constantly growing traffic in this sector will be responsible for up to 22% of carbon volumes. Our industry is therefore in the public eye and increasingly the target of state regulation – either through the implementation of European Union Euro standards for trucks or by establishing environmental zones, for example. At Hermes, climate and environmental protection is not an onerous duty; instead, it is seen as an opportunity and as a challenge we consciously rise to. Given this motivation, we have been able to cut our carbon emissions on a per parcel basis by more than 42% since 1994.

Here climate change is not the only ecological challenge: heavy transport volumes generate noise and air pollution. Our hubs and depots pave over natural land and dominate local surroundings. One of our central goals is therefore to shape our business so that it is energy-conserving, efficient and clean – also with an eye on acceptance in the local community. On top of this, we work together with renowned organisations, such as the German Nature and Biodiversity Conservation Union (NABU), to develop sustainable solutions.



“The speed factor is dominating global trade. To ensure that sustainability does not fall by the wayside, we consult our clients on the alignment of their supply chain. By intelligently networking carriers, clients save costs and cut CO₂ emissions. This is evidenced by our CO₂ report, a customised carbon footprint for each client.”



50% on sites
and **30%** in
distribution logistics – our
target for cutting carbon
emissions by 2020

WE DO! CLIMATE AND ENVIRONMENTAL PROTECTION

As a global service provider, we partner trade and search for the best solutions for our clients. Our task is to shape networks as efficiently as possible – for climate protection and our own economic viability.

Since 2010, we have been grouping together all our ecological activities in our climate and environmental protection programme **Hermes WE DO!**. We also actively include our clients in this programme – such as with a free CO₂ report (see page 17). The core of the **Hermes WE DO!** initiative is the CO₂ master plan, implemented by our environmental coordinators in 2009 at the logistics companies **Hermes Logistik Gruppe**

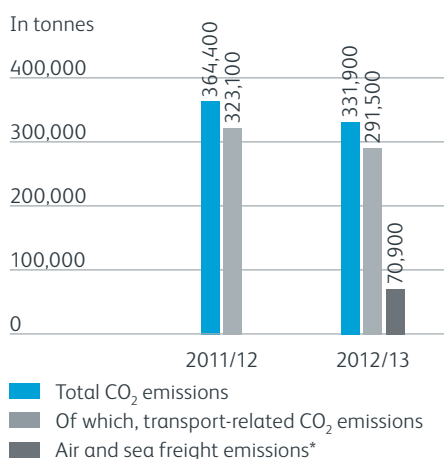
CO₂ emissions from distribution logistics and logistics sites¹

		2011/12	2012/13
CO ₂ emissions from distribution logistics	kg per parcel	0.43	0.40
CO ₂ reduction in relation to the base year 2006	%	-4.4	-11.1
CO ₂ emissions from logistics sites ²	kg per parcel	19.1	15.4
CO ₂ reduction in relation to the base year 2006	%	-22.4	-36.6

¹ Without HUK because Hermes climate targets only refer to German logistics units.

² The Hermes climate target refers to 59 of a total of 62 logistics sites. Because of the complex nature of gathering data, three hubs have not been taken into consideration.

Total and transport-related CO₂ emissions



*CO₂ emissions from air and sea freight transports are only assessed based on a system conversion from financial year 2012/13.

Deutschland (HLGD) and **Hermes Transport Logistics (HTL)**. Specifically, this envisages cutting carbon consumption at company sites by 50% and in distribution logistics by 30% by 2020. Using 2006 as the base year, this translates to annual savings of roughly 3.5% in real estate and 2% in parcel deliveries. In doing so, Hermes is supporting climate protection targets of the parent **Otto Group**: together with other **Otto Group** companies, we are looking to cut carbon emissions in the Group by at least half by 2020.

Successfully reducing CO₂

More than 30 individual projects are currently contributing to achieving our CO₂ goals. Results of these can already be seen today: since 2006, Hermes has cut its carbon emissions in overall distribution logistics by 11.1% to 0.40 kg on each parcel shipped.

We are particularly proud of the considerable progress made at our logistics sites: coming in at 15.4 kg per consignment, Hermes has already chalked up savings in emissions of 36.6% compared to 2006. Total carbon emissions from all reporting companies, including **Hermes Europe (HE)**, **Hermes Einrichtungs Service (HES)**, **Hermes Fulfilment (HF)** and **Hermes UK (HUK)**, amounted in to 331,900 t in 2012 – 8.9% down on the previous year. The vast proportion of this – 87.8% – relates to transport-relevant carbon emissions.

Innovative fleet management

In order to keep CO₂ in check, we are continually optimising and modernising our fleet in the transport division. Today it is one of the most modern fleets in the industry. In Germany, 99% of our vehicles meet the

99% of our
transport vehicles
meet the Euro 5
standard.



Euro 5 standard and are currently being re-equipped to meet Euro 6 requirements. Since the 1990s, Hermes has been testing alternative power supplies. Currently 20 battery-powered Vito E-CELL transporters from Mercedes-Benz are being deployed. Mercedes-Benz is a long-standing project partner with whom we have been collaborating for more than 20 years. In addition, we are also testing electric prototypes from different manufacturers which we use as pool vehicles for our staff. In our parcel service we have also been using 20 dual fuel

transporters since 2008 that can be filled with natural gas and 440 micro-hybrid vehicles. Our electric courier bicycles are an additional alternative. With these custom-made bikes, electric motors support pedal power enabling over 150 smaller parcels to be delivered in an environmentally-friendly way. Ten of these courier bicycles are currently in use, deployed to deliver parcels in low-traffic and pedestrian zones.

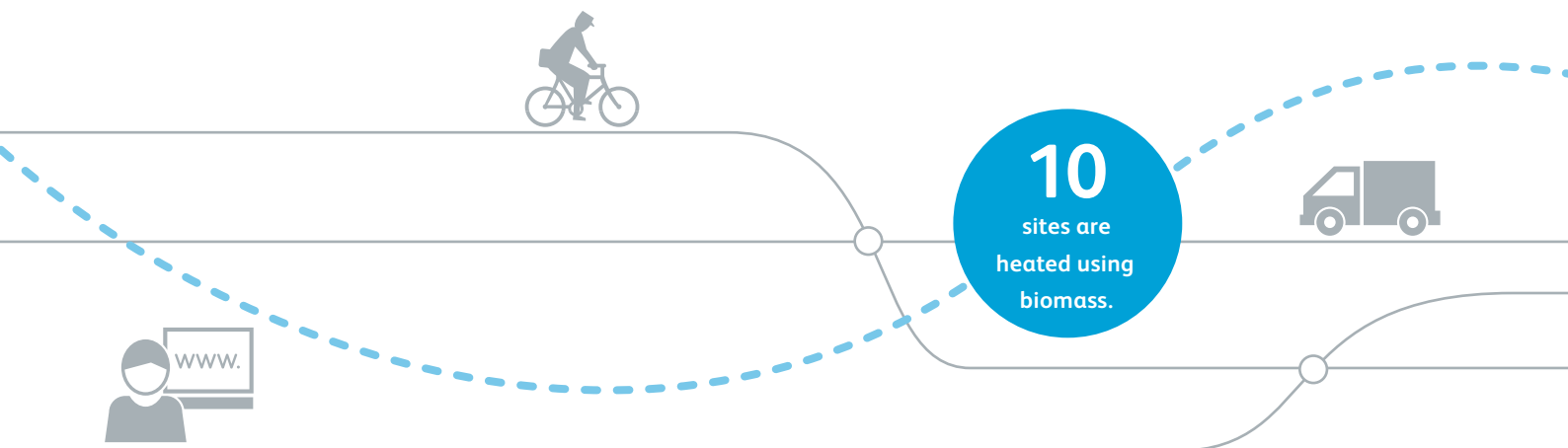
Intelligent planning

Given its flexible infrastructure, road traffic will continue to be one of the most important means of transport in the future. In order to configure transport processes so that they become energy efficient with low carbon emissions, we need to plan routes as best we can. To assist this, transport vehicles in our 2-man handling unit come equipped with a GPS navigation system that calculates the most efficient tours, helping to avoid more than one million kilometres each year. Because we are often working under time pressure, especially in the global transport sector, we cannot exclude the use of aircraft. However, to keep carbon emission as low as possible, we deploy Boeing 777 aircraft, for example. With their low sound and fuel emissions they are one of the most modern aircraft in the world. In addition, we give priority wherever possible to short sea shipping services by shifting truck traffic to more environmentally freighters or to rail.

Another variable concerns transport capacity. In transport logistics we check whether by deploying longer trucks we can save on additional hauls. The UK parcel service is also investing in trucks with larger capacities. With the help of special software, the Otto Group, which processes more than 125 million parcels through Hermes, has optimised the size of its boxes. As part of

Zero emission: Hermes deploys 20 electro-vehicles.





this process, Hermes Fulfilment provided data records of around 20 million shipments that were analysed to gauge the optimum box size. The result: transport volumes can be cut by more than 500 truck-loads per year, a saving of 170 t of CO₂. To minimise fuel consumption in road transport still further, Hermes regularly provides professional driving courses through its transport partners. Our parcel service in the UK not only trains its own drivers in its driving schools, but also helps employees from other companies learn a more efficient style of driving.

Environmentally-friendly travel

We are also looking to make our employees aware that CO₂-intensive business trips and means of transport can be avoided. This is

why Hermes UK for example has elaborated a 'green travel policy' to cut carbon emissions. We are an international enterprise and cannot always avoid taking CO₂-intensive flights. However, since March 2013 we have been working together with our project partner atmosfair to compensate all flights – or rather the carbon emissions that result from flying – by supporting a certified species conservation project in India, which promotes the preservation of Bengali tigers. On top of this we also subsidise the use of public transport for our staff.

Energy efficient building

As part of the 'Depot of the Future' initiative, Hermes has invested a total of 120 million euros in the construction of 18 depots. All

new buildings were constructed in accordance with the silver standard of the German Sustainable Building Council (DGNB). In the meantime, we now use renewable raw material biomass to heat the buildings at ten logistics sites and generate electricity using environmentally-friendly solar energy. We have installed a photovoltaic system on the roof of our north hub in Langenhagen near Hanover and support the use of photovoltaics at twelve other locations. These measures are already taking effect and have led to the reduction of the total energy consumption to 121,538 MWh in 2012, 4% down year on year.

Direct and indirect energy consumption at sites

		2011/12	2012/13	2011/12	2012/13
Total energy consumption	MWh	126,257	121,538		
- of which relates to electricity	MWh	63,278	62,635		
- of which relates to green electricity	%	5.7	4.5		
- of which covers heating	MWh	62,979	58,903		
- of which relates to district heating	MWh	1,571	953		
- of which heating generated from oil	MWh	161	292		
- of which heating generated from gas	MWh	56,753	51,772		
- of which heating and generation from renewable energies	MWh	4,494	5,886		
Own renewable electricity generation	MWh	1,862	1,697		

Building sustainably: five of our newest sites have already been certified in line with the silver standard of the German Sustainable Building Council (DGNB).



DGNB

Deutsche Gesellschaft für Nachhaltiges Bauen e.V.
German Sustainable Building Council

“BUILDING SUSTAINABLY MEANS PLANNING WITH FORESIGHT”



Aniko Roka has been head of real estate at the headquarters of Hermes Logistik Gruppe Deutschland since September 2011. She and her team are responsible for 57 depots, six hubs and the Hermes head office in Hamburg.

‘Depot of the Future’ stands for a new generation of sites at Hermes. What does it entail?

As part of our expansion process, our goal was to build logistics real estate in harmony with man and nature. All projects were therefore constructed in accordance with the silver standard of the German Sustainable Building Council (DGNB). The first property to receive the quality seal was Langenhagen hub near Hanover in 2011. Since then, 18 new depots have been built all of which were externally certified in 2013.

What is so special about your new real estate?

Their high level of efficiency. This not only applies to the processing of parcels, but also to the concept of sustainability. The design of the building includes intelligent energy supply and light planning as well as the furnishing of interior and exterior social spaces. Daylight is a key contributor to a healthy working atmosphere and in large logistics halls we also regularly assess whether we can deploy solar power systems. And when it comes to the challenging aspect of heating, we are looking to deploy alternatives, such as biomass. All these factors need to flow into the earliest possible stages of planning.

What other decisions need to be taken into account?

Good traffic connections are essential: if a location is easily accessible, we stand to cut transport costs, carbon emissions

and save time. This provides us with economic and ecological benefits. On top of this we make sure we cover the least possible area and create ecological compensatory areas in conjunction with the German Nature and Biodiversity Conservation Union (NABU). NABU has been advising us since 2010 on how we can support biodiversity.

And what are you doing to existing buildings?

Here it is all about making buildings steadily better. We have optimised the data centre at head office in terms of energy, for example, and are saving some 24% on electricity per year. Since 2012, we have been using our energy database to record consumption at every single depot. This helps us to identify unnecessary peaks straight away and gives us a chance to do something about it. We are also promoting and intensifying our awareness of energy use through training programmes and competitions.

What are you looking to take on next?

We know that there is still a lot to be done, such as on the issue of water supply, recycling and expanding renewable energies. As you know, sustainability is an on-going process – there is always scope for improvement.



45

company vehicles
equipped with
environmentally-
friendly technology

USING RESOURCES SUSTAINABLY

Whether energy, waste or water – we want to use all our resources as sparingly as possible and reduce the environmental effects in the value chain process.



We deliver half-yearly programmes to our employees at logistics sites, informing them how they can cut the volumes of waste on site. Hermes UK has agreed a 'green office policy'. In all companies we carefully separate waste to make recycling easier. In German companies waste volumes fell by 11.2% in 2012. In total, 98.6% of waste was recyclable.

Reducing water consumption

Most water in the Hermes organisation is consumed at head office which is why most of our investing water-saving technology has been undertaken there. We have installed sanitary facilities in several locations that only need a little water. In the past year, water consumption at German reporting companies rose just slightly to 62,824 m³. At the same time we were able to use more rainwater – altogether 4% of overall water needs.

Avoiding noise and environmental damage

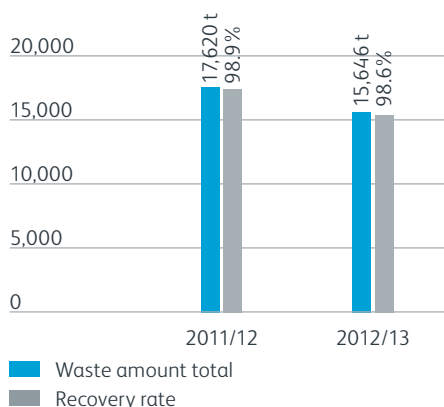
We take care to keep transport-relevant noise to a minimum. With over 2,000 transports daily, in the last two years Hermes received just two complaints from the neighbourhood. To avoid this in future, we have asked our drivers to make a detour around residential areas and try to resolve complaints as quickly as possible.

In the event of transport accidents, seeping oil or fuel could contaminate soil and ground water. To minimise such a risk, first aid vehicles for oil accidents is available at all logistics sites. Since 2006, we have been requesting our contractual partners to use bio-degradable hydraulic oil in the special vehicles used to change swap bodies. With success: in the meantime, all 45 vehicles have been re-equipped. In the reporting period, five accidents occurred in Germany. In all cases, escaping oil or fuel was removed professionally and environmental damage avoided.

Environmental protection with strong partners

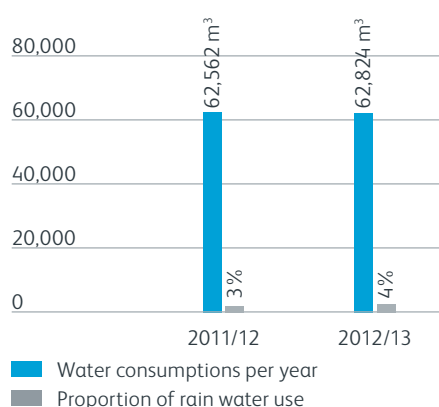
As a Hamburg-based enterprise, we consciously support mainly local initiatives. Since 2003, for example, Hermes has been a member of the Umweltpartnerschaft

Waste amount*



*without HUK

Water consumption at sites*



*without HUK



For greater biodiversity: our commitment together with NABU since 2010



6

insect hotels
set up at
Hermes sites

(environmental partnership) Hamburg, a joint initiative between the Hamburg senate and Hamburg businesses. Together with other renowned companies, we are working to improve the environmental performance of our city. At Hermes locations 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. The collaboration comprises all new Hermes locations in Germany and includes local NABU groups in the planning and constructions phases of new buildings.

Following their recommendations, we have provided nesting facilities for local birds and bats and jointly coordinated a list of plants to re-naturalise commercial space. Similarly, Hermes is an exclusive partner of NABU at the biosphere reservation in the Elbe Valley Meadows in Lower Saxony. With our support, NABU Hamburg purchased a 500 hectare area of land along the River Elbe estuary that provides important protection of species and habitats, but also serves the widely discussed flood protection and climate change. To help its work in the flood plains along the River Elbe, we have

provided NABU with transport, including two electric vehicles. In addition, Hermes provides NABU with exclusive help as a transport partner for its cork campaign. As part of this, standard commercial bottle corks are collected at key points and brought to a workshop for the disabled in Hamburg where they are processed to make insulating material and then sold. Revenues achieved are used in the protection of cranes.



Insect hotels bring nature close up

We set them up either on sunny building walls or as stand-alone constructions: in our insect hotels, bumble bees, lacewings, spider wasps and other insects indispensable to a functioning ecosystem can find a safe haven. We have not only set up such accommodation at our logistics sites, such as at our north hub in Langenhagen, but also at the fulfilment distribution centre in Haldensleben. Here, our employees are extremely pleased with the project – a collaboration between Hermes Fulfilment, the local NABU group and the charitable organisation Lebenshilfe Ostfalen. The insect hotels provide direct access to Mother Nature at an industrial location – and in the sense of biodiversity particularly to the multitudinous world of insects.



Carole Woodhead

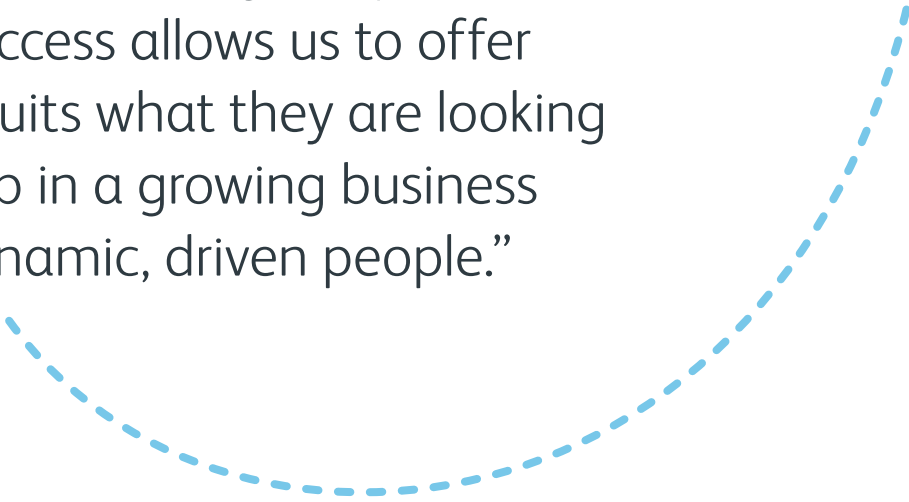
is CEO of Hermes UK and a member of the Hermes European Board. She joined the Otto Group in 1987 when she started working for home shopping retailer Grattan. In 2004, she became MD of Parcelnet, which has operated as Hermes since 2009. She has been responsible for transforming Hermes UK into a leading multi-channel delivery solution in response to changing needs in the marketplace.

JOINING FORCES

Today, Hermes is one of the largest employers in the logistics industry in Germany and in Europe. Employees in the Hermes family appreciate our culture and the way we work together. This cannot only be seen in the low staff turnover rate in German reporting companies of just 6.2% in 2012, but also by the CRF Institute award: for the fifth year in succession Hermes was certified as Top Employer in 2013.

And we want to be recognised as a good employer in the future too. In our endeavours to achieve this, demographic developments will prove challenging: on the one hand, we are anxious to secure qualified junior staff for Hermes for the future, but as many of our jobs require physical effort and a high degree of flexibility, we also have to ensure on the other hand that our employees will still be able to do their jobs when they get older. We therefore focus on a healthy work-life balance for our staff and provide comprehensive development and training opportunities. In conjunction with the Leuphana University in Lüneburg, in 2012 we surveyed over 1,100 employees in Fulfilment, asking them what influenced their ability to work. The results help us to identify where we need to take action and to elaborate specific measures.

“We actively manage talent and share a culture of opportunity: this makes Hermes a great place to work. Our sustainable success allows us to offer employees and new recruits what they are looking for – a chance to develop in a growing business and within a team of dynamic, driven people.”





3,260
training days were
taken up by
Hermes employees
in 2012.



GROWING TOGETHER

Working for Hermes should be worthwhile, for everybody who works for us. This is the reason why we not only ensure fair and attractive working conditions within our own company but also at our contractual partners.

The wages and salaries paid by us are significantly above those stipulated by the collective wage agreements for our sector. Nearly half of office staff profit from variable remuneration components as well as directly from our sustained economic success. Moreover, we offer our employees various supplementary benefits. In 2012, for example, Hermes subsidised over 800 monthly tickets for local public transport, at the same time promoting the low CO₂ mobility of its employees.

To safeguard the well-being of our employees in advancing years, every permanent employee is entitled to a non-contributory company pension. They can convert additional payments and proportions of their gross salary into a later company pension. Hermes subsidises this converted pension contribution by 10%. On behalf of each of

our employees we pay €26.60 per month into the statutory savings enhancement plan.

Promoting skills

We offer our employees an extensive range of further training opportunities. Supervisors and employees jointly decide on suitable seminars and workshops for the coming year in the employee's annual review. The range extends from technical training, for example about the Code of Conduct, through to training measures to strengthen personal skills. In 2012, 1,920 employees took advantage of the training on offer with the total number of further training days amounting to 3,260.

Training the next generation

Hermes also has something to offer its junior staff: our trainee programmes were awarded the quality seal of the Career Promoting & Fair Trainee Programme. This

comes with a similarly named charter, according to which we undertake to provide high quality trainee programmes. Additionally, we are also amongst those businesses providing the best training in the Hamburg region. This award was bestowed on us in 2012 and 2013 by the University of Hamburg, the Institute for Management and Economic Research and the Hamburger Abendblatt newspaper. In addition, Hermes Fulfilment supports the "stay local" initiative at the Haldensleben distribution centre. In cooperation with the Magdeburg University of Applied Science the programme brings together young people looking for apprenticeships with the region's engaged companies and administers, industrial placements and final year thesis placements.

Valuing diversity

Our employees should receive equal opportunities regardless of gender, age, religion, sexual orientation, origin or disability. We con-

Further training seminars

		2011/12	2012/13	2011/12	2012/13
Training days	Number	3,098	3,260		
- of which employees	%	50.6	54.0		
- of which management	%	49.4	46.0		
Number of participants	Number	2,179	1,920		
- of which employees	%	49.2	47.6		
- of which management	%	50.8	52.4		



Commended: Hermes is amongst the 118 most attractive employers in Germany.



Employees by employment status (full time/part time)

		2011/12	2012/13	2011/12	2012/13
Employees in reporting companies*	Number	10,344	10,353		
- Employees with part-time contract	%	50.3	48.7		
- Employees with full-time contract	%	49.7	51.3		
- Employees with permanent contract	%	81.8	87.7		
- Employees with fixed-term contract	%	18.2	12.3		

*including student workers and employees on parental leave, however, without trainees, interns, PhD students and temporary workers



We ensure fair working conditions for our delivery staff through a Code of Conduct, an independent ombudsman and a certification model that is unique to the sector.

firmed this with the signing of the Diversity Charter in 2006. Currently, at least 62 different nationalities are employed at Hermes. In the German Hermes companies, about half of the workforce (48%) is female, a ratio that is high compared with other companies in the industry. To attract more people with a foreign background to Hermes, the company cooperates with the fair Job-Kontakt. We support the needs of our older employees through a range of part-time working models that are tailored to them and through, for example, the provision of ergonomic support.

The work-life balance

Flexitime working models help our employees to balance their work and private lives, even when they have heavy family commitments. In 2012, 48.7% of employees worked part-time. Annual working time models and home-office offers provide additional flexibility. And for those occa-

sions when the childcare provisions go awry, we provide a parent-child room in which the father or mother can work and simultaneously take care of their child.

Healthy and safe working

The risk of injuries within the sector is comparatively high, because many working areas, in warehousing and logistics for example, are associated with high physical exertion. In 2012 there were 51 accidents per 1,000 employees. As a preventative measure, we carry out annual safety at work checks on all sites and inform the workforce about health and safety. On top of this, we provide our employees with a wide range of health and fitness actions and opportunities. Here the spectrum extends from flu injections, through to ergonomic working training and to a total of 33 different sports that can be participated in within the aegis of the Otto Group's sports activities. Hermes also deals



Download our Code of Conduct in PDF-format from our website (available in German only).



Absentee rate and labour accidents

		2011/12	2012/13	2011/12	2012/13
Absentee rate*	%	7.2	7.7		
Work-related accidents per 1,000 employees*	Number	65	51		
Accident-related lost days*	Number	7,133	4,393		
Work-related fatalities	Number	0	0		

*without HUK

openly with addiction and offers appropriate care in conjunction with B.A.D. Gesundheitsvorsorge und Sicherheitstechnik GmbH.

Giving perspectives

Due to increasing growth and seasonal peak periods, we have to rely on a flexible workforce. Consequently, the proportion of employees with limited duration contracts (12.3%) is relatively high compared to other industries. Contract work is also an important tool for responding to bottlenecks at short notice. In 2012, we employed 768 people through temporary employment agencies in Germany. We have agreed wages with all contract workers that conform to the framework collective wage agreements. Within fulfilment the proportion of contract workers must not generally be more than 10% in the commercial sector, a figure that we have set as binding with our works' councils. We try to offer contract workers a temporary or even a permanent contract after six months.

Fair conditions for all

In general, parcel delivery at Hermes is carried out by independent contractual partners. Recently, the working conditions of these contractual partners have been the subject of considerable public criticism in Germany and consequently so too has Hermes. We are the first and to date only company within the industry to try and tackle this problem and, in conjunction with SGS-TÜV Saar, we have developed our own certification system. As part of this, since spring 2012 we have been carrying out random tests on all our general contractors in respect of aspects of health and safety, remuneration, quality and environmental protection. A comprehensive written questionnaire is likewise part of the certification as is an on-site visit by SGS TÜV Saar. As part of the on-going certification process, we have set ourselves the target that all of our contractual partners successfully complete their audits and receive a certificate. This is because we particularly value long-

term cooperation based on partnership. Here Hermes supports its contractual partners by helping them to rectify deficits identified by the audit. If this is not successful, then ultimately the cooperation is terminated.

Also, since the start of 2011, a Code of Conduct has formed the basis for all parcel service business relationships. It obliges our main contractors, not only to adhere to applicable regulations, but also to employ their employees in a fair manner. In the event of an infringement, the employees can contact an ombudsman directly and anonymously. Up until now 26 persons have taken advantage of this facility. Additionally, Hermes has established an internal whistle-blower system (social compliance) in order to effectively investigate any such grievances. Since its launch in spring 2011 there have been a total of 240 messages reported and successfully processed.

€650,000

invested in the
community



For each of the last three years our parcel service has supported the work with children and adolescents performed by Die Arche Hamburg e.V.

FROM PERSON TO PERSON

We have set down roots at our sites and become a firm part of the community. This is the reason why we demonstrate particular engagement where we live and work.

In total we donated about €650,000 in 2011 and 2012 for community projects. We help most where we have the strongest connections, i.e. in the areas where our employees and their families live. Thus for example Hermes, along with a number of other companies, supports the Hamburg city run 'HSH Nordbankrun' and here they have already collected €7,000 for the Children help Children club. As the main sponsor of the Eagles Charity Golfclub e.V., Hermes Europe GmbH annually invests €170,000 in the club and the annual event, through which money is collected for worthwhile purposes. Many employees have become involved voluntarily and enthusiastically, as part of the local initiative 'Hands for Hamburg' for example, where they help out in an old people's home, or in the UK helping in improving and maintaining the grounds around Lotherton Hall, a stately home near Leeds. And Hermes Transport Logistics provides significant support to the Hamburg music project Young ClassX – not least by providing free transport.

Engagement from conviction

In the pre-Christmas period, our parcel service joins in the festive spirit by donating two euro cents for every private delivery to Ein Herz für Kinder (A Heart for Children) under the slogan 'Send and donate'. In 2012 the result was a sum of €140,000.

An advent calendar full of good deeds

Every day give out some joy, every day help someone. That was the idea of our colleagues in the UK, who brought the idea of the charity project '25 Days of Giving' into being. It works like an advent calendar: every day in December, an employee of Hermes UK (HUK) is selected by drawing lots. The lucky employee can select a community or charity project, to which a £100 is donated, irrespective of whether this is to a nursery in their own town or village or an international aid organisation. The closer Christmas gets, the higher the amounts, until, on 25 December, it is an impressive £500. The project is so popular, that last year HUK doubled the donation amount: two employees can now support a worthy cause every day. During Advent 2012, HUK donated £5,000 in this way.

It is also at Christmas time, the peak time for the parcel business, that the Hermes Group's biggest fund-raising campaign takes place: under the slogan 'Donations instead of giving gifts', we forego Christmas presents to our clients and instead support community projects. In 2011 Hermes Einrichtungen Service donated €5,000 to SOS Kinderdorf Lippe (a local children's home) and in 2012 the same amount to the mobile children's hospice (MOKI) in Hanover. Hermes Fulfilment gave the same amount to Hands for Hamburg and to the Hamburg SOS Hilfeverbund. And for the third time in a row, Hermes Logistik Gruppe Deutschland supported the organisation Die Arche Hamburg e.V., which works to help children and adolescents, by donating €10,000. In 2011

€10,000 was also donated to Plan International e.V. In the UK, our employees donated 82 presents to the organisation Cash for Kids, which distributes presents to deprived children and they also put on a fund-raising for a local cancer trust.

We do not only want to help by just giving money, but also by using our key competences: hence we make our cardboard packaging available for free to various organisations; in 2012 for example, 25,000 cardboard boxes for a project of the Bundesverband Deutsche Kindertafel e.V. which distributes breakfast packets to schools and nurseries.

GRI INDEX

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3	Report Parameters			
3.1	Reporting period		Complete	U3
3.2	Date of the last report		Complete	U3
3.3	Reporting cycle		Complete	U3
3.4	Contact point for questions regarding the report		Complete	U2
3.5	Process for defining report content		Complete	U3
3.6	Boundary of the report		Complete	U3
3.7	Limitations on the scope or boundary of the report		Complete	U3
3.8	Joint ventures, subsidiaries, outsourcing		Complete	5
3.10	Changes regarding the presentation of information		Complete	U3
3.11	Changes in the scope, boundary, or measurement methods		Complete	U3
3.12	GRI index		Complete	32
4	Governance, Commitments, and Engagement			
4.1	Governance structure		Complete	5
4.2	Independence of the Chairperson		Complete	5
4.3	Independent members on the board		Complete	5, 13
4.4	Mechanisms for shareholders and employees to provide recommendations		Complete (n.r.)	n.r.
4.14	Stakeholder groups		Complete	12
4.15	Selection of stakeholders		Complete	12
5	Performance Indicators			
EC1	Economic	Direct economic value generated and distributed	Partially	5, 31
EC4		Significant financial assistance received from government	Complete	None
EC8		Infrastructure investments and services provided primarily for public benefit	Complete	31
EN3	Environment	Direct energy consumption by primary source	Complete	22
EN4		Indirect energy consumption by primary source	Complete	22
EN8		Total water withdrawal by source	Complete	24
EN16		Total direct and indirect greenhouse gas emissions	Complete	20
EN18		Initiatives to reduce greenhouse gas emissions	Complete	20–23
EN22		Total weight of waste by type and disposal method	Complete	24
EN23		Total number and volume of significant spills	Complete	24
EN29		Environmental impacts due to transport	Complete	20
LA1	Social issues	Total workforce by employment status, employment contract, and region	Complete	29, 5
LA7		Rates of injury, absenteeism and work-related fatalities	Complete	30
LA8		Programmes relating to serious diseases	Complete	29/30
LA10		Average hours of training by employee category	Complete	28
PR9	Products	Non-compliance with laws concerning the provision & use of products and services	Complete	16

ABOUT THE REPORT

Our Sustainability Report 2013 is our first detailed account of our economic, ecological and social responsibility. The reporting period covers the time from 1 March 2011 to 28 February 2013. The Report therefore comprises all significant events and developments relating to sustainability in the past two financial years. Editorial close was 30 April 2013.

This present report focuses on the three core business units transport logistics, fulfilment and distribution:

- Hermes Europe GmbH (HE)
- Hermes Transport Logistics GmbH (HTL)
- Hermes Fulfilment GmbH (HF)
- Hermes Logistik Gruppe Deutschland GmbH (HLGD)
- Hermes Einrichtungs Service GmbH & Co. KG (HES)
- Hermes Ltd. UK (HUK)

Consolidated key data refer to these six companies unless otherwise indicated. The basis for the report is founded in qualitative data gathered by our specialist departments and the sustainability coordinators, and key data from the Otto Group's corporate responsibility database. In addition, separate data queries were conducted by HUK. Financial data is presented in euros; non-euro currencies are translated using annual mean values for 2012. In the interest of transparent and comparable sustainability reporting, we have orientated our work on the guidelines of the Global Reporting Initiative

(GRI-G3). For the five German companies, we provided consolidated details of at least ten key indicators, thereby covering all sections (economic, ecology, social issues) and meeting the requirement of the GRI Application Level C for these companies. Due to country difference in the data gathered not all key data of HUK relevant to reporting level C was able to be consolidated with those of the other companies. We are currently working on a uniform method of retrieving data.

In the future we will be reporting on our sustainability performance every two years. The next report is planned for autumn 2015 and will integrate all business units, including sourcing and product.

This is a translation of the German original. In the event of any discrepancies between the German language version and any translation thereof, the German language version will prevail.



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