



**We take
responsibility**

About this report

This report is the fifth Sustainability Report produced by KiK Textilien und Non-Food GmbH. It describes the company's activities with regard to the sustainable structuring of business operations in 2017 and 2018 as well as a few more recent facts and developments from 2019. It follows the guidelines of the German Sustainability Code (DNK criteria) and supplementary non-financial performance indicators selected from the overarching reporting framework of the Global Reporting Initiative (GRI). As a cross-sector standard for transparency, the DNK is a recognised standard recommended by the Federal Government, for reporting on corporate achievements in the field of sustainability. It meets the requirements of the CSR Directive Implementation Act, which came into force in January 2017, and which clarifies the reporting obligations placed on listed companies with more than 500 employees. At the same time, KiK is not subject to a reporting obligation within the meaning of the CSR Directive Implementation Act because it is an owner-managed company not oriented towards the capital markets. A statement of compliance with the DNK can be found at the end of the report.

KiK Textilien und Non-Food GmbH supports the United Nations' Sustainable Development Goals, which came into force on 1 January 2016. They aim to ensure sustainable development at the economic, social and ecological levels. As in the last report, the activities we have undertaken to ensure sustainability are evaluated with regard to how they contribute to the 17 "Sustainable Development Goals". The relevant pictogram for the corresponding goal is given at the start of each chapter.

The focus in the report is on the expansion of sustainability activities undertaken by KiK Textilien und Non-Food GmbH and how this takes effect

through our work within the Bündnis für nachhaltige Textilien (Alliance for Sustainable Textiles) and is documented both in the meetings of the working groups and the initiatives of the Alliance for Sustainable Textiles, and in the individual progress reports. In order to draw up the report, a materiality analysis was carried out, from which the company's focus and future targets are derived.

The limits of this report as regards the procurement of goods and logistics are defined by KiK Textilien und Non-Food GmbH, KiK Logistik GmbH, with its registered offices in Bönen, and the subsidiary companies in other European countries. The data for the emissions footprint and for logistics relate to KiK Germany, with its branches, warehouse and central offices, and to all of its other European sites. The report aligns with the Greenhouse Gas Protocol (GHG). Unless specifically stated otherwise, all statements regarding staff relate to the employees of KiK Textilien und Non-Food GmbH Germany. The report primarily focuses on the textiles range.

Each specialist division collaborated on drawing up the report, approved the statements made in this report and provided the data that was collected. Information from utilities companies has been adopted as external sources. Commercial figures are taken from the business reports of the Tengelmann Group, our parent company. The climate footprint was drawn up by KiK Textilien und Non-Food GmbH.

The content of the report was appraised for consistency, without the primary data being checked, by SGS Deutschland. The expert opinion they provided is published in the report.

The report is published in German and in English. The editorial deadline for this report was 31 August 2019.

The next report is expected to be issued in 2021.

IMPRINT

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The
SUSTAINABILITY
Code
Signatory 2018



prepared according to
CSR Directive
Implementation Act

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Making globalisation fair

Welcome from Dr Bärbel Kofler, Member of the German Bundesrat and the Federal Government's Commissioner for Human Rights Policy and Humanitarian Aid

Creating fair working conditions and production conditions along the global supply chain is one of the major challenges that politicians and businesses need to find new answers to. Nothing less than the contribution we all want to play in terms of making globalisation fair is at stake.

Global supply chains and production pathways are now more comprehensive, more complex than ever before – and for many people, they are not transparent. The public has become more aware of fair consumption over the last few years. There is no doubt that the painful experiences and news images of the catastrophic fires and collapses in textile factories in Bangladesh and Pakistan played a role in this, as did the destruction of the environment caused by coal mining in Colombia, the devastating burst dams in retention basins in Brazil or the massacre of miners in South Africa, just to name a few of the most well-known examples. As a result, we all need to realise that lots of regions and enterprises are still home to unacceptable conditions such as forced labour and exploitation, unfair wages and poor occupational safety, even in 2019. Forming a union and improving working conditions is challenging in many countries, and dangerous in many others. As a result, there is a considerable risk that business activities will see fundamental labour rights, human rights and environmental standards be breached. German companies have an important role to play here and bear responsibility, due to their global economic significance.

So, how can companies be successful on an economic level while also protecting human rights and giving workers in production countries an income that is enough to live on, while enabling consumers in this country to make fair purchases?

KiK's current Sustainability Report offers exciting insights into the company's activities, emphasising that sustainability and discounts are not mutually exclusive. And your company is not alone in that. For many companies, social responsibility, in terms of business and human rights, is a key part of their corporate strategy. CSR is no longer viewed as an



Bärbel Kofler has been an SDP member of the Bundestag since 2004, and has been the Federal Government's Commissioner for Human Rights since 2016.

obstacle in the way of profits: it is a building block for long-term economic success. I am delighted by the numerous exemplary approaches followed by various companies because they are a concrete demonstration of the fact that sustainable business can be both efficient and effective, and an exposition of how this can be achieved.

The key question that has been on the table since the start of the implementation process for the Federal Government's National Action Plan on Business and Human Rights asks whether progress can be made in the field of business and human rights if this is a voluntary commitment: it must now be answered in the negative. As a result, statutory regulations in terms of companies' human rights duty of care would be a milestone on the way to creating a level playing field, and this would be something that companies would welcome, too. I am delighted that KiK agrees with this assessment. In this sense, I would hope that, for your sake and for us all, we can agree on clear, binding regulations in the context of business and human rights in the future.

Dear readers,

If you look back on the economic development of the textile industry in 2017 and 2018, it paints a rather bleak picture. The number of fashion retailers in difficulty, even culminating in the insolvency of well-known brands, was higher than ever before in this period. Lots of city-centre shops had to close, while labels disappeared from the market or were purchased by investors. Increasing competition from online retailers, which has been dominating the book sector for a good few years, is now beginning to have a greater impact on the fashion segment. This is in addition to erosion of clearly defined seasons caused by climate change and the increased occurrence of extreme weather, which has an impact on consumers' purchasing behaviour.

The state of the German fashion market is scarcely uplifting, yet it contrasts with the continually positive business development enjoyed by discounters, in particular. The company KiK, of which I have been CEO since 2016, has seen its turnover continuously rise over recent years, opening new branches both in Germany and elsewhere in Europe. Cheap prices, reliable quality, a presence in cities and rural areas, plus a range that meets our customers' needs, are the cornerstones of this success.

The significance of a sustainable way of life and a sustainable way of doing business has increased in recent years across large swathes of society, and is reflected in national and international agreements that lay down binding goals. It is legitimate and justifiable that discounters' business models are critically examined against this backdrop. One of the most frequently asked questions with which me and my colleagues are faced in public is: "How is KiK able to sell its products so cheaply?" This question generally also implies that our low prices come at a cost to someone else. This is precisely why we, as a compa-

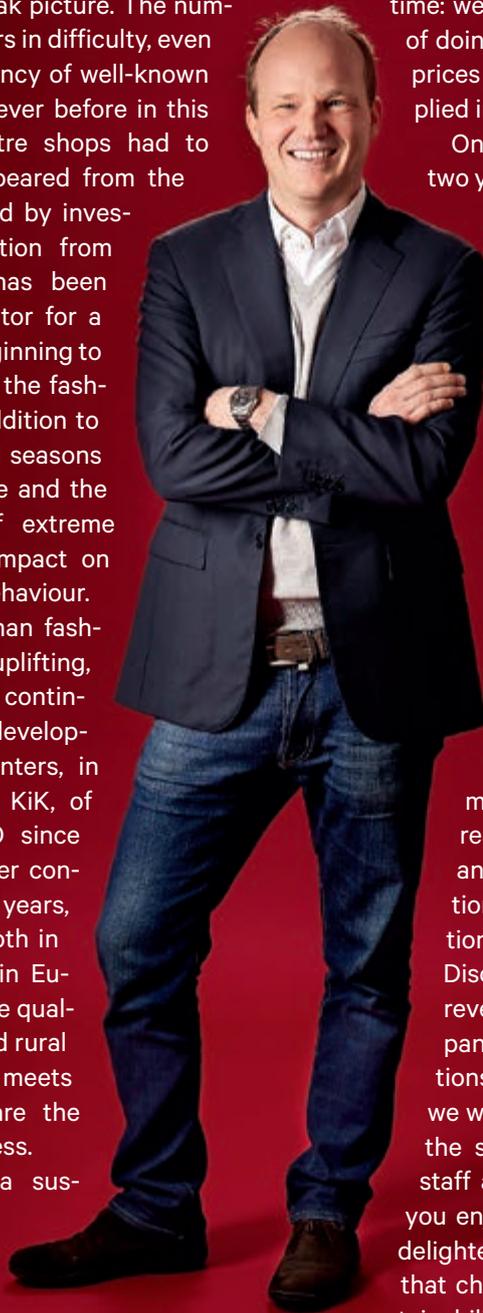
ny that is not strictly obliged to submit a report, are publishing our Sustainability Report for the fifth time: we want to show that a sustainable way of doing business can work alongside cheap prices if the principles of discounting are applied in a systematic way.

One of the aspects that shaped the past two years was the attempt to prove that we had neglected our corporate due diligence obligation. Even though our viewpoint was vindicated by the judicial decisions, we concluded that there was a need for binding, transparent guidelines for businesses. As a result, we would like it to be no longer permissible for interpretations as to when companies fulfil their duty of diligence regarding their suppliers to be shaped by the individual viewpoints held by stakeholders from civil society. We need feasible, sensible frameworks to ensure that sustainable supplier management does not become a competitive disadvantage in the market. KiK is in favour of a practical, realistic supplier chain act on a European level and we have endorsed participation in the monitoring of the National Action Plan for Business and Human rights. Discussions over the next few years will reveal how seriously politicians and companies of all sectors with supplier relations overseas take this topic. As for KiK, we will not stop in our efforts to guarantee the safety and economic success of our staff and our suppliers' employees. I hope you enjoy reading the report, and would be delighted if you also came to the conclusion that cheap prices and a commitment to sustainability are not a contradiction in terms!

Yours,
Patrick Zahn



CEO of KiK
Textilien und Non-Food GmbH



Low prices, high success

KiK continues to grow
in Germany and abroad

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



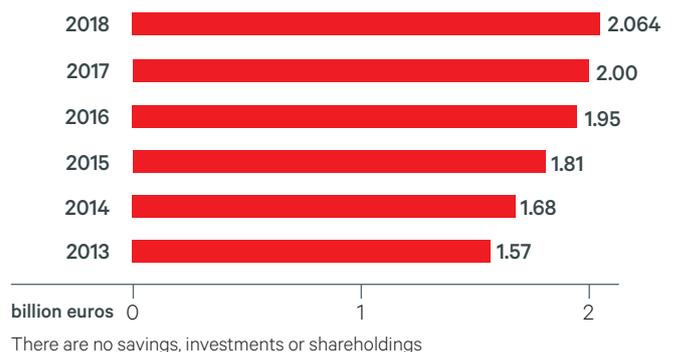
12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



KiK's business model involves commissioning the production of textiles and non-food items and selling them in the discount segment. The 2017 and 2018 financial years were very successful for KiK. Despite the increasing number of competitors and a challenging market environment, KiK was able to maintain its sovereign position as the most successful retailer in the textile discount segment. KiK has more branches in Germany than any other textile firm. In the profit ranking of German textile retailers produced by the trade magazine *Textilwirtschaft*, KiK took fifth place. This means that the company has secured its stable place among all German textile retailers and is the market leader in its sector, namely, discount textiles.

The new building at the company's headquarters in Bönen offers around 4,500 square metres of office space. The building work lasted around a year, with a new carpark also being constructed.

Development of KiK's turnover



The market also has massive competition, particularly from discount food stores who are taking an ever-stronger position in the textile segment. They have now succeeded in projecting their image of reasonably priced, good quality food onto fashion. KiK is combatting this trend by tightening up its range in terms of its value for money and sharpening it to ensure it is broad and diverse. At the same time, KiK is reacting to customers' increased need to have a quality seal, particularly in the baby and childrenswear segment.

Record turnover achieved

For the first time in the company's history, 2017 saw net turnover of more than 2 billion euros. This corresponds to turnover growth of 2.8 per cent. The 2018 financial year once again exceeded the 2 billion euro turnover mark, with net turnover at 2.064 billion euros, reaching a stable level. The market situation was particularly challenging in Germany: the long, hot summer put many customers off shopping, as did the almost non-existent autumn and the very late start to winter, which meant a large amount of goods could not be sold, or could only be sold at reduced prices.

The structural changes in the fashion market, primarily the considerable, constant increase in the importance of online retail, represent a challenge for vertical fashion retailers such as KiK. Since 2000, online retail has experienced a never-seen-before boom, with annual growth rates of 40 per cent on average. Across the sector, Internet retail makes up around 20 per cent of total turnover in the fashion sector. In terms of a comparison between sectors, this puts the textile sector in the uppermost group.

Development of the branch network

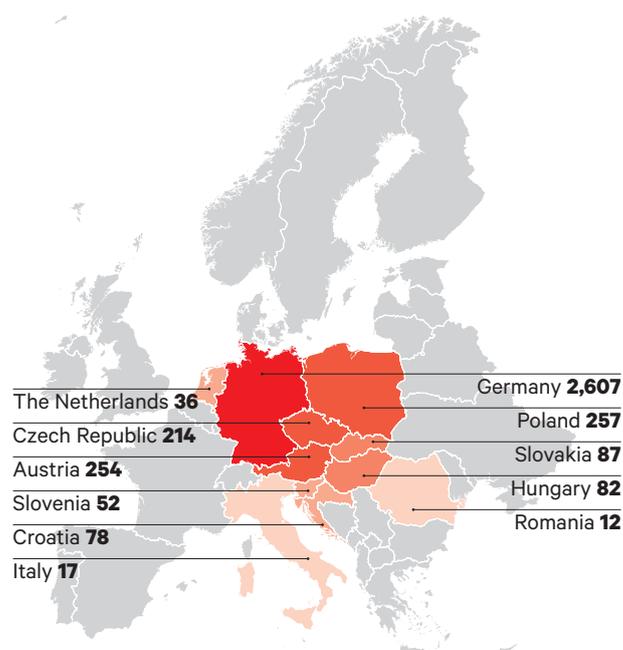
At the end of the 2018 financial year, KiK had a total of 3,696 branches in Germany and 10 other European countries. The growth of its branches occurs off the back of the expansion of the branch network in Germany and in other European countries. For example, KiK took on 32 German sites of the Swiss fashion group Charles Vögele on 1 July 2017, rebranding them as KiK branches. All the employees at the Charles Vögele sites were given the option to continue their employment relationship.

KiK opened its first branches in Italy in autumn 2017, with a total of 17 branches there by the end of 2018. Romania was the eleventh country to have a KiK presence as of autumn 2018 and enjoyed a

good response from customers within a short period of time. Overall, the good results for 2018 are particularly due to strong growth in the foreign markets of Poland, Hungary and Slovakia. These expansion countries showed strong growth both in terms of turnover figures and branch sites.

The planned expansion to the USA was not pursued. Following thorough analysis of the market features and customer preferences, KiK decided that entering the market there was too fraught with hurdles at the moment.

Number of branches as at 31 December 2018 (3,696 in total)



Forecast

Trade overall, and primarily textile retail, is becoming ever more dependent on climate changes. The shifting of the seasons, and often unseasonal weather phenomena, will increase due to climate change. As a result, consumers are adjusting their consumer behaviour. This is in addition to the reduction in German consumer behaviour that is already visible, caused by a slight dip in the economy. Against this backdrop, maintaining turnover and expansionist activities will represent a particular challenge.

Sustainability in the discount business

KiK's CSR work in the context of national and international alliances



KiK does not own any of its own factories. Production is carried out by suppliers in the Global South. Compliance with international standards is ensured as part of CSR work.

Overview of CSR work

As with the entirety of German industry, the German textile and non-food sector relies on the strong network to be seen across the global economy. The global interconnection of business processes and relationships brings with it major opportunities for production countries. In Bangladesh, the clothing industry makes up around 80 per cent

of national export revenues and employs more than 4 million people. However, an open global market also brings risks along an ever-longer and more complex supply and value creation chain. Human rights can be put at risk when international labour, social and environmental standards are not complied with. As a result, companies are urged within the meaning of the UN's Guiding Principles for Business and Human Rights to avoid violating

human rights within the framework of their business activities and to play their part in upholding human rights.

KiK is a textile retailer, not a textile producer. As a result, this means that KiK does not own its own factories. Our textiles and non-food items are produced in line with our specifications by independent suppliers. At present, our range encompasses around 20,000 products. Part of our range is also produced by brands: we do not commission them to produce extra goods, but we do sell them in our branches.

As a globally active, responsible company, KiK is committed to the sustainable production of its goods. To do so, the company aligns itself with a series of international and national regulations,

is impossible to talk of a “modern-day caravan”, as the media sometimes portray it. In addition to challenges in the fields of productivity and logistics, inadequate standards in terms of social and environmental matters, such as the fact that there is no minimum wage in Ethiopia, are one reason for KiK’s restrained engagement in Africa. At the same time, we believe that it is indispensable to develop new fields of employment for people in this continent, so that the causes of flight, hunger and conflicts can be counteracted through positive economic development.

Supplier management

KiK works with around 400 direct suppliers. We have long-term business relationships with 55 per cent of our suppliers: we have collaborated with them for at least five years in a partnership shaped by trust, reliability and development. This collaboration follows a regulated process with the manufacturer receiving intensive support both before and during collaboration.

Materiality analysis

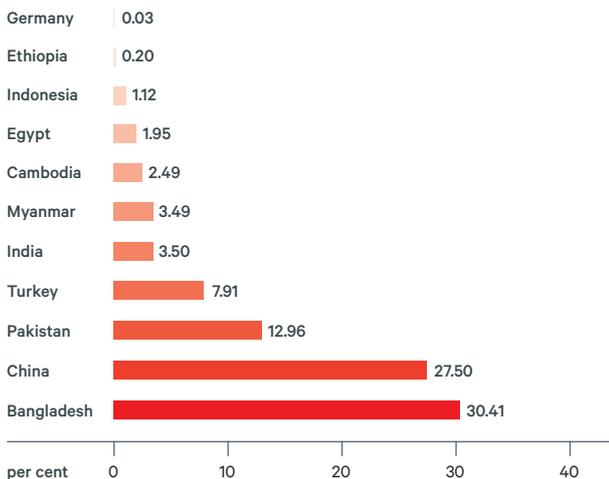
With the help of a materiality analysis, an investigation is undertaken in terms of sustainability to identify topics of relevance to the individual stakeholder groups, so they can be integrated into the business strategy. The intention is to contribute to determining matters of relevance and priority in terms of sustainability, ensuring that the sustainability strategy corresponds to current requirements and developments.

In the reporting period, there were lots of new approaches on a political level, with the introduction of the National Action Plan for Business and Human Rights and the discussions around the Supply Chain Act, plus the continuing work of the textile alliance. These approaches need to be taken into account in the materiality analysis and implemented in the core business.

We took the materiality analysis carried out for the last Sustainability Report, and worked with representatives from the Communications, Business Policy Dialogue, CSR and Environment departments to realign it in the context of our business activities, and ultimately, to present it to executive management.

Employees in the CSR department, the specialist Business Policy Dialogue team and Corporate Communications engaged in direct discussions with the stakeholder groups over the reporting

Procurement markets 2018 (textiles)



adding to them via company-specific programmes. All its activities are guided by the efficient use of resources, compliance with human rights and open communication of its activities to an array of stakeholder groups.

Most products in the textile segment come from Bangladesh, followed by Pakistan and Turkey. In the non-food segment, most products are produced in China, but goods are also sourced from other countries, such as Germany.

In recent years, some African countries have also developed into procurement markets for textiles. For KiK, the focus lies on Egypt and Ethiopia. Even though the order volume increased by a little under 1 per cent to 2.15 per cent between 2016 and 2018, these African companies still hold comparatively minor importance in KiK’s pool of suppliers. It

period as part of numerous meetings, working groups and conversations. The company’s open approach towards the media and the public played just as much of a key role as the various discussions and negotiations that occurred in conjunction with the memberships and alliances in which KiK is represented. The textile alliance, encompassing six working groups in which the company is represented, and the Accord in Bangladesh are to be highlighted in this regard. Within these associations, KiK engaged regularly and in a committed fashion in all of the relevant discussions with stakeholders and enriched these discussions with its own suggestions.

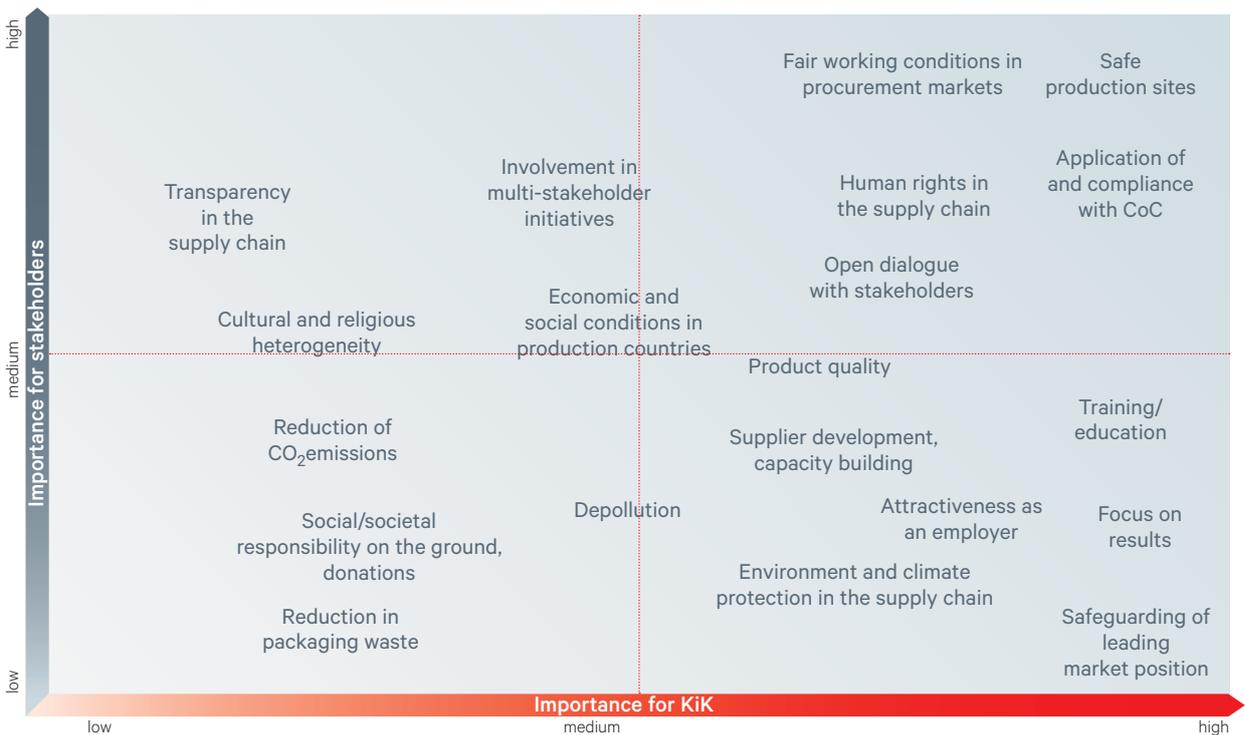
In terms of the environment analysis, the following factors proved to be relevant to KiK’s business activities:

- Legal framework conditions (Applicable and expected legal regulations): National Action Plan for Business and Human Rights, Supply Chain Act, CSR Guideline on the Reporting Obligation, chemicals ordinances, regulations on shop opening, ISO norms and regulations on quality management
- Alliances and multi-stakeholder initiatives
- Competitors and market situation
- Changes in procurement markets
- Economic framework conditions in countries where KiK has a presence
- Sales markets (competition situation, customer structure)
- Employee acquisition
- Social framework conditions (consumer behaviour, environmental awareness, etc.)

KiK’s stakeholder groups



Materiality matrix of the top 20 topics for KiK



The strategic corporate analysis defined the company's key interests and success parameters in more detail. This primarily relates to the following factors:

- Long-term business objectives
- Corporate mission statement and unique selling points
- Qualitative expansion
- Offer of lucrative ranges
- Future market positioning
- Concentration on price leadership
- HR structure and attractiveness as an employer

The materiality matrix shows the 20 most relevant topics for the success of the company and the prioritisation of its stakeholder groups.

Some stakeholder groups were selected by analysing the participants in multi-stakeholder initiatives such as the German textile alliance. Other stakeholder groups had already been de-

finied some time ago by the CSR department via an environment analysis and regularly reviewed to make sure they are up to date. Employees in the head office and the branches are also to be included in this sustainability work. This occurs via inclusion in working groups, texts on the intranet, participation in the environment management system and suggestion letters that can be sent to the head office from the branches. All employees can access the Code of Conduct online at any time.

Sustainability in the discount business: what customers think

The interests of these stakeholder groups are as diverse as the groups themselves. First and foremost, our customers set store by good value for money, a great fit, year-round availability and op-

SPD Bundestag candidate Oliver Kaczmarek visits KiK

As part of his "Gemeinsam stark für morgen" tour, the SPD member of the Bundestag Oliver Kaczmarek visited KiK's European headquarters as part of the 2017 election campaign. As well as looking at quality assurance, the testing lab and the company's high-bay storage unit, the agenda also included a discussion with Patrick Zahn, the company's CEO.

"KiK is a major employer in the region, and the textile trade is facing major challenges," explained Kaczmarek. "In principle, it is important to me that companies bring together good quality, fair production conditions and good work." And he continued: "On a positive note, during my visit to KiK, I saw that KiK views itself self-critically in retrospect. The company is ready to make changes, it is focusing on the quality of products and employment relationships, and it is even able to discuss controversial topics openly."



Oliver Kaczmarek in the testing lab (top) and the high-bay storage unit (bottom)



imum comfort. In addition, a sustainability survey was carried out among the general population to assess the value that end users in the mass market place on sustainability and fairly produced clothing. The KiK customers surveyed associated KiK positively with the aspects of price, selection and quality. Sustainability only came into play when a small number of respondents (2.8 per cent) noted critically that production takes place overseas. Ten per cent of non-customer respondents noted that goods' origins in "cheap countries" were one of the key reasons for not shopping at KiK.

Evidently, many KiK customers imagine that sustainable products cannot be cheap. Forty-five per cent of respondents either fully or largely agreed with the statement that sustainable products, or the sustainable production of clothing, leads to higher prices that are not affordable. Alongside the material aspect, the topic of sustainability overall plays a secondary role. For customers, good production conditions or sustainable products are not a priority when shopping at KiK.

The employees in the CSR department, the Business Policy Dialogue specialist team and Corporate Communications are in regular direct contact with the stakeholder groups, whether through their work in the textile alliance, where KiK is involved in all six of its working groups, or in discussions with government representatives or journalists. The less-than-favourable assessment of sustainability aspects by discount customers in the mass market was passed on to the discussion partners in question. From KiK's per-

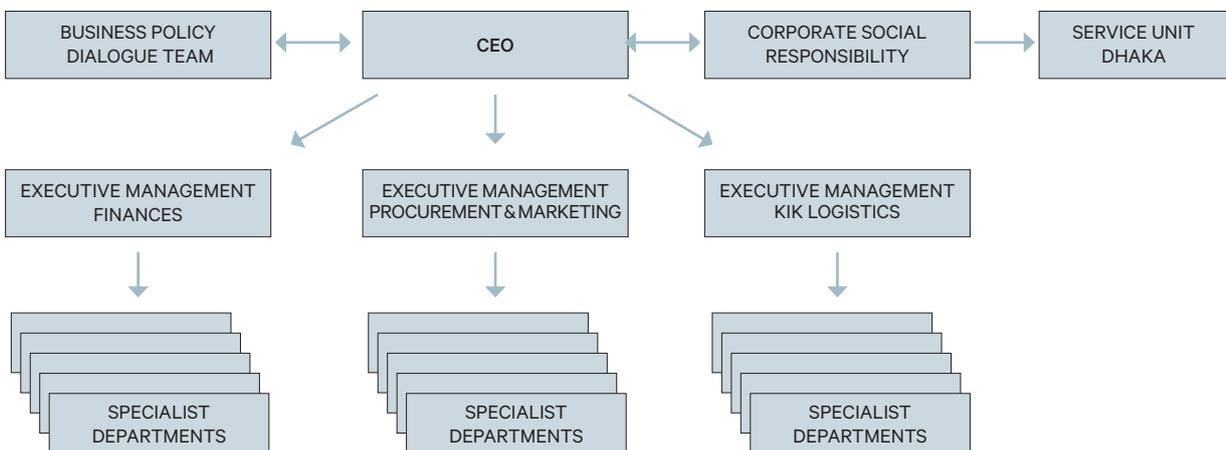
spective, involving customers in topics of good production conditions, transparency and sustainability is indispensable, as is showing them the added value of this. This applies for discussions about the Green Point, which is intended to be a state meta-seal to guarantee fair conditions for consumers. However, in the discount segment, in particular, customers worry that they would not be able to afford this kind of seal, with the risk of the goods being turned down being imminent as a result. Customers' acceptance is only secured if the added value is successfully highlighted.

How CSR is organised at KiK

The Corporate Social Responsibility (CSR) department is an independent business area at KiK that is subject to the executive management. The head of CSR coordinates its activities in close collaboration with specialist departments, including Procurement, Quality Management and Sales. The head acts independently and can veto decisions that are contrary to the company's CSR mission statement. In addition, internal audits regularly take place with Procurement, Quality Management, Sales, environmental working groups and strategy discussions at the start of each season.

The CSR department comprises employees at the company's site in Bönen and is supported by the Service Unit in Dhaka, which undertakes coordination and monitoring on-site in the key production country of Bangladesh. The Head of CSR presents regular reports to the executive

How sustainability is organised at KiK



Awards for KiK's CSR work



The CEO, Patrick Zahn, accepted the International CSR Excellence Award in London.



Head of CSR, Ansgar Lohmann, and Veronika Schäfer, from the CSR department, were delighted that the school project in Bangladesh received the awards.

KiK received two awards for its commitment in the field of sustainability during the reporting period. At the German CSR Forum, KiK took second place for the German CSR Award in the “Global Responsibility” category for its project with schools in Bangladesh. The prize was given for the construction and funding of three UCEP schools in Bangladesh, KiK’s largest textile-producing country. Around 2,000 students with low educational opportunities have the chance for a better future as a result.

“The Green Organisation”, which gives companies and organisations the International CSR Excellence Award, recognised the work of the school project in Bangladesh and gave KiK second place in the “Philanthropy” category. The jury praised the fact that KiK was supporting more than 2,000 children across three schools, giving them opportunities they would otherwise not have had. KiK’s involvement shows that the company believes it is important not only to profit from the textile industry in Bangladesh, but also to give something back. We received third place in the “Innovation” category for auditor liability. With it, we subject our audit firms to tighter obligations, thereby ensuring better audit findings. The jury praised the fact that the standards KiK includes in its Code of Conduct, for example, ensure that requirements for production conditions are met.

management, representing the company in specialist committees and public-facing discussions. The CSR department's work includes selecting and monitoring suppliers, ensuring that the Code of Conduct is complied with, implementing and complying with human rights, collaborating with national and international specialist committees such as the textile alliance and the Accord, plus compliance with environmental and climate requirements.

In addition to the CSR department, the Business Policy Dialogue (an office directly subject to executive management) contributes to integrating specialist discussions and legitimate requests from individual stakeholders into the company. To do so, employees are in direct contact with political institutions, the media and representatives of civil society, undertake preparations for participation in shared initiatives and alliances, and ensure that the principles of responsible corporate governance are implemented in tangible projects. The attainment of sustainability goals is taken into account as part of individual target agreements for managers, although they are not publicly highlighted.

Goals of KiK's CSR work

KiK's sustainability work aims to improve employees' production and living conditions. This also includes the core points of boosting efficiency and minimising risk. Similarly, we strive to minimise the environmental impact caused by our business activities in terms of resource consumption and emissions.

Taking into account and drawing on these framework conditions and memberships in international alliances, KiK's sustainability work follows three overarching goals. They are divided into the time periods of "short" (up to 1 year), "medium" (1–3 years) and "long" (more than 3 years). Prioritising the goals depends on the requirement to comply with stakeholders' demands (e.g. multi-stakeholder initiatives or political regulations), as well as the needs of customers and shareholders. The goals are approved by the executive management on the basis of a suggestion by the CSR department.

- Good products
- Good workplaces
- Good suppliers

In terms of PRODUCTS, KiK pursues these short-term to long-term goals

| GOAL | REVIEWED BY |
|---|--|
| SHORT-TERM | |
| Ongoing increase of the proportion of natural fibres, particularly in terms of organic cotton | Textile alliance roadmap; assessment of the share of organic cotton |
| Eco-friendly transport through systematic use of shipping and intermodal transportation | Assessments by KiK Logistik GmbH; environmental key performance indicators according to the key performance indicators table in terms of emissions |
| MEDIUM-TERM | |
| Systematic switch to resource-saving packaging and avoidance of plastic | Environmental key performance indicators according to the key performance indicators table in terms of emissions, tonnes of waste, etc. |
| LONG-TERM | |
| Ongoing optimisation of ecological matters relating to human and production aspects | Productivity analyses and cost calculation |
| Safeguarding of product durability within the meaning of protecting resources | Quality tests by independent testing institutes |

In terms of WORKPLACES, the company has set the following short-term and long-term goals

| GOAL | REVIEWED BY |
|--|--|
| SHORT-TERM | |
| Opening up of educational opportunities within Germany and financial support of schools in Bangladesh | The provision of financial support to selected schools in Bangladesh, assessment of workforce participation in KiK academy courses |
| MEDIUM-TERM | |
| Strengthening of employee rights, including taking a stand for maintenance of the Accord in Bangladesh with its planned new focus on social dialogue | Membership of the Accord |
| LONG-TERM | |
| Assurance of a stable order situation for ongoing corporate growth and opening of new branch sites in Germany and elsewhere in Europe | Audited business report with information on turnover and branch figures |

In the field of SUPPLIER MANAGEMENT KiK is tangibly working on the following short- to long-term goals

In addition to the target, all the tables state which review processes will be used to measure the attainment of the target.

| GOAL | REVIEWED BY |
|--|---|
| SHORT-TERM | |
| Ongoing development and review of the Code of Conduct, particularly in respect of establishing duties of care in terms of human rights | Success in the NAP review process |
| Continuation of projects to increase construction-related and electrical safety of supplier factories | For suppliers in Bangladesh: Membership of the Accord and reporting of reviewed factories to the Accord For suppliers in Pakistan: Implementation of all measures in terms of suppliers' electrical safety was completed by the end of 2018 and confirmed via audits |
| Request to suppliers to implement wage increases and participate in initiatives to introduce living wages | Participation in the textile alliance initiative for living wages in Cambodia; review of all suppliers in Bangladesh regarding the implementation of new salary structures |
| MEDIUM-TERM | |
| Provision of satisfactory CSR performance as a criteria for being awarded an order | Points scoring of audits; assessment of audit reports using auditing software Setlog |
| Initiation of projects to boost traceability of the supplier chain, including upstream production steps | Collaboration with the companies Setlog and evan as part of a pilot project |
| Active collaboration within multi-stakeholder initiatives to deepen a sector-wide approach to improving production conditions | Membership in the textile alliance guaranteed through provision of a roadmap; membership of the Accord |
| LONG-TERM | |
| Permanent development and advancement of a good supplier base using training sessions, professional development steps and capacity-building measures | Implementation of around 150 training sessions a year |
| Reduction of environmental pollution in the production process through environmental audits and training on protecting the environment | ISO 14001 certifications |

All the sustainability goals are part of the evaluation of the uppermost management levels. All the goals are derived from the risk analysis within the NAP.



CSR work campaigns for good working conditions for employees in production countries within Asia.

How a factory becomes a supplier

As illustrated by a fleece jacket



1

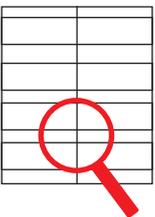
The **Ladies Outwear Procurement team** would like to focus more on fleece jackets. The **Sourcing team** is commissioned to find a suitable supplier that can produce the necessary number of fleece jackets in the requisite quality.



2

The Sourcing team researches a suitable **supplier** in the procurement countries and visits their site. **Sourcing staff** check whether the supplier can be considered, clarify details relating to order quantities, prices, fabric qualities, etc., and pass details of the supplier to the **CSR department**.

3



The **CSR department** carries out an **“initial audit”** of the supplier’s site. If satisfactory, the supplier can be “listed”. Before the order is placed, the supplier must sign the **KiK Code of Conduct**. It regulates standards in terms of social aspects, environmental factors and human rights. It is planned that this will refer to the company internally from 2020.



4



After the initial audit, a **regular audit** of the production sites is carried out. This is generally carried out by an external audit company using a defined audit catalogue. They put the factory **“through its paces”**. This includes its structure, electrics, wastewater disposal, wage lists, salary evidence, etc. If the factory owner is resident in Bangladesh, they will be visited by KiK employees of the Service Unit Dhaka (SUD) during ongoing production. **Quality samples** are taken during this visit.

| | | | | | |
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| ✓ | ✓ | ✗ | ✓ | ✗ | ▬ |
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| September | Oktober | November | Dezember |
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5

The **results** of the audit are discussed with the supplier. They have three months in which to resolve **any issues**. Afterwards, the company carries out a **“re-audit”**. They check whether the supplier has actually rectified the faults documented. If this is not the case, they discuss the reasons for the delay with them. If the supplier refuses to resolve the issues, the business relationship is generally terminated at this point. The order is processed to completion, but the supplier is **removed from the list**.



6



The **auditors’ liability** guarantees that the audit company warrants that its findings are correct for three months after the conclusion of the audit.



7



If the supplier is **reliable**, KiK will offer continuous support as part of **“capacity building”**. This includes visits to the factory and trips by German CSR staff who train the supplier’s management. Typical training topics include optimised capacity planning to avoid excessive overtime and **fire drills** for building safety.



8

The audits were a success and the fleece jacket is ready. It is **shipped** from Chittagong harbour to Europe.



9



Once it’s arrived in Bönen **fabric samples** are taken once again to ensure the fleece jacket meets legal standards. **Criteria** include contents, colour and fit.



10

If all the tests are **satisfactory**, the product comes to the **Sales** department and can be purchased in one of KiK’s approximately 3,700 branches.



Responsible corporate governance

Working with national and international alliances to improve conditions

The National Action Plan for Business and Human Rights

The United Nation's Guiding Principles for Business and Human Rights are a binding statement of the contribution companies need to make to uphold and comply with human rights within the context of their business activities. By taking on the Sustainable Development Goals (SDGs) and developing the National Action Plan for Business and Human Rights (NAP), the Federal Government has translated these principles into a national framework for action. KiK views the stipulations of the NAP to be binding and has played an active part in shaping them. Further information on this can be found in the 2015/2016 Sustainability Report.

CEO Patrick Zahn (left) talked to Labour Minister Hubertus Heil, Development Aid Minister Gerd Müller und Brot für die Welt President Cornelia Füllkrug-Weitzel at the future forum on "Making globalisation fair" about the importance of a Supply Chain Act.

The NAP requests that all German companies with international business relations "introduce the process of corporate due diligence in a manner commensurate with their size, the sector in which they operate, and their position in the supply and value chain". Corporate due diligence is defined using five core elements. They are binding for all companies and must be universally incorporated into their business practices and complied with:

- a human rights policy statement
- procedures for the identification of actual or potential adverse impacts on human rights
- measures to ward off potentially adverse impacts and review of the effectiveness of these measures
- reporting
- grievance mechanisms

The binding targets of the NAP state that at least 50 per cent of all German companies with more than 500 employees must integrate human rights due diligence obligations into their corporate processes by 2020.

The voluntary application of the principles of the NAP triggered criticism from representatives of civil society, in particular. The question of compliance with and adherence to human rights cannot be subject to a company's goodwill, they say. Instead, it must be legally binding for all companies. KiK expressly agrees with this demand, and is one of the few companies to do so publicly, including in discussion contributions from its executive management. Against this backdrop, KiK supports the considerations of the Federal Ministry of Economic Cooperation and Development in its efforts to introduce an act to regulate human rights and environmental due diligence obligations within global value creation chains, within the aim of creating a binding regulation for companies' obligations.

From KiK's perspective, voluntary approaches come with two main risks. Firstly, they make companies' work harder in terms of responsible corporate governance because their actions are constantly subject to the interpretation of

external stakeholders, even up to the level of judicial disputes. Secondly, voluntary agreements put the level playing field in the sector at risk. As a commitment to sustainability is generally not cost-neutral, companies who opt for better standards and production conditions are generally at a disadvantage, with those who do not show this commitment benefiting from this.

The considerations undertaken by the Federal Government in terms of introducing a supply chain act fell within the implementation process for the National Action Plan. Since 2018, KiK has been actively, constructively engaging with other companies in the implementation and monitoring process for the NAP. This process will continue until 2020, and has been determined and assisted interdepartmentally by the Federal Government. The first representative survey on human rights due diligence in German companies is to take place in 2019.

KiK is one of 30 companies to participate in the NAP's voluntary monitoring process. This provides the Federal Foreign Office responsible for this with the opportunity to analyse and adapt the design and mechanisms of the NAP using concrete processes and situations. In its first step, KiK undertook an interview and a survey as part of the explorative survey phase. This was included in the Inception Report by the Federal Foreign Office published in September 2018. The data collected in 2019 and 2020 is intended to contribute to gaining scientifically grounded findings regarding the status of the NAP's implementation. In addition, qualitative statements are to be made on the depth of content in terms of implementation, challenges and expenses for companies.



The United Nations' 17 sustainable development goals are intended to ensure sustainable development in an economic, social and environmental sense.

Application of the NAP at KiK

Based on the five core elements of the NAP, the following depicts how KiK has implemented the NAP for employees and suppliers.

First core element: a human rights policy statement

In December 2018, KiK published its human rights guidelines. They depict the understanding that human rights will be complied with and upheld in daily interactions with suppliers and as part of the due diligence process. In this, KiK obliges itself to comply with human rights in its business processes and relationships, as well as to support them and to work to combat human rights violations. It also includes establishing grievance mechanisms with which people affected by human rights violations can inform KiK of this, so KiK can help clear up the matter in question. It can be viewed at <https://www.kik.de/unternehmen/wp-content/uploads/2019/03/KiK-Human-Rights-Policy.pdf>

Second core element: Procedures for the identification of actual or potential adverse impacts on human rights

A procedure of this kind is carried out for selecting new suppliers, and for the ongoing review of existing suppliers, with a particular focus on the textile supply chain. In the future, this will happen for downstream supply chains up to tier 2 for dye factories and up to tier 3 for spinning mills. To this end, the deficiencies identified by the audit institute in terms of the Code of Conduct are assessed and implemented in concrete action plans for the individual factories. There are plans to use block-chain to depict this for the entire supply chain, starting with a pilot project. The graphic depicting the supply chain on pages 14 and 15 illustrates the process.

Third core element: measures to ward off potentially adverse impacts and review of the effectiveness of these measures

Using the audit, a review is undertaken as to whether processes and guidelines meet the required standards and comply with the requirements stipulated in KiK's Code of Conduct. KiK separates out social, quality and environment audits. All the audit reports and index figures are automatically entered into CSR software, making them available in real time. Where necessary, "corrective action plans" are drawn up with factory



owners, with which documented defects need to be rectified within a fixed period of time. This is reviewed via a new audit. In addition, KiK works with suppliers in its main procurement countries on an ongoing basis to expand skills and abilities through training and qualifications.

KiK staff also receive regular training on human rights or are given the relevant knowledge via internal inductions.

Fourth core element: Reporting

KiK publishes a Sustainability Report every other year, transparently providing information about its activities. The first Sustainability Report was issued in 2011. Between publication dates, key developments are communicated to the relevant audiences via press releases and discussions with stakeholder groups. Within the framework of the textile alliance, KiK also provides information using the roadmaps and progress reports on the work achieved.

Fifth core element: Grievance mechanisms

KiK's Code of Conduct describes a procedure that employees of KiK's supplier can use if they see human rights being violated. Contact can be made via email or letter. This procedure is

actively communicated via posters and signs. KiK also participates in the grievance mechanism within the framework of the accord for building safety and fire protection. KiK employees can use an anonymous “worry note” to contact executive management. Internally, compliance with human rights is ensured via individual discussions with employees and the corresponding specialist departments. In addition, from 2020 KiK will take part in the new “grievance mechanisms” initiative from the Alliance for Sustainable Textiles.



SAVE factory training in Tamil Nadu.

Copyright @SAVE

The Alliance for Sustainable Textiles

The Alliance for Sustainable Textiles was established by the Federal Government in 2014 as a response to the severe textile accident in the Rana Plaza factory complex in Bangladesh.

KiK joined the textile alliance in June 2015 with the goal of improving production conditions in manufacturing countries, in collaboration with other providers from the textile sector. This happens via collaborative projects on the ground, and the acceptance of individual responsibility by every member.

Across a total of six project groups, the members draw up shared approaches to implement key points. They range from living wages, handling complaints, wastewater standards and chemicals management through to sustainable fibres and supply chain transparency. The results of the project groups' work needs to be implemented by all the members of the alliance.

Alliance initiatives

In addition, joint alliance initiatives are intended to trigger environmental, social and economic improvements in selected production countries, improving the situation on the ground. In 2017 and 2018, there were two alliance initiatives looking at Tamil Nadu and chemicals management, while in

2019, a new alliance initiative was launched relating to living wages in Cambodia. KiK is taking part in all three alliance initiatives.

Tamil Nadu

The Tamil Nadu alliance initiative aims to systematically improve working conditions in the textile and clothing industry within southern India's Tamil Nadu, particularly for women and girls working in spinning mills.

The aim is to make them aware of their rights. At the same time, complaints points are being set up in 300 factories, with employees and managers being informed about labour rights and grievance mechanisms.

Chemicals and environmental management

The alliance initiative on chemicals and environmental management aims to raise awareness of dangerous substances in textile production, harmonise production conditions and product requirements, and gradually replace dangerous chemicals within the value creation chain. Occupational safety and environmental protection are to be improved as a result.



Living wages

The alliance initiative on living wages is intended to observe how procurement practices deployed by western brands impact wages. In addition, suppliers are to be taught to include the payment of



Women during a factory-based training session carried out by SAVE.



Pilot of the basic training in Guangzhou, China.



In Cambodia, the payment of living wages is to be trialled.

these wages in their product calculations. This is being tested in Cambodia.

Individual action plans & progress reports

As part of the review process, KiK (and the other members of the alliance) implements the requirements individually. To do so, the individual starting point is set as part of a baseline survey. The companies use this baseline analysis to set themselves targets for the upcoming year. These targets are set in the annual action plans (roadmaps) and the implementation of these measures is reported on after the end of the year in a progress report. The plausibility of the targets, and the implementation, are monitored by an external third-party on the part of the textile alliance.

The first action plan was created in 2017. KiK was one of 25 members to submit its 2017 roadmap by the deadline and pass its review at the first go. At this point in time, there was the option to voluntarily publish it. KiK was one of 34 members to decide to voluntarily publish its roadmap. Publication has been mandatory since 2018. The roadmaps can be viewed on the textile alliance's website.



When choosing the goals, the companies align themselves with international frameworks, such as the UN's Guiding Principles for Business and Human Rights, the OECD's due diligence guidance for the textile sector and ILO's core labour norms. In addition, the textile alliance has set itself the goal of procuring at least 35 per cent sustainable cotton by 2020. In 2018, the range was made up of the following proportions: cotton 50%, polyester 40%, viscose 4% and polyamide 2.5%.

At present, the members of the textile alliance represent around half of the turnover in Germany's textile market (based on the 100 textile retailers in Germany with the highest turnover). The multi-stakeholder partnership has around 120 members, allocated to five stakeholder groups. There are also seven advisory members.

KiK strives to increase the number of members in the textile alliance to enable fair competitive conditions to be created for all providers. In addition, KiK calls for a European approach, or a globalisation of the standards, to create traceable, binding framework conditions among providers, but also towards suppliers.



Development Minister Gerd Müller (centre) in discussions about the key points of the planned “green button” meta-seal with representatives of textile companies, including KiK’s CEO Patrick Zahn (right, behind Müller), and editors of women’s magazines.

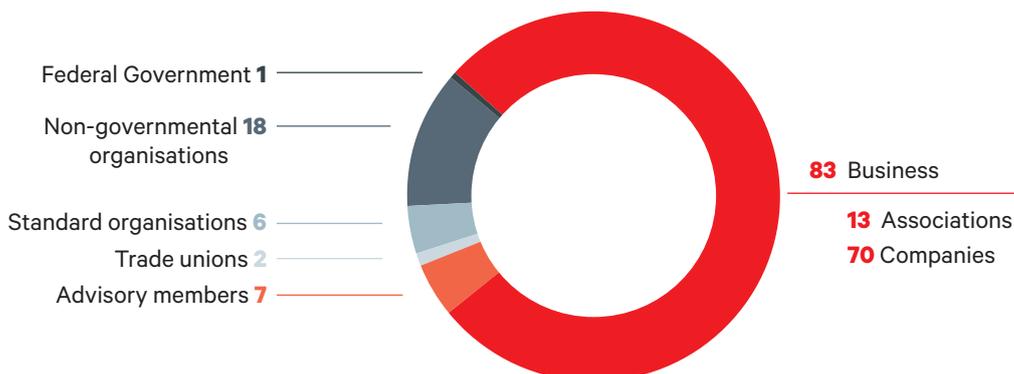
Forecast: Green button

Federal Minister Gerd Müller has long been in favour of the idea of a “green button”. This government-issued meta-seal would add visibility to clothing produced in a fair, environmentally friendly manner. KiK views the concept of the “green button” as something that is fundamentally sensible because it gives consumers certainty as to whether clothing has been produced fairly. This is why KiK played a constructive role in

shaping the criteria for it. These criteria relate both to the company and the product. Furthermore, the criteria are based on the National Action Plan for Business and Human Rights, and on pre-existing textile seals.

From our perspective, it is indispensable that the introduction of the “green button” introduction is supported by a broad majority of retailers, civil society stakeholders and politicians so that consumers can recognise the added value of these products.

Members of the textile alliance





CSR work in production countries

Making buildings safer in Bangladesh and Pakistan



Our membership of the accord

In May 2018, the accord for building safety and fire protection came to an end, as planned. The agreement saw Western textile companies and representatives from civil society be obliged to improve fire protection and the structural fabric of textile factories in Bangladesh, after the collapse of the Rana Plaza factory complex in 2013. To this end, all the companies involved in the Accord registered their suppliers and had experts carry out factory inspections to determine the condition of the factories in terms of building protection, fire protection and electrical safety. The faults documented during these inspections were resolved by the factory owners in collaboration with the Accord, while the textile companies supported these measures on a financial level and undertook

Engineers test the structural fabric and the electrical safety of the textile factories. Head of CSR Ansgar Lohmann learns about renovations that are needed.

Number of Accord inspections



Since May 2013, all **1688** factories have been inspected

89 per cent of the safety issues identified have been rectified

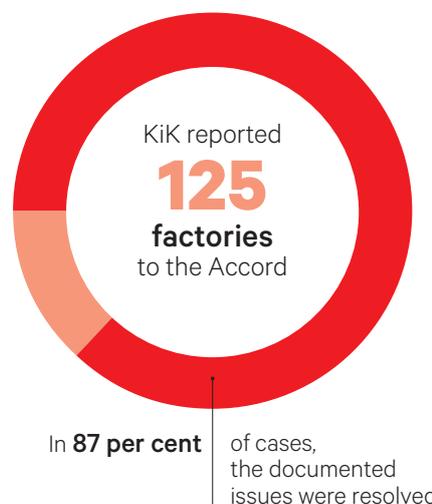
As at: early 2019

to keep their order volume in the factories stable for the duration of the Accord (2013 to 2018). This was intended to give factory owners the financial certainty that their investments would be recouped by new orders.

The work under the Accord clearly improved safety in factories: this is the conclusion reached by textile companies and trade union representatives on the ground. Despite the large amount of coordination required among all the participants, the Accord proved its worth, contributing to improving workplace safety for employees.

The extension of the Accord in May 2018, which will now run to 2021, aimed to complete outstanding work in terms of factory renovations. In addition, the upcoming period is also to look at boosting social dialogue and the freedom of association and to continue the established grievance mechanism. Furthermore, additional suppliers upstream in the textile chain are to be included in measures to improve building safety.

Status: KiK in the Accord



The majority of the renovation measures were on schedule, but there are cases where the issues could not be rectified in the stipulated timeframe. As at: end of 2018

“Education is key”

Three questions for: Nazma Akter

Why are you involved in your work for employees in the textile industry?

I started working in a textile factory in Bangladesh when I was eleven years old. I quickly realised that I needed to do something to improve conditions in the textile industry. Women, in particular, were and are greatly disadvantaged. As a result, I started to get actively involved in trade unions when I was 16. In 2003, I founded the AWAJ Foundation because trade unions aren't enough on their own. The foundation enables us to offer a safe space, in the form of women's cafes, where women can talk freely about their problems. We also have doctors' stations where women can access medical assistance.

As a trade unionist, what approach do you call for when dealing with companies?

It is only possible for production conditions in Bangladesh to see positive development if everyone is pulling in the same direction. Business enterprises play a key role in improving working conditions, particularly for women. Work gives women a regular income, making them independent and



She is an activist for women's rights in factories, and is one of Bangladesh's most well-known trade unionists: **Nazma Akter** visited KiK in Bönen while her daughter was doing an internship at KiK.

enabling them to make their own decisions. Businesses, including KiK, play an essential role in giving women in Bangladesh more power.

The textile industry is the biggest, most important industry in Bangladesh. What role will it play for Bangladesh in the future?

The textile industry will continue to play an essential role for our country in the future. The most important aspect is worker training: the better qualified workers are, the higher their productivity is, enabling Bangladesh to remain competitive in the long term. I see education as the key to our country's further development. This will help more women be aware of their rights and assert them, and more women will hold leadership roles. In general, positive changes can already be seen in Bangladesh, such as the increase in the minimum wage.

“Bangladesh has the safest textile factories”

Interview with Rob Wayss, Executive Director of the Accord

The Accord inspected more than 2,000 factories over the last few years. What are the key findings from this period?

Before the Accord existed, there were no industry-specific safety inspections carried out in Bangladesh's factories by qualified engineers. The Accord's inspections of fire protection, electrical safety and building structure have uncovered more than 130,000 safety risks. Thanks to the Accord's work, and its members such as KiK who are leaders in this field, 90 per cent of issues have been resolved over the past six years.



How would you rate the safety situation at present for employees in Bangladesh's textile industry?

Factories looked after by the Accord are among the safest textile factories in the Global South. The progress that has been achieved is unprecedented and outstanding.

What challenges need to be overcome during the next few years?

We need to rectify the remaining safety risks and train members of the safety committee so that safety inspections can be carried out on an ongoing basis in every factory recorded by the Accord. We need to ensure that workers in the factories actually report safety issues without fear of reprisals. And it is about ensuring a smooth transition from the Accord to the RMG Sustainability Council (RSC), which will take over work on the ground from May 2020.

Looking to the future: how will the situation develop after the Accord steps out of Bangladesh? Is the country in a position to look after building safety itself?

At present, neither the government nor employers' or employees' associations are in a position to guarantee safety at an appropriate level. The Accord supports all the efforts to boost the capacity and political will of the Ministry of Labour. Indeed, the alliance's work is to be continued once the Accord leaves the country. We are involved in intense collaborations with BGMEA to ensure that within the next year, everything is prepared so that the RMG Sustainability Council can join up with the Accord's work. Our goal is for employees in textile factories to have safe workplaces.

KiK was one of the first companies to sign the new agreement, which came into force on 31 May 2018. Accord 2.0, as it is known, included increasing amounts of responsibility for compliance with safe production conditions being transferred to a Bangladeshi supervisory authority. It is indispensable that the country takes responsibility for ensuring that employees have safe workplaces.

However, during 2018, there was increasing criticism voiced by Bangladeshi officials about the Accord's work. The question was raised as to whether an external body, like the Accord, could be permitted to involve itself in a state's sovereign concerns, with wide-reaching powers. In May 2019, Bangladesh's Supreme Court came to an agreement on the Accord's future. In line with this, the

Accord could continue its work in Bangladesh for a transitional period of 281 working days. After this, a new state institution, the RMG Sustainability Council (RSC), was to take on the tasks of the building safety agreement.

It remains to be seen how the new authority will continue the work that has been started, and how the safety of factory buildings in Bangladesh will develop in the future. KiK is concerned to note that the renovations that have been started are not finished, and, in particular, that the pressing topic of social dialogue has not been picked up. The fact that action is needed in this regard was shown by employees' protests within the Bangladeshi textile industry at the end of 2018, calling for higher wages and better working conditions.

KiK building protection programme in Pakistan

Pakistan, like Bangladesh, is one of KiK's key production countries, even though the number of suppliers in Pakistan (around 35 factories) is much lower than in the neighbouring country. The structural state of the factories is an issue in Pakistan as in Bangladesh; furthermore, the country frequently suffers earthquakes, which places higher requirements on the structural fabric of the factories. Short-circuits and small fires are a frequent occurrence in factories. Against this backdrop, and enriched by the Accord's experience, in February 2017 KiK took its own initiative to launch a programme to improve the structural and electrical features of the factories, thereby boosting occupational safety for employees.

KiK commissioned an experienced team from an external firm of engineers to inspect the suppliers' factories in Karachi, Lahore and Faisalabad. KiK covered the costs for the factories' initial inspections. The focus was on building safety, fire protection and electrical safety. Kitted out with cutting-edge test devices, the experts studied construction plans, measured load-bearing columns, calculated building heights and permissible total weights, inspected escape routes, carried out fire drills, inspected cable boxes and uncovered fire risks. Alongside analysing the existing circumstances, the engineers also suggested the necessary rectification measures. On one level,



In February 2017, CEO Patrick Zahn launched Pakistan Building Safety in the Pakistani city of Karachi. The project aims to make all KiK's 35 suppliers in Pakistan safe environments.

Head of CSR Ansgar Lohmann (left) hears about construction plans and the structure of the factory under investigation from external employees and factory employees.



Number of factory visits in the five key procurement markets

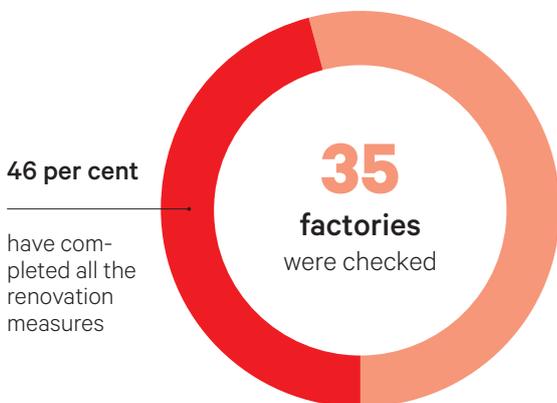


Period: 2017 and 2018 (including 100% of all newly added factories)

these suggestions were based on Pakistani building regulations, but in many cases they went beyond this and based their recommendations on international standards. Issues were prioritised, suggestions were made as to where a fireproof door, for example, could be purchased, and the costs of renovations were estimated.

KiK's CEO, Patrick Zahn, kicked off the programme in February 2017 in Karachi. "For our Pakistani suppliers, we want to create a working environment where nobody needs to be worried about fire, building collapses or accidents that could have been prevented with appropriate safety measures," explains Patrick Zahn, accompanied by the German Consul General Rainer Schmiedchen and the Secretary-General of the German-Pakistani Chamber of Commerce, Ines Chabbi, in Karachi.

KiK Building Safety Pakistan



As at: end of 2018

After the work was completed, an independent audit was carried out with the aim of documenting that the errors had been rectified. The investments are also necessary so they remain attractive for Western clients: for them, meeting structural and fire-related criteria is just as important as social norms.

For KiK, the programme is also a clear commitment to Pakistan. "Pakistan is a key procurement country for KiK," said Patrick Zahn. "The initiative to improve building safety proves that we take supplier development seriously. We appreciate the quality of the products they deliver and want to play our part in making conditions safer," Zahn explains, stating why the company got involved. The renovations are anticipated to be completed by the end of 2019. Following this, it is currently being assessed as to whether the programme will be transferred to other Asian procurement countries.

Forecast: Blockchain

Sustainable business needs monitoring and transparency. But how can that function without giving up the strategic competitive edge of a company's own anonymised supplier pool?

One component of a solution to this challenge comes in the form of blockchain technology. This technology makes it possible to track and depict the certification status of all the suppliers involved and their production sites at all levels of the supply chain on an order-by-order basis. To do so, certified companies need to include all the relevant information and proof of this in a digital supply contract. The details as to the company's actual identity can only be seen by the direct client. All the other participants in the supply chain can only see that a certified company is taking part in the digital supply contract. This keeps suppliers anonymous, without the certificate able to be traced.

KiK launched and executed a pilot project using blockchain at the end of 2018. To do so, the *evan.network* was used as a technical solution component. The pilot project depicted a concrete supply chain for the manufacture of t-shirts. The pilot project shows that blockchain makes it possible to achieve a manipulation-proof certificate within the supply chain. In this, the key information is passed on via the presence of recognised certificates, without the network partners knowing each other.

The process relating to the factory fire at Ali Enterprises

In September 2012, the Pakistani factory Ali Enterprises was the victim of an arson attack. 255 employees died and 57 were injured. Ali Enterprises manufactured jeans on behalf of KiK.

The tragedy was handled on two levels: separate to the question of who was guilty for the fire, KiK strived to provide financial assistance to surviving dependents and relatives of victims of the factory fire. Overall, KiK paid out 6.15 million US dollars, with 1 million dollars of that sum provided in the form of immediate assistance. The

amount of money is based on an agreement that KiK signed with the International Labour Organisation ILO, representatives of the IndustriALL Global Union and the Clean Clothes Campaign in Geneva.

On the second level, a case has been ongoing in the regional court of Dortmund since March 2015. Three surviving dependents and one victim of the factory fire submitted a claim for an additional payment of 30,000 euros compensation each, which is not included within the ILO agreement. The claim was based on Pakistani law, given that the damage occurred in Pakistan.

On 10 January 2019, the regional court of Dortmund rejected the claim, explaining that the statute of limitations had lapsed under Pakistani law. In so doing, the court followed the opinion of the British expert and law professor Ken Oliphant. In his expert report on behalf of the regional court of Dortmund, he concluded that it had lapsed “mandatorily and ex officio” two years after the tragedy, at the latest. The upper regional court in Hamm rejected the claimants’ appeal in May 2019, with reference to the content of the judgement of the first instance court.



After the fire: a view of the textile factory in Karachi, in which more than 250 people died on 11 September 2012, taken the next day. dpa/EPA/R. KHAN

The main motivation for the groups within civil society that offered financial and legal support to the claimants was for the company to be held liable for its suppliers. This kind of liability does not currently exist under German law. From KiK’s perspective, the Ali Enterprises case was not suitable for this from the very beginning, given the unique nature of the fire. Furthermore, KiK never breached its corporate due diligence obligations as a client. Several audit reports, the most recent of which was three weeks before the fire, did not document any issues with fire protection.

However, the claim showed that companies in Germany are not on a firm legal footing on this point. As there is no clear legal regulation on the interpretation of corporate due diligence obligations, companies in Germany can be brought before a court at any time on the basis of foreign law, thereby becoming exposed to the whims of interest groups within civil society. As a result, KiK calls for a clear legal regulation of corporate due diligence obligations, at least on a European level, to create legal certainty and guarantee an equal footing on which to compete with foreign fashion companies.



Societal engagement

KiK's work and memberships in Germany and abroad



Lots of parents in Bangladesh cannot afford schooling or vocational training for their children. KiK's financial support has enabled 2,000 pupils to go to school on a regular basis.

Schools in Bangladesh

Bangladesh is one of the world's poorest countries. This is why children from low-income countries rarely attend school: their parents cannot afford it. Instead, the children need to contribute to the family's upkeep, going out to work at an early age. To break free from this vicious cycle of a lack of education and poverty, KiK has become the financial sponsor of three schools in Dhaka, Bangladesh's capital. As the main sponsor, KiK handles all the ongoing costs for staff, food, boards, chairs and books, for example. Older teens can undertake vocational training in the schools, run in collaboration with the organisation UCEP. KiK's

involvement ensured that around 2,000 children and young people were able to attend school and take up vocational training.

Refugees in Turkey

Turkey is a key procurement country for KiK. As the fourth largest procurement market with a volume of 50 million euros in 2017, around 31 Turkish textile factories, primarily in south-eastern Turkey, make goods for KiK.

At the start of 2016, the Turkish authorities adjusted the regulations for issuing work permits for foreigners so that Syrians could legally access the Turkish labour market. One of the elements: a tem-

porary protection document. This is issued once a person's future employer has uploaded the employment contract and a photo of the employee.

Fewer work permits were approved previously than expected, meaning that lots of refugees were employed informally. In 2017, KiK joined a UN project that helps fund the registration process for these refugees. KiK's financial support helped an array of Syrian refugees to enter the Turkish labour market in line with the new requirements. In principle, KiK supports the hiring of Syrian refugees in factories provided all the legal requirements are met.

Donations

Every year, KiK donates a significant portion of its turnover: in 2018, it donated 788,280 euros to international projects, 846,500 euros to national organisations. This adds up to a total of 1,634,780 euros that supported the work of the following organisations, among others:

Social projects overseas

Basic medical treatment in Bangladesh

Medical provision in Bangladesh is often insufficient. As a result, KiK collaborated with the AWAJ Foundation, a renowned non-governmental organisation, to develop a project to provide basic medical provision for tailors: in eight doctors' stations across Dhaka, the workers and their children can access a mobile doctor on one day each week. In addition, the doctors' stations provide sanitary pads for the textile workers, as part of the "napkin project".

Clean drinking water

In Bangladesh, dirty water is one of the main factors in the spread of diseases. KiK has been supporting the RDRS project (Rangpur Dinajpur Rural Service for Clean Drinking Water) since as far back as 2012. To prevent water from being contaminated, more than 30 toilets have been installed in private homes, and waste containers set up and connected to the disposal system. Similarly, 177 water pumps have been reinstalled or repaired and expanded by platforms.

Social projects in Germany

Help and hope

In 2005, a handful of deeply committed entrepreneurs, including KiK's founder Stefan Heinig, came

together to create a charity that was to help disadvantaged children escape from poverty in the long-term. They made their idea a reality with the help and hope foundation, which KiK has supported ever since with in-person help, financial donations and donations of goods.

Malteser Hilfsdienst

Since 2003, KiK has been supporting the Malteser Hilfsdienst in the district of Paderborn by donating clothing, shoes, household goods, hygiene products, domestic textiles, school items and toys. The Malteser Hilfsdienst primarily sends them to Ukraine and Hungary, distributing them to institutions and vulnerable people in desperate situations.

DKMS – German Bone Marrow Donor File

KiK has been involved with DKMS (German Bone Marrow Donor File) since 2010. It is the world's largest data association, with more than six million registered donors. Of the KiK employees who have already registered, six have now found a match, with their commitment enabling them to save lives.

German Red Cross

At present, the German Red Cross manages around 490 emergency accommodation points across Germany for refugees. To keep outgoings for clothing-related items as low as possible, the association receives a permanent discount across our range.

Gesicht Zeigen!

KiK is a member of Gesicht Zeigen! e.V., a Germany-wide association encouraging people to act actively against xenophobia, racism, anti-semitism and any other form of right-wing violence. The goal of the collaboration is to work together to boost the involvement of civil society and make people aware of every kind of discrimination.

Forum für Verantwortung

KiK also takes environmental responsibility very seriously. That is why we are working with the FORUM FÜR VERANTWORTUNG foundation. The foundation promotes science and education to enable people to act with insight and responsibility. The key focus of the foundation's work lies in the topic of sustainability. Together with the FORUM FÜR VERANTWORTUNG, we set up seminars for managers and trainees to make the most of the various opportunities of living our daily lives in a manner that is sustainable and saves resources.

Employee overview

KiK's dedication to employees and trainees



In the middle of training, KiK invited guests to a “mountain festival”. After 18 months of training, the upcoming commercial specialists were invited to the head office.

As a rapidly growing company that opens a branch in Germany or elsewhere in Europe every other day, KiK needs a lot of staff. At the end of 2018, KiK employed 28,788 employees, the majority of whom (20,489) were based in Germany. At 93 per cent, the lion's share of the work takes place in branches. Almost 19,000 employees work there every day, preparing goods for sale, advising customers or handling payment transactions.

Twenty-two per cent of our employees are full-time, somewhat more than half work part-time. The number of employees who are subject to social security contributions is 77 per cent. In terms of gender ratio, women were dominant, with 91 per cent in the reporting period of 2017/2018, too. Fifty-seven per cent of leadership positions are held by women.

Around half of employees are between 20 and 40, the average age of a KiK employee is 38.4. KiK is a very international company, employing staff from 105 countries. The average amount of time spent at the company is 5.4 years. A total of 218 employees have been at KiK for 20 years or more.

Salaries are based on regular market values. They contain variable aspects, taking individual achievements and the company's success as a whole into account. The decision for this salary system was made by the executive management and is based on business development.

The attainment of sustainability goals is taken into account to an ever greater extent as part of individual target agreements. More detailed information about salaries cannot be given here due to competition and confidentiality reasons. A general overview or disclosure does not take place. By signing the employment contracts, employees undertake to comply with the company's internal regulations on compliance and anti-corruption. KiK Logistik GmbH has a works' council.

For KiK employees, human rights are also guaranteed through labour law provisions, e.g. appropriate and fair remuneration, equal pay for equal work, safe working conditions, regulated breaks, rest and recovery periods and paid leave. These rights are regulated within the employment contract. A Human Rights Policy is currently be-

ing developed for employees specifically. In this regard, there are no negative impacts visible.

KiK as a provider of training

At the start of the training year on 1 August 2018, around 700 trainees started their professional career at KiK. This figure was 600 in the previous year. Around 40 employees in the head office are receiving training, with the overwhelming majority of the trainees learning their trade in around 2,600 branches across Germany.

All in all, KiK offered training in 19 different jobs in 2018. Most applicants are interested in training as a salesperson or as retail sales personnel. For the first time, two young people opted to train as e-commerce specialists. KiK is one of the first companies to offer this new training scheme. It lasts three years in total and entrants must have an advanced technical college certificate as a minimum. It teaches commercial expertise and technical skills for sales in KiK's online shop, which has been around since 2013. The training focuses on communication with customers, and the development and use of online marketing measures.

Another new addition for 2018 was the option to offer the retail specialist training in combination with the training to become a commercial expert in wholesale and trade, at the company's European headquarters in Bönen. This had previously only been available in the branches. Since the company was founded in 1994, KiK has trained almost 7,000 young people, and, with a training ratio of 9.5 per cent, is above the national training ratio of 6.6 per cent. The company values training young, talented staff itself and giving them the qualifications required for leadership roles.

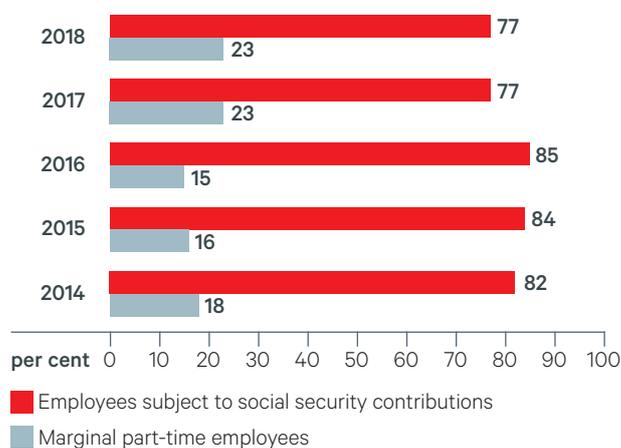
KiK has advertised itself to be a "giver of opportunities" for a few years now. Lateral entrants, people without education or individuals with unusual career histories can take up the opportunity to practice or learn a new profession at KiK. Job changes are possible, and normal, either within the company, or from branch offices to the head office. KiK is also a multinational company, employing staff from more than 90 countries.

KiK appoints ambassadors

In 2018, KiK introduced 33 trainees to the world of being an ambassador. From the group of a total of around 1,800 trainees, this team was selected to act as "trainee ambassadors" for a year. The goal of these trainee ambassadors is to boost the link

between central administration and the branch offices, receiving information directly from Sales.

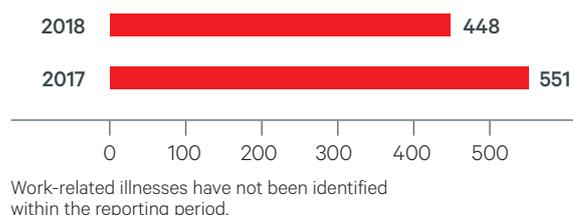
Proportion of employment relationships incurring social security payments



Part-time training

KiK has adhered to a family-friendly HR strategy for a long time. Whether you are looking after children, caring for an unwell relative or are not interested in full-time employment for a different reason, we face our employees' diverse living situations with the utmost flexibility. To do so, we have set up an array of part-time models. For example, team managers can continue in a managerial role without turning their back on their family. In 2018, 292 employees opted for this. However, this model of working hours is also suitable for people whose professional training is not yet completed. In 2018, 86 trainees opted for part-time training.

Number of occupational accidents and injuries



Occupational safety

The number of accidents at work reduced during the reporting period. The quarterly cross-depart-

ment working groups on occupational safety and health protection also contributed to this. Fire drills and refresher training take place regularly. KiK Logistik GmbH sees activities focusing on occupational safety.

Sport for a healthy life

If you play sport and eat healthily, you'll feel better overall, both personally and professionally. As a result, KiK organises a regular health week where employees at the Bönen site can find out about health-related topics, participate in sport and nutrition courses and take up health checks. In 2018, 356 VHS courses were funded, including a range of sports courses. In addition, 2,824 participations were recorded across the six sports and massages offered in 2018. During the health week, 310 checks were carried out. We are not aware of any risks or negative effects in terms of education and qualifications, or employee participation. Similarly, there are no targets set: these are voluntary actions. The courses are not evaluated in terms of hours as they are too diverse.

Working in Fashion survey

Employees' high level of satisfaction at KiK is also reflected in the findings of the "Working in Fashion" survey, which the specialist journal *Textilwirtschaft* carries out every year among employees of 40 textile companies. The study questioned more than 4,200 trainees, young professionals and managers on their career aspirations and expectations of their job. The 2018 survey saw KiK attain a solid place in the middle of the table, a clear movement upwards compared to the previous year. Back then, KiK was in second to last place. The topics of "good work environment", "safe workplaces", "good work-life balance" and "good career options" enabled KiK to reach a good position in the upper part of the middle of the pack. Negative areas included the attractiveness of the products and the salary.

Political influence and discrimination

KiK Textilien und Non-Food GmbH abstains from exerting any political influence, whether through financial donations to a party or preferential treatment. All employment contracts for KiK employees contain a passage relating to compliance with the provisions of the General Equal Treat-

ment Act. In the reporting period, there were no reported cases of discrimination or corruption. KiK is a member of the German Trade Association (Handelsverband Deutschland, HDE).

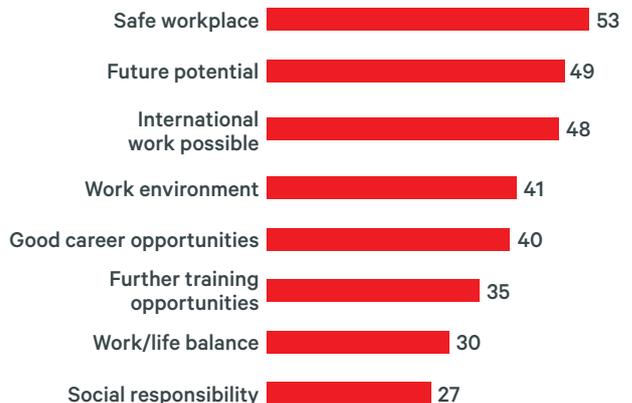
Compliance

When employees join the company, they all sign a clause in their employment contract that obliges them not to participate in illegal behaviour as part of their activities for KiK. The Audit department carries out separate discussions with executive management on the topic of compliance, providing practical examples in specific cases. For their part, the executive management, with the support of the Audit department, teaches managers to act in a legally compliant manner and to make employees within specialist departments familiar with the necessary requirements and conduct regulations. Binding targets for compliance are under development.

Corruption and bribery are existing risks in procurement countries, and they could have an impact on KiK's business activities. For this reason, all the suppliers and KiK's subsidiaries are individually checked for corruption risks and to ensure their conduct complies with regulations. The review takes place as part of the audit. Explicit examples of corruption cannot be stated here for reasons of confidentiality. In 2018, KiK employees took part in workshops held by the textile alliance's expert group on corruption prevention to explore this issue on the level of the sector.

Working in Fashion: KiK image profile

Number of respondents*, who attest that the company has the stated benefits, in percent



*on the basis of "prominence as an employer" Source: *Textilwirtschaft* 03/18



Environmental responsibility

Focusing on CO₂ reduction and resource management

Natural resources are used when textiles are produced. Sustainable environment management helps limit the impact of this.

istockphoto/Chalongrat Chuvaree

In the Paris Agreement, Germany undertook to reduce its CO₂ emissions by up to 90 per cent by 2050, compared to 1990 values. To reach this goal, everyone needs to do their bit, including companies.

KiK signed the German Retailers' Climate Declaration, undertaking to meet the Paris climate targets. Using the HDE's climate protection mission, competitive advantages through climate protection measures are to boost retail, make energy-saving measures easier to implement and inform consumers so they are motivated to make climate-friendly purchases.

When textiles and non-food items are produced, water, land, fossil fuels, chemicals and cellulose are required. Boxes are used to transport our goods. As a result, our environment management approach focuses on measures to reduce CO₂ emissions and waste, and to protect natural resources and reduce waste water.

Saving electricity at KiK with new LED lighting

Making up almost 70 per cent of total energy costs, lighting is the biggest emitter of CO₂ in KiK

branches. More than 1,000 shops switched from traditional lighting systems to highly efficient LED technology. This enabled the electricity consumed by these branches to be halved. More than 50 per cent of our shops in Germany are to be kitted out with LED technology by the end of 2019. Renewable energy is not used here.

KiK energy management is also taking place in Austria in parallel to the work in Germany. There, this occurs with the support of the Austrian Federal Ministry for Sustainability and Tourism, which provides funding for CO₂savings and issued an official statement of gratitude for the switch to LED lighting.

Intermodal transportation: Saving CO₂ with lorries, ships and trains

CO₂emissions are currently going up, not down, and the transport sector is a key contributor to this. As a result, KiK is using innovative approaches to transport its goods in a more environmentally friendly manner.

Unlike most fashion retailers, KiK does not fly its goods from Asia to Germany, both for environmental reasons and on cost grounds. Instead, we ship them by sea. All our products from Asia are transported by container ships.

For transport from Turkey, KiK has been using a special transport method, intermodal transportation, since 2014. "Intermodal" means that it combines multiple types of transport (ships, trains,

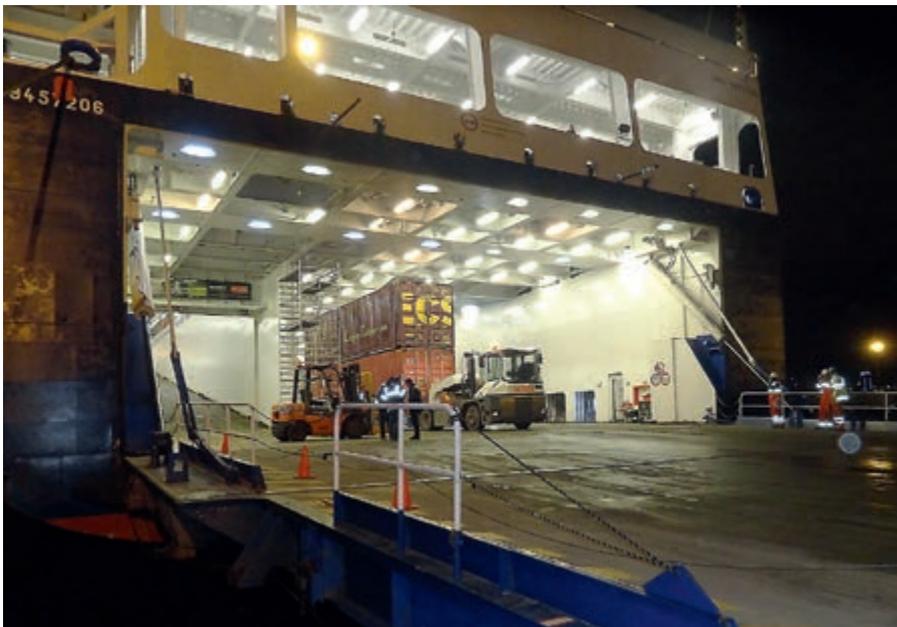
lorries). All the goods manufactured for us in Turkey are taken by lorry to the port at Istanbul. From there, they are put into containers and taken by ship across the Mediterranean to the northern Italian port city of Trieste. In Trieste, the cargo is loaded onto trains and sent to the freight depot in Cologne or Duisburg. The last 100 kilometres or so to KiK's central warehouse in Westphalia's Bönen are covered by lorry.

In 2018, 240 containers were transported intermodally, corresponding to five per cent growth compared to the previous year. If these containers had solely been transported by lorry, 504 tonnes of CO₂would have been used. Compared to this, intermodal transportation only released 219 tonnes of CO₂ – less than half.

Sustainable chemicals and environment management

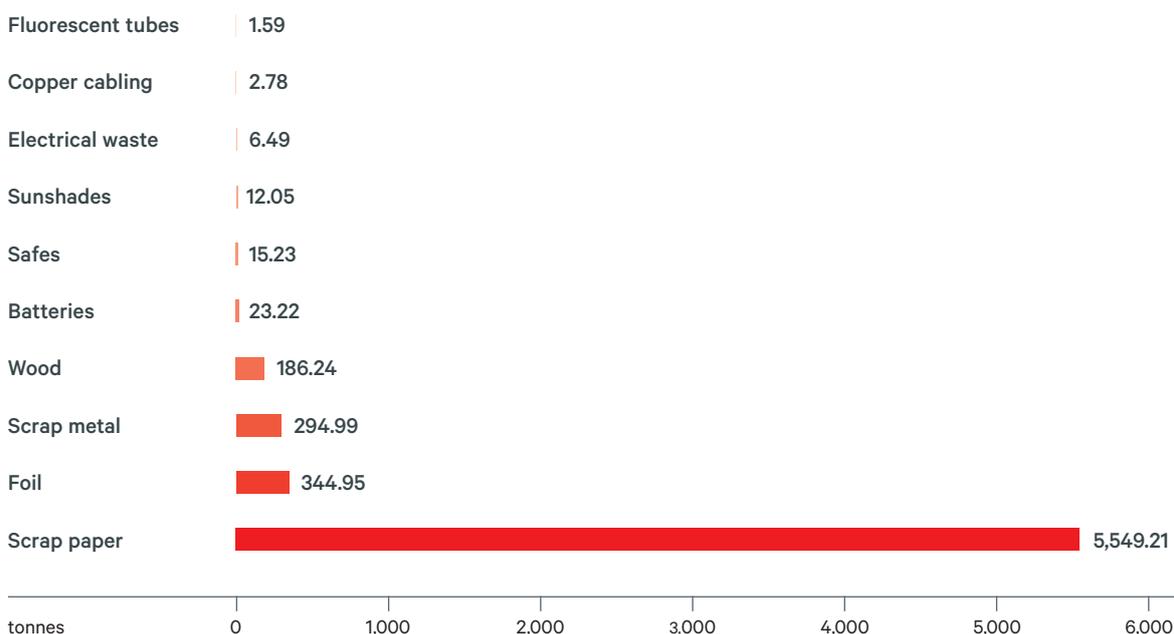
Chemicals are frequently used in global textile production, and large quantities of water, primarily in the dyeing, printing and finishing of textiles, which can become polluted by these chemicals. The waste water from these wet processes is often fed into surface water without processing, entering the environment as a result.

The textile alliance has launched an alliance initiative for chemical and environment management, which is also supported by KiK. It aims to replace damaging chemicals in wet processes with safe ones. This is intended to improve occupational safety and protect the environment.



A container with goods is loaded onto a cargo ship at Istanbul's port. From there, the goods are taken to Italy and loaded onto trains, with only the last few kilometres covered by lorry.

Amount of waste by type in 2018 (in tonnes)



The Manufacturing Restricted Substances List (MRSL) is used to monitor dangerous substances or groups of substances, in terms of chemicals. It contains chemicals whose use in production processes is limited to certain fixed doses or banned outright. For the list of damaging substances banned in manufacturing, the Alliance for Sustainable Textiles agreed to adopt the regulations of the Zero Discharge of Hazardous Chemicals (ZDHC) initiative. With this, Kik has also undertaken to gradually replace more than 160 problematic chemicals used in textile production with safe substances.

Furthermore, Kik has signed the United Nation's Fashion Industry Charter, and certified 10% of its textile supply chain under DIN ISO 14001. From 2020, Kik would also like to start setting up solar panels on the roofs of factories in Pakistan.

Recycling

Almost three quarters of Germans own a mobile phone that they are no longer using. The expense required to obtain the raw materials used within the mobile phones is huge. The complex process of mining raw materials leads to considerable environmental pollution. Alternative ways to recycle or reuse unused mobile phones are an environmentally friendly solution for sensibly making use

of resources that are not being used at present. At Kik's headquarters, old mobiles (whether from corporate use or employees' private devices) are collected and sold to Recycling Angel. Functioning mobiles are refurbished and used in developing countries. Faulty devices are disposed of by certified recycling companies, supplying valuable raw materials that can be used again. The income Kik generates through these sales is used for implementing social projects.

Forecast: Transport packaging made from FSC

We cannot do without packaging to transport our goods from Kik's logistics centre in Bönen to our branches. As Kik would like to use boxes made from sustainable packaging, we will return to FSC-certified cardboard boxes from 2019. In 2018, we used 113 tonnes of FSC-recycled cardboard. The term "FSC" refers to the Forest Stewardship Council and is awarded when 10 fundamental principles are adhered to with the aim of protecting forests and nature. These include compliance with applicable laws, working conditions for employees, the capacity of the forest, business plans and much more. Kik's cardboard boxes are first tested in Pakistan, and use less material than the boxes previously used.

Key Performance Indicators table

| | Unit | Base year 2009 | Target for 2017 | Target for 2020 | 2014 | 2015 | 2016 | 2017 | 2018 | Trend compared to the previous year |
|---|-------------------------------------|----------------|-----------------|-----------------|-----------|-----------|-----------|-----------|-----------|-------------------------------------|
| ECONOMY | | | | | | | | | | |
| Turnover (net) | EUR billion | 1.56 | | | 1.68 | 1.82 | 1.93 | 2 | 2.05 | + |
| Branches | Number | 2,437 | | | 3,294 | 3,362 | 3,440 | 3,190 | 3,560 | + |
| Sales area | m ² | 1,474,923 | | | 1,660,063 | 1,850,914 | 1,879,218 | 1,760,451 | 1,991,265 | + |
| Share of range from textiles | % | 78 | | | 70 | 67 | 63 | 69 | 67 | - |
| Share of range from non-food | % | 22 | | | 30 | 33 | 37 | 31 | 33 | + |
| ECOLOGY: RESOURCES | | | | | | | | | | |
| Transport packaging | kt | 24.25 | 26 | 25.5 | 23.23 | 24.81 | 26.23 | 25.92 | 30.08 | - |
| Transport packaging | gr/unit | 39 | 31 | 30 | 30.94 | 33.87 | 37.23 | 35.12 | 35.46 | - |
| Product packaging | kt | 6.13 | 6 | 5 | 8.67 | 8.07 | 6.81 | 6.32 | 6.72 | - |
| Product packaging | gr/unit | 9.75 | 9 | 8 | 11.52 | 11.14 | 9.67 | 8.89 | 8.83 | + |
| Direct primary energy consumption in Germany | GWh | 154 | 130 | 125 | 130 | 137 | 134 | 139 | 133 | + |
| Electricity consumption in Germany | million kWh | 104.38 | 100 | 95 | 108.98 | 105.86 | 102.59 | 103.24 | 94.00 | + |
| Electricity consumption in Germany per m ² sales area | kWh/m ² | 85 | 66 | 65 | 82 | 73 | 67 | 69 | 64 | + |
| Electricity consumption overall for KIK | million kWh | 123.95 | 140 | 135 | 145.35 | 146.16 | 143.53 | 148.53 | 142.00 | + |
| Electricity consumption at Kik's European headquarters | million kWh | 3.3 | 2.2 | 2.1 | 3.9 | 4.1 | 2.3 | 3.5 | 3.7 | - |
| Paper consumption in Germany | million sheets | 24.48 | 8.6 | 8.5 | 14.92 | 9.28 | 8.69 | 9.05 | 9.11 | + |
| Proportion of recycled paper in marketing materials and advertising circulars | % | 78.69 | achieving 100 | achieving 100 | 90.94 | 100 | 100 | 100 | 100 | |
| Water consumption at Kik's European headquarters | m ³ /capita | 12 | 7 | 6.8 | 8 | 8 | 7 | 7 | 8 | - |
| Waste at Kik's European headquarters | t | 835 | 1,000 | 950 | 1,093 | 1,059 | 1,029 | 1,460 | 1,530 | - |
| ECOLOGY: PRODUCT RANGE | | | | | | | | | | |
| Proportion of Öko-Tex textiles | % | 2.19 | 48 | 50 | 51.2 | 49.1 | 47.5 | 47.5 | 47.5 | + |
| Complaint rate | % | 4.4 | < 0.5 | < 0.5 | 0.4 | 0.8 | 1 | 0.4 | 2.5 | - |
| ECOLOGY: EMISSIONS | | | | | | | | | | |
| For Kik overall (without incoming goods) | kt CO ₂ e | 105 | 110 | 105 | 111 | 114 | 115 | 122 | 116 | + |
| Absolute transport emissions from incoming goods | kt CO ₂ e | 25 | 35 | 30 | 38 | 39 | 37 | 35 | 33 | + |
| Transport emissions for incoming goods per tonne of product | kg CO ₂ e/t product | 226 | 180 | 178 | 241 | 236 | 192 | 188 | 177 | + |
| Proportion of air freight emissions from direct procurement | % | - | < 5 | < 5 | 3 | 1 | 12 | 1.2 | 0.1 | + |
| Absolute CO ₂ emissions from Kik Germany with a constant emissions factor since 2009 | kt CO ₂ e | 91 | 80 | 70 | 86 | 86 | 81 | 82 | 78 | + |
| CO ₂ emissions for Kik Germany per m ² sales area with a constant emissions factor since 2009 | kg CO ₂ e/m ² | 74 | 50 | 47 | 68 | 61 | 56 | 59 | 56 | + |
| SOCIAL: EMPLOYEES | | | | | | | | | | |
| Employees in Europe | Number | 18,129 | | | 22,994 | 24,210 | 25,313 | 26,807 | 28,672 | + |
| Employees in Germany | Number | 14,951 | | | 18,386 | 19,041 | 19,279 | 19,670 | 20,102 | + |
| Proportion of women in leadership positions (base year 2010) | % | 58 | > 50 | > 50 | 58 | 58 | 58 | 55 | 57 | + |
| Trainee hiring rate (base year 2010) | % | 74 | > 70 | > 70 | 72 | 71 | 68 | 68 | 67 | - |
| Proportion of trainees in the total workforce (base year 2010) | % | 10 | maintain at 9 | > 8 | 9 | 8.4 | 8.4 | 9.2 | 9.5 | + |
| Employment contracts subject to social security contributions (base year 2010) | % | 75 | 75 | 75 | 82 | 84 | 85 | 86 | 86 | |
| SOCIAL: PROCUREMENT | | | | | | | | | | |
| Cumulative sales of "products that help!" | Items | 436,698 | > 5 m | > 5 m | 3,776,972 | 4,476,985 | 5,274,597 | 5,849,922 | 6,408,563 | + |
| Number of active textile suppliers | Number | n.a. | maintain < 400 | | < 400 | < 400 | < 400 | < 400 | < 400 | |
| Proportion of supplier relationships > 5 years | % | n.a. | maintain > 50 | | 51 | 50 | 51 | 51 | 55 | + |

For reasons of compatibility, this is not sub-divided into scopes.

THIS IS TO CERTIFY THAT

KIK TEXTILIEN UND NON-FOOD GMBH SIEMENSSTRASSE 21 D-59199 BÖNEN

IS IN COMPLIANCE WITH THE REQUIREMENTS OF A NEUTRAL PLAUSIBILITY TEST OF THE ISSUE OF A SUSTAINABILITY REPORT, MEETING THE CRITERIA OF THE DEUTSCHEN NACHHALTIGKEITSKODEX (DNK) ON A LIMITED LEVEL OF ASSURANCE.

THE TEST OF THE SUSTAINABILITY REPORT 2019 COMPRISES THE FOLLOWING EVALUATION CONTENT:

- Check for completeness and plausibility on the basis of the 20 criteria of the DNK
- Verification of the data and information collected within the scope of the audit applying a sampling based verification ("Limited Level of Assurance")
- Identification of non-conformities in the sustainability report and the recommendation of corrective measures
- Check of implementation of the non-conformities and the derived corrective measures identified within the scope of the audit performed by SGS (follow-up evaluation)

Based on our testing and inspection method for a "Limited Level of Assurance", no information was obtained that could lead to a result in which the report does not fulfil the requirements of the DNK. Nothing has been found that refutes this opinion. In addition, the result of the test shows that no essential aspects have been excluded from the report.

This certificate is based on an evaluation report, where all findings are listed. At the following the main findings are mentioned.

DNK Criteria 16 Qualifications: No goals were set for promoting the employability of all employees, in particular in relation to training and professional development, health management, digitalisation and dealing with the challenges of demographic change.

DATE OF THE AUDIT: 07./08.10.2019

CERTIFICATE NUMBER: SGS-G006-1219-21

VALIDITY: 30.11.2021

BERLIN, 29.01.2020



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One of the most frequently asked questions with which me and my colleagues are faced in public is:

“How is KiK able to sell its products so cheaply?”

This question generally implies that our low prices come at a cost to someone else.

This is precisely why we, as a company that is not obliged to submit a report, are publishing our Sustainability Report for the fifth time:

We want to show that a sustainable way of doing business can work alongside cheap prices if the principles of discounting are applied in a systematic way.

Patrick Zahn

CEO of KiK Textilien und Non-Food GmbH