10 reasons why KiK is so cheap

The textiles discount store KiK is able to offer its products at consumer-friendly prices. The chart below shows how we achieve this

1 | A year-round assortment
A large proportion of our assortment consists of basic items in common sizes, shapes and cuts that are available all year round. These can be produced more cost-effectively without extra effort or expense such as decoration or appliqué. The American t-shirt, for example, is a classic that is produced and supplied on a regular basis. As a result, it does not involve any “development costs”.

2 | Anticyclical production
KiK is not a fast fashion provider. Many of our products are available all year round and can be manufactured in the factories with long lead times. We also buy in large quantities. In exchange for our guarantee of buying large quantities and our long lead times, factory owners offer us very good prices for materials, threads and other production materials.

3 | Timely quality control
Before we receive a finished batch, we have already put samples through their paces rigorously in quality control. This means we can act in a timely manner and rectify any defects in quality before a complete order has been produced.

6 | Cheap sea freight
Our goods are transported from Asia to Europe by boat. This may take longer, but it is significantly cheaper than air freight, and is better for the environment.

7 | Cross-docking
Once goods arrive at our central warehouse in Bönen, turnover is extremely fast. Instead of being stored, which is expensive, the goods are delivered directly to the stores. The same principle is also used by the big discount food retailers.

8 | Stores in cheap locations
KiK stores are not located on expensive shopping streets. You will usually find us in the side streets, in good B locations. This cuts down the cost of rent. Presentation of the goods in our stores is appealing, the same everywhere and not unnecessarily chic. Our stores are often located close to other stores which generate customers, that is to say, other retail stores that ensure high footfall. Once they arrive in our stores, the goods are immediately put on sale – we do not have storerooms as storage costs merely tie up capital.
10 reasons why KiK is so cheap

The textiles discount store KiK is able to offer its products at consumer-friendly prices. The chart below shows how we achieve this:

4 | No intermediate trade
We do not deal with any intermediaries and take advantage of the purchasing benefit obtained by importing goods directly.

5 | Intelligent dispatch
Our products are packaged whilst still in the factories in Asia so that they can be sent as finished products to the individual stores. So, for example, boxes contain trousers in a range of sizes and quantities which can later be offered for sale in individual branches. As a result we do not need to open boxes and pack them anew at our warehouse in Bönen.

9 | Moderate marketing
Of course we take out ads on TV, the radio and in print, and we have leaflets printed. However, our total marketing costs are significantly lower than those of comparable retailers. KiK does not indulge in expensive sponsoring of sports or events.

10 | A viable online shop
Since 2013 we have also had our own online shop at www.kik.de. In our case this brings in revenue rather than eating it. One reason for this is that we charge for the delivery costs.
About this report

This is the fourth Sustainability Report issued by KiK Textilien und Non-Food GmbH. It describes the company’s activities with regard to the sustainable structuring of business operations in 2015 and 2016 as well as more recent facts and developments from the year 2017.

KiK is not subject to mandatory reporting on CSR, but publishes a Sustainability Report on a voluntary basis in accordance with the guidelines of the German Sustainability Code (DNK). As a cross-sector standard for transparency, the DNK is a recognized standard for reporting on commercial achievements in the field of sustainability. It meets the requirements of the Implementation Act on the CSR guidelines, which came into force in January 2017, and which clarify the reporting obligations on listed companies with more than 500 employees.

KiK Textilien und Non-Food GmbH supports the United Nations’ Sustainable Development Goals, which came into force on January 1st, 2016. They aim to ensure sustainable development at the economic, social and ecological levels. The activities we have undertaken to ensure sustainability are evaluated with regard to how they contribute to the 17 so-called “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 expanding the work towards ensuring sustainability by KiK Textilien und Non-Food GmbH and how it takes effect through our work within the Bündnis für nachhaltige Textilien (Alliance for Sustainable Textiles). In order to draw up the report, a materiality analysis was carried out, from which the company’s focus and future target setting are derived.

The limits of this report as regards acquisition 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 our other European sites. Unless specifically stated otherwise, all statements regarding staff relate to the staff of KiK Textilien und Non-Food GmbH Germany. The report primarily focuses on the textiles range. The consideration of the value creation chain also applies retrospectively to the manufacturing level.

Each specialist division has collaborated in drawing up the report, approved the statements made in this report and made available the data 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 Tengelmann Energie GmbH and by KiK Textilien und Non-Food GmbH on its own behalf.

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

The report is published in German and in English. For the sake of ease, the masculine form has been used throughout the report, but should always be understood to apply to men and women equally. The terms “KiK”, “we” and “our” are used synonymously.

The closing date for the following report was September 30th, 2017.

The next report is expected to be issued in 2019.
3 Editorial

4 Company’s performance
On a course to expansion with constant high growth

6 Corporate Social Responsibility
Social responsibility for sustainable economic activity

10 Good suppliers
Supplier relationships and alliances to improve manufacturing conditions

21 Good products
High priority: manufacturing good quality products and protecting the environment

27 Good workplaces
Secure jobs and a good working atmosphere make KiK an attractive employer

31 Key performance indicators

32 Expert opinion
Dear readers,

I am delighted to be able to present to you the fourth Sustainability Report from KiK Textilien und Non-Food GmbH for 2015 and 2016. When we published the first report in 2010, the topic of sustainability was primarily the object of discussions among experts. In the textiles and clothing industry companies addressed it individually, but it is only in recent times that the topic has become a focal point for a critical public. The concept of sustainability, which originates from the field of forestry, is to be understood as a model for economic, ecological and social operation. At KiK, this mode of operation is the basis of our company culture. As one of the leading German companies in the clothing sector, we are well aware of our responsibility for the environment as well as of our responsibility for our customers, our staff, our suppliers and our social surroundings.

In recent years many frameworks have developed at an international level, and KiK’s sustainable development activities are firmly embedded in them. Starting from the premise that the responsible development of a sustainable and successful global economy is of particular importance for Germany, the company has a vital role to play in view of its increasing networking in global supplier and value creation chains. This primarily entails collaborating to ensure the implementation of human rights and working, social and environmental standards. Alongside the ILO labor standards, and the UN Global Compact, the OECD Guidelines for Multinational Enterprises are one of the most important tools for promoting the responsible management of companies.

The UN Guiding Principles for Business and Human Rights adopted in 2011 refer to such existing binding and non-binding human rights instruments and define the obligations on a state to protect human rights. They also impose a responsibility on companies to observe human rights. The Guiding Principles were converted into a German action plan in the “German National Action Plan on Business and Human Rights”. The aim is to improve the human rights situation worldwide and to shape globalization from a social perspective, keeping the “Agenda 2030 for Sustainable Development” in mind. As guiding principles for action, the aim of the 17 goals (Sustainable Development Goals – SDGs) formulated in this agenda is to ensure sustainable development at the economic, social and ecological level through 2030.

As a company, we are committed to the German National Action Plan on Business and Human Rights as to our target of ensuring that our business operations make a contribution to meeting the 17 Sustainable Development Goals. In order to make clear how our activities contribute to the 17 goals, we have included the pictograms for the relevant goals in each chapter of our Sustainability Report.

This report makes one thing very clear: sustainability and discount are not mutually exclusive. Careful use of resources and compliance with good working and social standards both in Germany and in our procurement markets can be assured, irrespective of the retail price of our products. The price of goods tells you very little about the conditions in which they were manufactured. As one of the leading discount companies in the clothing sector we will remain steadfast in our commitment to sustainable development in the coming years. We will continue our work in this respect in multi-stakeholder fora such as the Accord in Bangladesh or the Partnership for Sustainable Textiles. At the same time, our top priority is to ensure that our company remains profitable and continues on its trajectory of growth, because only if the company’s commercial success is assured for the long term, can we ensure sustainable development.

I hope you will find this an informative and enjoyable read.

Patrick Zahn
Chairman of the Executive Board of KiK Textilien und Non-Food GmbH
With the opening of the first branch in Düsseldorf in 1994, KiK laid the foundation stone for its successful business model. Since then, millions of customers have seen for themselves that at KiK you can buy cheap but good quality clothes. In keeping with the motto “dressed from head to foot for under 30 euros”, it is mainly price-conscious families, bargain hunters and smart shoppers who shop at our 3,500 stores throughout Europe. In addition to textiles, a large portion of our range comprises so-called non-food goods: decorative items, accessories, toys and stationery. The range is supplemented by a broad range of home textiles such as bedding, blankets, towels and cushions.

As part of the Tengelmann Group, KiK Textilien und Non-Food GmbH is one of the largest suppliers of textiles on the German market. In a ranking of the largest German fashion suppliers by the specialist journal “Textil-Wirtschaft” in November 2016, KiK was able to improve its position, advancing from 6th to 5th place. This is due to a strong increase in turnover. KiK closed the 2016 fiscal year with a record (net) turnover of 1.95 billion euros.
This corresponds to an increase of 6.2 percent compared to the previous year. This means that in a difficult market environment, which, in 2015 and 2016 in particular, was characterized by insolvencies and a fall-off in turnover, KiK succeeded in asserting itself and countering the market trend.

**Successful online shop**

By setting up an online shop in 2013 we were reacting to the digitization of consumer behavior. In 2016 we are still happy with the number of visitors of the online shop. We recorded around 11.5 million visitors. Whilst the increase in online business is causing problems for many retailers, KiK continues to be profitable in this area. Turnover from the online shop amounts to about 2 percent of our total turnover and shows that textile discounting also works online. The consequences: the shopping and logistics processes are constantly being optimized, and the linking of classic advertising with digital media such as Facebook and blogs is playing an important role. Facebook, Pinterest, Youtube and fashion and corporate blogs enable us to communicate in real time with consumers, customers and other stakeholders.

**Developments in the branch network**

The reasons behind the increase in turnover and our good position in the market are the modernization of our stores, the targeted expansion of our range and the continued expansion of the KiK branch network, especially abroad.

During 2015 and 2016, a total of 1,287 stores were renovated or opened with the new look. The primary focus was on the change of color from the dominant red to a more restrained silver gray. Carpeted floors were replaced with wood-effect flooring and the lighting was optimized to be more aesthetically pleasing and more ecological. Goods are now presented in a more attractive manner; the whole appearance of the store is now more friendly and more inviting. Customer surveys have shown that we have been able to win new customers thanks to the new store design and that core customers find the shopping experience more enjoyable.

At the end of the 2016 fiscal year, KiK had a total of 3,439 stores in Germany and eight other European countries. In the past two years there has been a particular focus on expanding the branch network in Poland and the Netherlands. So, for example, in 2016, 46 new stores were opened in Poland and 13 in the Netherlands.

**Outlook**

In 2017 the KiK family will further grow. KiK will be represented with stores in Italy, the home of fashion, beginning in fall 2017. And the leap over to the United States of America is already firmly in sight. The first stores should open in the Midwest in 2019.
iK Textilien und Non-Food GmbH is one of the leading discount textiles companies in Germany. Every aspect of our commercial activities impacts upon people and the environment. The result of our commercial activities must be to ensure economic success. This means that all processes have to be designed for maximum efficiency in the use of materials and resources.

We have a responsibility for our employees and for all of those involved in manufacturing our goods. We insist upon health and safety in the workplace throughout our worldwide supply chain. For this we respect social and ecological standards and we continually collaborate to ensure that they are complied with and developed further. In addition to this, we shoulder our social responsibility through many social projects, even beyond our core business.

Corporate Social Responsibility is an independent department comprising around 20 members of staff which reports directly to the Executive Board. Its organizational structure corresponds to figure 5 in the 3rd Sustainability Report http://www.kik-textilien.com/unternehmen/fileadmin/user_upload_de/Kategorien/Verantwortung/Nachhaltigkeitsbericht/3_Nachhaltigkeitsbericht.pdf. The focus of activities is primarily on the areas of social production conditions, safety at work, site and environmental management. For this reason, KIK is actively involved in important multi-stakeholder initiatives such as the Accord in Bangladesh or the German Partnership for Sustainable Textiles.

The “Economic Policy Dialog” department paved the way for joining industrial alliances and continues to support these with facts. At the same time, its character has changed since the process of dialog it initiated has now been established across the company and is thus incorporated into operational processes. This also affects Corporate Communications, which voluntarily supports the need for information from the media and the public.

The regulatory framework

At the United Nations summit in September 2015, the Agenda 2030 for Sustainable Development was adopted by all member states. The aim of the Agenda is to shape global economic progress in social and ecological terms. The core of the Agenda is a list of 17 Sustainable Development Goals or SDGs for short. These address the three dimensions of sustainability – the social aspects, the environment and the economy. The German Sustainability Strategy, introduced by the German Federal Government in January 2017, sets out Germany’s contribution to the implementation of the SDGs and its 17 goals. KIK regards the SDGs as a higher-level framework that enables it to classify its business commitment to sustainability and which it can use to orient itself.

The UN Guiding Principles for Business and Human Rights (UNGP) have existed since 2011, defining a company’s responsibility for human rights within its business environment under the
There has long been a discussion about a company’s duty of care with regard to human rights. To put it in concrete terms: to what extent do they have to consider human rights in their overseas operations and to what extent are they responsible for any violations. In response, the German government, industry, unions and NGOs met in a series of consultations and drew up the National Action Plan for Business and Human Rights in which companies are encouraged to comply with their duty of care in respect of human rights. The basis for this is the Guiding Principles devised by UN Special Envoy John Ruggie. The plan includes procedures for investigating human rights violations, measures to be taken and a check of effectiveness. By 2020 at least 50% of all German companies with more than 500 employees should have implemented it, otherwise a legally binding regulation is being considered.

**Corporate Social Responsibility**

motto “protect, respect and remedy”. Companies are tasked with respecting human rights within their global supplier chain and with identifying any relevant risks in their business activities, avoiding possible negative consequences and reporting on these processes. In December 2016 Germany adopted the National Action Plan “Business and Human Rights” (NAP) which converts the UN Guiding Principles into a national action plan.

This is also the purpose of the “Alliance for Sustainable Textiles”, which was established by the Federal Government in October 2014. The national alliance pursues the aim of improving production and environmental conditions in the international textiles and clothing sector, a sector which has complex supplier structures. At the close of July 2017 its members comprised 148 companies and representatives of different stakeholder groups. This constitutes around 50 percent of the German fashion industry. The Partnership is now regarded as an example of best practice and is considered worth emulating for other industries within the framework of the NAP and the German Federal Government’s Sustainability Strategy.

**Short and medium-term goals in KiK’s CSR work**

The work pertaining to sustainability undertaken by KiK Textilien und Non-Food GmbH aims at improving the manufacturing and living conditions of those employed in the field. This again includes the core points of improving efficiency and minimizing risks. We also strive to minimize the impact upon the environment with regard to consumption of resources and emissions resulting from our business activities. In the table of key performance indicators on page 31 we also present concrete information on the goals with regard to the social and economic impact. The work pertaining to sustainability undertaken by KiK Textilien und Non-Food GmbH is carried out taking account of and applying these framework conditions.

1. Good suppliers  |  2. Good products  |  3. Good workplaces

In the context of good suppliers, KiK is concretely pursuing the following short and medium-term goals:

**Short-term:**
- CSR performance as a criterion for awarding orders
- Permanent continued and further development of a good core of suppliers

**Medium-term:**
- Reduction of the environmental impact of the production process
- Continuous further development and monitoring of the Code of Conduct
- Improved efficiency and productivity as a result of pay rises

In the context of good products, the company is pursuing the following short and medium-term goals:

**Short-term:**
- Continuous increase in the proportion of natural fibers
- Consistent transition to resource-saving packaging
- Environmentally friendly transport routes

**Medium-term:**
- Continuous human-ecological and production-ecological optimization
- Durable products

In the context of good workplaces, KiK has set itself the following short and medium-term goals:

**Short-term:**
- Securing a stable order base for continuous company growth
- Providing opportunities for education

**Medium-term:**
- Consolidation of workers’ rights
- Increased social dialog

How these goals are implemented is described in the individual chapters.

**National Action Plan for Business and Human Rights**

There has long been a discussion about a company’s duty of care with regard to human rights. To put it in concrete terms: to what extent do they have to consider human rights in their overseas operations and to what extent are they responsible for any violations. In response, the German government, industry, unions and NGOs met in a series of consultations and drew up the National Action Plan for Business and Human Rights in which companies are encouraged to comply with their duty of care in respect of human rights. The basis for this is the Guiding Principles devised by UN Special Envoy John Ruggie. The plan includes procedures for investigating human rights violations, measures to be taken and a check of effectiveness. By 2020 at least 50% of all German companies with more than 500 employees should have implemented it, otherwise a legally binding regulation is being considered.
Next steps: Drawing up a roadmap and devising a human rights policy

In 2016 the members of the Textiles Partnership agreed to formulate goals which would assist in making transparency of production conditions and sustainable economic activity a reality. KiK worked with commitment towards drawing up a roadmap and was one of the first members to be in a position to present its plan by the deadline of January 31st, 2017.

Among other things, KiK sets itself the goal of devising a corporate human rights policy tailored to its supply chain and gradually implementing this in its global procurement system. As such, KiK is taking a consistent approach to implementing its responsibility for respecting human rights in the acquisition of its goods derived from the UN Guiding Principles. This entails an elaborate process which necessitates far-reaching restructuring within KiK. For example, a complaints and management system must be set up which is capable of reacting quickly in a targeted and appropriate manner to any accusations, to get to the bottom of them and to take appropriate measures.

Materials analysis

We already carried out a materiality analysis for the last Sustainability Report covering the period 2013/2014 in order to identify relevant issues from stakeholder groups, to classify them and to incorporate them into our company strategy. Identification of stakeholder groups was undertaken on the basis of information provided by the Economic Policy Dialog department and from stakeholders in the Textiles Partnership. We are currently in the integration and facilitation stage. Our aim is to continuously develop the materiality analysis in order to analyze any changes, issues and positions from our stakeholders and to implement the results in our core business where appropriate. This kind of analysis is a prerequisite for identifying relevance and priorities in the field of sustainability and for ensuring the ongoing materiality of our sustainability strategy.

Consequently we discussed the further development of our materiality analysis in a workshop within the framework of an interdepartmental process with leading staff from the Procurement, Purchasing, Quality Management, Energy Management, HR, Communications, CSR and Economic Policy Dialog departments.

This comprised:
- An analysis of our environment (external analysis)
- An analysis of our company (internal analysis)
- An analysis of stakeholder expectations

The results of the three partial analyses were fed into a matrix. The results of the environmental and of the company analysis form the matrix’s first dimension. The second dimension presents the results of the stakeholder expectations analysis. In this way, relevant issues from the company’s perspective and relevant issues from the stakeholders’ perspective are juxtaposed with one another.

The analysis of the environment showed that the following factors are key to KiK’s business operations:
- Legal framework conditions (applicable and anticipated legal systems): National Action Plan for Business and Human Rights, CSR guidelines on reporting obligations, chemicals laws, regulations on shop opening hours, ISO standards and ordinances relating to quality management
- Alliances and multi-stakeholder initiatives
- Competitors and the market situation
- Changes in our procurement markets
- Economic framework conditions in the countries where KiK has stores
- Sales markets (situation as regards competition, customer structure)
- Staff recruitment
Relevance matrix of the top 20 issues for KiK

- Social framework conditions (shift in values, environmental awareness, etc.)

The strategic company analysis defined key interests and parameters for the company’s success more closely. This mainly applies to the following factors:
- Long-term business targets
- Corporate mission statement and unique selling points
- Qualitative expansion
- Offering high-turnover product assortments
- Future market position
- Personnel structure and attractiveness as an employer
- Energy efficiency and resource management

The stakeholder groups’ interests are as diverse as the groups themselves. Our customers are most interested in value for money, an optimum fit, fashionable design and comfort in wearing. By contrast, issues such as supplier management, safe production facilities in the manufacturing countries, fair working conditions in production, environmental and climate protection in the supply chain, remuneration at our own sites or quality assurance for products are questions which have little impact on our customers’ decision to buy. On the other hand, they are seen as much more significant by the other stakeholders.

During the reporting period, the staff of the CSR, the Economic Policy Dialog and the Corporate Communications departments entered into a direct exchange with the stakeholder groups in various meetings, working groups and dialogs. The company’s greater openness towards the media and the public also contributed to this, as did the many discussions and negotiations with representatives of those affected by the accident in the factory in Pakistan in an attempt to reach a final financial settlement. Our collaboration in the Textiles Partnership and its six working groups, in which the company is represented, has also meant that KiK regularly and enthusiastically participates in any relevant discussions with stakeholders and has enriched these through its own initiatives.

Finally, those issues of relevance for sustainability management were classified by relevance and presented in a materiality matrix. It shows the 20 most relevant issues for the company’s success and its dialog with its stakeholder groups.

The company considers it important to involve its staff, both in its headquarters and in its stores, in its efforts to improve sustainability. This is achieved through involvement in working groups, communication via the intranet, participation in the environmental management system, and letters on ideas which can be sent from the stores to the central offices. The Code of Conduct is available online for all staff.
Since the 1960s textiles and non-food production has almost exclusively been located in Asia. All of the leading clothing companies have their products manufactured on the Asian continent. For the countries of Asia this is an important, in many cases the most important, branch of industry. In Bangladesh, for example, clothing manufacturing accounts for around 80 percent of its revenue from exports and employs around 4 million people.

KiK also has most of its goods manufactured in Asia. The lion’s share of its textiles range is manufactured in Bangladesh, Pakistan and Turkey. For some years now China’s textiles industry has been in decline. By contrast, the non-food range mainly comes from China, but goods are also acquired from other countries such as Germany.

In recent times, Africa has also developed a procurement market for textiles.

### Procurement markets 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>0.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.9</td>
</tr>
<tr>
<td>Poland</td>
<td>1.5</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2.0</td>
</tr>
<tr>
<td>India</td>
<td>3.7</td>
</tr>
<tr>
<td>Germany</td>
<td>3.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8.2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>21.1</td>
</tr>
<tr>
<td>China</td>
<td>47.8</td>
</tr>
</tbody>
</table>
Here the focus for KiK is on Egypt, Ethiopia, Kenya and Rwanda. With only 1 percent of our production (as of: end 2016), however, the volumes purchased are currently still very small. The plan is to increase to 4 percent during 2017.

We enjoy an intensive business relationship with our approximately 400 suppliers, sometimes spanning many years. We have been working with around 50 percent of our suppliers for five years or more. During the reporting period there were no accidents in production sites working for us. The intention is to keep the number of direct suppliers to a maximum of 400 in order to reduce the complexity of supplier relationships. For the suppliers the plan is to improve capacity utilization so that we are better able to achieve our social and ecological aims with regard to our supply chain.

Awarding an order and listing in our supplier pool is a complex process. Before we commence a business relationship, every supplier is visited by our Purchasing department. An “initial audit” is also carried out. This looks at the factory’s fire safety and its compliance with social and environmental standards. If the supplier passes the audit, the Purchasing department is given a “green light” to place a production order.

**KiK Code of Conduct**

Before a factory owner can start production he must sign our Code of Conduct. Since we do not operate any factories of our own, but collaborate with independent suppliers around the world, we want to be sure that anyone who contributes to the success of KiK through his work does so under appropriate conditions and is able to make full use of his labor rights. We created a binding basis for our business relationships in 2006 with our Code of Conduct. It regulates compliance with minimum standards in relation to the working conditions in the factories which manufacture goods for KiK. The requirements set out in our Code of Conduct are based upon the

International Labour Organisation (ILO) conventions and the relevant UN standards. This ensures that the working guidelines that we issue have international validity.

A new version of the Code of Conduct came into force in November 2015. In this, the environmental protection aspect is accorded a new significance. Our business partners must ensure prevention or minimization of harmful environmental impacts within the production process. For this they must comply with the applicable environmental protection laws of the relevant country and develop an environmental management system to implement, improve and document their contributions to environmental protection.

**ILO core labor standards**

The core labor standards are social standards within the framework of the world trade order which are intended to ensure humane working conditions and to provide adequate protections. They were laid down in a declaration by the International Labour Organisation (ILO) in 1998. All members of the ILO are obliged to comply with them, to promote them and to put them into practice. Germany has ratified all of the ILO’s conventions.

The core labor standards include eight ILO conventions which were agreed between 1930 and 1999. They address forced labor, freedom of association, collective bargaining, equal pay, a ban on forced and child labor, a ban on discrimination and the minimum age.
Suppliers

Audits: monitoring of production conditions

We monitor whether processes and guidelines meet the required standards and whether the regulations set out in our Code of Conduct are being complied with by means of audits. We usually carry out social, quality and environmental audits at our suppliers.

A social audit examines the working conditions in the factories. This includes regulations on pay, on social security benefits, working time, discrimination and the process for awarding subcontracts. A quality audit monitors whether the prescribed process and product requirements and the quality standards are being met. An environmental audit checks whether legal requirements, procedures which are relevant to the environment and environmental standards are being complied with.

As regards carrying out audits, we differentiate between supplier audits and certification audits. For supplier audits a member of staff from our company inspects the supplier. We are supported in this by our office in Bangladesh, the Dhaka Service Unit (see infobox).

Auditor responsibility

A certification audit is carried out by an independent auditor from a certification body and evaluates the management system. The result is that the factory owner is awarded certification such as certification to an ISO standard or the SA8000 certificate. KiK was the first company in the textiles sector to succeed in entering into agreements on “auditor liability” with two audit firms in 2016. Through these, the auditors guarantee the accuracy of the information they provide for a period of three months after conclusion of the audit. This agreement is an important step towards improving the quality of audits. In this way, KiK has taken an innovative approach to countering criticism of how audits are carried out. From 2017, all audits will, in principle, be unannounced.

In order to make the results of the audit available more quickly, we have changed our internal processes. Introducing an audit matrix has made the audit process significantly faster, meaning that safety-relevant defects are discovered much sooner and has paving the way for differentiated reporting. Using the audit matrix, regulations which are based on the Code of Conduct are evaluated on site during the factory inspection and aggregated to give an index figure. This enables conclusions to be drawn about the benevolence of the factory being audited compared to others. The advantage: even small changes can be detected by an index figure. In the old system, by contrast, we could only assess against four evaluation categories (high risk, critical, in need of improvement, good).

Audit information in real time thanks to the Setlog IT solution

All audit reports and index figures are automatically imported into the new CSR software. Since December 2015 KiK has used OSCA, the cloud-based software supplied by the Bochum-based company Setlog, for management of its supply chain and suppliers. The software increases the level of transparency in the supply chain, enables direct access to audit reports and thereby improves re-

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### The number of factory visits in the five main procurement markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>42</td>
</tr>
<tr>
<td>Turkey</td>
<td>50</td>
</tr>
<tr>
<td>Pakistan</td>
<td>57</td>
</tr>
<tr>
<td>China</td>
<td>220</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1127</td>
</tr>
</tbody>
</table>

This information is restricted to the main procurement markets. During 2015 and 2016, a total of 1,514 factories were audited.

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### KiK locally: The Dhaka Service Unit

Since 2011 KiK has had its own office in Dhaka in Bangladesh, the Service Unit. Employing around 8 staff, it works to improve product quality and production conditions. It manages all of the suppliers within the country, supervises qualification measures with regard to social and environmental standards in the factories, carries out audits and supports the company in the selection of possible suppliers and management of existing production.
The feature that makes it special is that all information is available in real time. This means that our staff can react faster and improves oversight, since a simple visualization system based on the colors of traffic lights is used.

The software includes an innovative ranking module for individual suppliers, so that information on them can be built up over a specified period, weighted and compared. This helps in defining various criteria for scoring models, which makes evaluating a supplier easier for the ordering company. What is more, the software also includes an early warning system which shows all audits that are due and automatically lists all scheduled improvement measures in the fields of health and safety in the workplace and any environmental standards. These are discussed with the factories by the CSR department and issues are remedied within agreed deadlines.

**Capacity Building**

We strive to retain suppliers that we work well with and where we are convinced by the services they provide and to support them in their development. Under the motto “capacity building” we work with the suppliers in our main procurement markets to build up their skills and capabilities. So, for example, we will train the staff in a factory in the correct way to act in the event of a fire. As part of our commitment to improving the structure of the building and electrical safety, we bear the cost of an inspection of the factory building by an external expert. These inspections help the owners to find out where repairs and improvements are necessary. They are also provided with a timetable and schedule of costs for implementation. Our aim is to firmly anchor what was learned from the audit in the factory and its staff for the long-term. At the same time, we reserve the right to terminate our business relationship with suppliers who repeatedly come to our attention as a result of poor performance or who are not willing to rectify the deficits reported.

**For good standards: cooperation with the IFC**

In July 2016 KiK agreed to a collaboration with the International Finance Corporation (IFC). The IFC, founded in 1956 as part of the World Bank, is the most important international development bank which deals exclusively with financing of the private sector in emerging and developing countries. Through this collaboration KiK rewards compliance with social and environmental standards by its suppliers in China. If the supplier has demonstrably improved the working and social conditions for its staff and improved its environment management, it is able to access finance from the IFC. The better the standards have been implemented, the lower the rate of interest. This is checked and verified by means of audits.

The supplier credit program encourages companies to move beyond compliance to development of a strategy where environmental and social sustainability can be a driver of financial results.

Patrick J. Leahy, the IFC’s Regional Head of Industry for Manufacturing, Agribusiness and Services in Asia.

KiK is the second German company to date to have implemented a program of this kind for its suppliers, thereby strengthening its relationship with the factory owners. It creates a win-win situation: for the owners it means improved commercial success. At the same time, workers’ rights, the ecological standards and the overall safety and working conditions in the supply chain are improved. At present the credit program only applies to China.
International alliances: KiK as a member of the Accord

The collapse of the Rana Plaza building in April 2013 is one of the worst accidents to have occurred in the history of Bangladesh. More than 1,000 employees lost their lives in it. The factory building had been shut down on the previous day due to concerns over safety. In spite of this, the factory owner insisted that the staff return to work. As a result of the accident, attention was focused on the structure and fire safety in factories in Bangladesh. Since May 2013, over 200 international clothing companies and unions have come together in the so-called “Accord on Fire and Building Safety in Bangladesh”. KiK was the second German company to sign up to the Accord.

All signatories to the Accord are committed to transparency and financial support. They have registered all supplier factories in Bangladesh with the Accord and support this through inspections of the factories with regard to building, fire and electrical safety. The aim of these measures is to improve safety at work. The inspections are carried out by an external team of engineers. At the end of the inspection, a list of defects and a timetable for rectification is provided. The textiles companies provide the manufacturers with practical and, in particular, financial support in remedying the defects.

At the end of October 2016, a total of 1,849 factories had been registered by all members of the Accord and inspected. 69 percent of the defects identified have been rectified. The Accord criticized the speed of implementation of remedial measures, which was sometimes too slow. A total of 147 factories had to be shut down because of serious concerns over safety.

Status: KiK in the Accord

- KiK registered 190 factories with the Accord. As of the end of October 2016, all factories had been inspected for the first time.
- In 70 percent of cases, the documented defects were remedied.
- Most of the remedial measures are being undertaken on schedule; however, there are also cases in which the defects could not be corrected within the stipulated period.
- None of the factories that were shut down by the Accord were manufacturing goods for KiK.
Three questions for Ian Spaulding, CEO of ELEVATE, one of the leading suppliers for analysis of business risk and sustainability solutions in the supply chain. The Hong Kong based company completes inspections of factory buildings for structural, fire and electrical safety on behalf of textile companies.

1. What are the most common safety defects in Bangladesh factories?

Bangladesh set ambitious targets for economic growth with its Vision 2021, which will rely heavily on continued expansion of the country’s readymade garment sector. Due to related production pressures, we often find that material loading limits are not being complied with, causing structural stress to the factory buildings. Sewing machines are often not properly wired, and electrical circuits are overloaded. Fire detection equipment and measures to separate production and packaging areas are frequently inadequate. On the plus side, far fewer factories are using uncertified safety equipment.

2. How do the factory owners react to the results of the inspection?

Very differently. Many negative reactions can be put down to the fact that factory owners are afraid of making investments that will narrow their margins, which they are already keeping low. However, they are gradually coming to the realization that safety is a prerequisite for their business operations because many of our safety standards have fed into national legislation. So, the standards must be implemented by factory owners in order to be allowed to operate at all. Fortunately, over the last year, the factory owners’ attitudes to modernization measures have improved. Some owners are even seeing increased orders if they are successful in implementing safety programs, which promotes a more positive attitude.

3. What role do the textile manufacturers play in this process?

They are really committed to this process and support their suppliers both from their home country and with local teams. They use the business influence that they, as major manufacturers, have to promote compliance in their factory partners. The factories are responsible for implementing the safety measures within a specific period. The textile manufacturers support them in gaining access to the necessary financial means, and also guiding them through problem solving during the remediation process. However, there is still much to be done, in Bangladesh and in other production countries. But I am confident that things are changing for the better.

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Extension of the Accord

Talks on extending the Accord agreement began in the autumn of 2016. The Accord will expire at the end of May 2018 at the end of its five year term. KiK shares the steering committee’s view that an extension of the Accord is necessary in order to complete the remedial measures that have been started. We are also encouraging making the Accord legally binding. In addition to continued improvement of the structural and electrical conditions, in the forthcoming period it will be about improving the social dialog and freedom of association. Employees should have a right to give notice and a right to severance pay. According to the new Accord, additional suppliers in the textiles upstream chain can also be included in the measures to improve building safety. The new Accord will run until May 31st, 2021 and can be extended by a maximum of one year. After this, responsibility for maintaining safe production conditions will be transferred to a Bangladeshi supervisory body.

Expansion to Pakistan

The need to achieve improvements in the building and electrical conditions and thereby to improve working conditions also applies to Pakistan, KiK’s third most important procurement market. The company has therefore decided to set up a program for inspecting all 35 suppliers based on the Accord procedures. KiK will pay for the initial inspection of the factories by an external engineering firm. The costs for remediying the defects will be borne by the factory owner. Under normal circumstances he will have up to one year to carry out the remedial measures. We will then check, by means of an audit, that all of the documented defects have actually been remedied.
A group of representatives from the German Federal Parliament visited Pakistan and Afghanistan in mid-April 2015. The seven representatives were members of the German-South Asian Parliamentary Group: Niels Annen (SPD), Michael Donth (CDU/CSU), Thorsten Frei (CDU/CSU), Egon Jüttner (CDU/CSU), Caren Lay (Die Linke), Tabea Rößner (Bündnis 90/Die Grünen) and Christina Kampmann (SPD). The group expressed a wish to be allowed to visit a textiles factory which manufactured goods for KiK and others.

The representatives used the visit in order to acquire comprehensive information about the topics the supply chain, production conditions and sustainability. Representatives from KiK accompanied the visit and were available to answer any questions, including on the fire in the Pakistani factory Ali Enterprises and the actual background. Their openness and willingness to discuss these matters was commended by the parliamentary delegation. Thorsten Frei, representing the CDU, described it as “pleasing” that representatives from the former Ali Enterprises companies and from KiK were available for talks. Representative Michael Donth praised the fact that all of the conditions, “right through to the wages, are very transparent. Even if you manufacture goods with fair and good conditions, you can be competitive. We have seen that here today,” Dohn wrote on his Facebook page after his visit.

On a tour of a textiles factory in Karachi, representatives of the German Federal Parliament see how jeans are made. On average a pair of jeans comprises of 60 individual parts. Making them involves around 100 steps, from sewing together individual parts via creating hard-wearing seams through to attaching any specific brand features.

“Manufacturing goods with fair and good conditions”
Representatives of the German Federal Parliament visit a KiK supplier in Pakistan

“After the talks with the workers, we also saw for ourselves in two textiles factories which manufacture goods for both German and European brands such as IKEA, KiK, H&M or Takko. Unlike in many other companies, here everything, right through to the wages is very transparent. Even if you manufacture goods with fair and good conditions, you can be competitive. We have seen that here today.”

www.facebook.com/donth.cdu/posts/761952780592082
**Membership in the Textiles Partnership**

Together with other textiles manufacturers, KiK joined the Partnership for Sustainable Textiles, or Textiles Partnership for short, in June 2015. In this way KiK made it very clear that improvement in the production conditions in the production countries is very important to the company. KiK will fully support the ambitious process of pursuing these aims.

The Partnership was founded by Development Aid Minister Gerd Müller in reaction to the collapse of the Rana Plaza building in Bangladesh in October 2014. Its aim is social, ecological and economic improvements throughout the entire textiles supply chain.

The second half of 2015 and the first half of 2016 were characterized by many meetings and discussions. Heterogeneous ideas from many different participants – from companies, via government representatives, NGOs and unions – had to be aligned. Working groups were set up, the members appointed and the area of focus defined. In addition, a steering committee was formed as the supreme decision-making body and a strategic management tool. Resolutions which have been formulated in the working groups and approved by the steering committee are binding for all members of the Partnership.

KiK actively participated in all of the discussions and is one of the few members to be represented in all six working groups. Many of KiK’s staff are involved in the preparation, participation in all meetings of the working groups and following-up on work assignments. As a company that takes membership in the Textiles Partnership very seriously, membership inevitably means a high level of staff involvement. At the same time, this guarantees that the Partnership’s aims are anchored across the company.

Criticism of the involvement of suppliers from the low-price sector was leveled from some sources. One must, however, consider that:

1. The more companies join, the greater the effectiveness of the Textiles Partnership.
2. Suppliers from the low-price sector have a very large market share. If they were to be excluded, the Partnership would lose a great deal of effectiveness and influence.
3. Cheap prices and good production conditions are not mutually exclusive. It is precisely the large providers who, thanks to their market penetration, have sufficient leverage to bring about real changes.

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**The Textiles Partnership – 148 members* Market coverage approx. 50 percent**

* As of end of July 2017
First success: Fashion without harmful substances

In June 2016 the Textiles Alliance celebrated its first concrete success. By adopting the so-called “Manufacturing Restricted Substances List” (MRSL list) of the Zero Discharge of Hazardous Chemicals initiative (ZDHC), our members committed to gradually replacing 100 chemicals which are hazardous to health and the environment with harmless substances. The MRSL list and, thus, also the Alliance’s list, goes beyond the statutory regulations of the European Programme on Chemicals, REACh. That means that KiK has also agreed to go beyond the statutory requirements.

The next phase: roadmaps

Following extensive negotiations, at the end of October 2016 the Steering Committee gave the go-ahead for the next phase of the Textiles Partnership. All members were required to draw up their own implementation targets by the end of January 2017. Through these roadmaps, the companies are meant to stipulate what concrete plans they have in order to achieve the Partnership’s aims. They are binding and will be externally verified. They should also be published from 2018 on.

Three questions to Jürgen Janssen, Program Director of the Partnership for Sustainable Textiles

1 What progress has the Textiles Partnership made to date?

Already in 2016, the members agreed on binding implementation requirements for the Alliance’s objectives. This was a great success, because all of the groups involved – industry, NGOs, unions, standards organizations and the German Federal Government – negotiated intensively on this in countless meetings of specialist groups.

As a result, it was possible to begin concrete implementation of the Partnership’s objectives in 2017: for the first time all members set themselves targets and committed to these in writing within the framework of an annual plan of measures, the roadmap. Over time these many little steps will result in big changes.

2 What is your opinion of KiK’s involvement in the Alliance?

KiK is actively involved in the working groups and is one of the members which is highly committed in this respect. A multi-stakeholder initiative lives on that. We really welcome KiK’s willingness to agree to voluntary publishing of the individual roadmap as early as 2017. This enables us to take a big step towards transparency.

In addition to this, KiK is taking part in one of the Partnership’s first three initiatives. In Tamil Nadu, India, several members of the Partnership have come together with the aim of improving social conditions in spinning mills and textiles factories.

3 What targets are planned for 2018?

As things stand, our members make up half of the German textiles market. Naturally, we want to grow: greater market coverage means increased effectiveness and fewer disadvantages compared to the competition for those who are blazing a trail through membership of the Partnership. In order to achieve this, we are already optimizing the process and increasing our supportive measures for members.

Through publication of all of the roadmaps and the first progress report, we hope to demonstrate in 2018 that agreeing on common goals is really worthwhile.

The Partnership’s Sumangali initiative

Members of the Alliance have the opportunity to launch initiatives in order to take advantage of the combined effectiveness of the Alliance’s members. KiK is participating in one of the first of these initiatives. Sumangali is a form of forced labor common in the spinning mills of southern India, whereby young girls aged between 14 and 18 from lower castes are forced to work in the mills in order to earn their dowry. Although this form of labor is banned by law in India, it is still practiced.

Around 60 percent of Indian spinning mills are located in the state of Tamil Nadu. Estimates suggest that between 200,000 and 400,000 people work in Tamil Nadu’s spinning mills. Around 30 percent of these are “Sumangalis”, which translates as “happily married woman”.

KiK actively engages in raising awareness of the Sumangali ban among its Indian suppliers and in ensuring zero tolerance.
Suppliers

Immediately after the Rana Plaza accident in Bangladesh, it was possible, with the aid of the ILO, to set up a relief fund from which the victims and surviving dependents were able to acquire money to cover their medical and living expenses. Attempts by KiK to translate this approach to Pakistan proved difficult because it was initially refused by Ali Enterprises factory fire: Successful conclusion of the negotiations

During a fire in the Pakistani factory Ali Enterprises in Karachi in September 2012 more than 255 employees lost their lives and a further 57 were injured. Almost exactly four years to the day later, on September 10th, 2016, KiK, the ILO International Labour Organisation and representatives of the IndustriALL Global Union and the Clean Clothes Campaign in Geneva signed an agreement on the payment of compensation to the victims of the Ali Enterprise accident. Ineke Zeldenrust, representing the Clean Clothes Campaign in the negotiations, praised the agreement as an “excellent example of how buyers can and should take responsibility for their supply chain”.

The agreement makes USD 5.15 million available to those affected, to be paid in monthly installments from now on in order to alleviate material losses. When added to the USD 1 million that KiK provided as a relief fund immediately after the accident, this takes KiK’s financial contribution to USD 6.15 million.

KiK had long insisted upon negotiations led by the ILO. The aim was to create a transparent process which collated the demands from all of those affected and applied an accepted method for calculation. Furthermore, by involving the Pakistani social funds, the aim is to strengthen the country’s social insurance system.

“We commend KiK for agreeing to fund compensation that meets international standards.”

Jyrki Raina, General Secretary IndustriALL Global Union

A memorial wall in Karachi bearing the names of the victims is a reminder of the Ali Enterprises factory fire in September 2012.
In view of the technical and eye witnesses accounts, the Joint Investigation Team is of the unanimous opinion that the incident was not an accident. Rather it was a terrorist and sabotage human activity caused that might have been caused by use of some chemical accelerant.

Joint Investigation Report, Pakistan

representatives of the groups acting for the victims. Valuable time was lost. It was only after KiK approached the Federal Ministry for Economic Cooperation and Development (BMZ) for assistance that talks in Geneva were able to begin. Agreement was reached within six months. Payment of the money to those affected will now be undertaken by the ILO in collaboration with the Pakistani social funds. The ILO process should also assist in driving forward development of industrial injuries insurance.

With the agreement reached in Geneva, KiK is able to fulfill an agreement entered into with PILER (Pakistan Institute of Labour Education and Research) immediately after the accident. KiK had assured the organization, which is responsible for the needs of the victims and surviving dependents, that it would provide long-term assistance for the latter.

**Lawsuit in the Regional Court of Dortmund**

In parallel to the negotiations with the groups representing the victims, three surviving dependents and one victim of the Ali Enterprises fire filed a legal suit with the Regional Court of Dortmund in March 2015. The aim is to obtain additional compensation not covered by the ILO Agreement. The lawsuit is based on Pakistani law, because the law of the land in which the damages were incurred must be applied. This lawsuit is taking us into unknown territory in legal terms. The plaintiffs’ aim is to establish liability on the part of KiK for alleged failure to act in the supplier factory. The case is thus of importance for the whole of German industry.

In order to clarify the facts of the case in accordance with Pakistani law, both sides in the case have obtained expert opinions from Pakistan. The Regional Court of Dortmund has also commissioned its own expert to evaluate the question of corporate liability under Pakistani law. In order that they be able to pursue this time-consuming and expensive action, the District Court granted the plaintiffs legal aid in September 2016. The court stated that this approval “is in no way prejudicial to the main proceedings”. Since Pakistani law is to be applied, the chamber must clarify whether a compensation claim by the plaintiffs is “conceivable” and under precisely what conditions.

KiK denies any responsibility for the fire. KiK had commissioned a total of four audits by external auditors, none of which had given any indications of deficiencies in respect of fire safety. Just three weeks prior to the fire, Ali Enterprises had, at its own instigation, acquired the exacting SA8000 certificate, which places particular emphasis on fire and building safety. This means that the fire was not caused by deficiencies in respect of safety. On the contrary, an expert opinion provided by multiple Pakistani safety agencies comes to the unanimous conclusion that the fire was a serious arson attack for which an accelerant was used. According to this report, the factory owner had refused to pay protection money to local party representatives. In response, they deliberately lit fires in central escape routes in the factory, which, according to witness testimonies, spread rapidly as a result of chemical accelerants being used and left the employees little chance to escape.

Once it has received the expert opinions, and taking account of the situation as described, the Regional Court of Dortmund will issue orders regarding the process and grant a verbal hearing.
As a basic provider of textiles, KiK offers its customers around 20,000 products. Fashion, home textiles, toys and other non-food items are subject to a diligent and rigorous quality management program. The safety of our products is ensured not only by strict compliance with statutory regulations on the basis of existing testing procedures, but KiK often goes much further in its quality requirements.

The process described using a pair of trousers as an example:

Step 1: Pre-production testing

The supplier produces a sample pair of trousers ordered and sends this to our partner testing laboratory or to our Service Unit in Dhaka for physical testing. The trousers are washed and tested: Do they shrink? Do they retain their shape and are they rubbing fast? What about the weight and the yarn count? Is there a risk of pilling? In other words, will the material rub up or form fluff? If anything comes up in these tests, the goods are returned to the supplier with the demand that they rectify this. If everything is in order, then approval is given and production of the trousers can start.

Step 2: Testing during production

During production of the trousers, external, accredited testing institutions or our partner agencies in the production country are commissioned to take random samples. Now the goods are tested for any chemical contamination: do the goods contain any azo dyes, phthalates or formaldehyde? None
of these have any place in clothes from KiK! The chemical testing is followed by physical testing: Are there any protruding fasteners, does the zip work properly, is the cord standard being complied with, are there any sharp edges or small parts that could be swallowed? The test reports are sent to KiK’s Quality Management department in Germany where they are analyzed carefully. Only if the requirements stipulated have been complied with in the production phase may the goods be prepared for dispatch, otherwise reworking by the supplier is required.

Step 3: Testing prior to dispatch

Once the goods have been packed and are ready for dispatch to Germany, another test is carried out. Once again, our partner agencies or testing institutions take random samples. Only if this final check is passed successfully can the finished trousers be loaded into containers and shipped to Europe.

Step 4: Testing on receipt

Once the goods arrive at our central warehouse in Bönen, they are received by a team from our Quality Management department and further random sampling is carried out. We test whether the goods have remained dry and odor-free during the journey or whether the boxes are still intact. The trousers are also measured and any reworking required undertaken. Only once the goods have gone through all our stages of testing are they delivered to our stores. Our consumers can rest assured: the trousers have gone through repeated physical, chemical and mechanical tests. All statutory requirements and above have been complied with.

We consider quality management to be a permanent process, in which our suppliers are closely involved. We support them in improving the quality of the goods they supply by providing training and through concrete measures such as mold prevention. What is more, we employ traveling technicians who can work in a targeted way with the suppliers to tackle problems and contribute towards improving the production process.

And all of this effort pays off: our products are not only tested by us, but are also regularly tested by consumer organizations. In December 2016 Ökotest tested jeans for dye components and graded our children’s jeans “good” in the contents test, placing us third out of 21 textiles suppliers.

**Good and cheap: The Öko-Tex assortment**

Since 1992, textiles products that meet the statutory and the human-ecological requirements, testing criteria and limits set by Öko-Tex have been rewarded with the Öko-Tex Standard 100. Textiles which bear this label guarantee compliance with the criteria on the basis of a comprehensive and stringent catalog of measures. For this, the following applies: certification is only granted if every component meets the necessary criteria, including, for example, seams, prints or buttons. The scope and requirements for Öko-Tex’s harmful substances tests depend upon the intended use of a textiles product – the more intensive the skin contact, the more stringent the limits that must not be exceeded.

The proportion of items in the entire textiles range which have been tested to Öko-Tex 100 amounts to 47.5 percent. More than half of the items in our children’s wear and baby clothing range are Öko-Tex certified in order to significantly increase product safety and our customers’ confidence in our products still further.

Since 2016 KiK, has been a member of the Bremen Cotton Exchange. Cotton products are a significant part of our range. They currently make up around 50 percent of our assortment, and as much as 60 percent in some product ranges. The plan is to maintain these proportions at a constant level, as natural fibers are particularly valued by consumers.
because of their properties. Furthermore, we have our goods manufactured in Bangladesh, India and Turkey, all countries which are known for processing cotton.

**Fewer chemicals in clothes**

Another step towards better clothing is protecting against harmful substances in textiles. For example, the European REACh ordinance regulates the approval and limitation of chemical substances. Among other things, it has banned the use of azo dyes, which emit carcinogenic amines, in textiles.

In September 2016, the Textiles Alliance adopted the ZDHC MRSL list, which contains an overview of those chemicals which have been banned. The acronym ZDHC stands for “Zero Discharge of Hazardous Chemicals” and its aim is to minimize use of harmful chemicals, to discontinue use of chemicals for which there are already more sustainable alternatives and to encourage development of further alternatives. The list goes beyond the REACh requirements.

All members of the Textiles Partnership have committed themselves to taking a major step towards achieving fashion without harmful substances. The aim is to gradually replace 100 problematic chemicals used in textiles production with harmless substances or to limit use to very low concentrations. The Manufacturing Restricted Substances List (MRSL) lists harmful chemicals and substances which are used during production and could get into the environment.

**A fur-free guarantee from KiK**

Fashions including real fur are still being sold. For the consumer, it is difficult to differentiate between real and artificial fur because real fur is often colored or used in a material mix and is frequently not declared as such. When buying fur products, KiK offers its customers certainty: in December 2016 the company signed up to the international Fur Free Retailer Program. The program is supported by 146 companies. By joining the program, KiK guarantees that it does not sell any products containing real fur. This also includes a ban on using fur as a trim for textiles or accessories.

By officially joining the “Fur Free Retailer Program” KiK is taking a stand against fashion using real fur and against cruelty to millions of animals in fur farms around the world.

Denise Schmidt, Leader of the VIER PFOTEN Campaign

Ever since the company was first founded in 1994, KiK has refused to buy textiles containing real fur. By joining the Fur Free Retailer Program, KiK is reaffirming its long-held company policy.

**KiK is bans plastic bags**

Every year more than 6 billion plastic bags are thrown away in Germany. The EU would like to see consumption reduced to 40 bags per head per annum by 2025.

With this ad (l.) KiK advertised the fact that it has banned plastic bags completely. On the right, the new shopping bags.
Three questions for Kai Falk, Director of Communications and Sustainability of the German Retail Association (HDE)

1. Unlike most other retailers, KiK has done away with plastic bags altogether instead of just charging for them. What do you think of the step KiK has taken?

Retailers like KiK that have completely done away with plastic bags have made a significant contribution to the retail trade in Germany having already achieved the reduction targets for lightweight bags for 2025 in 2016. Nowadays companies from a range of sectors are doing without plastic bags altogether.

2. Has consumer behavior in terms of carrying aids changed?

The introduction of a voluntary obligation to charge for plastic bags in the retail trade has also led to a new way of thinking among customers. They have reacted positively to the step taken by the German retail trade and have also drastically reduced use of single use plastic bags. Customers increasingly insist on reusable alternatives, thereby making a positive contribution to the success of this voluntary self-imposed duty. The resultant reduction is massive, especially in the retail textiles sector. Fashion retailers are reporting a reduction in turnover of between 50 and 80 percent.

3. What do you think about Germany’s commitment to achieving the EU regulations on the reduction in plastic bags?

The majority of German retailers with high sales volumes are collaborating in the voluntary initiative of no longer giving customers free plastic bags. Since retailers voluntarily introduced a charge on plastic bags, the use of plastic carrier bags has fallen by around a third in Germany. This has meant that Germany has already been able to meet the EU’s reduction targets for 2025. KiK was one of the first companies in Germany to decide to do away with plastic carrier bags altogether. This really put the wind in the sails of the trade initiative.

Even before the German retail trade entered into the pertinent agreement with the German Federal Ministry of the Environment, KiK took a strong stand for the environment. Since October 2015 it has not been possible to buy a plastic bag at KiK. This applies equally to our stores in Germany, Austria and the Netherlands. The initiative was expanded to include Hungary in April 2016. The step taken by KiK goes beyond the German agreement. While this simply stipulates that plastic bags should no longer be given out for free, KiK decided to do away with plastic bags altogether. Furthermore, KiK already charged for plastic bags.

This measure has meant that KiK is making a total saving of 25 million plastic bags a year. This amounts to more than 570 tons of plastic waste per year. By way of comparison: that is the amount weighed by 114 elephants! KiK also works continuously towards reducing packaging and strives to reduce the amount of packaging waste or, in the case of cardboard boxes, to switch to more environmentally-friendly versions.

Customers can carry their purchases home in cotton carrier bags or bags made from recycled PET. KiK has deliberately chosen not to use the paper bags popular with other retailers. The production of paper bags involves almost double the resources used to manufacture a plastic bag, but...
because they tear quite easily, paper bags generally have a shorter life span than plastic bags.

**Working towards sparing use of resources: KiK’s environment management system**

Reducing energy consumption, consuming fewer materials, using better chemicals or avoiding emissions – systematic organization and integration of these things into our company’s routine processes are the aims of our environment management system (EMS), which is an important component of our work towards sustainability. Procedures and responsibilities are intended to ensure ecologically-friendly behavior and sustainable economic activity. For this we define targets and key performance indicators. These relate, for example, to product packaging, consumption of paper and water, quantities of waste or CO₂ emissions. KiK’s EMS has been certified to the environmental management standard ISO 14001 since 2009.

<table>
<thead>
<tr>
<th>Three examples</th>
<th>Status in 2009</th>
<th>Status in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce use of paper</td>
<td>24.48 million sheets</td>
<td>8.69 million sheets</td>
</tr>
<tr>
<td>Use more recycled paper for advertising</td>
<td>78 percent</td>
<td>100 percent</td>
</tr>
<tr>
<td>Reduce fuel consumption for trucks</td>
<td>27.42 liters per 100 km</td>
<td>24.62 liters per 100 km</td>
</tr>
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KiK does not use renewable energies or certify this measure, since the added value could not be clearly established. The budget used for these measures to date has primarily been invested in modern energy saving plants.

**KiK is committed to protecting our climate**

In the Paris Agreement, Germany committed to reducing its CO₂ emissions by 90 percent by 2050, based on the values from 1990. In order to achieve this target, everyone has to play their part: car drivers, home owners and also companies. KiK has signed the German Retail Trade Declaration on Climate Action and thus committed itself to the climate targets set in Paris.

The biggest source of CO₂ in our branches is the lighting. Energy consumption for lighting can constitute up to 70 percent of the total energy costs for a store. Since 2015, all newly opened stores, renovated branches, the headquarters and our logistics center have been fitted with LED lighting. As a result, energy consumption for lighting in those stores has been halved.

Almost all stores are fitted with smart meters. These digital meters provide a visual display of energy consumption and ensure transparency. We are thus able to obtain a fast and accurate overview of our energy consumption and can plan and implement measures to save energy. The smart

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**Smart Meter**

Smart metering enables households and companies to obtain a fast and precise overview of their own consumption of resources and to save energy. The digital meters create transparency as the basis for sustainable energy management. This facilitates precise monthly statements and regular control of energy consumption. Smart meters also make it easier to identify energy guzzlers. This enables us to make savings on energy amounting to thousands of euros per year.
The Carbon Performance Improvement Initiative (CPI2) is an industry initiative from 14 leading retail companies and brands. It aims to improve use of energy, water and chemicals in production facilities, and hopes to become the leading environmental initiative for the supply chain. CPI2 is supported by the German Federal Ministry of the Environment and the German Investment and Development Company (DEG).

Environmental protection in the supply chain

However, it is not only in our branches and at the Bönen headquarters that KiK is concerned with sustainable economic activity. Compliance with environmental standards by our suppliers is also being monitored more rigorously. The first environmental audits were carried out in the factories in Bangladesh. The good news is that here, too, the manufacturing process is being adapted to fit the relevant ISO standards, such as ISO 14001.

KiK will encourage its suppliers to move towards energy and resource saving production and to take concrete measures to ensure sustainable structuring of the supply chain. To this end, KiK is a member of the climate protection Carbon Performance Improvement Initiative – CPI2 for short. This provides factories with the necessary expertise to design their production processes in a more ecological manner. Even simple measures can reduce water and energy consumption by 10 percent.

Intermodal transportation: KiK develops its environmentally-friendly transportation further

For both environmental reasons and reasons of cost, KiK chooses not to transport its goods from Asia to Germany via air freight. Instead we insist on sea freight. It may take longer, but it cuts down on CO₂.

For transports from Turkey we have developed an even more environmentally-friendly version in recent years: intermodal transportation. This means that goods manufactured in Turkey are transported to the harbor in Istanbul by truck. From there they are transported in containers across the Mediterranean to the northern Italian harbor city of Trieste by ferry. The cargo is then transferred to the railway and transported by train to Cologne or Duisburg. It is only for the final 100 kilometers, to the KiK central warehouse in Bönen, that the goods are again transported by truck. The entire transport takes around eight days.

In 2016, 338 containers were transported in this intermodal fashion (+78 compared to the previous year). This corresponds to 51 percent of orders from Turkey. Were this quantity of goods to be transported entirely by truck, it would produce 710 tons of CO₂. Our intermodal transport, by contrast, produces about half of that at 308 tons of CO₂.
KIK is a company which is enjoying strong growth. This is also reflected in the number of staff. At the end of 2016, KIK had 19,279 employees in Germany. This corresponds to an increase of 4.9 percent compared to the last reporting year, 2014. The increase in employment contracts subject to compulsory insurance, which has been steadily advancing for many years, also continued. It has now risen to 85 percent.

KIK is a predominantly female company. 92 percent of our staff are women. Women also dominate in management positions: 58 percent of our top positions are filled by women. Staff are aged between 16 and 77 years. In numerical terms, the biggest group was born at about the same time that the company was founded. 29 percent of our staff are aged between 21 and 30, and if you add the 31-40-year-olds to this, then more than half of the staff are under 40. The average age is 38.2. This makes KIK a young company.

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion of employment contracts subject to compulsory insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td><img src="image" alt="Graph showing the proportion of employment contracts subject to compulsory insurance from 2014 to 2016" /></td>
</tr>
</tbody>
</table>

At the beginning of their vocational training, KIK invites young staff to its headquarters.
KiK’s growing popularity as an employer was reflected in a ranking list of fashion companies by the industry journal “TextilWirtschaft” at the start of 2017. A survey of 3,500 graduates, young professionals and professionals from 40 companies showed that KiK scored above average in the categories job security, working atmosphere, potential for growth and work-life balance. Overall the company came in 26th place (out of 40), but was significantly higher in some categories. For example, in a question about job security KiK ranked 11th.

That our staff are happy is also demonstrated clearly by the length of service. 25 percent of staff have worked for the company for over 5 years; 18 percent, for even more than 10 years. Between 2014 and 2016 we were able to increase the average length of service from 4.6 to 5.3 years.

Salaries are in line with standard market rates. It includes variable aspects, takes account of individual performance and of the company’s results overall. In the course of individual target setting, achieving sustainability targets is also increasingly being taken into account. However, a general taking into account does not exist. A disclosure is not taking place.

By signing the contract of employment, employees commit to complying with the company’s internal compliance and anti-corruption regulations.

**KiK as a training provider**

Every year KiK offers numerous positions as trainees for young people. In both 2015 and 2016, KiK employed 800 trainees in 18 different jobs, increasing the rate of new entrants by seven percent. Eight percent of our workforce are trainees, which falls below the federal average. The company considers it important to train its future staff itself or to qualify them for management positions. Training can be undertaken in the stores or at headquarters.

KiK also offers a dual education program leading to a Bachelor of Arts in the field of commerce. In the course of their studies the students acquire both theoretical and practical knowledge. The latter is characterized by learning workflows and special tasks in the retail trade. In addition to this, within three years students are prepared for taking on a management role.

Account is also taken of the growing importance of Asia in the training. The Hansa Berufskolleg Unna and the Chamber of Commerce to Dortmund have collaborated to develop an additional qualification as “Asiatic business expert”. In addition to learning Chinese, this includes more advanced courses in foreign trade processes and an exchange program with a business school in Shanghai. The first cohort of 10 trainees from companies including KiK graduated successfully in November 2016. Since the autumn of 2012, KiK has also offered its staff the opportunity to undertake individual training. With the introduction of the KiK Academy, all KiK staff in Germany now have the opportunity to advance both their professional and their personal skills.

**Staff health weeks**

The health and welfare of our staff is a top priority for us. Physical fitness increases productivity and prevents illness. For this reason we arranged a health week for staff at our headquarters in Bönen in June 2016. The program included free
Workplaces

Employees donate to DKMS

We encourage employees to take care not just of themselves but of others too. KIK has been working with the German bone marrow donor registry DKMS to combat blood cancer since 2010. To date more than 600 members of staff have taken a blood type analysis with DKMS. KIK bears the costs. Since then, four members of staff have actually been available as stem cell donors.

One of these is Marc Schemmann, a member of staff in KIK’s Purchasing department. In 2012 he donated stem cells to the then 12-year-old Aya Taylor from the USA. She had spent the previous two years in quarantine because her immune system was seriously compromised. The medical intervention was successful. Aya’s body accepted the new stem cells and she recovered. Contact between the donor and the recipient is only possible two years after making the donation. In the summer of 2014 the New Yorker telephoned the KIK employee and they have kept in touch ever since.

During the summer of 2016 the two met in person for the first time in Heidelberg. Aya, who is now 15 and has resumed her position in her school’s basketball team, was visiting Heidelberg with her class, and the two met there. Their initial nervousness was soon overcome and outweighed by their delight at the state of Aya’s health.

Social engagement in Bönen

For KIK, social engagement plays an important role, especially at its Bönen headquarters. KIK provided considerable assistance with the renovation and fitting of the new Caritas store so that the clothing store for people in need could continue its work in larger premises. KIK also made donations to help refugees in Bönen. Our financial aid to the municipal council of Bönen meant that they were able to purchase the necessary equipment and furnishings for accommodation for the up to 40 refugees per month.

Refugee assistance

KIK has supported work with Syrian refugees not only in Bönen but also in Turkey. The company made available a total of EUR 15,000 for a school project organized by the International Refugee Rights Association (“Uluslararası Mülteci Hakları Derneği”). This was used to enable five children to attend school and to provide support for the families of those children, who were selected by the Refugee Rights Association because of their especially precarious situation.

KIK also supported work by the UNHCR to help refugees in Turkey with a total of EUR 20,000 in 2016. According to information provided by the organization, it is the only company in the world to have done so. The money is to be used to pay for refugee children to attend school. One of the children we support is 7-year-old Mustafa. He fled Syria with his family and two siblings in 2014, initially escaping to Iraq and then, two years later, to Turkey. His father works in a plastics factory, but the money was just not enough to enable him to send his oldest son to school.

health checks of the heart and circulatory system, of vision and healthy backs. Employees were also able to get a taste of sports courses and to attend presentations on topics such as stress prevention or nutrition. The sports courses were held at the headquarters during working hours.

The first face-to-face meeting: Aya Taylor and Marc Schemmann in Heidelberg in the summer of 2016.

7-year-old Mustafa (right) with his siblings. Funding has now been provided so that he can attend school.
If the private sector is the engine of growth, and government is the driver, then education is the fuel that runs the engine. Coupled with smart, innovative government policies and a vibrant private sector, the focus on education is the best way for any country to become more competitive and to accelerate growth.

Jim Kim, President of the World Bank

**KiK as a financer of education**

Education is the key to economic well-being. Only those who have a solid education behind them can later establish their own livelihood and escape poverty. This applies in particular to the Asiatic lands where KiK’s products are manufactured. KiK is ensuring the basis for existence for many people by maintaining a stable order situation in order to help drive the development of these countries forwards. In addition to this, we are meeting our social obligations by investing in the education of the next and future generations. By taking over the running of the KiK UCEP Hesamuddin School in Dhaka, Bangladesh, KiK enables more than 700 children to attend school and to learn a profession. This makes KiK the largest private German funder of education in Bangladesh.

Rug-making in the economically underdeveloped north of Bangladesh is creating new jobs. To date more than four million rugs have been made.

In 2008 KiK revived a traditional carpet-making technique in 2008. Cotton remnants from the textiles factories are delivered to Rangpur and are there made into various kinds of rag rugs.

The project particularly supports families from the region by creating secure jobs close to home and women are also given the opportunity to support their families through this work. Over recent years production has now been set up in eleven production facilities, and is a resounding success: to date more than four million rag rugs have been sold.

In view of the success of this rug-making project, in 2009 another project was set up in Bogra based on the same social principle. Here employees weave baskets from the renewable resource seagrass in three production facilities.

**Political influence and discrimination**

KiK Textilien und Non-Food GmbH does not attempt to assert any political influence either through financial donations to parties or through other favors. All staff employment contracts include a clause on compliance with the provisions of the German Anti-Discrimination Act. During the reporting period no incidents of discrimination were reported.
<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Unit</th>
<th>Base year 2009</th>
<th>Target by 2017</th>
<th>Target by 2020</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Trend compared to the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover (net)</td>
<td>Billion €</td>
<td>1.56</td>
<td>1.68</td>
<td>1.82</td>
<td>1.93</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Branches</td>
<td>Number</td>
<td>2,437</td>
<td>3,294</td>
<td>3,362</td>
<td>3,440</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Sales area</td>
<td>m²</td>
<td>1,474,923</td>
<td>1,660,063</td>
<td>1,850,914</td>
<td>1,879,218</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Share of range from textiles</td>
<td>%</td>
<td>78</td>
<td>70</td>
<td>67</td>
<td>63</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share of range from non-food</td>
<td>%</td>
<td>22</td>
<td>30</td>
<td>33</td>
<td>37</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td><strong>Ecology: Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport packaging</td>
<td>kt</td>
<td>24.25</td>
<td>26</td>
<td>25.5</td>
<td>23.23</td>
<td>24.81</td>
<td>26.23</td>
<td>-</td>
</tr>
<tr>
<td>Transport packaging</td>
<td>g/unit</td>
<td>39</td>
<td>31</td>
<td>30</td>
<td>30.94</td>
<td>33.87</td>
<td>37.23</td>
<td>-</td>
</tr>
<tr>
<td>Product packaging</td>
<td>kt</td>
<td>6.13</td>
<td>6</td>
<td>5</td>
<td>8.67</td>
<td>8.07</td>
<td>6.81</td>
<td>+</td>
</tr>
<tr>
<td>Product packaging</td>
<td>g/unit</td>
<td>9.75</td>
<td>9</td>
<td>8</td>
<td>11.52</td>
<td>11.14</td>
<td>9.67</td>
<td>+</td>
</tr>
<tr>
<td>Direct primary energy consumption Germany</td>
<td>GWh</td>
<td>154</td>
<td>130</td>
<td>125</td>
<td>130</td>
<td>137</td>
<td>134</td>
<td>+</td>
</tr>
<tr>
<td>Power consumption Germany</td>
<td>GWh</td>
<td>104.38</td>
<td>100</td>
<td>95</td>
<td>108.98</td>
<td>105.86</td>
<td>102.59</td>
<td>+</td>
</tr>
<tr>
<td>Power consumption Germany per m² of sales area</td>
<td>kWh/m²</td>
<td>85</td>
<td>66</td>
<td>65</td>
<td>82</td>
<td>73</td>
<td>67</td>
<td>+</td>
</tr>
<tr>
<td>Absolute power consumption</td>
<td>GWh</td>
<td>123.95</td>
<td>140</td>
<td>135</td>
<td>145.35</td>
<td>146.16</td>
<td>143.53</td>
<td>+</td>
</tr>
<tr>
<td>Power consumption KIK European headquarters</td>
<td>GWh</td>
<td>3.3</td>
<td>2.2</td>
<td>2.1</td>
<td>3.9</td>
<td>4.1</td>
<td>2.3</td>
<td>+</td>
</tr>
<tr>
<td>Paper consumption Germany</td>
<td>Million sheets</td>
<td>24.48</td>
<td>8.6</td>
<td>8.5</td>
<td>14.92</td>
<td>9.28</td>
<td>8.69</td>
<td>+</td>
</tr>
<tr>
<td>Share of recycled paper for marketing materials and advertising</td>
<td>%</td>
<td>78.69</td>
<td>achieving 100%</td>
<td>achieving 100%</td>
<td>90.94</td>
<td>100</td>
<td>100</td>
<td>+</td>
</tr>
<tr>
<td>Water consumption KIK European headquarters</td>
<td>m³/head</td>
<td>12</td>
<td>7</td>
<td>6.8</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>+</td>
</tr>
<tr>
<td>Waste KIK European headquarters</td>
<td>t</td>
<td>835</td>
<td>1000</td>
<td>950</td>
<td>1093</td>
<td>1059</td>
<td>1029</td>
<td>+</td>
</tr>
<tr>
<td><strong>Ecology: Product Assortment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Öko-Tex textiles</td>
<td>%</td>
<td>2.19</td>
<td>48</td>
<td>50</td>
<td>51.2</td>
<td>49.1</td>
<td>47.5</td>
<td>-</td>
</tr>
<tr>
<td>Complaint rate</td>
<td>%</td>
<td>4.4</td>
<td>&lt; 0.5%</td>
<td>&lt; 0.5%</td>
<td>0.4</td>
<td>0.8</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Ecology: Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KIK overall (excluding Incoming Goods)</td>
<td>kt CO₂e</td>
<td>105</td>
<td>110</td>
<td>105</td>
<td>111</td>
<td>114</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td>KIK overall (excluding Incoming Goods) including green electricity</td>
<td>kt CO₂e</td>
<td>105</td>
<td>110</td>
<td>105</td>
<td>65</td>
<td>114</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td>Absolute transport emissions</td>
<td>kt CO₂e</td>
<td>25</td>
<td>35</td>
<td>30</td>
<td>38</td>
<td>39</td>
<td>37</td>
<td>+</td>
</tr>
<tr>
<td>Transport emissions Incoming Goods per ton of goods</td>
<td>kg CO₂e/Produkt</td>
<td>226</td>
<td>180</td>
<td>178</td>
<td>241</td>
<td>236</td>
<td>192</td>
<td>+</td>
</tr>
<tr>
<td>Share of air freight emissions from direct acquisitions</td>
<td>%</td>
<td>-</td>
<td>&lt; 5%</td>
<td>&lt; 5%</td>
<td>3</td>
<td>1</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Absolute CO₂ emissions KIK Germany at a constant emissions factor since 2009</td>
<td>kt CO₂e</td>
<td>91</td>
<td>80</td>
<td>70</td>
<td>86</td>
<td>86</td>
<td>81</td>
<td>+</td>
</tr>
<tr>
<td>Absolute CO₂ emissions KIK Germany per m² of sales area at a constant emissions factor since 2009</td>
<td>kg CO₂e/m²</td>
<td>74</td>
<td>50</td>
<td>47</td>
<td>68</td>
<td>61</td>
<td>56</td>
<td>+</td>
</tr>
<tr>
<td><strong>Social: Employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees in Europe</td>
<td>Quantity</td>
<td>18,129</td>
<td>22,994</td>
<td>24,210</td>
<td>25,313</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Employees in Germany</td>
<td>Quantity</td>
<td>14,951</td>
<td>18,386</td>
<td>19,041</td>
<td>19,279</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Share of women in management positions (base year 2010)</td>
<td>%</td>
<td>58</td>
<td>&gt; 50%</td>
<td>&gt; 50%</td>
<td>58</td>
<td>58</td>
<td>58</td>
<td>+</td>
</tr>
<tr>
<td>Trainee hiring quota (base year 2010)</td>
<td>%</td>
<td>74</td>
<td>&gt; 70%</td>
<td>&gt; 70%</td>
<td>72</td>
<td>71</td>
<td>68</td>
<td>-</td>
</tr>
<tr>
<td>Trainee ratio to total workforce (base year 2010)</td>
<td>%</td>
<td>10</td>
<td>maintain at 9%</td>
<td>&gt; 8%</td>
<td>9</td>
<td>8.4</td>
<td>8.4</td>
<td>+</td>
</tr>
<tr>
<td>Employment contracts subject to compulsory insurance (base year 2010)</td>
<td>%</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>82</td>
<td>84</td>
<td>85</td>
<td>+</td>
</tr>
<tr>
<td><strong>Social: Procurement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of “products that help” accumulated</td>
<td>Units</td>
<td>436,698</td>
<td>&gt; 5 Mio</td>
<td>&gt; 5 Mio</td>
<td>3,776,972</td>
<td>4,476,985</td>
<td>5,274,597</td>
<td>+</td>
</tr>
<tr>
<td>Number of active textile suppliers</td>
<td>Anzahl</td>
<td>n.a.</td>
<td>maintain at &lt; 400</td>
<td>maintain at &lt; 400</td>
<td>4,476,985</td>
<td>&lt; 400</td>
<td>&lt; 400</td>
<td>+</td>
</tr>
<tr>
<td>Ratio of supplier relationships &gt; 5</td>
<td>%</td>
<td>n.a.</td>
<td>maintain at &lt; 50%</td>
<td>maintain at &lt; 50%</td>
<td>maintain at &lt; 50%</td>
<td>51</td>
<td>50</td>
<td>51</td>
</tr>
</tbody>
</table>
THIS IS TO CERTIFY THAT

KIK TEXTILIEN UND NON-FOOD GMBH
SIEMENSSTRASSE 21
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 DNK STANDARD ON A LIMITED LEVEL OF ASSURANCE.

THE TEST COMPRIMES THE FOLLOWING EVALUATION CONTENT:

- Check for completeness and plausibility on the basis of the 20 criteria of the DNK standard
- 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 standard. 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.

Qualifications regarding the incentive systems: sustainability targets are generally not taken into consideration in target agreements and in the remuneration of managers and employees. The achievement of these targets is not disclosed as part of the evaluation of the top management level.

DATE OF THE AUDIT: 25/10/2017
CERTIFICATE NUMBER: SGS-G004-1117-18
VALIDITY: 29/11/2018
BERLIN, 30/11/2017

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