






# Navigating sustainability with commitment

ESG REPORT 2023

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This sustainability report has been prepared in collaboration with an auditing firm based on the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

## Dear readers,

This sustainability report is being published in a very special year: the year we are celebrating KiK's 30th anniversary! This wonderful anniversary gives us the opportunity to reflect on how far we have come and how much progress we have made in our sustainability efforts. We want to highlight our successes, but also look ahead to future challenges and define our goals for the future.


Sustainability is a key pillar of our business. We are constantly striving to strengthen our activities in this area and have developed a comprehensive sustainability strategy. Our commitment and proactive approach in recent years have put us in a good position and prepared us well for both the German Supply Chain Duty of Care Act (LkSG), which is already in force, and the forthcoming EU-wide regulations. Overall, we have seen a great deal of movement in the regulatory environment since our last sustainability report. Companies such as KiK are increasingly affected by new legislation, and this can significantly increase the requirements placed on us.

We consider the protection of human rights as essential. Global supply chains are complex and their multi-layered nature creates potential risks that need to be addressed. We therefore welcome a legal framework that ensures companies are more committed than before to improving production conditions. For us, it is crucial that the same rules apply to all companies. Possible loopholes for international providers of low-cost products in Germany which evade both regulation and European quality standards should be closed.

KiK plays a constructive role in various German and international alliances in debating how to effectively achieve better social and environmental standards. And we are not afraid to take the lead with our own initiatives: in Pakistan, for example, we have launched an alliance with local trade unions that is unprecedented. We are also moving with the times, for example by testing innovative ways to better track individual materials in our supply chain.

Our commitment to sustainability is and will remain at the heart of our business philosophy. We firmly believe that sustainability not only strengthens our business, but also makes a positive contribution to society and the environment. We are proud of what we have achieved and excited about what lies ahead. We would like to take this opportunity to thank all our employees, business partners and customers who have accompanied and supported us along this journey. Together we can achieve a great deal and give life and meaning to the abstract concept of sustainability. I am sure that KiK will continue to pursue its own sustainability strategy in a consistent manner going forward.

Kind regards and enjoy reading!



**“Our commitment to sustainability is and will remain at the heart of our business philosophy.”**

**Patrick Zahn**  
CEO of KiK Textilien and  
Non-Food GmbH

# About this report

**This is our seventh KiK sustainability report.** It focuses on KiK’s sustainability activities for the 2022 and 2023 financial years and highlights our goals and priorities on the way to more sustainable business practices, as well as our progress and challenges over the past two financial years. The editorial deadline was 5 June 2024.

In particular, the report focuses on environmental, social and governance (ESG) issues and how we prioritise them for the company’s stakeholders – our own employees, those in our value chain, business partners, local communities, consumers and experts.

We also report on our activities along the supply chain, our close collaboration with our suppliers and our active involvement in various multi-stakeholder initiatives and projects. Our aim is to provide comprehensive, transparent and comparable reporting.

## ESRS as a reporting standard

The European Corporate Sustainability Reporting Directive (CSRD) requires us to formally report in accordance with the new European Sustainability Reporting Standards (ESRS) starting in 2026. In preparation, we have already taken on the challenge of aligning our strategies, agendas, processes and initiatives, as well as our reporting approach, with these new requirements.

**In line with the ESRS, this report is based on a double materiality analysis.**

Prior to this, we carried out a gap analysis to gain an accurate picture of the extent to which KiK’s existing processes and initiatives already meet the criteria of the standards.

## Scope and audit

The scope of this report in the areas of goods procurement and logistics is defined by KiK Textilien und Non-Food GmbH, logistics as a whole, our Asian procurement companies and European subsidiaries. The emissions balance and logistics data relate to KiK Germany, including all stores, warehouses and the head office, as well as all other European sites. The emissions balance sheet complies with the Greenhouse Gas Protocol (GHG).

All employee statements were made by employees of KiK Textilien und Non-Food GmbH Germany, unless otherwise stated. The relevant departments have contributed to the preparation of the report, provided the data collected and approved the statements in this report. Business figures have been taken from the annual reports of KiK’s parent company, the Tengelmann Group. Since 2020, our carbon footprint has been prepared by KiK Textilien und Non-Food GmbH, in collaboration with various consulting firms.

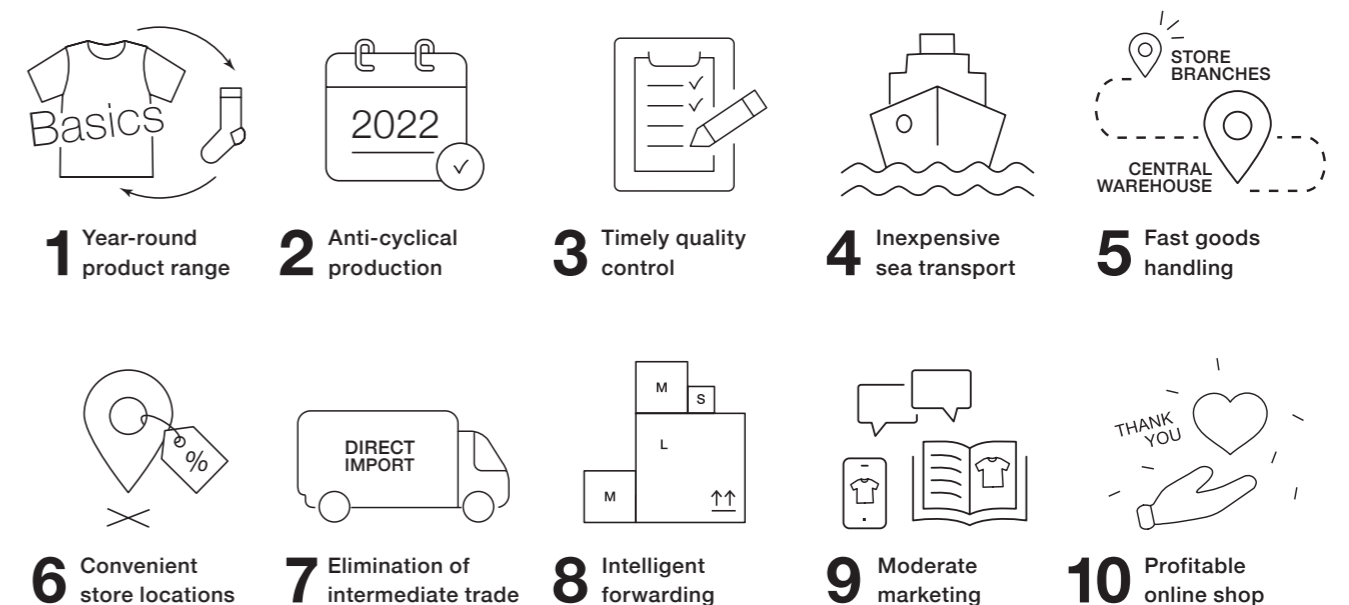
# KiK at a glance




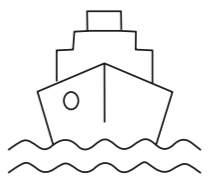

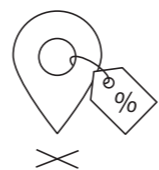
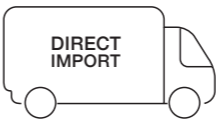
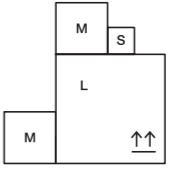


We see ourselves as a “basic supplier of textiles”. Our core business is to offer good quality textiles at affordable prices. Our range consists mainly of basics that should be part of every wardrobe. In addition to textiles, we also offer other non-food items such as home textiles, accessories, toys, stationery and gifts. Our main sourcing countries are Bangladesh, China, Pakistan and Türkiye. With our favourable prices, we aim in particular to appeal to families with children. Thanks to our many stores, we are always close to our customers and easy to reach.

- More than 4,100 stores in Europe, including 2,450 in Germany 
- Move than 4.100 stores in the EU
- Over 31.000 employees
- Present in 14 countries
- 800 direct suppliers
- A range of 20,000 products
- Turnover of € 2.4 billion in 2023

## 10 reasons why KiK is so inexpensive

In order to be able to offer our products at low prices, we consistently apply the discount principle. At the same time, we are constantly optimising our business processes and practising the “art of omission”. The following is an overview of other ways in which we keep our prices low:



- 1** Year-round product range 
- 2** Anti-cyclical production 
- 3** Timely quality control 
- 4** Inexpensive sea transport 
- 5** Fast goods handling 
- 6** Convenient store locations 
- 7** Elimination of intermediate trade 
- 8** Intelligent forwarding 
- 9** Moderate marketing 
- 10** Profitable online shop 



# Our sustainability strategy

**All of our business activities have an impact on people and the environment. That is why we take responsibility for our actions and let ourselves be guided by sustainability criteria:**

Not only do we want to offer quality at consumer-friendly prices, but also, we stand for sustainable business development that takes into account social and environmental standards.

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**Sustainability is at the heart of our business and we have aligned our operations and activities accordingly – not only in our stores, head office and warehouses, but in our global supply chains, too.**

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With this in mind, we have made significant progress in recent years in developing a robust sustainability strategy that increasingly focuses on environmental, social and governance (ESG) principles. Working closely with our parent company, Tengelmann, we have developed an ESG strategy based on strategic partnerships, recognising that joint action is the key to achieving our sustainability goals. This also means that we strongly encourage collaboration between subsidiaries and within the Group as a whole, for example by sharing knowledge and best practices. In this way, we aim to embed sustainable practices in our business and create long-term value.

# Sustainability approach

**Acting sustainably means reducing energy and material consumption, using more environmentally friendly chemicals and avoiding emissions. It also means taking responsibility for the people involved in manufacturing our products. We also support access to education in our sourcing countries in the Global South and the democratisation of consumption processes in the Global North.**

Our commitment extends to the health and safety of all our stakeholders, too. Our Human Rights Policy commits us to respecting and promoting human rights in our business processes and relationships and to working towards the elimination of human rights violations. In particular, we are committed to combating child labour, forced labour, excessive working hours, gender-based violence, bribery and corruption. The payment of minimum wage, the freedom of association and collective bargaining, health and safety in the workplace and compliance with relevant environmental standards are also important to us.

Furthermore, we ensure that our suppliers operate in a sustainable manner and comply with environmental standards. This is why we have added an environmental aspect to our Code of Conduct, in which our suppliers commit to reducing emissions and pollution in their production processes.

Our sustainability strategy is based on the expectations of all our stakeholders, including customers, investors, employees, regulators, NGOs and trade unions. It is also driven by legal requirements such as the German Supply Chain Due Diligence Act (LkSG) and the European Corporate Sustainability Reporting Directive (CSRD). We not only adapt to legal developments, but also proactively go beyond compliance to help protect the climate, the environment and society.

# Sustainability due diligence

We attach great importance to proactive and systematic due diligence management. We have therefore developed an ESG strategy and a comprehensive human rights strategy in line with the German Supply Chain Due Diligence Act (LkSG). These structures have enabled us to systematise sustainability-related issues, take effective action and significantly improve our sustainability performance.

In 2023, we started taking the first steps towards meeting the requirements of the new EU Corporate Sustainability Reporting Directive (CSRD), according to which we will be required to officially report starting in 2026. However, we feel it is important that we begin aligning our agendas and strategies with the requirements of the CSRD now.

## Our ESG strategy

Together with our parent company Tengelmann, we developed an ESG strategy in 2023. Three specific social and environmental goals were already defined in this strategy. Specific governance targets are currently being formulated.

### ENVIRONMENTAL GOALS



Emissions reduction, including through lower energy consumption



Reduction of chemicals and wastewater in the textile sector



Integration of initial recycling principles in the packaging sector

### SOCIAL GOALS



Safe working conditions in the supply chain



Fair working conditions in the supply chain



Promotion of development opportunities

### GOVERNANCE GOAL



Compliance with regulations and business ethics

For each of these goals, we have set specific targets and metrics to track progress over time. To start with, we have set a two-stage timeframe for achieving the targets: by 2025 and by 2030. Where necessary, we will adjust our goals and targets to reflect new or

amended EU legislation. For example, our environmental objective for the integration of initial recycling principles in the packaging sector is based on the criteria of the latest EU Packaging Regulation.

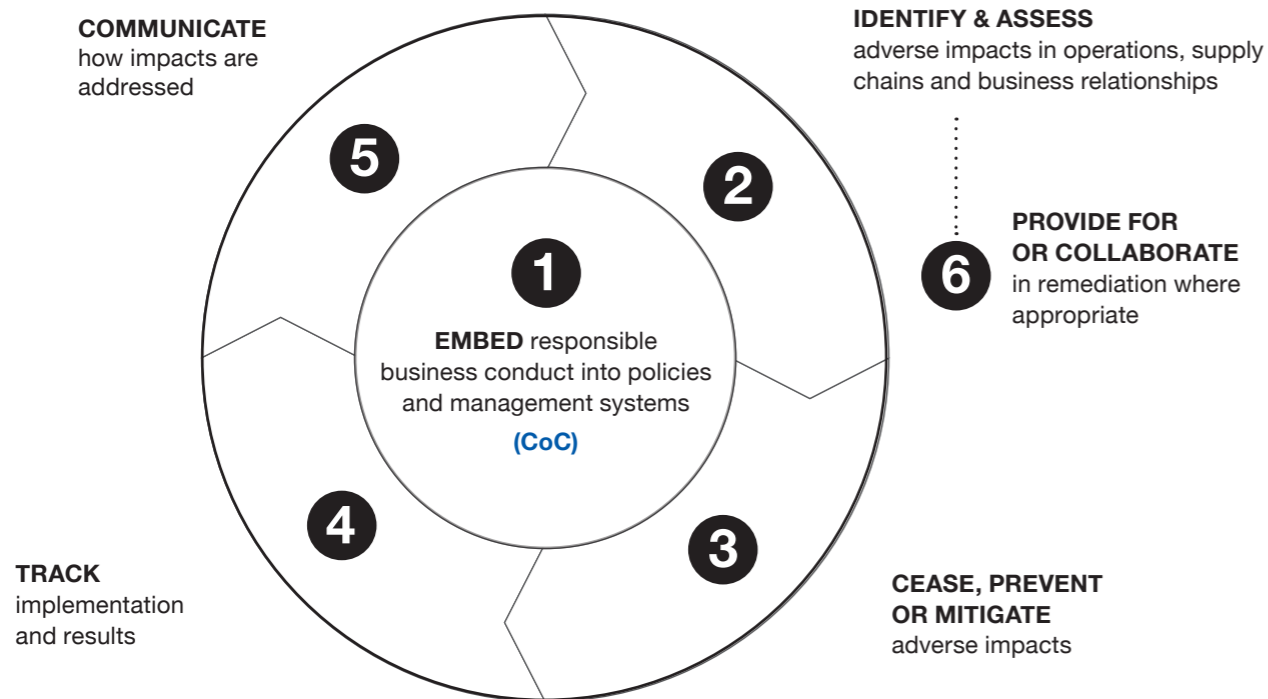
## The KiK human rights strategy

One focus of our sustainability work is the development of comprehensive and structured due diligence processes. These focus on our own business activities, our relationships with direct suppliers and, increasingly, compliance with human rights in the deeper supply chain.

In line with the requirements of the German Supply Chain Due Diligence Act (LkSG), we have developed a management system for human rights due diligence to ensure compliance with human rights in our supply chain.

Based on the UN Guiding Principles on Business and Human Rights and the OECD Guidance for Responsible Business Conduct, we have already implemented the processes and supporting measures described below.

### Due diligence processes and supporting measures



Graphic: OECD (2018) OECD Due Diligence Guidance for Responsible Business Conduct

## 1

### EMBED responsible business conduct into policies and management systems

- We have appointed a Chief Human Rights Officer and a Human Rights Officer and established governance structures for sustainability issues (see “Sustainability management”).
- We have a policy statement and have made public commitments aimed at integrating and prioritising sustainability and respect for human rights in all our activities. Of particular note are our Code of Conduct and our Human Rights Policy, which support and complement each other.

### Our Code of Conduct

Our Code of Conduct (CoC) is consistent with internationally recognised standards and conventions, including the Universal Declaration of Human Rights, the International Labour Organization (ILO) Core Conventions, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Global Compact and the Paris Climate Agreement. We expect all direct and indirect business partners to comply with the labour, health and environmental standards set out in the CoC and all other applicable laws. This commitment also explicitly applies to contract workers.

### Scope of the CoC

The Code of Conduct applies to all of KiK’s business activities and covers the majority of the value chain, with the exception of the downstream supply chain, as well as the most important stakeholder groups. It is aimed at, among others:

- Our own employees: Labour standards for all employees, with a focus on topics identified as material in our double materiality analysis (see also Material ESG topics at KiK), including working hours, remuneration, working conditions, health and safety, forced labour, child labour, discrimination, data protection, freedom of association and collective bargaining.

- Affected communities: This includes issues such as land rights and the protection of indigenous peoples as well as environmental protection measures.

- Business partners and employees in our supply chain: We expect our business partners to take responsibility for ensuring that risks are identified in line with these requirements and that appropriate management systems are in place to prevent, eliminate or minimise these risks.

A healthy environment has been recognised as a fundamental human right by the UN Human Rights Council since 2021. In addition to social issues, the CoC also addresses environmental issues. We require our suppliers to take appropriate measures to prevent or minimise environmental damage. Suppliers are also required to develop an environmental management system to implement, improve and document their environmental performance.

The CoC is part of our General Terms and Conditions. It is also available online on the KiK website and is the responsibility of KiK management, including the CEO, COO and Head of ESG.

## The KiK Human Rights Policy in detail

Our Human Rights Policy builds on and complements our Code of Conduct. It is based on the same international frameworks. We have clearly set out our due diligence with regard to human rights and the environment in the policy. It applies both to our own operations and to other parties in the supply chain within our sphere of influence and responsibility. It goes without saying that our business partners also have an independent responsibility to respect and protect human rights and the environment.

Our policy sets out our expectations in relation to a wide range of human rights. These include the right to equality and non-discrimination, the right to personal safety, the right to fair and just working conditions, the right of access to effective legal remedies, the right to a clean environment, safe water and sanitation, and many others.

As our supply chains also focus on the textile industry, we have a lot to do with emerging and developing countries where there is a higher risk of potential human rights abuses. We can only meet this challenge with active strategies to manage and minimise such risks. In each case, we carefully consider whether we can achieve more by engaging effectively in these countries than by withdrawing from them.

Like our Code of Conduct, the Policy is overseen and implemented by senior management, in particular the CEO, the CMO and the Head of the ESG department. The policy is available online on the KiK website and is also published in the ESG package for suppliers.

2

### IDENTIFY AND ASSESS

adverse impacts in operations, supply chains and business relationships

We conduct regular human rights risk assessments to identify the most significant human rights risks in our supply chains and in our own operations. Specifically, we carried out four risk assessments in 2023: for our own operations, for the textile supply chains, and for the non-food and non-retail segments.

For KiK's own operations, we considered all KiK departments in all countries in which the company operates. The supply chain risk assessments were broken down by product category and country. These risk assessments are updated on an annual basis.

The human rights risks identified as material in the supply chain are addressed in the KiK Code of Conduct and the Human Rights Policy. The Code of Conduct addresses issues such as working hours, remuneration, working conditions, health and safety at work, freedom of association and environmental protection, prohibition of child and forced labour and prohibition of discrimination.

3 &amp; 4

### CEASE, PREVENT OR MITIGATE

adverse impacts and track implementation and results

Our measures to address the identified risk areas are reflected in our procurement policies and guidelines. In particular, we ensure that appropriate information is shared and that relevant stakeholders are trained on these issues. We also require appropriate contractual assurances from all business partners and conduct regular risk-based reviews and audits to ensure compliance with social expectations. For more information on our initiatives and how we measure our progress (see "Focus on people").

5

**COMMUNICATE** due diligence strategies, processes and activities to address potential negative impacts

One requirement of the LkSG is the publication of an annual report on the development and implementation of the company's human rights due diligence obligations based on a catalogue of questions specified by the Federal Office of Economics and Export Control (BAFA). We began preparing the report in 2023. By publishing the progress made in the implementation and the results of the human rights due diligence, we are living up to our principles of transparency.

6

**PROVIDE FOR OR COOPERATE** in remediation when appropriate

The Code of Conduct also explains KiK's grievance channels, which allow all stakeholders to report violations or concerns regarding the implementation of our sustainability standards. For more information on our complaints channels (see "Corporate governance").

The Human Rights Policy focuses on our commitment to take effective remedial action when KiK has caused or contributed to human rights violations through its business activities.

## Steps towards the CSRD

Following the adoption of the EU Corporate Sustainability Reporting Directive (CSRD), we are now taking up the challenge of meeting its requirements. So far, this has been a voluntary initiative to demonstrate our commitment to sustainability strategies. Although we will not be required to formally report under the CSRD until 2026, we are using it as a guide to get a clear picture of where we stand in relation to the CSRD criteria. For this reason, we have already carried out a gap analysis for 2023.

### Alignment of agendas and strategies with the Corporate Sustainability Reporting Directive (CSRD)

By aligning our ESG and human rights strategies with the new CSRD on corporate sustainability reporting, we are ensuring that we will be able to comply with evolving regulatory standards and minimise the risk of non-compliance and potential penalties.

By aligning our ESG strategy with the requirements of the CSRD, the ESG department can develop a clear roadmap for our sustainability efforts and set specific targets and timelines for achieving key objectives by 2030. The ESG strategy already includes a number of

performance indicators that can also be aligned with the material issues identified by the double materiality matrix (see results below). By comparing the results of the 2023 double materiality analysis with the topics identified in the ESG and Human Rights strategies, we are ensuring that not only the internally identified sustainability topics are addressed, but also those that are considered material by other stakeholders and the market. However, there is still room for improvement and it is important that we continue to engage with a wider group of external stakeholders.



# Material ESG topics at KiK

We have already carried out our first double materiality analysis for 2023 in accordance with the CSRD. A total of 17 environmental, social and governance topics have been identified as particularly material:

**ENVIRONMENT**

**SOCIAL**

**GOVERNANCE**



**Climate mitigation:**  
· Energy measurements



**Water consumption**



**Climate adaptation**



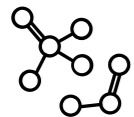
**Land-use change (Biodiversity)**



**Environmental pollution:**  
· Water pollution  
· Soil pollution



**Circular economy and waste management**



**Chemicals management**



**Working conditions:**  
· Health and safety  
· Appropriate wages  
· Working hours



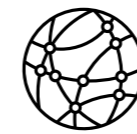
**Equal treatment and equal opportunities**



**Training and education**



**Equal treatment and equal opportunities**



**Working conditions:**  
· Health and safety  
· Appropriate wages  
· Working hours  
· Social dialogue and freedom of expression  
· Employment security



**Forced labour and child labour**

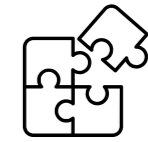
**CONSUMERS\***



**Data privacy**



**Personal safety**



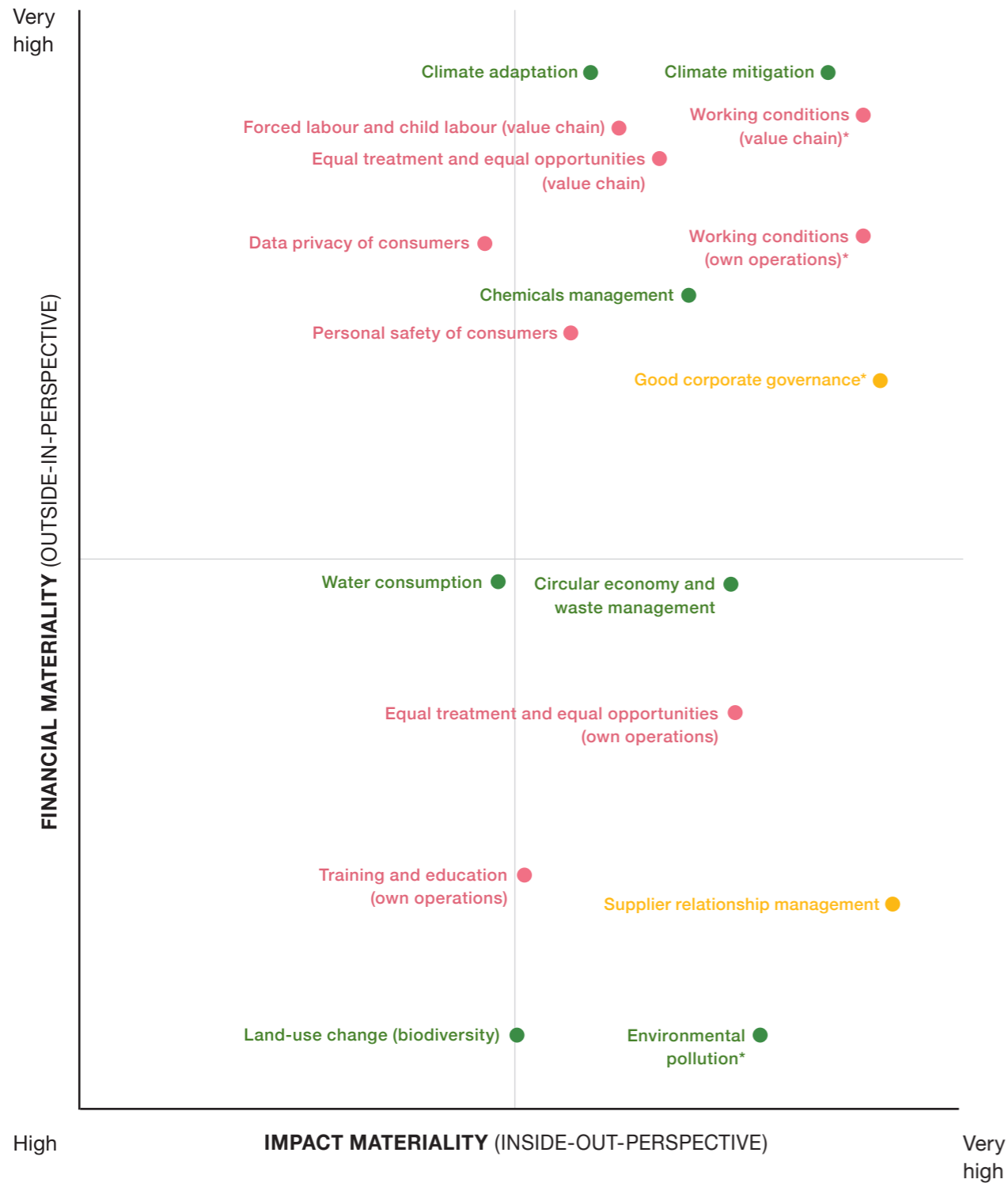
**Good corporate governance:**  
· Corporate culture  
· Fight against corruption, bribery and anti-competitive behaviour  
· Protection of whistleblowers



**Supplier relationship management**

*\*Please note that the rightsholder groups end users and affected communities are not included in this report. Although they were included in the double materiality assessment and end users was defined as a material rightsholder group, it was decided to focus on the rightsholder groups own operations and value chain.*

### Double materiality matrix



- ENVIRONMENT
- SOCIAL
- GOVERNANCE

# Double materiality analysis

The double materiality analysis in accordance with the draft version of the ESRS was conducted from April to June 2023. The materiality analysis is considered to be an ongoing process that evolves on an annual basis. As further guidance and sector-specific standards are issued by the European Financial Reporting Advisory Group (EFRAG), the assessments and results may change over time.

**The methodology used consists of three main steps:**

## 1. Consolidation of a list of sustainability topics

The double materiality assessment is based on a consolidated list of sustainability topics that was developed from internal and external contexts. Internal topics include corporate objectives, voluntary commitments and initiatives. External topics include regulatory and legal frameworks, EFRAG/ESRS topics, industry standards, international standards (GRI) as well as trends and risks.

## 2. Stakeholder engagement

An important requirement of the CSRD is the representation and inclusion of the interests and perspectives of a company’s stakeholders. For an initial assessment of the topics on the consolidated list, we held a workshop with the sustainability team and subsequently interviewed other internal stakeholders, including representatives from Purchasing, Communications, Quality Management, Human Resources, Compliance and Legal, as well as from departments with a high level of expertise with regard to social (particularly employee-related) environmental and governance issues. The workshop participants also have many years of experience in dealing with such issues at KiK.

They are responsible for the implementation of the sustainability strategy, compliance with the Supply Chain Duty of Care Act (LkSG) and the management of social and environmental risks in the supply chain. Based on their expertise, the ESG topics were assessed for impact and financial materiality.

First, each stakeholder group was asked to rate all ESG topics on a scale of 1 to 5 in terms of the materiality of their impact and financial significance. Experts were consulted where stakeholders felt they could not make an appropriate assessment, for example due to a lack of information.

## 3. Analysis of results

The results were analysed in collaboration with external consultants. The findings from the stakeholder interviews were collated and categorised according to impact and financing issues to create a preliminary matrix.

In addition, further research was conducted on specific topics and relevant industry initiatives and standards, such as the Textiles Partnership, the Fair Wear Foundation, the CDP and the European Environment Agency. The results were used to verify the final assessment of some ESG topics. Finally, a threshold was applied to identify the most material topics. We also made strategic decisions in prioritising the topics.

**As mentioned above, we plan to align all our sustainability strategies with the results of the double materiality analysis and the requirements of the CSRD. We intend to develop a roadmap to make the integration of processes for assessing and managing all impacts, risks and opportunities into an overarching risk management system clearer and more structured.**



# How we protect the environment

**The textile and clothing industry is one of the largest industrial sectors in the EU in terms of resource consumption and greenhouse gas emissions. Studies by the European Parliament from 2023 show that up to 10 percent of all greenhouse gas emissions in the EU can be attributed to clothing.<sup>1</sup>**

The process stages of textile production that have a particularly high environmental impact, and which often take place outside the EU, are the cultivation and production of raw fibres and textile finishing. These stages consume raw materials, water and energy. Dyeing and bleaching use chemicals that can be released into the environment via wastewater.

We are committed to continuously reducing our environmental footprint and the impact of our operations and products on people and the environment. We are focusing on reducing carbon emissions in the supply chain and using chemicals in a conscious and responsible manner. We are working to increase the use of sustainable materials in our textile products.

Based on our double materiality analysis, this chapter shows how we are assuming responsibility by taking the necessary steps to reduce the impact of our business activities on climate change and to adapt to the consequences of climate change; how we are reducing the environmental impact of chemicals, particularly from garment production; how we are improving our water management and our use of marine resources; how we are working to protect the biodiversity of ecosystems; and how we are transforming our resource use towards a circular economy. For each of these five topics, we describe our impacts, risks and opportunities, as well as our targets, metrics and actions.



**SDG 2:**  
Zero hunger



**SDG 3:** Good health and well-being



**SDG 6:** Clean water and sanitation



**SDG 12:** Responsible consumption and production



**SDG 14:**  
Life below water



**SDG 15:**  
Life on land

<sup>1</sup> European Parliament (2024). The impact of textile production and waste on the environment (iconographics).

# Climate change

The ongoing process of climate change is one of the defining issues of our time. The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) concluded that man-made greenhouse gas emissions are clearly responsible for global warming. In January 2024, the World Meteorological Organisation (WMO) officially confirmed that 2023 was by far the hottest year on record. According to the WMO, key datasets show that the global annual mean temperature in 2023 was about 1.45°C above pre-industrial (1850–1900) levels. This is close to the 1.5°C limit set by the Paris Agreement. Many climate impacts – including extreme weather events – have increased in intensity and frequency and are occurring more quickly than expected.

In addition to the impacts on people and the environment, climate change and its consequences also have significant economic costs for the textile industry. According to a study by Cornell University, extreme weather events such as heat and flooding could cost the apparel industry up to € 60 billion in exports by 2023, disrupting production and threatening the well-being of workers. To slow climate change and mitigate its effects, a range of stakeholders must actively contribute to reducing emissions. Companies have a very particular responsibility.

Through our double materiality analysis, we have identified climate change mitigation, specifically the reduction of greenhouse gas emissions, and adaptation to the impacts of climate change, known as climate change adaptation, as being particularly relevant to our business. To mitigate the effects of climate change, we are committed to:

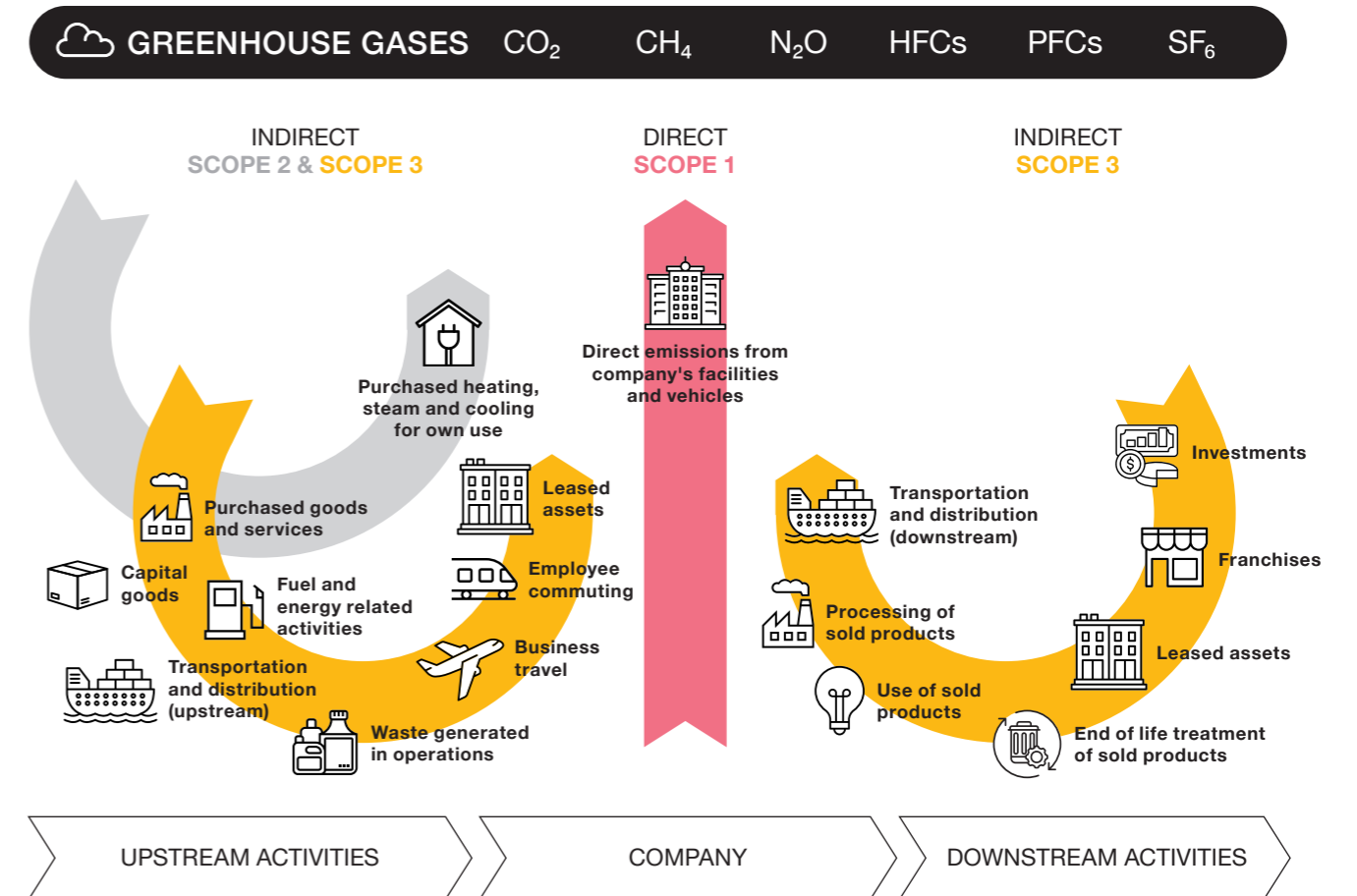
- continuously analysing the positive and negative impacts of our efforts to reduce greenhouse gas emissions;
- aligning our greenhouse gas reduction actions with the 1.5°C target of the Paris Climate Agreement;
- understanding the impact of the short, medium and long-term effects of climate change on us as a business and shaping the scope of implementation of adaptation measures accordingly;
- considering the overall financial impact of climate change and quantifying adaptation measures for the company.

## What role does the issue of climate change play at Kik?

We recognise the environmental impact of our manufacturing and supply chain and have set ambitious targets to reduce our emissions.

As part of our reporting under the CDP initiative, we have begun to identify climate-related risks to our own operations and supply chains. For more information (see “Climate adaptation”).

In 2018, we signed the Fashion Industry Charter for Climate Action and committed to reducing our absolute aggregated Scope 1, 2 and 3 emissions by 50 percent by 2030. We are currently working on a detailed carbon reduction roadmap, which will lead to a transition plan. Both are expected to be finalised in 2024.



<sup>2</sup> European Parliament (2024). The impact of textile production and waste on the environment. Grafik: Greenhouse Gas Protocol (2019)



## Climate mitigation

· Energy measurements

### Targets and measures to limit climate change

We want to continue to reduce our carbon emissions in the future. Therefore, we have set ourselves the following reduction targets, against which we will monitor and measure progress:

- By 2030, we aim to reduce emissions by a total of 50 percent compared to 2019.
- We will set science-based targets for 2024/25 to ensure that our planned emissions reductions are in line with the requirements of the Paris Agreement.

Energy efficiency and the use of renewable energy to reduce greenhouse gas emissions are key to achieving our targets. We have concrete plans to improve energy efficiency in our own operations and those of our Tier 1 suppliers:

- Existing lighting in our stores is being gradually replaced with energy-efficient LED lighting.
- Our employees are being trained on energy efficiency and how to optimise it in the workplace.
- We already purchase green electricity in our sales countries Austria and the Netherlands.
- Further renewable energy projects are in the planning.

As part of our Textiles Partnership membership, we are working with our suppliers to implement extensive measures on various aspects of emissions management:

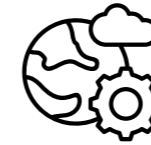
- We hold training courses on climate management as well as on greenhouse gas emissions calculation and reduction.
- Based on this, suppliers' energy consumption and greenhouse gas emissions are assessed.
- Finally, we work together to identify reduction measures to be implemented by 2024/2025.

To ensure progress in the implementation of measures to achieve the target, our calculation includes not only direct (Scope 1) and indirect (Scope 2) emission sources, but also relevant indirect emission sources in the upstream and downstream value chain (Scope 3).

The following Scope 3 categories were considered:

- Purchased goods and services
- Capital goods
- Fuel and energy-related emissions
- Transport and distribution (upstream)
- Company waste
- Business travel
- Employee commuting
- Transport and distribution (downstream)
- Use of products sold
- Disposal of products sold

Since 2021, we have reported our climate change performance annually to the CDP. In the 2023 CDP Climate Report, we improved our rating from B- to B. We continuously measure energy consumption at all sites by various emission sources and energy intensity per square metre in Germany. We plan to expand the measurement of energy intensity per production unit. To determine emissions intensity, we calculate emissions in relation to net sales.



## Climate adaptation

### CDP climate reporting

For companies, adapting to climate change means integrating external changes caused by climate change into their decision-making processes and responding to them.

As part of our annual CDP climate reporting, we analyse the climate-related risks to people in our supply chain and in our own operations, and will continue to do so until 2024. Material risks identified include:

- Extreme weather events may have an increasingly negative impact on people in supply chains.
- Heat waves can have a negative impact on the health of workers in supplier factories.
- In Bangladesh, for example, increased flooding can put people at risk and damage the textile industry.
- Extreme weather events can also have a serious impact on cotton crops.

These potential impacts can lead to additional costs in raw material sourcing, production, transportation and distribution to our stores.

A further analysis of the potential damage to the company is planned, and will be used to consider further climate adaptation measures.

# Pollution

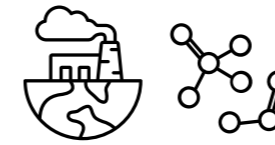
Textiles have long and complex value chains that can lead to various negative environmental impacts, such as water and soil pollution. To avoid these impacts, we pay particular attention to the careful use of chemicals in textile production and the prevention of water and soil pollution.



Yarn in a textile factory in Pakistan

The production and processing of textiles requires chemical and water-intensive processes, such as bleaching, dyeing and printing. The use of many chemicals requires appropriate protective measures for workers in textile factories to prevent health risks. There is also a risk that wastewater from various production processes will pollute local water resources if not properly treated, and that pollutants will leach into the soil. In addition to the use of chemicals, the release of microfibres and microplastic particles is another environmental risk.

To counteract these negative impacts, we are progressively addressing the issue of pollution in our supply chain.



## Environmental pollution and Chemicals management

### Reduction of hazardous chemicals

The reduction of hazardous chemicals that may be released into the environment along the value chain is at the heart of our strategy to minimise our environmental impacts. We are committed to phasing out hazardous chemicals in our value chains. We are working closely with our suppliers to achieve this.

KiK Textilien und Non-Food GmbH is a “Signatory Friend” of the multi-stakeholder initiative Zero Discharge of Hazardous Chemicals (ZDHC) and is committed to implementing the ZDHC guidelines for the reduction and substitution of hazardous chemicals and for wastewater management. The initiative aims to eliminate hazardous chemicals from the textile industry. Using the resources provided by the initiative, such as the ZDHC Gateway, we track the use of safe alternatives to harmful chemicals. We aim to reduce the chemical load of industrial wastewater and sludge from the wet processing of textiles. In doing so, we aim to prevent the contamination of the surrounding water and soil and the associated negative impact on neighbouring communities. The basic prerequisite for this is the existence of functioning wastewater treatment plants.

We support our suppliers in implementing the relevant ZDHC guidelines for the reduction and substitution of hazardous chemicals and the handling of wastewater. In addition, KiK has its own guidelines for chemicals that are not permitted in textile production processes. These are listed in the MRSL (Manufacturing Restricted Substances List). In addition, there are specifications for chemicals that may only be found in limited quantities or not at all in the end product (chemicals on the Restricted Substances List, or RSL for short).

Our goal is for 20 percent of our Tier 1 and Tier 2 suppliers in all sourcing countries to be MRSL/RSL-compliant by 2025 and 60 percent by 2030. The aim is to prevent the use of harmful chemicals in the manufacturing process and the potential negative impacts on surrounding ecosystems and communities.

Together with our suppliers, we are also pursuing the goal of having 20 percent of our Tier 1 and Tier 2 suppliers registered with the ZDHC and compliant with the ZDHC Wastewater Guidelines by 2025 and 70 percent by 2030. This means that wastewater tests are carried out at supplier level in accordance with ZDHC guidelines and appropriate measures are introduced to reduce and/or substitute chemicals. The goal is to successively reduce the pollutant loads in wastewater.

### Measures to implement the strategy

Various measures have been identified and implemented to achieve the above objectives. We have developed the KiK Chemical and Wastewater Guidelines for our textile suppliers to assist them in establishing good chemical and wastewater management practices in their production facilities. In addition, all suppliers implementing the processes described above have successfully completed a training programme on chemical and wastewater management and the requirements of the ZDHC at Tier 1 level in our sourcing country Bangladesh. Training programmes in other sourcing countries are planned for 2024.

To verify that our suppliers meet the requirements for good chemical management, we conduct regular supplier audits, identify areas for improvement, and develop and implement appropriate measures, for example regarding the storage and labelling of chemicals as well as the use of protective clothing.

## Water and marine resources

As mentioned above, the textile industry has the potential to pollute water bodies through the use of chemicals throughout the value chain. The particularly high water consumption of the textile industry can also lead to pollution. For example, large amounts of water are used to grow cotton, manufacture textiles, and wash and iron textiles. It takes up to 11,000 litres of water to produce one kilogram of cotton.

Marine resources can also be affected by chemical and other waste. The goal is to reduce freshwater consumption through the efficient use of chemicals in production processes and good recycling of production wastewater, and to prevent water pollution through good chemical and wastewater management.



### Water consumption

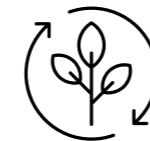
To ensure that our efforts to limit our impact on water and marine resources are not limited to merely the use of chemicals, we also look at our overall water consumption. As part of our ISO 14001 environmental management system, we record the water consumption at KiK's European head office and at our largest warehouse in Bönen, Germany, and are gradually reducing it, for example through the use of water aerators and regular staff training.

In addition, we will collect data on water consumption in our supply chain in the future. We also plan to conduct a detailed analysis of our dependencies and impacts on water resources. Based on this, we will set targets and develop measures.

## Biodiversity and ecosystems

The environmental risks and impacts described above, such as water and soil pollution, greenhouse gas emissions and consumption of natural resources, are just some of the factors that can contribute to the loss of biodiversity and damage to ecosystems.

The production of textile raw materials, the manufacture and processing of textiles, and the use and disposal of products have different impacts on various aspects of biodiversity. The term "biodiversity" generally refers not only to the diversity of species, but also to the genetic diversity within a species and the diversity of ecosystems.



### Land use change (biodiversity)

#### Analysing the impact of KiK on biodiversity

Our aim is to work with our business partners to progressively identify the biodiversity impacts of each process in our value chain. We are currently working with the Global Nature Fund on a Biodiversity Check. The goal is to gain an overview of the biodiversity impacts and interdependencies of various business areas, identify risks and review business processes from a biodiversity perspective. In a subsequent workshop with the Global Nature Fund, we will discuss how we can integrate biodiversity into our environmental strategy and what measures can be implemented to protect biodiversity.

For more information, see interview on page 30.



# Resource use and the circular economy

A central theme of our environmental management approach is to look critically at how we use resources and manage waste, with the aim of reducing negative impacts on the environment.



Recycling in a factory in Pakistan

For example, recyclable textiles with a closed life cycle from textile production to disposal can significantly reduce environmental impact, resource consumption and greenhouse gas emissions. Other essential aspects include avoiding unnecessary product packaging and improving the recyclability of packaging.

It is also important to reduce other materials not associated with our sales products, such as copier paper in administration.



## Circular economy and waste management

### Our strategy and actions for implementing the circular economy

To achieve this goal, we are focusing on minimising the use of non-product-related materials in our operations, such as plastic and paper. We also aim to gradually reduce the use of materials and resources in our products and product packaging, and to focus on the recyclability of our textile products.

We have set ambitious targets to increase the amount of recycled material in our product packaging. By 2025, this will increase to 10 percent for product packaging and 35 percent by 2030. The proportion of transport packaging will also be increased accordingly. In addition, we have already optimised internal material-intensive processes such as printing documents in terms of material consumption. We are also phasing out printed sales brochures and have introduced a reusable system in our company canteen, Relevo, to reduce the use of disposable tableware. The paper products used internally are almost exclusively FSC- or Blue Angel-certified.

To reduce the use of resources in the products themselves and to ensure recyclability, our initial focus is to gradually increase the proportion of recycled materials by 2030.

At the same time, we are working on a “circular design” to improve the recyclability of our textiles in the future. A workshop has already been held to discuss various criteria such as the use of recycled materials, durability, chemicals used, etc., as well as design strategies. The next step will be an analysis of our textile range to see if it meets the circular design criteria.

We are also involved with Circular Republic, an initiative to create a circular textile economy with a network of stakeholders from across the textile value chain. As part of this initiative, we are participating in joint workshops and running a pilot project to explore, among other things, the reuse and recycling of textile products.

For more information, see interview on page 31.







**Louisa Lösing**  
Head of Business & Biodiversity  
at the Global Nature Fund

#### What does it mean to integrate biodiversity into corporate due diligence?

Companies have both a legal and a social obligation to protect and promote biodiversity. “Biodiversity” refers to the variety of species, such as plants, animals and micro-organisms, and ecosystems, such as forests, moors and savannahs. It is therefore the basis for human survival. For companies, integrating biodiversity into their due diligence, strategy and environmental management means gaining an overview of the extent to which they depend on biodiversity and of the impacts of their activities, for example through land use, pollution or overexploitation of natural resources. On the one hand, it is important to prevent negative impacts on biodiversity in one’s own company, and on the other, to have a good understanding of supply chains and to support suppliers in implementing measures.

#### Where do you currently still see challenges for companies?

Many companies do not yet have a comprehensive picture of their direct and indirect impacts on biodiversity and how they can protect it. They are often unable to fully trace their supply chains and therefore have only a rough idea of where their raw materials come from and under what conditions they are produced.

This can make it difficult for them to take effective action to protect biodiversity. Some companies are now starting to develop their own expertise in this area. In addition, biodiversity does not easily lend itself to KPIs, and effective biodiversity protection must go hand in hand with far-reaching economic transformation.

#### How can the Biodiversity Check help companies integrate biodiversity into their business activities?

With the Biodiversity Check, we help companies like KiK to identify their biodiversity impacts and risks, and to identify gaps. We discuss the results of our assessment with company representatives – including senior management – and develop pragmatic measures that the company can then take forward and expand on in the form of a “Biodiversity Action Plan”. Actions range from corporate strategy, product development, sourcing and supply chain to reporting, operations and more.



**Carl Warketin**  
Co-founder of the  
Circular Textile Platform  
in Circular Republic

#### In general, what aspects of circularity are important for textile companies and the textile industry?

In any industry, circularity needs to be considered from the outset: what materials should be used in production, how production should be carried out (the concept of “circular design”) and how products can be kept in the cycle for as long as possible. There is a wide range of issues along the value chain, from second-hand to recycling streams. One of the big questions is how to reclaim textiles that are currently in use and whether we can, for example, add a digital product passport to textiles as part of this process. Once textiles are collected from producers, they need to be sorted properly and automatically so that they can be resold profitably through retailers. To maximise the value of the materials, it is important that as few used textiles as possible are exported as waste or incinerated. So we are looking at the whole value chain with different technologies.

#### What challenges do you face in your work with companies (in the textile sector)?

Companies are not always prepared to make a long-term commitment. They may find the approach interesting, but in many cases only project groups or individuals are responsible for the issue. There is

typically a lack of budget and capacity to implement plans and bring them to market. Often what is being changed competes with the existing business model. Sometimes companies do not take the issues into their own hands, preferring to wait for politicians, partners or the right recycling technology – few just go ahead and do it.

#### What projects does Circular Republic carry out for KiK?

As part of our partnership with Tengelmann 21, we offer KiK the opportunity to participate in and initiate multi-stakeholder projects. Through these initiatives, we aim to drive sustainability and innovation around the circular economy in the textile sector. One of these projects was about pre-consumer waste, where we worked with KiK and Prezero to find a second use for KiK’s pre-consumer waste. Through this collaboration, we were able to reuse KiK’s waste, reduce its environmental impact and promote a more sustainable business model.

# People at the core

**Value creation needs people. The value chain is therefore not primarily made up of processes, but also of people – from the workers in the extraction and production of raw materials to the end customer. For global value chains to be sustainable and serve the long-term wellbeing of all those involved, the rights of people must be consistently protected.**

We are committed to conducting our business in a responsible manner, respecting and protecting human rights and promoting education and equal opportunities wherever we operate. This commitment is an integral part of how we do business and is reflected in both our management approaches and our daily actions. We focus on the people along our value chain as well as our own employees. As part of our social commitment, we are also committed to the local people and communities around our manufacturing sites in the countries where we operate, as well as to our customers.

According to the CSRD and ESRS, the social pillar comprises four groups of stakeholders: the company's own employees, employees in the value chain, communities affected by the company's activities and end consumers.

In line with the results of our double materiality analysis, we focus on three of these groups in this chapter: our own employees, employees in the value chain and end consumers. The fourth group is made up of communities that are particularly affected by the issues of chemical management, water and soil pollution and land use change. These are covered in "How we protect the environment".

In this chapter, we discuss the material topics that were identified as part of the double materiality assessment (for the methodology see "Our sustainability strategy"). For each stakeholder group, we describe the measures we have taken to address the identified material topics and our respective objectives. We also address other topics that are not directly related to the material topics, but which we consider to be of particular importance.



**SDG 1:**  
No poverty



**SDG 3:**  
Good health and well-being



**SDG 4:**  
Quality education



**SDG 5:**  
Gender equality



**SDG 8:** Decent work and economic growth



**SDG 10:**  
Reduced inequalities



**SDG 17:**  
Partnerships for the goals

# Our own employees

Our own employees include, in particular, all employees who have a direct employment relationship with KiK, i.e. all employees at the head office in Bönen, in all KiK stores throughout Europe and in our sourcing offices in South East Asia. The employees in the KiK stores make up the majority of the workforce. We strive to create a pleasant working atmosphere in which everyone feels comfortable and welcome at all times.

## The employees of KiK

We are an international company. That means we rely on people working for us in different parts of the world. They make an important contribution to our success as a business. We have a responsibility to protect their rights and recognise their achievements. We are guided by the principles set out in our Code of Conduct and our Human Rights Policy. Our managers, both at the head office and in our stores, have all received training on the Code of Conduct and they themselves train their areas and departments accordingly.

Our Human Rights Policy is based on the UN Guiding Principles on Business and Human Rights. We are committed to conducting our business in an ethical and responsible manner. This means complying with all relevant German and international laws without

exception. We also align our business activities with the principles and rights set out in the International Bill of Human Rights and the core labour standards of the International Labour Organisation (ILO).

Together with the human rights consultancy Löning – Human Rights and Responsible Business GmbH, we conducted a human rights risk analysis in 2022 to identify the main risks for employees in the company. This risk analysis was conducted in accordance with the German Supply Chain Due Diligence Act (LkSG) and updated in 2023. We used the results of the risk assessment to support the double materiality analysis.

**21**  
nationalities in the  
KiK headquarters

**112**  
nationalities  
in total

**58%**  
women in manage-  
ment positions at  
the KiK headquarters

**1,302**  
trainees in 19  
different training  
occupations

**4.45 years of  
service (on average)  
at KiK as a whole  
and 5.75 years at  
the head office**

## Material topics related to the company's own workforce



### Working conditions

- Health and safety
- Appropriate wages
- Working hours

Most of our own employees work in Europe. Some are also employed in sourcing offices in South East Asia. We are committed to ensuring that all our employees have the right to fair and good working conditions. This applies particularly to health and safety, working hours and fair pay, which we address below.

#### · Health and safety

We have a strong interest in ensuring that all employees remain healthy and are not injured at work. Health and safety at work is therefore a top priority. In general, the risk of accidents at work and occupational illnesses is comparatively low at our subsidiaries and own sites. Nevertheless, the company has cross-departmental occupational health and safety groups that meet quarterly. They focus on prevention and implement measures and programmes to reduce the risk of occupational accidents and illnesses in the first place.

Our health and prevention programme at the KiK head office includes ergonomic workplace design, regular health weeks, health checks, a health day and classes on topics such as nutrition and stress prevention. We also contribute to the costs of sports courses at adult education centres and offer our own company sports courses as well as massages. Several times a year we offer flu vaccinations at the head office.

The health week takes place over four days and covers four different topics: health at work, nutrition, back health and stress prevention and management. In 2023, we offered posture diagnostics, a cardio-stress test, a pupillographic sleep analysis and a vitality screening. The 2023 health day included a spinal screening, muscle tone measurement and a mobility workshop.

### - Working hours

We want to offer our employees the best possible work-life balance. We offer them the opportunity to work part-time, as this has been shown to lead to greater well-being and less stress, improving health in general and mental health in particular. There is also the option of mobile working for employees at the KiK head office. In 2023, this offer was widely used.

In 2023, there were 13,784 part-time employees at KiK in Germany, or around 72 percent of the total workforce. Around 22 percent, or 4,128 employees, worked full-time. In addition, we employed 1,282 trainees and interns, making up about 7 percent. These figures include the KiK stores and our employees in South East Asia.

We promote the compatibility of family and career not only through our flexible part-time models, but also at our head office in Bönen through collaboration with other local companies within the framework of a large day-care centre. Child-minders from a service provider look after employees' children under the age of three on behalf of our "Menschzwerge" partnership. We provide the premises and equipment.

In order to better understand the needs of employees at the Bönen site and to implement appropriate measures, we conducted an employee survey in the year under review. The survey showed that employees attach particular importance to the topic of individual working hours and work location. We are therefore planning to give employees the opportunity to organise the start and end of their working day more independently by 2024.

Labour legislation ensures that our employees are entitled to regular breaks, rest periods and paid holidays. These rights are set out in employment contracts.

### - Appropriate remuneration

We pay our employees at market rates, taking into account individual performance and the overall success of the business. The remuneration system is a management decision based on business performance.

For reasons of competition and confidentiality, detailed information on remuneration cannot be disclosed here. There is therefore no general disclosure.



## Equal treatment and equal opportunities

We are committed to gender equality and have included a clause in our employment contracts to comply with the German Equal Treatment Act (AGG). This includes the right to equal pay for equal work. This right is set out in the employment contract. In addition, we have developed a training course on the AGG, which will be held starting in 2024 and will be integrated as a mandatory training measure, particularly at the head office.

The ratio of women to men across the company was 92 percent to 8 percent in the reporting period. Women are also increasingly represented in management positions. With a share of 58 percent, we have again achieved our goal of at least

equal representation in management positions at the KiK head office. Our aim is to maintain the proportion of women at over 50 percent.

We are also committed to social inclusion. In Bangladesh alone, over 200 people with disabilities are employed in factories that produce for us.



## Training and education

We place great emphasis on training our own people and developing them into leaders. We see ourselves as an "opportunity provider". This means that lateral entry is possible and that people with unusual CVs are given the opportunity to acquire and practise a profession with us. Part-time training is also available to enable people to combine work and family life.

In total, we offer training in around 20 different professions. Most applicants are interested in becoming a sales assistant or retail salesperson. We have also been training e-commerce specialists for a number of years. In addition, there is the opportunity to gain an additional IHK (Chamber of Industry and Commerce) qualification as a commercial trainee with a focus on Asia at the Hansa Berufskolleg Unna Vocational College, or to complete a dual bachelor's degree with a focus on retail.

With the Apprentice Ambassador Programme, we are strengthening the link between the head office and our stores. Apprentices gain a deeper insight into the work of the head office and can pass this knowledge on to other apprentices. This gives them responsibility at an early stage – a good preparation for future management roles.

Another new format for sharing knowledge is the trainee blog. Managed by an editorial team of eight trainees, it regularly reports on everyday topics and personal experiences. The blog has already recorded high growth rates in the reporting period.

Through the KiK Academy, we offer our employees various opportunities for individual training, for example in MS Office or foreign languages.

We have established new qualification approaches and opportunities in our Talent Development Management at our head office. These are based on three pillars: specialised external training and development, digital qualification through e-learning and in-house seminars. The voluntary e-learning programmes offered through the GoodHabitZ platform cover a wide range of work techniques, business training, personal development, software training and language courses.

In addition, the introduction of a holistic development programme is planned for 2024, and will focus on employees individually and according to their career level.

## Communication and complaints management

We value effective and respectful communication with our employees at all levels. In this way we aim to avoid misunderstandings, ensure team satisfaction, strengthen cohesion and create a good and trusting working environment. We have an open-door policy. This means that complaints and suggestions can be made in person at any time, in addition to the various communication channels integrated into the organisation.



**In addition to the usual channels of communication, we have introduced the possibility of writing a letter of complaint.**

If employees are discriminated against, become aware of a case of corruption or feel they have been treated unfairly, they can contact management by name or anonymously using the “complaint letter”, either digitally or by post. This is available to all employees at the head office, in logistics and at stores across Europe. In addition, all employees are actively informed and trained on the complaints mechanism. During the reporting period, 207 complaints were received. No incidents of discrimination or corruption were reported during the period.

Our aim is to investigate and resolve incoming complaints promptly. As a matter of principle, we aim to resolve issues as quickly as possible. The first point of contact is therefore always the team or team leader, followed by the district manager and, if necessary, the sales manager. KiK Logistik GmbH also has a works council.

As well as being able to lodge complaints, employees can also submit their own ideas and suggestions in the form of an “ideas letter”. Like the complaint letter, this is open to all employees.

## EQS Integrity Line whistleblowing system



### What can be reported?

The subject of a complaint can be information on risks or violations of human rights and environmental topics, on the premises of a company or at its suppliers along the supply chain. These topics includes, among others:



We respect the rights of our employees and the local communities in the regions where we operate, as set out in our Human Rights Policy and our Code of Conduct. However, we recognise that violations of these rights may occur.

With this in mind, and to meet the requirements of the German Supply Chain Due Diligence Act (LkSG), we have introduced our new whistleblowing system SpeakUp Easy, based on the EQS Integrity Line. It enables our employees, our suppliers' employees, our customers, consumers and others to make a complaint if their rights have been violated or if there is a risk of a violation of the law.

The goal was to create a system where so-called whistleblowers can use and have access to all communication channels, and where all information is centralised to enable standardised case handling and secure documentation and reporting.

In line with the requirements for a whistleblowing system in the context of whistleblower protection, the implementation of the new environmental and

human rights complaints system has benefited from synergies in close collaboration with the Legal and Compliance departments.

Complaints can be made in person or anonymously. In the case of an anonymous report, an anonymous contact and communication between the potentially affected person and KiK is enabled.

The whistleblowing system follows strict rules of procedure. Once a complaint is received, it is dealt with by the Complaints Committee. We analyse the case, take appropriate action and, if necessary, take corrective measures. This procedure provides a voluntary, confidential and secure reporting system that ensures a high level of protection for anyone reporting a risk or offence. The subject of a complaint can be information about environmental or human rights risks or violations that affect KiK itself or occur at our suppliers in the supply chain.

# Workers in our value chain

We see ourselves as a “basic supplier of textiles”, offering affordable basics for everyday use. That is why we do not operate our own factories, but source our 20,000 or so items from independent suppliers in various countries, who produce to our specifications. In addition to textiles, we also offer non-food items. These include home textiles, accessories, toys, stationery and gift items. Our main sourcing markets for textiles are **Bangladesh, Pakistan and Türkiye**. Non-food items are mainly produced in **China**.

Our direct and indirect value chain mainly involves people working in raw material extraction, spinning and logistics. Many of our production facilities are located in emerging markets. In some cases, there is an increased risk of human rights, environmental and social violations. However, we believe that the only way to improve local conditions is through active engagement, not by withdrawing from these countries.

We require all our suppliers to comply with our Human Rights Policy and Supplier Code of Conduct. Our goal is to prevent human rights abuses. We want to provide a positive and safe working environment for people in our supply chain. We therefore seek the closest possible long-term relationships with our suppliers. Our audit programme covers the entire process, from initial selection to ongoing monitoring of long-term partners.

For more information, please visit the chapter on “Sustainable supplier management”.

## KIK PRODUCTION COUNTRIES



TÜRKIYE



PAKISTAN



INDIA



BANGLADESH



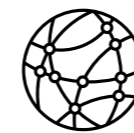
CHINA



INDONESIA

## Material topics related to our value chain

As part of our materiality analysis, we have identified several topics related to workers in our value chain as material. These include working conditions, equal treatment and opportunities, and child and forced labour. We pay particular attention to these topics in our day-to-day operations and in working with our suppliers.



### Working conditions

- Health and safety
- Appropriate wages
- Working hours
- Social dialogue and freedom of expression
- Employment security

In emerging markets, poor working conditions and abuses are still common in production facilities. These include low wages and weak or non-existent labour rights or violations of these rights. We take very seriously our commitment to proactively create a positive and safe working environment in our supply chain and to ensure decent working conditions, respect for labour rights and the well-being of all employees.

#### · Health and safety

Awareness of health and safety in textile factories has increased significantly around the world over the past decade, particularly in the wake of the Rana Plaza factory collapse in Bangladesh. It is also a high priority for us. Although many things have improved in factories in recent years, the risk of inadequate or non-existent safety standards remains high, particularly in countries with a textile industry. We want to actively address this risk and are involved in a number of initiatives and programmes on building safety. We are also working with the German Society for International Cooperation (GIZ) on an occupational safety and accident insurance project.

### Health and safety committees in China

Health and safety committees have been set up in 200 Chinese factories, or 50 percent of the factories that produce for us. With the help of external experts, health and safety systems have been reviewed and training provided. We plan to take this further and establish health and safety committees in all factories in the future.

### Pakistan Accord for Fire and Building Safety

Five years before the Pakistan Accord, we launched a programme in Pakistan to improve the structural and electrical safety of factories in Pakistan. The structural condition of factories in Pakistan is also a critical issue. We used the experience and guidelines of the Bangladesh Accord to guide us. The focus is on electrical, structural and fire safety, as well as the establishment of occupational accident insurance. A large number of factories are now actively participating in the initiative, and many have already been audited.



Business operations in a textile factory in Pakistan

For more information  
see interview on page 44.



### International Accord for Health and Safety in the Textile and Garment Industry

We were the first signatory of the Bangladesh Accord for Fire and Safety in 2013 and its successor, the International Accord for Health and Safety in the Textile and Garment Industry. This is a legally binding agreement between global apparel brands and global trade unions to ensure occupational health and safety in the textile and garment industry.

The agreement promotes worker safety through independent inspections, corrective action and training programmes, and strengthens workers' rights to organise, refuse unsafe work and raise health and safety concerns.

We strongly support the agreement and have extended our commitment to the initiative in Bangladesh until 2026. Of particular importance to us was the transformation of the original agreement into an international and legally binding agreement with an independent secretariat and the establishment of accident insurance for workers in Bangladesh.

We also campaigned for the Accord to be extended to other countries, and in December 2022 we became the first German company to sign the new, independent and legally binding Pakistan Accord, modelled on the Bangladesh Accord. In May 2023, we were able to travel to the country with Accord representatives to conduct onboarding with the first factories.

### Fire and Building Safety Initiative

We also have a programme to improve building and fire safety in our factories in India. Our Fire and Building Safety Initiative was launched there in 2023, with five factories inspected and assessed for structural, fire and electrical safety, among other things. To date, 10 percent of our direct suppliers in India are involved in the programme. We see this initiative – similar to those in Bangladesh and Pakistan – as the cornerstone for a possible extension of the Accord to India.



Workers in Pakistan during a fire safety drill



**Koen Oosterom**

*Head of Signatory Engagement  
at the International Accord*

*Specialist in safe working conditions  
in garment supply chains in Asia and  
assists signatories in understanding and  
fulfilling their commitments to the Accord*

#### How is the International Accord structured and what is the role of stakeholder engagement?

The International Accord is a bilateral agreement, which is reflected in its governance structure, with trade unions and brand representatives as the two main parties on the Steering Committee. In addition, non-governmental organisations attend the Steering Committee meetings as signatories. For a company like KiK, this structure is important because it enables collaboration with a wide range of stakeholders and gives legitimacy to the organisation and its initiatives. Ultimately, employees benefit from the Accord and their representation in the decision-making process ensures a balanced approach. Employee participation is facilitated through grievance mechanisms, training for safety committees and meetings for the entire workforce, which can directly contribute to the implementation and monitoring of the Accord.

#### What role does a company like KiK play in this?

KiK was one of the first signatories of the Pakistan Accord and has been active in creating commitments and promoting acceptance in Pakistan. KiK actively participates in the Pakistan Accord and organises meetings with its suppliers to raise awareness and encourage industry-wide commitment. These group meetings have been instrumental in building industry buy-in. In addition, KiK proactively ran several pilot projects before the Pakistan Accord was fully implemented. A number of KiK suppliers participated in these pilot projects to demonstrate their commitment to the Accord's goals and to act as role models for others in the industry. The impact of the Accord and sustainable practices within the industry can be further strengthened and supported if KiK and companies like KiK continue to drive such initiatives forward and encourage widespread participation.

#### - Adequate wages

In many textile-producing countries, the wages paid to garment workers are barely enough to cover their living costs – even when they are the legal minimum. Low wages also create economic incentives for child labour. We are committed to ensuring that not only the legal minimum wages are met, but that the wages paid are sufficient for workers and their families to live on, thus eliminating the sector risks of child labour, poverty and hunger identified by the OECD. To this end, we continuously analyse our own responsible sourcing practices to understand and improve our own influence on the wage payments of direct suppliers, and to achieve higher wages for workers in the value chain.

We also campaign for higher wages through the Fair Wear Foundation and have been an active participant in the Textiles Partnership's Living Wage Lab initiative since its inception. The Textiles Partnership, with around 135 members from a range of sectors including business, government, civil society, trade unions and standards organisations, is committed to improving conditions in global textile production. The objective of the Living Wage Lab, which was established in 2021, is to support Partnership members in developing and implementing individual strategies for fair wages and purchasing practices, and to work with suppliers to develop scalable solutions. Among other things, the Lab is investigating how the purchasing practices of large Western textile companies affect the wages of their suppliers, and how wage increases in the supply chain can be achieved through common goals, measures and indicators among participating companies. Capacity building, such as training suppliers and buyers, plays an important role as they learn how to price their products in a way that takes appropriate wages into account. The initiative also promotes the negotiation of industry-wide collective agreements. In the first round of the initiative, members committed to maintain or increase their purchasing volume in certain countries by 2022 and to reflect increased labour costs in their purchasing prices.

The topic and the initiative are very important to us. That is why we are also participating in the Living Wage Lab 2.0 initiative, which started in 2023 and will run until 2025. The project builds on the experience of the Living Wage Lab from 2021 with the goal to further increase the level of knowledge. The project also aims to make a concrete contribution to promoting gender equality and tackling unequal structures and power relations, particularly with regard to the often disproportionately low wages and poor working conditions of women.

The goal is to share the knowledge gained by the participating companies and to develop and share best practices. To this end, we are currently working with four factories in Bangladesh. If the project proves successful, we plan to extend it to other countries.

The project is based on the Common Framework for Responsible Purchasing Practices (CFRPP). We are a member of the CFRPP Learning and Implementation Community. The overall goal of the Learning and Implementation Community is to improve working conditions along the supply chain through more responsible purchasing practices. Members share practical experiences to support each other in implementing the CFRPP. Key objectives include developing practical solutions to the various challenges associated with responsible sourcing, sharing concrete best practices and finding ways to raise workers' wages above the minimum wage through joint dialogue. To achieve this, we have developed a responsible sourcing policy, for which all purchasing employees are provided training. In addition, the Learning and Implementation Community creates space for structured dialogue between suppliers and buyers, and offers workshops on issues that companies and suppliers want to work on together.



### - Working hours

Unregulated working hours and excessive overtime are particularly prevalent at lower levels of the textile value chain. We conduct regular audits and continue to identify problems in these areas. In such cases, we ensure that appropriate corrective action is taken and that reasonable working hours are adhered to.

### - Social dialogue and freedom of association

**It is very important to us that the workers in the factories that produce for us have a strong voice and that there is constructive dialogue with them.**

That is why we are committed to ensuring that all people have the right to assemble peacefully, to join together and to bargain collectively. Even where the right to freedom of association is restricted by national laws in individual countries of production, all workers along the value chain must be able to use alternative forms and representations to assert their interests. We are also actively involved in this area in our countries of production. For example, we have organised training courses on worker participation and representation for our direct suppliers in Bangladesh. We have also signed one trade union agreement in Pakistan and five trade union agreements in Bangladesh.

### Grievance mechanisms for employees in the value chain

Grievance mechanisms are an important part of human rights due diligence. They enable employees to highlight grievances and, if necessary, seek help. KiK employees can contact us by e-mail or letter. The procedure is actively communicated through notices and posters. Employees of suppliers can also contact us in this way if they have witnessed human rights abuses.

We also have our own complaints mechanism, the EQS Integrity Line, which can be used both internally and externally, see "Our own employees". In 2023, all buyers will be trained on this issue and will be required to train factory workers in the local language. In addition, there are other ways to make a complaint.

**We participate in the complaint mechanisms of the International Accord.** All employees in factories covered by the Accord have access to a telephone number where they can make complaints about health and safety and other issues. The complaints manager is responsible for investigating each complaint promptly and impartially and communicating the outcome to the company, the complainant and the responsible party. This complaint mechanism is operated by independent grievance managers who are responsible for employee health and safety.

**IN PAKISTAN,** we are also involved in the Elevate Helpline Hamary Awaz for workers in the textile industry. The goal is to initiate the process of addressing risks related to labour rights, safety and HR issues, as well as to establish preventive measures and to provide guidance on how to protect against the recurrence of abuse for thousands of workers employed by suppliers in the textile and garment supply chain in Karachi, Faisalabad and Lahore in Pakistan. In both India and Pakistan, we will establish grievance mechanisms in the main local languages.

**IN TURKEY,** we are also a partner of the NGO *MUDEM-Refugee Support Centre (MUDEM-RSC)*. This is supported by the Textile Partnership. Turkish and Syrian textile workers in Türkiye can use this contact point and the complaints mechanism to raise concerns about abuses in the workplace.

During the reporting period, we also participated in the complaints mechanisms of the Accord for Building Safety and Fire Protection and the UNHCR project for Syrian refugees in Türkiye .

**IN INDIA,** we participate in the Elevate Helpline Ungal Kural pilot in Tamil Nadu, which meets the requirements of the UN Guiding Principles on Business and Human Rights for grievance mechanisms.

**IN CHINA,** we participate in the Labor Solutions external grievance mechanism to ensure barrier-free access for workers. We currently cover ten Chinese factories and plan to increase this number.

## · Secure employment

Secure employment and a stable income are very important for all workers along the value chain. This is particularly true in countries where adequate labour protection legislation is lacking or not consistently enforced.

One problem in this context is so-called informal work, such as working from home without a contract. It is a way of life for many people around the world, especially in emerging markets. If these people fall ill or have an accident at work, they have no insurance cover.

As part of our Human Rights Policy, we support the right to social security, especially in the event of unemployment, accident or illness. This is why we are participating in the Employment Injury Scheme (EIS) pilot project in Bangladesh. Launched in 2022, the EIS is the first to offer income protection to workers in the country's garment industry.

For a trial period of three years, it guarantees workers in the export-oriented garment industry the right to compensation for accidents at work and disability in accordance with the international standards of the ILO Employment Injury Benefits Convention, 1964 (No. 121).

The aim of the three-year trial is to demonstrate that such a system can be made permanent and enshrined in law. It also aims to show that it can improve manufacturers' productivity and international competitiveness. It should provide financial security for workers and their families in the event of death or injury at work, and help international buyers to demonstrate that their products have been produced under ethically sound conditions.

The EIS pilot project is a collaboration between private partners such as KiK and public partners such as the GIZ and the ILO. We have committed to co-funding the programme during the test phase to minimise the risk to employees in the event of an accident at work. As a bridging solution, the insurance provides income replacement for permanently disabled employees and for the dependants of deceased employees.



## Equal treatment and equal opportunities for all



Women's café in Bangladesh

We are firmly opposed to any form of discrimination and, in accordance with our Human Rights Policy, promote equal treatment of all people regardless of gender, national or ethnic origin, social background, health status, disability, sexual orientation, age, political affiliation, religion, belief, trade union membership or other personal characteristics.

We place particular emphasis on fair and equal treatment in terms of working and employment conditions. This applies specifically to issues relating to the topics of recruitment practices, remuneration, benefits, promotion and dismissal.

Women have traditionally made up a high proportion of the workforce in the textile industry, but at the same time their rights are restricted or they are at increased risk of discrimination in the workplace in many producing countries. Against this background,

we believe it is particularly important to promote the interests of women and vulnerable groups and to ensure non-discriminatory supervision and support. We have already taken a number of steps in this direction:

- Since 2023, the KiK audit methodology has included a special focus on gender and vulnerable groups and supports the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).
- In India, we are part of the Tamil Nadu Alliance Initiative. The state of Tamil Nadu is one of the hotspots of India's textile industry. As part of the Textiles Partnership, an initiative has been launched to focus on the working conditions of women in local spinning mills. The initiative rests on two pillars: the first is to establish an ongoing dialogue between the main players ►

### UNHCR project: work permits for Syrian refugees

Türkiye is an important source country for us and more than three million Syrian refugees live there. Many of them work in textile factories. Without official work and residence permits, they are at particular risk of forced and child labour. In 2017, we therefore participated in a UNHCR project aimed at facilitating their access to work and residence permits. Thanks to our financial support, many Syrian refugees were able to officially enter the Turkish labour market.

### Education for all

In Bangladesh, we are committed to a comprehensive education campaign. We have already funded six schools in Bangladesh and one in Türkiye. The schools are open to all local children and young people, not just the children of workers in our supply chain. We are also planning to open the sixth KiK UCEP Ghashitola Technical School in Sylhet, Bangladesh. This will enable us to continue to support the general education of disadvantaged children in the country. Our long-term goal is to become the largest private provider of education in Bangladesh – all the way from kindergarten to university.



## Child and forced labour



Primary school children in class in Bangladesh

► in the regional textile and garment industry; the second is to facilitate workers' access to grievance and redress mechanisms. This includes training suppliers and workers on labour rights and grievance mechanisms. The first phase of the project ran until September 2020 and more than 25,000 workers in 500 factories were trained. The second phase will focus more on raising awareness among factory management, addressing high staff turnover and improving existing grievance mechanisms. We have been a partner in the initiative from the outset, contributing financially and as a member of all relevant committees.

- Our women's cafés project in Bangladesh, launched in 2022, aims to empower women in our supply chain.

With five cafés now in operation, we are creating a safe environment for women, and working with the Awaj Foundation to provide discussion spaces on issues such as women's rights, health, hygiene and maternity benefits. We are able to train 6,200 women workers each year. A similar KiK project is planned for India.

- We have also ensured that free sanitary towels are available in the eight largest factories in Bangladesh that produce for us. We fund around 30,000 sanitary towels per month.

Although child and forced labour is prohibited by law in most countries around the world, the ILO estimates that 160 million children worldwide are affected by child labour. This is almost one in ten children. As the textile industry employs mainly low-skilled workers, the potential risk of child labour is particularly high in this sector.

At KiK we have a zero-tolerance policy towards child and forced labour. We work closely with our suppliers to address the risk of child and forced labour. For example, we are involved in the Tamil Nadu Alliance Initiative against modern slavery and forced labour. This includes training at Tier 2 suppliers, i.e. the spinning mills.

A working group of the Textiles Partnership is working to ensure that raw materials can be traced back to their origins. The aim is to uncover and tackle possible cases of forced labour.

In addition, 30 priority Chinese suppliers received training about child labour from external experts. The training included discussions on how to deal with specific cases of child labour and what remedial action can be taken.

We are also involved in a number of educational projects that help to address the structural causes of child labour. Finally, we are involved in a project run by the United Nations High Commissioner for Refugees (UNHCR).



**Dr. Abbas Uddin Shiyak**  
Faculty member at BUTEX  
(Bangladesh University of Textiles)  
in Dhaka and project  
coordinator for the “KiK Makes  
a Difference Program”



Scholarship holders with  
coordinators of the *KiK Makes a  
Difference* project in cooperation  
with the Gesellschaft für inter-  
nationale Zusammenarbeit (GIZ)  
in Bangladesh.

#### What is the *KiK Makes a Difference* programme?

The programme was launched in 2022 in collaboration with KiK, the German Agency for International Cooperation (GIZ) and the German Federal Ministry for Economic Cooperation and Development (BMZ). The project runs at both BUTEX and Begum Rokeya University in Rangpur. The scholarships provide financial support to marginalised and disadvantaged students. Scholarship holders are also provided with laptops and mentorship here at the BUTEX campus, and are given the opportunity to participate in activities such as soft skills training, CV writing, German classes at the Goethe Institute in Dhaka. There are also mental health seminars with psychiatrists and individual counselling sessions.

The programme offers both long-term and short-term scholarships. The long-term scholarships are awarded to undergraduate students for up to 36 months. Short-term scholarships are based on immediate need. There will also be a doctoral scholarship, which will be awarded at a university in Germany, similar to the German Academic Exchange Service (DAAD) scholarship. We are also planning career fairs for students. A new Masters in Sustainable Textile Engineering is also in the pipeline and we will be awarding two additional 18-month scholarships.

#### Who can apply for the scholarships and how will they be selected?

BUTEX scholarship holders are all studying engineering in areas such as textile technology, fashion design, production management and environmental technology. The scholarships are intended for students from marginalised, low-income families. Scholarship holders are selected primarily on the basis of their previous experience of systematic barriers and their current socio-economic situation. A third criterion is academic merit, although this is not a priority. Preference is given to female students, who tend to be the most disadvantaged.

Since the start of the programme, we have awarded eight long-term and 26 short-term scholarships to BUTEX. At the university, we also encourage the scholars to get involved in their local communities. When they return home for the holidays, they can really make a difference in their families and local communities. For example, they can support other disadvantaged young people and help them achieve their goals. The scholarship and the opportunities that come with it put them in a very good position to make a difference and pass on opportunities.

#### How do the scholarship holders benefit and what benefits do you see in the programme?

The scholarships are very generous by Bangladeshi standards and make a huge difference in the students' lives. Many of them have to support their own families and don't even have enough money to live in the halls, even though the fees are very low. Some can only afford one meal a day. Many have to work part-time while studying, which often has a negative impact on their physical and mental health. All of this means a lot of stress and pressure for many, especially female students. Scholarship holders tend to be healthier, stronger and better able to participate actively in university life. You could say that the scholarship really changes their lives. For me as a coordinator, it's a great opportunity to help students who are struggling – that in itself is very rewarding. The programme allows us to support them financially, help them develop important soft skills and provide them with mentorship that we would not otherwise be able to provide. It's good to be able to tell students that these opportunities are available to them.



# Our business conduct

Our business activities focus on two key areas: good corporate governance and supplier management.

Corporate governance covers key issues such as governance structures, corporate culture, whistleblower protection, and anti-corruption and bribery.

As part of the double materiality analysis, these topics were identified as material because of their importance in ensuring ethical business practices.

The second area relates to supplier management and effective strategies for managing supplier relationships.



**SDG 8:** Decent work and economic growth



**SDG 9:** Industry, innovation and infrastructure



**SDG 17:** Partnerships for the goals



## Good corporate governance

- Corporate culture
- Anti-corruption, anti-bribery and anti-competitive behaviour
- Protection of whistleblowers  
(for more information, see page 38)

Corporate governance provides a framework for the way a company is run. Good corporate governance encompasses all the processes, practices and policies by which decisions are made and promotes transparency, accountability and fairness in all business operations.

Good corporate governance must ensure that the company acts ethically, complies with the law and takes the interests of its stakeholders into consideration. It includes important aspects such as effective management, clear roles and responsibilities and sound risk management. All this builds trust and a positive culture, enhances the company's image and contributes to long-term sustainable development.

We have put in place a number of policies and processes that promote a positive culture and sound business practices. A key part of this is our Code of Conduct (for more information, see "Sustainability approach"), which is binding for all of our employees and business partners.

### · Corporate culture

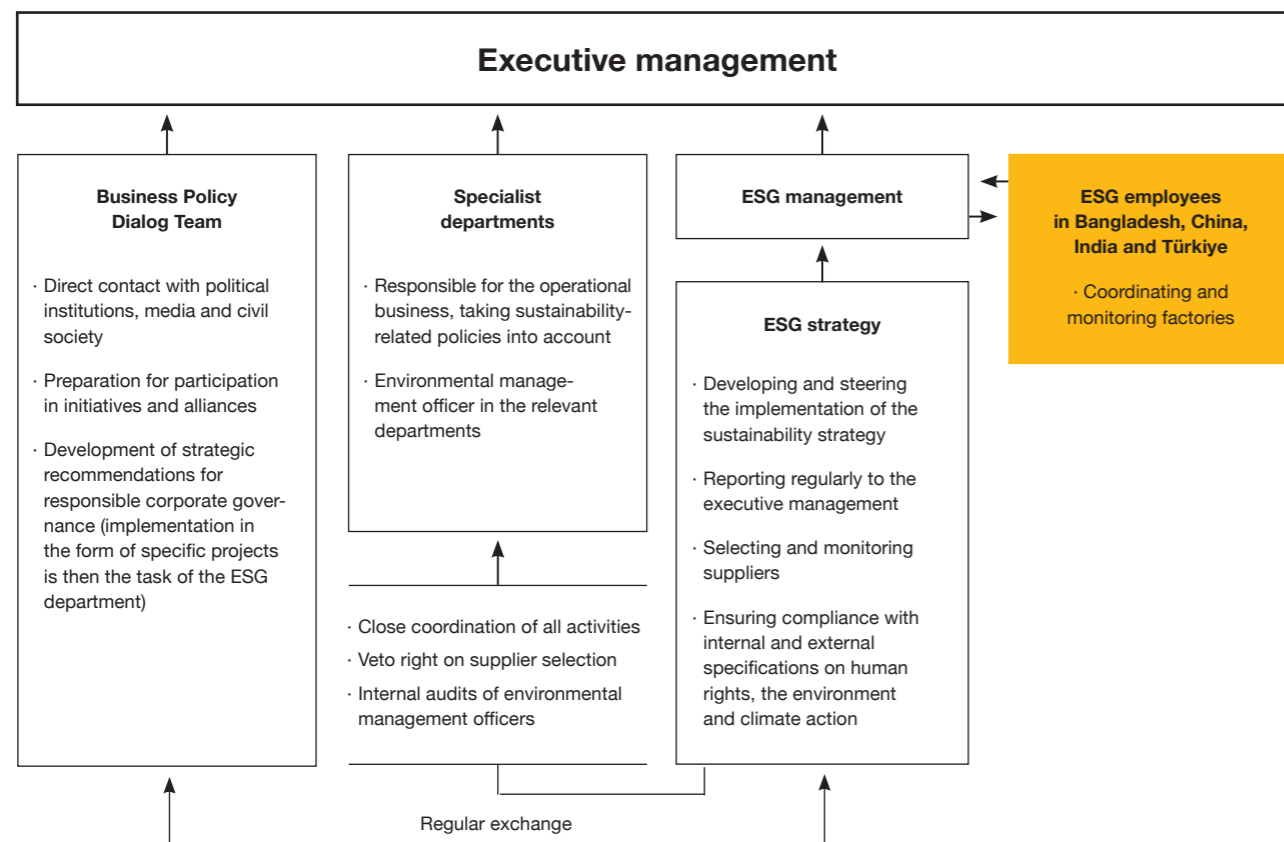
#### Management role and structure

In line with the requirements of the ESRS Business Conduct Standards, our Code of Conduct and Human Rights Policy have been signed by the CEO, the CME and the Head of the ESG department. In addition, reporting channels have been established through which the ESG teams inform senior management of relevant developments on a regular and ad hoc basis, as these teams bring together sustainability-related information from across the business.



### Sustainability management

In 2006, we established an ESG management function to drive sustainability issues forward. It has of a total of 25 employees in Germany and in the sourcing countries. The department works closely with various parts of the business, including Purchasing, Quality Management and the Business Policy Dialogue staff unit. It is in constant dialogue with representatives from civil society, the media and political institutions.



### Tasks of the ESG department

The ESG department is responsible for developing and managing the sustainability strategy and for providing advice on specific issues relating to the social and environmental pillars of sustainability. Its tasks include developing, implementing and monitoring measures for both our own sites and our supply chain, and ensuring compliance with internal and external policies on human rights, the environment and climate change.

For example, an internal project of the ESG department is to review the implementation of the German Supply Chain Due Diligence Act (LkSG) for appropriateness and effectiveness, and to define responsibilities within the company to ensure compliance.

The department's external tasks include defining sustainability performance targets for suppliers in the various production countries in which KiK operates and monitoring their achievement.

### Focus on human rights policy

In the area of human rights, strategic guidelines are developed jointly by the ESG department and Compliance and communicated to the respective departments. The ESG department is also responsible for other key due diligence obligations, such as conducting regular human rights risk analyses. The results of the annual risk analyses are communicated to the relevant departments and subsequently validated. Actions derived from these analyses are communicated to the departments and progress is reviewed by the ESG department on a quarterly basis. Depending on the situation, the departments may also be involved in the implementation of corrective

### Organisation and structure

To ensure effective collaboration, the ESG department liaises with many different departments and the management. The ESG team reports to the management on sustainability issues at least quarterly and on an ad-hoc basis.

Each department has a sustainability officer. This person is responsible for communicating the tasks to be carried out by the central ESG department to the relevant employees. This process is part of the quarterly reporting to the executive management.

actions, for example Human Resources in the case of incidents in their own business area.

Together with Compliance and Governance and Legal, the ESG department has developed training materials on the German Supply Chain Due Diligence Act (LkSG) and an internal Code of Conduct for its own employees, including the mandatory policy statement. These documents are attached to each employee's contract of employment.

## · Compliance and the fight against corruption, bribery and anti-competitive behaviour

Compliance with applicable anti-corruption and anti-bribery laws is essential for a fair and transparent business environment. Compliance promotes integrity, trust and accountability within organisations, strengthens their reputation and credibility both internally and externally, and ensures their long-term success.

Anti-corruption and anti-bribery compliance also helps to reduce the risks associated with unethical behaviour, such as the loss of business opportunities and potential loss of stakeholder trust. Through a strong compliance culture, companies can demonstrate their commitment to ethical business practices and attract investors, customers and skilled employees.

### Compliance and the fight against corruption and bribery have two main foci:

**1. Environmental, social and governance (ESG) compliance:** An important focus here is on existing risks, particularly in the sourcing countries. These risks can have a negative impact on our business. We therefore conduct annual training sessions for all suppliers in the sourcing countries and for employees in our offices, which cover the basics of compliant behaviour. This is verified through regular audits.

**2. A system to prevent, identify, detect, investigate and manage allegations and incidents of corruption and bribery:** Ethical business conduct and the prevention of corruption are central to our Code of Conduct. It requires business partners to base their business organisation on sound and responsible corporate governance within the framework of applicable law and generally accepted ethical values, and to implement these in their corporate governance and compliance structure. Suppliers are required to adhere to corporate governance principles such as accountability, responsibility, transparency and integrity. They must implement structural and operational preventive measures to prevent all forms of corruption, such as bribery, fraud, extortion, and kickbacks, etc., as well as the abuse of commercial power. The Code of Conduct must be signed by all stakeholders, including employees, and forms part of their employment contract.

We have established complaint channels and processes (for more information, see “People at the core”) that can be used to identify, investigate and respond to suspected cases or incidents of corruption and bribery. During the reporting period we also conducted a risk analysis, derived preventive measures and established a compliance management system based on the IDW PS 980 standard.



## Sustainable supplier management

**By sourcing goods and services responsibly, companies can ensure that ethical, social and environmental standards are met. It also enables companies to reduce the risk of environmental degradation, human rights abuses and unethical labour practices in their supply chains. Responsible supply chains promote transparency, traceability and accountability, build trust between stakeholders and protect brand reputation.**

To ensure efficient and sustainable supplier management in this sense, we have established a sophisticated and systematic supplier management programme. It covers the entire process, from supplier selection and relationship initiation through to regular audits, assessments, capacity building and corrective action where necessary.

### Supplier relationships

In total, we have around 600 direct suppliers in eleven countries. We place great emphasis on responsible, close collaboration and long-term, trust-based relationships with our direct suppliers, not least to ensure the most stable and reliable supply chain possible.

### We have worked with more than half of our suppliers for at least eight years.

Our Code of Conduct is the cornerstone of our relationship with our business partners around the world. We see it as a fundamental principle of our business relationships. It must be signed by all direct suppliers and requires them to take seriously and comply with due diligence obligations in the areas of human rights and the environment. With this in mind, we maintain a collaborative relationship with our business partners and remain in close contact with them. We also expect them to be willing to actively support our activities to contribute to positive development in the countries concerned.

In addition, we regularly carry out comprehensive factory audits and risk assessments on quality, social standards and the environment with our direct and, in some cases, indirect suppliers, in order to take early preventive and corrective action where necessary. A social audit examines working conditions in the factories. This includes working hours, benefits, pay, potential discrimination and subcontracting practices. An environmental audit checks compliance with legislation, environmental processes and environmental standards.

We conduct more than 1,000 factory audits every year, in some cases with the support of external audit centres. We were the first company in the textile industry to sign an auditor liability agreement with two auditing companies. Under this agreement, the auditors guarantee the accuracy of the information for a period of three months after the factory audits have been completed. This agreement is a very important step towards improving the quality of factory audits while ensuring better conditions for workers. Since 2017, our factory audits have also been unannounced.

We have adapted our internal processes to make the results of the factory audits available more quickly and more easily. The introduction of sustainability software has significantly accelerated the factory audit process, allowing safety-related deficiencies to be identified more quickly and differentiated reporting to take place.

As part of our ESG strategy, we also work with our suppliers to identify the key social and environmental risks in specific sourcing countries and incorporate these into our analyses. For example, we recognise the different types of risks that can arise in textile supply chains and consider them in the context of country risks.

If a supplier’s non-compliance results in us having to terminate the relationship, we offer to help the supplier find solutions and to develop so that the relationship can potentially be resumed.



## Supplier selection

Social and environmental criteria play an important role not only in our dealings with existing suppliers, but also in the selection of new suppliers. As soon as a supplier is proposed by Purchasing, the supplier management process begins.

We are constantly developing our supplier management programme and adapting it to new developments and insights. For example, we have updated our audit methodology to meet the requirements of the Supply Chain Due Diligence Act (LkSG), and want to incorporate the gender perspective even more. Gender discrimination and sexual harassment are already included in the audits. However, the current audit format is not always suitable for covering this culturally sensitive issue well.

We plan to further integrate the results of the supplier programme into our overall ESG process and purchasing processes. Our goal is to ensure that suppliers with better ESG performance are given preferential treatment.

## OUR SUPPLIER MANAGEMENT PROGRAM

### 1. Initial audit and listing

#### Before the business relationship starts:

- Initial audit performed
- Site visit and review based on the principles outlined in our Code of Conduct
- Audits performed by our own ESG employees and two specialised service providers
- Signing of Code of Conduct and further guidelines on topics such as child labour

#### ESG department veto right:

- Factory excluded from listing if there are issues in the areas of minimum wage, child labour, forced labour or fire and/or building safety
- Possibility of second audit to check whether issues have been resolved

### 2. Social audit

#### After factory is listed:

- Social audit performed at the production sites by an external auditing firm
- Audit is geared towards a specific list of criteria
- Review of relevant core labour standards of the International Labour Organisation (ILO) and the United Nations

### Inclusion in supplier pool



#### ☆ Supplier evaluation

- Suppliers assigned to different colour-coded categories
- Supplier evaluation incorporated into supplier selection (may also result in de-listing)

#### ✓ Corrective action

- Corrective Action Plan drafted with supplier based on the social audit
- Agreement on timeframe for implementation
- In case of zero tolerance topics with severe findings

#### ↻ Re-Audit

- Second audit performed to check whether issues have been resolved
- Unresolved issues: dialogue with supplier and analysis of reasons
- Supplier refuses to resolve the issues: termination of business relationship after end of current contract; supplier de-listed
- Close cooperation between the purchasing and ESG departments

### Results are factored into supplier evaluation



### Special audits

- Further special audits performed at production sites by our external service provider several times a year
- Areas of focus: electrical safety, building safety, fire protection, compliance with minimum wage and unauthorised subcontracting

### Capacity Building

- Factory visits and on-site trainings by our ESG employees
- Training activities revolve around topics such as capacity planning to prevent excessive overtime or fire drills

## Key indicator table

	Unit	Base year: 2009	2019	2020	2021	2022	2023	Compared to: 2019*	Comparison: Base year
<b>ECONOMY</b>									
Turnover (net)	bil. €	1.56	2.10	1.90	1.80	2.20	2.40	14%	54%
Stores	number	2,437	3,881	3,971	4,046	4,130	4,187	8%	72%
Sales area	m <sup>2</sup>	1,474,923	2,189,457	2,246,682	2,299,274	2,356,168	2,394,962	9%	62%
Textiles as share of range	%	78	64	60	62	62	60	-4%	-18%
Non-food as share of range	%	22	36	40	38	38	40	4%	18%
<b>ECOLOGY: RESOURCES</b>									
Transport packaging	kt	24.25	29.95	26.57	14.63	18.3	17.77	-41%	-27%
Transport packaging	g/piece	39.00	36.43	33.58	20.61	23.52	22.75	-38%	-42%
Product packaging	kt	6.13	6.96	5.89	5.56	4.53	5.13	-26%	-16%
Product packaging	g/piece	9.75	8.46	8.70	7.83	5.82	6.57	-22%	-33%
Electricity consumption KiK Ger	mil. kWh	104.38	91.57	82.80	73.85	83.12	***	-9%	-100%
Electricity consumption at KiK Germany per m <sup>2</sup> sales area	kWh/m <sup>2</sup>	85	61	54	32	35	***	-42%	-100%
Total KiK electricity consumption	mil. kWh	123.95	137.60	125.3	130.91	145.98	***	6%	-100%
Electricity consumption at KiK's EU head office & Bönen warehouse	mil. kWh	3.30	3.65	3.44	3.28	3.42	3.35	-8%	2%
Heating energy at KiK's European head office and Bönen warehouse	mil. kWh		6.35	6.27	7.49	6.88	5.78	-9%	
Paper consumption, KiK Europe	mil. sheets	24.48	26.89	26.54	29.01	32.8	23.67	-12%	-3%
Proportion of recycled paper in marketing & advertising materials	%	79	100.00	100	100	100	100	0%	21%
Water consumption at KiK's EU head office and Bönen warehouse	m <sup>3</sup>		9,936	7,870	7,140	7,609	7,032	-29%	
Water consumption at KiK's EU head office and Bönen warehouse	m <sup>3</sup> /capita	12	8.1	6.7	6.1	6.3	5.5	-32%	-54%
Waste at the Bönen warehouse	t		7,153	6,048	5,200	5,934	5,822	-19%	
<b>ECOLOGY: RANGE</b>									
Oeko-Tex cotton textile content	%	2.19	41.22	44.56	41.16	52.16	56.22	15%	54%
Complaint rate	%	4.4	2.1	2.5	2.2	1.8	3.2	1.1%	-1%
<b>ECOLOGY: FLEET</b>									
KiK lorry fleet (base year: 2010)	number	19	14	13	13	12	14	8%	-26%
KiK lorry fleet fuel consumption (base year: 2010)	l/100km	25.00	24.27	28.11	23.17	23.50	22.92	-18%	-8%
<b>ECOLOGY: EMISSIONS</b>									
KiK Scopes 1 and 2	kt CO <sub>2</sub> e	105	99	123	125	107	***	8%	2%
Scope 3	kt CO <sub>2</sub> e	**	2886 (Cat. 1, 2, 3, 4, 5, 6, 7, 9, 11, 12)		1538 (Cat. 1, 3, 4, 5, 6, 7, 12)	2946 (Cat. 1, 2, 3, 4, 5, 6, 7, 9, 11, 12)	***	2%	2%
Percentage of air freight in procurement	%		0.1	0.2	< 1	< 1	< 1		
<b>SOCIAL: EMPLOYEES</b>									
KiK employees in Europe	number	18,129	28,187	29,218	30,103	30,652	31,649	12%	75%
KiK employees in Germany	number	14,951	19,579	19,825	19,721	19,505	19,194	-2%	28%
Percentage of management positions held by women (base year: 2010)	%	58	58	58	62	58	58	0%	0%
Trainee take-up rate (base year: 2010)	%	74	66	69	75	65	68	2%	-6%
Percentage of trainees in the overall workforce (base year: 2010)	%	10	8.5	8.1	8.5	8.2	7.2	-1.3%	-3%
Employment contracts subject to social security contributions (base year: 2010)	%	75	87	87	86	84	84	-3%	9%

**KEY** \* Comparison before Covid-19 | \*\* Scope 3 categories identified for the first time in 2020 | \*\*\* Key figure not yet available

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