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UN Global Compact Communication on Progress (COP) Miele & Cie. KG

Reporting Period: Business Year 2014/2015, July 1st 2014 - June 30th 2015

GC Active Level

Reference: Miele Sustainability Report 2015: <http://www.miele-sustainability.com>

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1. Statement of Continued Support by the Chief Executive Officer

To our stakeholders:

I am pleased to confirm that Miele & Cie. KG reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Since 2004, when Miele published its first communication on progress, we have continually increased our commitment to sustainability. Based on the understanding that our company bears a responsibility towards society, which is deeply embedded in our corporate culture, and involving both external and internal stakeholders, we developed our first sustainability strategy in 2011. In five different fields of action (products, supply chain, processes, employees, and corporate citizenship) we implemented management systems and defined ambitious objectives as well as suitable measures to integrate sustainability into daily business. After conducting a stakeholder questionnaire followed by a materiality analysis in 2014/2015, we subjected our sustainability strategy to a comprehensive review which is due to draw to a close over the coming weeks. In this communication on progress, we describe our actions and the progress we have made in the business year 2014/2015 in implementing the Ten Principles.

Dr Eduard Sailer

Executive Director Technology

2. Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Business should make sure that they are not complicit in human rights abuses

Assessment, Policy and Goals

Since Miele was founded in 1899, supporting and respecting human rights in all its business activities has been a pivotal aspect of its corporate culture. Consequently, Miele supports and respects the UN Declaration of Human Rights.

To establish support of human rights beyond own operations and along the supply chain, Miele has set up a responsible supply chain management system. Suppliers and business partners are asked to adhere to the principles of human rights and confirm doing so in a supplier self-assessment.

Implementation

To ensure compliance with human rights in its own business activities, Miele decided to implement the SA8000 Standard, which suggests a management system approach to complying with the UN Declaration of Human Rights, conventions of the ILO, as well as UN and national law. Today, all European sites are certified. Miele's site in Dongguan, China, is expected to be certified 2016. In 2008, Miele first implemented its code of conduct, followed by a revision in 2012. The code states in writing - amongst other things - the company's policy on human rights and labour standards. Upon joining, new employees are being introduced to the company's principles and the code. In 2010, Miele introduced internationally a grievance mechanism which allows employees, suppliers and others to report infringement of a law or non-compliance, e.g. with human rights or labour principles, to an ombudsman.

Once potential suppliers have successfully completed their self-assessment and Miele is interested in engaging in a business relationship, the supplier needs to pass a short audit conducted on-site, assessing amongst other things compliance with human rights and labour principles. Suppliers are required to update their self-assessment every year and are audited on a regular basis, assessing similar criteria like in the short audit. In addition, if classified as a high risk supplier due to country of origin or sector affiliation, suppliers undergo a more detailed audit specifically focusing on human rights and labour principles every year.

If a potential supplier does not pass the audit, Miele does not establish a business relationship with this company. If an audit is failed by a current supplier, Miele engages with the supplier to jointly develop improvement measures. If however the supplier is not willing to improve, Miele usually ends this business relationship.

Measurement of Outcomes

In 2014, Miele introduced an online learning tool about its code of conduct. Until November of the same year, 1,540 employees and managers including the board had completed the training.

In the 2014/2015 financial year, there were 974 potential suppliers requesting business ties with Miele, of which 6 failed to confirm compliance with social standards. These companies were excluded from the subsequent selection process.

GRI-G4 References

Principle 1: G4-HR2, G4-HR7-9, G4-HR12, G4-SO1-2

Principle 2: G4-HR1, G4-HR10-11

3. Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5: Businesses should uphold the effective abolition of child labour

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

Assessment, Policy and Goals

Meeting high social and ethical standards is a top priority for Miele. Upholding the freedom of association and collective bargaining as well as the elimination of forced labour, child labour and employment discrimination are core responsibilities. Consequently, Miele supports and respects the ILO Core Conventions.

Miele's commitment to its employees goes far beyond fulfilling legal requirements. The company pays decent wages in all countries of operation. Furthermore, Miele grants numerous social benefits and ensures worker participation and employee representation. Miele is an equal opportunity employer.

To establish support of labour standards beyond own operations and along the supply chain, Miele has set up a responsible supply chain management system. Suppliers and business partners are asked to uphold the labour principles and confirm doing so in a supplier self-assessment.

Implementation

Please see *Principle 1: Implementation* for further details. Miele has implemented comprehensive management systems to ensure compliance with both human rights and labour principles along the value chain.

To ensure occupational health and safety, all Miele sites are OHSAS 18001 certified.

In addition to the general grievance mechanism, employees in Germany can file complaints to a designated ombudsman specifically on the issue of discrimination. According to the German General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz, AGG), this proceeding has been set up in collaboration with the workers council.

Measurement of Outcomes

Please see *Principle 1: Measurement of Outcomes* for further details on management systems, number of employees trained on the code of conduct and number of potential suppliers who completed the self-assessment questionnaire.

The following measurements of outcomes refer to the business year 2014/2015. The percentage change to business year 2013/2014 is given in brackets:

- Total number of employees: 17,741 (+0.4%)
- Number of employees covered by collective bargaining agreements: approx. 60%
- Employee turnover rate: 1.0% (Germany) (+/-0%)
- Injury frequency rate: 10.2 (-12.1%)
- Average hours of training per year per employee: 7.07 (+14%)

Since introducing an online learning tool about the General Act on Equal Treatment, 1.256 (as of 15.12.2015) employees from all human resources departments were trained, of which 91 in the business year 2014/2015. Two grievances were filed through the formal grievance mechanism in Germany.

GRI-G4 References

Principle 3: G4-11, G4-LA4, G4-HR4

Principle 4: G4-HR6

Principle 5: G4-HR5

Principle 6: G4-10, G4-EC5-6, G4-LA1, G4-LA3, G4-LA9, G4-LA11-13, G4-HR3

4. Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Assessment, Policy and Goals

Miele sees environmental protection as one of its core responsibilities. In its own processes, the company addresses material use, energy use, greenhouse gas emissions, water use, wastewater, and waste. However, as a producer of household appliances, the largest impact in the value chain lies in the use phase of its products. Thus, the company places special emphasis on managing this aspect of their environmental impact. As a guiding principle, the company aims at avoiding, minimizing and recycling as much as possible and applies the precautionary approach.

To promote environmental responsibility amongst its suppliers, Miele has integrated environmental aspects in its responsible supply chain management system. Suppliers and business partners are asked to indicate in the supplier self-assessment if an environmental management system is in place, if local environmental laws are observed and if resources are managed sustainably. Requirements regarding the environmental impact of purchased raw materials and components are guided by both applicable laws and company-specific specifications.

Implementation

All Miele sites make use of an environmental management system in accordance with ISO 14001. The last site to obtain the certification was Dongguan, China, in 2012/2013. In addition, all sites except Dongguan have implemented an ISO 50001 certified energy management system. In the reporting period, emphasis was put on implementing measures to increase energy efficiency, reduce greenhouse gas emissions and improve water protection. To raise awareness for the environmental impact of its business activities, Miele employees receive specific training once a year.

To ensure its products will meet the required quality, longevity, and environmental standards, Miele developed a check list which is being used in the product development process.

Please see *Principle 1: Implementation* for further details on how Miele audits its suppliers.

Environmental aspects are part of the same audits as compliance with human rights and labour standards.

Measurement of Outcomes

The following measurements of outcomes refer to the business year 2014/2015. The percentage change to business year 2013/2014 is given in brackets:

- Environmental protection investments: 2.031 million Euro (+26.8%)
- Environmental protection expenditures: 6.841million Euro (-7.1%)
- Energy use: 223,389 MWh (-0.1%)
- Greenhouse gas emissions: 102,757 tons CO₂ (+5.4%)
- Water use: 340,631 m³ (-8.0%)

- Wastewater: 316,084 m³ (-6.0%)
- Waste: 30,084 tons (-4.5%)

The share of washing machines, dishwashers, and refrigerating appliances meeting the requirements of the top two energy efficiency classes of the European Union Energy label (A+++ und A++) could be increased by 16%. 99.8% of washing machines produced for EU countries subscribe to the top two energy efficiency classes pursuant to the Energy Label scheme. 0.2% were awarded an A+ rating. Today (as per 11/2015) all washing machines from the new generation to which energy labelling applies are in the top A+++ category, exceeding the required level by up to 40 percent (depending on the model).

There was no incidence of non-compliance with environmental laws or regulations and no suspected case was reported to the ombudsman.

GRI-G4 References

Principle 7: G4-EC2, G4-EN1, G4-EN3, G4-EN8, G4-EN15-17, G4-EN20-21, G4-EN27, G4-EN31

Principle 8: G4-EN1-34

Principle 9: G4-EN6-7, G4-EN19, G4-EN27, G4-EN31

5. Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy and Goals

Miele pursues a zero-tolerance policy against all forms of corruption, bribery, extortion and illicit enrichment and has committed itself to be in compliance with all relevant laws, including anti-corruption laws.

To establish support of anti-corruption policies beyond own operations, these are embedded in Miele's responsible supply chain management system. Suppliers and business partners are asked to follow anti-corruption policies and confirm doing so in a supplier self-assessment.

Implementation

In 2008, Miele first implemented its code of conduct, followed by a revision in 2012. The code states in writing, amongst other things, the company's policy on corruption, bribery, donations and sponsoring. Its predecessor was the code of ethics, which had been implemented in the purchasing department in 1996.

Upon joining, new employees are being introduced to the company's principles and the code of conduct. In 2010, Miele introduced internationally a grievance mechanism which allows employees, suppliers and others to report infringement of a law or non-compliance, e.g. with anti-corruption policies, to an ombudsman.

As part of the internal audit, specific aspects of the code of conduct are being verified, amongst them compliance with the policies on accepting gifts, on donations, and on conflicts of interest. In the event of non-compliance, improvement measures are implemented.

Please see *Principle 1: Implementation* for further details on how Miele audits its suppliers. Compliance with its anti-corruption policy is part of the same audits as compliance with human rights and labour standards.

Measurement of Outcomes

In 2014, Miele introduced an online learning tool about its code of conduct. Until December 2015 there were 2.349 employees and managers including the board who had completed the training.

In 2014 there were five, in 2015 two incidents of suspected non-compliance with the anti-corruption policy reported to the ombudsman. In the following investigations, none of these cases were confirmed.

In the reporting period, no contract with a business partner or supplier was terminated or discontinued due to non-compliance with the anti-corruption policy.

Please see Principle 1: Measurement of Outcomes

GRI-G4 References

Principle 10: G4-56, G4-57, G4-58, G4-SO3-6