

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

Reporting Period: Business Year 2015/16, July 1, 2015 – June 30, 2016
GC Active Level

Reference:

- Miele Sustainability Report 2015: <http://www.miele-sustainability.com> (up to 1Q17)
- Miele Sustainability Report 2017: <http://www.miele-sustainability.com> (from 2Q17)

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1. Statement of Continued Support by the Chief Executive Officer

To our stakeholders:

As new Executive Director Technology, 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. Our vision is to be the most sustainable company in our branch of industry. We adhere to these principles in the spirit of the founding fathers, irrespective of the current economic situation. Particularly in economically difficult times, Miele stands for integrity, a sense of responsibility towards individuals and the environment, continuity and quality.

Since 2004, when Miele joined the United Nations Global Compact, 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, we developed our first overarching defined sustainability strategy in 2011. In the process, Miele always strives to take on board the expectations of internal and external stakeholders. During the 2015/16 business year, an in-depth review process with associated trend analysis and interviews with experts mapped out the status quo and highlighted improvements to the Miele sustainability strategy: In production, energy consumption and CO₂ emissions were reduced, and further reductions in the energy consumption of Miele appliances were achieved. However, not all defined objectives were met in full; there is for example further need for action with respect to closing material loops.

The updated sustainability strategy was approved by the Executive Board in February 2016. 15 strategic objectives will now give direction to Miele through to 2025. In this Communication on Progress, we describe our actions and the progress we have made in the 2015/16 business year in implementing the Ten Principles.

Dr. Stefan Breit
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.

Furthermore, the observance of human rights is an important issue for Miele's future sense of direction and for risk management. A 2015 trend analysis shows that contraventions of the core labour standards of the International Labour Organization (ILO) and poor working standards throughout the entire value creation chain are increasingly coming under public scrutiny and becoming the subject of sanctions. This conclusion substantiates the effort of Miele to minimise supply risks and comprehensively meet environmental and social standards, as included in the updated sustainability strategy.

To ensure the support of human rights beyond its own operations and along the entire supply chain, Miele has set up a responsible supply chain management system. Compliance with environmental, social and economic sustainability standards is monitored several times over the course of a business relationship. Suppliers and business partners are supposed to comply with social requirements based on SA8000, which Miele controls with the help of supplier self-assessments and supplier audits. Additionally a risk surveillance system collects intelligence about worldwide news and developments regarding the supply chain. Thereby Miele strives not to miss any relevant information about its business partners and the regions of sourcing.

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 plant in Dongguan, China, was certified at the end of 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. On commencing employment with Miele, new employees are introduced to the company's principles and the Code of Conduct. Every employee in Germany has the right to turn to a complaints office, which offers help as the first point of call in the case of suspected discrimination. The complaints office works closely with the aggrieved person to review the circumstances surrounding the complaint. Wherever possible, the results of the review are disclosed to the person within one month.

During the 2014/15 business year, an online compliance training program revolving around the Miele Code of Conduct was introduced. Participation is obligatory for relevant groups of employees; the program is also open to all other interested parties within the company.

Once potential suppliers have completed their self-assessment successfully 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 to those 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. As per August 2016, Miele had access to more than 130 trained auditors who are deployed in process audits. If a supplier does not pass the audit, Miele engages with the supplier to jointly develop improvement measures. If however the supplier is not willing to improve, Miele usually ends the business relationship.

Measurement of Outcomes

The online compliance training program on the Miele Code of Conduct has been successfully completed on a worldwide scale by a total of 2,792 employees; 2,038 of these belonged to the target audience initially addressed.

Of a total of 491 suppliers applying for business links with Miele in the 2015/16 business year, 484 participated in the selection process. 9 of them (1.9%) were unable to confirm at least one of the required statements on compliance with social standards.

Self-assessment on compliance with social standards by potential suppliers					
No.					
	2011/12	2012/13	2013/14	2014/15	2015/16
Compliance confirmed	935	433	555	968	475
Compliance not confirmed	8	12	15	6	9
Total	943	445	570	974	484

During the reporting period, 23 suppliers were inspected according to an escalation plan. Inspections showed no deviations; no suppliers were placed under embargo.

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. This is also reflected in the updated sustainability strategy, the objective being to promote diversity through respect and equal opportunities.

Miele would like to raise awareness throughout the company for the potential of diverse life and work experiences, perspectives, and values. The company-wide framework for promoting diversity and equal opportunities and combatting discrimination is provided by Miele's Corporate Philosophy, the Miele Code of Conduct and a company agreement to adhere to the general principles of equal opportunities. The company demonstrated its adherence to these objectives by obtaining SA8000 certification and signing the German Diversity Charter in 2012.

Salaries and wages are based on tariffs and company agreements. There are no differences in the pay received by women and men at Miele. Merit pay is categorised and calculated strictly based on the specific task and actual performance and does not take gender or other irrelevant criteria into account.

Employee pay at Miele's Dongguan plant in China was raised above the minimum wage to an appropriate living wage, which, unlike the former, covers the cost of living. Employee pay in the Czech Republic is also based on the local cost of living. In Romania, Miele complies with national guidelines and also makes additional social security payments.

To establish support of labour standards beyond its own operations and along the supply chain, Miele has set up a supply chain management system. Suppliers and business partners are supposed to comply with social requirements based on SA8000, which Miele controls with the help of supplier self-assessments and supplier audits.

Please see also Principle 1/2 for further details.

Implementation

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

Every employee in Germany has the ability to turn to a complaints office, which offers help as the first point of call in the case of suspected discrimination. In accordance with the General Act on Equal Treatment, the works council is involved in handling and evaluating incoming complaints. Miele has set up a dedicated complaints office at each company location in Germany, each of which is run by one man and one woman. All complaints are treated confidentially. The complaints office works closely with the aggrieved person to review the circumstances surrounding the complaint. Wherever possible, the results of the review are disclosed to the complainant within one month.

Please see Principle 1/2: Implementation for further details. Miele has implemented comprehensive management systems to ensure compliance with both human rights and labour principles along the value chain.

Measurement of Outcomes

Please see Principle 1/2: 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 2015/16. The change to business year 2014/15 is given in brackets in percentage or percentage points (pp), where applicable:

- Total number of employees: 18,370 (+3.5%)
- Percentage of employees covered by collective bargaining agreements: 63.6% (-5.2pp)¹
- Employee turnover rate Germany: 2.2% (+1.2pp)²
- Injury frequency rate: 9.5 (-0.7pp)
- Average hours of training per year per employee: 7.1 (+/-)
- Percentage of women in total German workforce: 22.2% (-1.0pp)²
- Percentage of Miele employees in Germany with non-German citizenship: 5.3% (+0.2pp)
- Percentage of employees in Germany with disability: 6.0% (+/-)

During the reporting period, 168 managers and employees from HR were trained using an online learning program on the General Act on Equal Treatment. Since the program was introduced, a total of 1,302 employees have gained this qualification.

In 2015/16, there were two complaints concerning sexual harassment. In both cases, remedial measures were taken and the employees were offered further support. Similar systems are in place at international locations. No infringement became apparent.

GRI-G4 References

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

Principle 4: G4-HR6

¹ The percentage change relates to the business year 2013/14. This was the last business year in which data was collected.

² The increase of the turnover rate and the decrease of the percentage of women are due to the merger of the German back office operations in sales and service in Gütersloh at the end of 2015.

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 environmental impact. As a guiding principle, the company aims to avoid, reduce and recycle as much as possible and adopts a precautionary approach.

The updated sustainability strategy defines objectives relating to the environmental performance of products and production through to 2025:

- Miele is branch leader in terms of environmental performance, in particular with respect to CO₂ emissions and energy and resource efficiency: Efforts to improve efficiency in production will be continued and central climate indicators added. Material loops are to be closed with respect to both products and production wherever economically feasible according to the cradle-to-cradle principle. Measures will cover the three areas of energy consumption, resource efficiency and CO₂ emissions.
- Miele appliances are the benchmark in sustainable product design and holistic efficiency: Designing machines which are both long-lasting and repairable is an integral part of Miele's product philosophy.
- Miele is leader in its branch of industry with respect to new products and features and business models with a bearing on sustainability: With new or redesigned business models, Miele exploits sustainability potential and creates additional user benefits for its customers. Wherever they make sense, system solutions, sharing, leasing and other models are adopted which are comprehensive and well-conceived.

To promote environmental responsibility amongst its suppliers, Miele has integrated environmental aspects in its 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, that 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 specifications.

Implementation

Production

All Miele sites make use of an environmental management system in accordance with ISO 14001. In addition, all sites except Dongguan have implemented an ISO 50001 certified energy management system. However, energy management at the Chinese Dongguan location is based on ISO 50001.

Miele reviews its energy management on a yearly basis in the form of internal audits which are performed by six specially trained employees. During the 2015/16 business year, no deviations were observed. Recommendations were however issued on training employees and on improvements relating to certain process descriptions.

In September 2015, a revision of the ISO 9001 and ISO 14001 standards came into force. A total of 50 persons (auditors and specialists, e.g. officers from quality and environmental management) were trained on the modifications to relevant standards. In this way, a basis was provided to disseminate new requirements relevant to the management system. The necessary optimisation will be implemented at Miele locations by the time of the next recertification in autumn 2017.

Products

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. Miele adopts a holistic approach in developing its durable domestic appliances and commercial machines. All products offer high performance and the best possible results in combination with the lowest possible energy, water and chemical consumption. Above all in the laundry-care and dishwashing sectors, Miele increasingly offers system solutions in which appliances, wash processes and detergents are perfectly matched. Similarly, the connectivity of domestic appliances contributes towards a more efficient use of resources. On the path towards the long-term objective of a circular economy, Miele is experimenting with the recuperation of materials from old appliances.

Suppliers

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 2015/16 business year. The percentage change to business year 2014/15 is given in brackets:

Production (in absolute figures)

- Environmental protection investments: € 0.9 m (-55.5%)³
- Environmental protection expenditures: € 6.7 m (-1.9%)
- Energy use: 230,990 MWh (+3.4%)
- CO₂ emissions: 107,410 tons CO₂ (+4.5%)
- Water use: 365,221 m³ (+7.2%)
- Waste water: 336,094 m³ (+6.3%)
- Waste: 33,101 tons (+10.0%)

³ Investments in environmental protection are subject to significant annual fluctuation as they include one-off investments in new plants and equipment based on current requirements.

Production (in relative figures)

- Energy use per ton of product: 1,228 kWh (-2.5%)
- CO₂ emissions per ton of product: 0.57 tons (-1.7%)
- Water use per ton of product: 1.94 m³ (+1.0%)
- Waste water per ton of product: 1.79 m³ (+0.6%)
- Waste per ton of product: 148 kg (+0.7%)

To further improve the energy efficiency of its production operations, Miele has invested in numerous energy-saving measures. During the reporting period, a variety of energy-efficiency measures were undertaken at all Miele locations. In total in the 2014/15 and 2015/16 business years, savings in the order of 3,800 MWh electricity, 1,000 MWh heat energy, 18 MWh natural gas and 1,200,000 m³ compressed air were achieved. A new and more efficient computer centre for example resulted in electricity savings of 727 MWh per year.

Despite various measures to increase energy efficiency, no efficiency improvements were achieved in absolute terms: The reasons for this were mainly a rise in unit sales and an associated increase in production and an extension of logistics and transportation activities as well as structural changes at various locations.

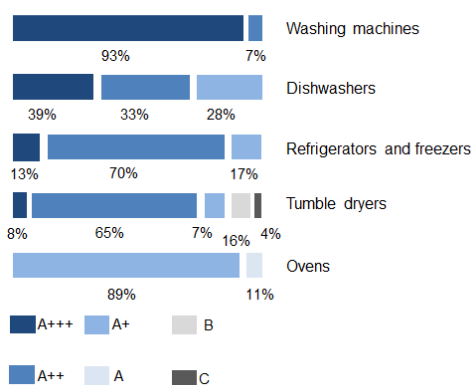
No contraventions of environmental regulations were recorded during the period under review. In the 2014/15 business year, Miele introduced a unified legal management system covering operational environmental protection, energy management and occupational health and safety at all of its German plants. This helps monitor compliance with regulations. Two minor complaints were received with respect to noise levels during the reporting period. The reasons were night-time activities and the noise of vehicles servicing a construction site. These complaints were processed immediately and causes eliminated.

Products

Miele was once again able to improve the efficiency of its appliances. This is reflected in both consumption and energy efficiency ratings.

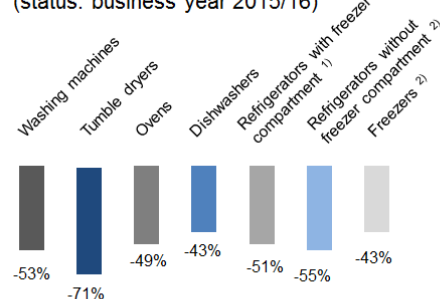
Energy efficiency ratings

for each product group in percent



Reduction in energy consumption

of domestic appliances since 2000
(status: business year 2015/16)



Comparison of the most energy-efficient Miele appliances available on the market in the 2015/16 business year with the most energy-efficient Miele appliances from 2000.

¹⁾ 151l – 300l of usable capacity

²⁾ Up to 150l of usable capacity

During the 2015/16 business year, 93% of all washing machines subject to energy labelling fell into the top A+++ category, undercutting the boundary value by up to 40% (depending on model). In the 2013/14 business year, 63% of all Miele washing machines sold in EU member states were in the highest A+++ energy efficiency category. In the case of other appliances, a similar significant increase in the share of products in the highest efficiency category was also achieved: The increase with respect to tumble dryers was from 1% (2013/14) to 8%, with an increase on the dishwasher front from 30% to 39%. This enabled Miele to achieve its targets of increasing its share of low-consumption products.

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.

Compliance management ensures that valid legislation and Miele's own guidelines are applied at all times.

To establish support of anti-corruption policies beyond its own operations, these principles are embedded in Miele's 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

Code of Conduct

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 was implemented in the purchasing department in 1996. On joining the company, new employees are introduced to the company's principles and the Code of Conduct.

As part of the internal audit, specific aspects of the Code of Conduct are 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.

Grievance Mechanism

Since 2010, an external ombudsman can be contacted if there is a suspicion of corruption, fraud, or theft in any Miele location. Employees, suppliers, and third parties all over the world are able to consult the ombudsman.

Measurement of Outcomes

Please see Principle 1/2: Measurement of Outcomes for further details on number of employees trained on the Code of Conduct.

In June 2016, self-learning software on the subject of competition and anti-trust legislation was introduced in Germany. All employees involved in issues relating to competition and anti-trust law are obliged to use this self-learning software. The program ends with a test. Records are kept on whether tests were passed. By October 2016, Miele had introduced the software at all its locations, also those outside Germany. Additionally, a legal management system covering environmental protection, energy, occupational health and safety was implemented in the period under review. Furthermore, Miele introduced information management software addressing product-related regulation worldwide.

During the 2015 calendar year, one report was received by the ombudsman relating to suspected corruption and personal gain. This could however not be confirmed in subsequent investigations.

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 Human Rights Principles and Labour Principles: Measurement of Outcomes

GRI-G4 References

Principle 10: G4-56, G4-57, G4-58, G4-SO3, G4-SO4, G4-SO5, G4-SO6