



KUFNER

Sustainability Report 2016-2017

Communication on Progress
to the United Nations
Global Compact





Preface

- Statement of continued support by the Chief Executive Officer -

Today, sustainability challenges in the textile sector keep growing, and we want to be proactive in tackling them: water pollution, resources consumption, or social issues in the supply chain. We wish to help our customers and suppliers reduce their environmental and social impacts, to foster a healthy textile supply chain.

In 2016, we decided to further structure our sustainability program by assessing our first carbon footprint, adhering to the UNGC and launching sustainable product lines, among our daily operations and ongoing certifications.

We want to go one step further by releasing our first Sustainability Report to show our commitment to our stakeholders in terms of sustainability.

This report is also our annual Communication of Progress (COP) and will be published on the UN Global Compact Website. Hereby, we reaffirm our commitment to core values in the areas of human rights, labour, environment and anti-corruption we made with the signing of the UN Global Compact in 2016.

We invite all business partners and other interested parties to join and support us in realizing this vision, and get in contact with us in case of any questions or suggestions.

Munich, July 2017

Ulrich Sogl

CEO of Kufner



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Further information:

Kufner: Corporate website

<http://www.kufner.com>

United Nations Global Compact

<http://www.unglobalcompact.org/>



1 Social Responsibility

1.1 Human Rights

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

Principle 2: We make sure that we are not complicit in human rights abuses

Our Commitment to Human Rights

Kufner commits to fully respect the human rights. Through our activities, we avoid infringing the human rights of others and address adverse human rights impacts with which we are involved - corresponding to the UNGC principles.

Risks identified

Human rights refer to "civil and political rights, such as the right to life, equality before the law and freedom of expression; economic, social and cultural rights, such as the rights to work, social security and education, or collective rights, such as the rights to development and self-determination, are indivisible, interrelated and interdependent"¹. In the context of work, they can relate to safe and good working conditions. Other labour human rights are treated in the "Labour" part of this document.

Kufner has carried out a study to identify the environmental and social impacts of dedicated products lines, from the upper part of the supply chain to Kufner. Therefore, Kufner is aware that potential breaches of human rights may arise in the supply chain. As such, health and safety standards should be particularly focused on, as well as provision of good working conditions. Such issues are addressed directly with the suppliers and purchasing department. Concerning our facilities, we have taken the following actions to provide a decent and safe working place.

¹ Source: United Nations OHCHR



Human Rights in our own operations

Kufner processes in terms of human resources and human rights make sure that there are no human rights breaches.

✓ 0 human rights-related incidents

Healthy environment

Taking account of national requirements, we have implemented appropriate measures to safeguard health and safety at work with a view to preventing work-related accidents in the framework of our activities and protecting the health of our workers.

These actions, carried out at different levels in our different sites, are structured throughout a robust management system, with dedicated responsibilities. We regularly conduct risk assessments, internal audits, we keep a record of accidents and update the procedures based on the latest standards. All legal controls are properly carried out.

Employees are regularly trained and systematically provided personal protective equipment. Ongoing communication is important to make sure they are aware of the latest measures. They also undergo regular health checks.

We also strive to make the workplace ergonomic by reducing noise or by providing adequate illumination. As a result of this program, we only have a limited number of accidents for a production company.²

✓ Only 6 accidents in 2016

Decent working place

At Kufner, we grant our employees the right to rest periods on each working day and recognize important statutory holidays. Minimum pay rates must not fall below those set by law or collective agreement. At Kufner, we take account of the consideration that pay for regular full-time work should be sufficient to meet workers' basic needs even in countries without a pay framework based on law or collective agreement.

² Survey carried out in Spring 2017, based on a sample representing 91% of employees



Some of the actions implemented in this sense include voluntary overtime or at least one day off each week. We also want to make sure that overtime is not abusive, so for example in our site of Weisskirchen in Austria, working hours are recorded and monitored.

In addition, we provide fair compensation, which is clearly communication through pay slips.

Finally, we believe that it is paramount to keep our employees trained. We organized various training sessions on different topics to boost our employees' skills.

✓ Average of 8 hour of training / employee / year in 2016

1.2 Labour

Principle 3: We uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

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

Our Commitment to Labour

At Kufner, we respect the core labour standards of the International Labour Organisation and create a safe and decent work environment.

Risks identified

Kufner has carried out a study to identify the environmental and social impacts of dedicated products lines, from the upper part of the supply chain to Kufner. Kufner is aware that potential breaches of human rights and labour may arise in the supply chain. As such, child and forced labour are risks from the upper supply chain, while gender equality is also an important topic. Such issues are addressed directly with the suppliers and purchasing department. Concerning our facilities, we have taken the following actions to make sure that discrimination is eliminated, forced and child labour do not occur, and freedom of association and right to collective bargaining are granted.



Freedom of association

Kufner respects the right of workers and employers to establish, without prior authorisation and as they so choose, organisations whose object is to promote and to protect the interests of workers or employers, to join such organisations and to select their representatives freely. We strive to ensure optimal working conditions for all employees, meeting and where possible exceeding all legal requirements. For example, in our site of Weisskirchen in Austria, regular meetings are organized with the workers committee (Betriebsrat), where workers' representatives are elected.

✓ 1 collective convention

Equal opportunities and discrimination

We have a policy in place to prevent sexual harassment. At Kufner, we treat our workers with dignity and respect.

We refrain from any form of inappropriate treatment, abuse, harassment and intimidation as well as illegal punishments vis-à-vis workers. Disciplinary measures are set out in writing and in a form which the worker can understand

In addition, there is a non-discriminatory recruitment policy.

We monitor the number of incidents regarding employee rights or discrimination (e.g. formal complaints, legal conflicts etc.), of which there were **none** in the last year. For 2017, we aim to keep this number at zero.



✓ 0 discrimination incidents

No child or forced labour

At Kufner, we do not accept any economic activity based on forced labour, bonded labour or serfdom. Our employment policy is in accordance to legal requirements.



For younger workers in apprenticeship, our program strictly follows the law: no overtime for them, no work with hazardous chemicals, among other measures. We also have a process to prevent recruitment of underage workers (including proof of age).

We believe our program to be successful as no case was reported.

✓ 0 case reported

Further information

- Kufner: Code of Conduct: at [www.kufner.com / company / downloads](http://www.kufner.com/company/downloads)
- Collective Convention RKV (In German): <https://www.wko.at/branchen/gewerbe-handwerk/mode-bekleidung/textilreiniger/kollektivvertraege-textilreiniger.html#>



2 Ecological Responsibility

Principle 7: We support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

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

2.1 Environmental Protection

Our Commitment to Environmental Protection

Kufner complies with applicable laws, provisions and administrative practices regarding the protection of people and the environment in the countries where we are active. All Kufner factories naturally work following Environment management standards, certified at our site of Weisskirchen in Austria according to ISO 14001 without compromises.

Risks identified

Kufner has carried out a study to identify the environmental and social impacts of dedicated products lines, from the upper part of the supply chain to Kufner. As such, Kufner has identified the following main impacts for the upper part of the supply chain and our facilities: chemicals management, energy and emissions, water usage and waste and materials. We interact with the suppliers on such topics.

Chemicals Management

Textile industry involves the use of chemicals, in the dyeing process for example. It is then crucial to properly manage, store, handle, transport and dispose of chemicals. Kufner respects all applicable laws regarding chemicals, and has formalized them into a chemicals management system, including various processes (such as verification process, or dedicated responsibility for chemicals management) as well as dedicated trainings for the employees to differentiate the hazards and properly deal with them. Supporting tools are also used, such as inventory of chemicals, or dedicated safety sheets. Finally, prevention measures are put into place, such as separate storage rooms which are properly ventilated, for example.

We have just obtained the STeP certification by Oeko-Tex, for our site of Weisskirchen in Austria, in June 2017, which also emphasizes proper chemicals management.

✓ 2,325 t of purchased chemicals in 2015



Water management

Some of our production processes rely on water inputs. To avoid pollution of water, we use state-of-the-art technologies, like in our site of Weisskirchen.

We first use the well water for process cooling; secondly, we use the same (after cooling) for the dyeing process; thirdly we run this (hot) water through the chiller (heat exchanging device) to get the energy and finally we put this water to the Kufner water cleaning plant and back to the public water cleaning plant. In this sense, we reduce our water consumption.

Also, we have the waste water monitored twice a year, by independent authorized lab testing body.

✓ same water reused 2 to 3 times

Energy and emissions

Saving resources also goes in hand with reducing the energy consumption, and decreasing our global carbon footprint.

We implement various reduction initiatives, including energy-saving processes in our facilities, such as: heat recovery, heat exchange, frequency controlled engines, heat insulation of machines, heat insulation of distribution pipelines.

Then, we monitor the success of such actions by measuring our energy consumption, and through energy audits.

✓ Use of renewable energy in at least 1 site

Regarding the carbon footprint, in 2016 we launched our first-year estimation. The project target was to calculate a first Corporate Carbon Footprint of Kufner Holding GmbH ("Kufner"). Covered are direct emissions from own facilities, own vehicles and purchased energy, as well as indirect emissions along the value chain.

The Carbon Footprint for Kufner was assessed via a complete analysis considering the selected inventory boundaries. The calculation is based on the methodology of the Greenhouse Gas Protocol (GHG Protocol) and covers all relevant Scope 1, 2 and 3 emissions.



We are currently assessing our second carbon footprint. With two years data, we will be able to set realistic reduction targets, which will be further implemented by various actions.

✓ estimated total Carbon Footprint amounts to **119,348.00 t CO₂e** for 2015

Natural resources and waste

Proper management of waste as well as possible reuse in the framework of the recycling economy are important insofar as this is possible under local circumstances. For example, our measures include:

- Waste recycling for cardboard and plastic
- Waste sorting process
- Reuse of PES or packaging material

✓ measured waste amounts to 500 t for our production sites in 2015

2.2 Animal and species protection

We want to use the opportunity of the Sustainability report to renew our commitment to animal protection. In our business actions, we respect the principles of animal protection. Animal husbandry and use should be organised to meet the needs of specific species. We adhere to the Washington Convention on protection of endangered species of fauna and flora (CITES) and orient their business actions accordingly.

Further information:

- GHG Protocol: <http://www.ghgprotocol.org/>
- Carbon Footprint: <http://dfge.de/en/corporate-carbon-footprint/>
- CITES: <https://www.cites.org/>
- STeP Certification: https://www.oeko-tex.com/en/business/certifications_and_services/step_by_oeko_tex/step_start.xhtml



3 Ethical Responsibility

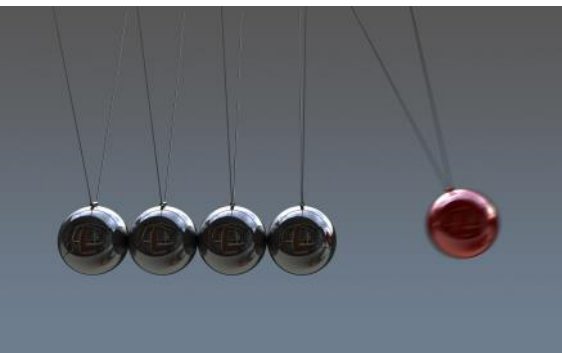
3.1 Anti-Corruption & Fair Business Practice

Principle 10: We work against corruption in all its forms, including extortion and bribery.

Our Commitment to Anti-Corruption

As Kufner, we only engage in legal business practices taking account of fair competition, intellectual property rights of third parties as well as antitrust and competition rules. We reject all forms of corruption and bribery, and promote in an appropriate manner principles of responsible business management such as transparency, accountability, responsibility, openness and integrity. Business partners should be treated fairly. Contracts should be complied with insofar as the framework conditions do not change fundamentally.

Risks identified



As a global solution provider, Kufner acknowledges some risks of corruption in its interactions with stakeholders, despite stringent law in Europe. Corruption is identified as the abuse of entrusted power for private gain according to Transparency International. To address such issues, Kufner has very recently updated its code of conduct.

Kufner monitors the number of incidents related to corruption of any form, both within the company. In the last year, there were **none** such incidents reported to us.

We aim to keep up this performance in the coming year.

✓ 0 corruption-related incidents



3.2 Consumer interests

Our commitment to consumer interests

Kufner takes appropriate measures to safeguard the quality of the products we offer. We ensure that our products comply with all statutory rules with regard to health and safety, and are harmless and safe in health terms for their intended use. We also take consumer interests into account by applying fair business, marketing and advertising practices and promoting consumer education.

Risks identified

Customers are increasingly requesting sustainable products. Kufner wants to match the needs of the customers worldwide. Also, quality is key on the interlining market, therefore Kufner has a strong quality management in place.

Quality

Our quality program is structured around dedicated responsibilities, and a quality manual. We follow the standard ISO 9001. As such, we use quality methods such the Plan-Do-Check-Act, or Quality circles; production processes are planned and described, records are kept.

✓ From 34 to 28 legitimate complaints between 2014 and 2015

Sustainable products

In 2016, we launched the 2016/2017 Kufner Sustainable Collection, to match the growing demand of customers for more sustainable products.



The Naturals collection is made of organic raw materials while the Recycle collection is composed of recycled fibres.



Below is an overview of our collection:

ARTICLE	WOVENS	NONWOVENS	CANVAS	
SW1070V27	●			
SW1120V	●			
SE5065M27		●		
SE5080M27		●		
SC2400M			●	
SC2500M			●	
SC3700M			●	
SC4350M			●	
SC9300M			●	
SW2046M31	●			
SW2048M31	●			
SW2056M31	●			
SW2081M31	●			
SW7065M31	●			
SE1340M31		●		
SE2025M31		●		

naturals
by KUFNER

recycle
by KUFNER



3.3 Sustainable Procurement

Suppliers are part of our stakeholders. As such, we include them in our sustainability and overall strategy.

Our Commitment to Sustainable Procurement

Our Code of Conduct also applies for our partners. We want our suppliers to follow the same standards as we do regarding all areas of sustainability.

Risks identified

Kufner has carried out a study to identify the environmental and social impacts of dedicated products lines, from the upper part of the supply chain to Kufner. The outcomes of such survey are that there are indeed environmental and social risks inside Kufner supply chain, including water pollution, child labour, energy management, chemicals, forced labour, working conditions, among others.

Our actions

We have drafted a supplier code of conduct that we will soon share with our suppliers, to make sure that they are aware of the requirements, and because we want to cascade good practices down to the supply chain.

We also strongly encourage the use of UNGC principles towards them.

In addition, the suppliers are frequently audited with a questionnaire. Since January 2017, we have now added questions on sustainability in the audit questionnaire to match the recent risk analysis and new code of conduct.

New questions feature for example: "Do you resort to sustainability frameworks", to increase the use of recognized standards, or "do you set sustainability requirements towards your suppliers", to foster improvement in the supply chain.

✓ 3 new parts in the Audit questionnaire



4 Outlook

At Kufner, we want to keep being as proactive as possible regarding sustainability. In this sense, we will collaborate with our business partners on a product carbon footprint project.

In addition, we will keep assessing our carbon footprint and investigate the use of emissions reduction targets.

We will keep striving to reach relevant certifications and standards.

If you are a stakeholder of Kufner, and you wish to share with us any ideas or suggestions for improvements, we welcome such initiatives. We see it as an opportunity to improve, and we rely on our long-term partners to help us identify further steps in terms of sustainability.

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