

UN Global Compact Communication on Progress (CoP) 2018

Tchibo joined the United Nations Global Compact (UNGC) on 18 November 2009, and thus expressly commits to the ten UNGC principles concerning human rights, labour standards, environmental protection and anti-corruption, and their implementation in its business processes. We advocate a credible and sustainable corporate policy. Our CEO Thomas Linemayr confirms this stance in his foreword to Tchibo Sustainability Report 2018.

The United Nations Global Compact is an international strategic initiative that has united business, politics, workers' organizations and civil society since its establishment in 2000. If companies commit to aligning their business activities and strategies to ten universally accepted principles in the areas of human rights, labour standards, environmental protection and anti-corruption, the public sector can help to ensure that the development of markets and trade relationships, of technology and finance benefits all economic regions and societies in the course of globalization.

The ten principles are based on:

- The Universal Declaration of Human Rights
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention on Corruption

2012 marks the first time that Tchibo is reporting to meet the UNGC Advanced Level, meaning we now go beyond the minimum requirements and provide information on how we comply with the best practices outlined in the 21 'GC Advanced' criteria. The Communication on Progress is based on the Tchibo Sustainability Reports 2014 - 2018. The following table shows our policies and systems, as well as the measures taken, and the progress made.

Strategy, Governance und Engagement

Criterion 1

Mainstreaming into corporate functions and business units

Criterion 2

Value chain implementation

Policies, systems, measures, and advances

- Responsible corporate governance has been integrated in the business strategy since 2006
- 2011 formulation of the key strategic objective: 'Tchibo on its way towards a 100% sustainable business'
- Integrated system of goals comprises key objectives and sub-goals for all fields of action
- Corporate Responsibility department: Coordination with the departments, review of targets/goals and annual reporting to the CEO and the full board
- Integrated risk management addresses company risks
- Sustainably advance the development of the coffee sector through cooperation with all internationally accredited standards organisations, partners and via our own programmes (Tchibo Joint Forces!®). In 2016, we began measuring the effectiveness of Tchibo Joint Forces!® to determine what measures best help the farmers
- Systemic and structural challenges are effectively addressed in conjunction with other protagonists. Tchibo has been a member of the Global Coffee Platform since 2015 and sits on its steering committee.
- Signing of a memorandum of understanding with the umbrella trade union IndustriALL to improve salary setting processes in Cambodia and Bangladesh
- Tchibo Social and Environmental Code of Conduct (SCoC) applies to all consumer goods suppliers and partners. To guard against supply chain risks, social and environmental requirements are integrated in the purchasing processes. Qualification of consumer goods producers as part of our WE programme (Worldwide Enhancement of Social Quality)
- Our business activities are based on internationally recognised standards and guidelines, in particular the International Charter of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises
- We also endorse the United Nations' 2030 Agenda for Sustainable Development, we are a member of the United Nations Global Compact, and we contribute to the achievement of the Sustainable Development Goals (SDGs)
- Our Declaration of Principles of May 2018 is our explicit commitment to human rights based on the UN Guiding Principles
- The pillars of our corporate governance are not only formed by our stringent conformity with legal regulations, our fair trade and honesty, but also our control and mitigation of potential risks and the careful handling of information entrusted to us by our employees and customers

Human Rights	
<p>Criterion 3</p> <p>Robust commitments, strategies or policies in the area of human rights</p> <p>Criterion 4</p> <p>Effective management systems to integrate the human rights principles</p> <p>Criterion 5</p> <p>Effective monitoring and evaluation systems of human rights integration</p>	<p>Policies, systems and measures</p> <ul style="list-style-type: none"> • Code of Conduct (CoC) for Tchibo employees and SCoC for consumer goods suppliers and partners are based on the principles of the International Labour Organisation (ILO) • Regular Code of Conduct training for all Tchibo employees • All suppliers receive the Social and Environmental Code of Conduct as part of the contract • Employees can report misconduct and breaches via the whistleblowing hotline, works council, legal department, Group audit, other audits, and the projects and programmes carried out by Tchibo and its partners • 2018 Signed and published a Declaration of Principles on Respect for Human Rights • Establishment and expansion of socially and environmental compatible coffee cultivation through own programmes, continued and intensified collaboration with all internationally accredited standards organisations, and involvement in initiatives at regional and national level • The framework for socially responsible conduct in the Consumer Goods supply chain is formed by the United Nations Guiding Principles on Business and human rights, as well as the principles of sustainable development based on the 1992 Rio Declaration • As part of our WE programme we support strategic producers in complying with fundamental human rights • The observance of fundamental human rights by our producers is reviewed as part of our supplier monitoring • Joint engagement with employers, unions, policymakers and other trading companies in initiatives that advocate for an industry-wide improvement in the situation of factory workers
Labour	
<p>Criterion 6</p> <p>Robust commitments, strategies or policies in the area of labour</p> <p>Criterion 7</p> <p>Effective management systems to integrate the labour principles</p> <p>Criterion 8</p> <p>Monitoring and evaluation mechanisms for labour principles integration</p>	<p>Policies, systems and measures</p> <ul style="list-style-type: none"> • Our Code of Conduct (CoC), based among others on the principles of the International Labour Organisation (ILO), defines the values and mandatory behaviour for the company as a whole as well as for each individual employee and formulates our understanding of fairness, ethical business, culture of diversity, and equal opportunities • Regular Code of Conduct training for all Tchibo employees • Employees can report misconduct and breaches via the whistleblowing hotline, works council, legal department, group audit, other audits, and the projects and programmes carried out by Tchibo and its partners • 2018 signed and published a Declaration of Principles on Respect for Human Rights. • We give our employees the opportunity to actively shape the development of Tchibo via the statutory codetermination bodies (works council and the Supervisory Board)

	<ul style="list-style-type: none"> • In Guatemala, creation of alternatives to prevent impermissible child labour by providing education and care to children of migrant workers and harvest workers • The social requirements are based on the core labour standards of the International Labour Organisation (ILO) and the UN Universal Declaration of Human Rights, and refer to the "Base Code" of the Ethical Trading Initiative (ETI) and the SA8000 standard. The SCoC is mandatory for all our suppliers and business partners. In 2016, we revised and amended the SCoC, taking into consideration our increased environmental requirements and various voluntary commitments. • As part of our WE programme, we support strategic producers in achieving the observance of human rights and the lasting improvement of social and environmental conditions at the production sites • Compliance with social and environmental standards will be reviewed in the course of our supplier-monitoring • In 2016, Tchibo became the first German trading company to sign an international framework agreement with the global umbrella trade union IndustriALL Global Union. In its ACT initiative, we also work in concert with the umbrella union and other international trading companies to ensure living wages and industry-wide collective bargaining between equal social partners in the global apparel industry. Our initiative is currently being started in Cambodia, where garments account for 75% of overall exports and many ACT members source a great deal of their materials. ACT has managed to persuade the government and employers' association to allow collective bargaining for higher wages • Tchibo has been a member of the Partnership for Sustainable Textiles since 2014 • Syrian refugees in the Turkish textile industry: SCoC applies for suppliers in Turkey as well – child labour, discrimination and sub-living wages are prohibited; contracts must be translated into Arabic.
Environmental Protection	
Criterion 9 Robust commitments, strategies or policies in the area of environmental stewardship Criterion 10 Effective management systems to integrate the environmental principles Criterion 11	Policies, systems and measures <ul style="list-style-type: none"> • Environmental experts, coordinated by the Directorate Corporate Responsibility, manage implementation in the departments • Environmental guidelines were added in 2010 to our CoC • We are focusing on four areas: the protection of the climate, water and biodiversity, and the establishment of closed-loop systems for our materials • Tchibo is looking to develop and expand its greenhouse gas assessment in line with the Greenhouse Gas Protocol to drive climate protection in its supply chains for coffee and consumer goods. The climate assessment will provide meaningful basic information to identify emission hotspots, derive measures and define new climate targets for direct

<p>Effective monitoring and evaluation mechanisms for environmental stewardship</p>	<p>and indirect emissions (Scope 1* and 2**) and for our greenhouse gas emissions from upstream and downstream activities (Scope 3***). We want to make a measurable contribution to the global efforts to curb climate change and gear our company for the future. Our updated assessment will be completed in August 2019.</p> <ul style="list-style-type: none"> • Tchibo continuously reduce his CO₂ emissions caused by transportation with the "LOTOS" ("Logistics Towards Sustainability") programme • Supply of energy for all German Tchibo sites with ok-power-certified electricity from renewable sources only • At our roasting plants we operate an energy management system in accordance with ISO 50001. In 2016, the energy management system was successfully recertified in accordance with ISO 50001 • As part of our company-wide fleet strategy, we set annually reduced CO₂ emission limits for newly purchased vehicles. Until 2016, Tchibo received five times the "Green Card for credible environmental awareness" from the Deutsche Umwelthilfe (DUH), a German environmental organisation. • We have conducted water risk analysis with the World Wide Fund For Nature (WWF) to further develop the responsible use of water in our supply chains. We focused on coffee, cotton and the wet processes involved in textile processing – the areas of our value chain with the highest water consumption. Our analysis has revealed individual hotspots in the Tchibo supply chain with regard to water scarcity and pollution. In 2019, we will follow on from this by introducing measures to mitigate the threats posed to water in the identified high-risk area • Our Packaging Strategy, developed in early 2015, sums up measures to reduce packaging-related paper and cardboard consumption • Grievances in connection with environmental protection can be reported via the whistleblowing hotline, works council, legal department, group audit, other audits, and the projects and programmes carried out by Tchibo and its partners • In cooperation with initiatives such as Coffee & Climate we help farmers to adapt to the repercussions of climate change • The Tchibo Social and Environmental Code of Conduct (SCoC) defines mandatory environmental requirements that apply to the production of our entire consumer goods assortment • Since 2014 targeted audits of factories are conducted to ensure compliance with standards • Tchibo has been a member of the cross-industry initiative Biodiversity in Good Company since 2012 • In 2014 we signed the ambitious Detox Commitment with the aim to exclude hazardous chemicals from the textile supply chain by 2020
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	<ul style="list-style-type: none"> In Germany, no more free plastic bags have been given out since January 2016. To further reduce plastic waste, we give out disposable cups only on express request, and participate in initiatives for the systematic establishment of reusable cups.
Anti-corruption	
<p>Criterion 12</p> <p>Robust commitments, strategies or policies in the area of anti-corruption</p> <p>Criterion 13</p> <p>Effective management systems to integrate the anti-corruption principle</p> <p>Criterion 14</p> <p>Effective monitoring and evaluation systems for the integration of anti-corruption</p>	<p>Policies, systems and measures</p> <ul style="list-style-type: none"> CoC includes a clear prohibition of corruption and granting or accepting advantages Compliance activities are structured in a Compliance Management System (CMS) based on the Institut der Wirtschaftsprüfer (German Institute of Auditors, IDW) PS 980 standard. The Compliance department develops Group-wide standards and guidelines, facilitates measures and processes in the business divisions, and advises them. Our managers are regularly trained in the application of our Code of Conduct and are obliged to explain the Code of Conduct to their employees As part of risk assessment by maxingvest ag group auditing department, all business units are continually reviewed for risk of corruption Employees can report (anonymous) misconduct and breaches via the whistleblowing hotline, works council, legal department, group audit, other audits, and the projects and programmes carried out by Tchibo and its partners Any reports are forwarded to the Compliance Committee under strict confidentiality
UN Goals and -issues	
<p>Criterion 15</p> <p>Core business contributions to UN goals and issues</p> <p>Criterion 16</p> <p>Strategic social investments and philanthropy</p> <p>Criterion 17</p> <p>Advocacy and public policy engagement</p> <p>Criterion 18</p> <p>Partnerships and collective action</p>	<p>Policies, systems and measures</p> <ul style="list-style-type: none"> Tchibo joined the UN Global Compact on November 18th, 2009 To promote sustainable, yield-increasing farming practices, we work with coffee farmers and standards organisations Tchibo works with the world's largest children's rights organisation Save the Children on educational projects to help ensure better living conditions for coffee farmers and their families in Guatemala and Tanzania The share of validated and certified green coffee was 29,7% in 2018 We approach cross-sector collaboration with relevant stakeholders to address and solve structural challenges Gradual transition to responsibly-sourced resources and materials for our consumer goods. Maintained the proportion of textiles made from and with organic cotton at around 80%. Offer of GOTS-certified textiles since 2015. Established separate sponsorship for sustainable cotton projects: Appachi Eco-Logic project in South India

	<ul style="list-style-type: none"> • We support a sustainable development through our membership in national and international initiatives
Corporate Sustainability governance and leadership	
Criterion 19 CEO commitment and leadership Criterion 20 Board adoption and supervision Criterion 21 Stakeholder engagement	Policies, systems and measures <ul style="list-style-type: none"> • Confirmation of the commitment to sustainable business conduct and to the UN Global Compact by Tchibo GmbH CEO Thomas Linemayr in the foreword to the Sustainability Report 2018 • Key strategic objective: 'Tchibo on its way towards a 100% sustainable business' • Integrated system of goals comprises key objectives and sub-goals for all fields of action • The management of Tchibo GmbH regularly and promptly informs the Supervisory Board of all matters relevant to the development of the company, its value, and its risk situation • Our business activities are based on internationally recognized standards and guidelines, in particular the International Charter of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises • We also endorse the United Nations' 2030 Agenda for Sustainable Development and we contribute to the achievement of the Sustainable Development Goals (SDGs) • The pillars of our corporate governance are not only formed by our stringent conformity with legal regulations, our fair trade and honesty, but also our control and mitigation of potential risks and the careful handling of information entrusted to us by our employees and customers • The company's strategic direction is coordinated with the Supervisory Board • The Directorate of Corporate Responsibility coordinates company-wide and department-specific stakeholder management • To cope with structural challenges in our value chains, we cooperate with partners in the public and private sectors, in science and academe, and in civil society • Employees can report misconduct and breaches via the whistleblowing hotline, works council, legal department, group audit, other audits, and the projects and programmes carried out by Tchibo and its partners • Alignment of our business activity to economic, ecological and social criteria by involving our stakeholders. In 2018, we again conducted extensive, targeted stakeholder dialogues and stakeholder surveys, which will feed into the further development of our focus topics