

Tchibo

CREATING

TCHIBO SUSTAINABILITY MAGAZINE 2019 / 2020
VOL. 1



CHANGE

FOR FAIRNESS AND SUSTAINABILITY

**We love coffee, and not just in a cup.
We love it when it's used as an innovative
fibre, too – for the cover of this magazine,
for example. We developed this coffee paper
using an innovative mix of materials, but it
is also the product of our curiosity, our
convictions and our creative spirit.**

BROWN COFFEE PAPER: 30% USED COFFEE GROUNDS, 40% RECYCLED PAPER, 30% UNBLEACHED CELLULOSE
LIGHT COFFEE PAPER: 10% USED COFFEE GROUNDS, 40% RECYCLED PAPER, 50% CELLULOSE



For Gmund Paper

The organic boom, the sharing economy and fair fashion – Tchibo is part of a disruptively changing world that has profound implications for the future. We have decided to embrace this challenge. After all, it gives us the opportunity to evolve as a company and re-create our business model in harmony with nature's and people's needs. The great issues of our day – **human rights, living income for farmers, living wages for workers, environmental protection and climate change** – call for strong voices that will speak out in support of a more equitable world. As a family-owned company with Hanseatic roots, it is our responsibility to raise our voice and be part of a movement that tackles these problems with actions as well as words. This is something we've been doing for 14 years.

We are, of course, acutely aware that our company has also taken part in exacerbating the problems listed above for many years. And we recognise that Tchibo is still part of "unsustainability" in some areas. That is why it is so important for us to use our creativity and entrepreneurial energy to ensure that, with every day that passes, we become an ever-greater part of the solution. We believe in doing business in a way that is both sustainable and fair and we are committed to engaging with our customers and end consumers to make sustainability an integral part of their lives as well.

After all, despite being one of Germany's larger companies with more than 10,000 employees, Tchibo is still a family owned company built on values such as honesty, transparency, responsibility and respect for people and the

environment. These values underpin everything we do.

The aim of this magazine is to highlight the main challenges we face when it comes to social and environmental responsibility. We will reflect on our response to these issues, the goals we have set ourselves and the progress we have already made. This magazine is a token of thanks to all our colleagues and partners for their passionate support and creativity, sharing new ideas with us and scrutinising us with a critical eye. Together, we aim to keep driving forward the transformation in global supply chains that we so urgently need.

Ultimately, what really matters to us is impact and progress. So we want you to challenge us: with concrete suggestions for improvement, constructive criticism and lively debate that aims to identify and implement the best possible solutions.

EMBRACING THE CHALLENGE

Nanda Bergstein

NANDA BERGSTEIN
DIRECTOR CORPORATE RESPONSIBILITY
TCHIBO GMBH



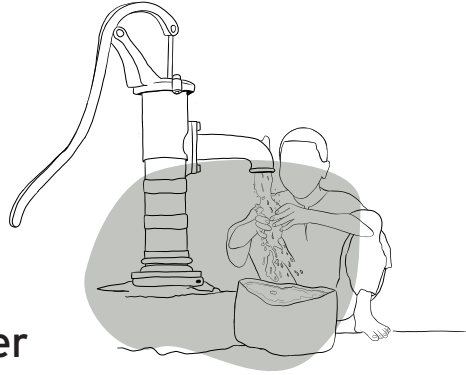
Nanda Bergstein, 2019



INTRODUCTION

EDITORIAL

What a wonderful world it would be: These 4 facts highlight the challenges that we, as a global community, must overcome for the good of future generations.



No clean drinking water

Almost **half the world's population** (3.6 billion people) live in areas where there is a shortage of water for at least one month every year. By 2050, this figure could reach 5.7 billion.

UN WORLD WATER DEVELOPMENT, 2018

Poverty

There are 3.4 billion people world-wide living below the poverty line. **736 million people** live in extreme poverty.

THE WORLD BANK, 2018



Soil degradation

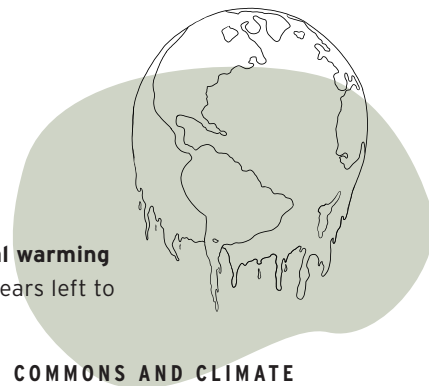
Statistics show that the world may only have **60 harvests left**, a figure which illustrates the scale of soil erosion and contamination that we are already seeing.

UN SPECIAL AGENCY FAO, 2014

Global warming

We will have reached the critical **1.5-degree global warming** threshold by no later than 2052. We only have 7 years left to prevent this from happening.

MERCATOR RESEARCH INSTITUTE ON GLOBAL COMMONS AND CLIMATE CHANGE (MCC) GGBH, BASED ON THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC), 2019



4 FACTS THAT NEVER FAIL TO MOVE US

» Ours can be the first generation to end poverty – and the last generation to address climate change before it is too late. «

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104 Imprint

INHALT





FIVE QUESTIONS FOR THOMAS LINEMAYR

1. Is corporate responsibility - that is, social and environmental responsibility - mutually exclusive with profitability, or can they make a good team?

At present, there is a certain amount of tension between social and environmental responsibility on the one hand and profitability on the other. Yet for the sake of future generations we have to find ways of harmonizing them. It is clear that our world must become more sustainable if we want to continue to live here, and live here well, in the future. Consumers are increasingly coming round to this point of view too. Nevertheless, we must not sacrifice profitability along the way. Operating effectively as a business protects jobs and safeguards our ability to invest. I am absolutely convinced that,

in the future, companies will only be successful if they find a way to marry responsibility and profitability.

2. What is the biggest challenge facing Tchibo on the path towards a better world?

It is vital that we know our consumers extremely well so we can cater to their needs and preferences as effectively as possible. Applying this knowledge ensures that we only create the products and services that they want. And if we can do this in most responsible manner possible, we will be able to conserve resources and encourage a shift towards sustainable consumption.

3. Where do you see the greatest potential?

I see the greatest potential in the people who work in our company.

Each and every one of us is deeply committed to achieving greater social responsibility and sustainability. It is up to us to make the most of our strengths and in doing so obtain the best possible results for our company. At the same time, we want to help drive the transformation to a fairer and more sustainable world.

4. Can you name one sustainability goal that you are determined to achieve by 2022?

For me, corporate responsibility begins with social responsibility. I firmly believe that if people are doing well, they will be willing to do more to protect the environment. That is why we are committed to improving the lives of farmers and workers in our producing countries.

5. On a scale of 1 to 10, where is Tchibo today in terms of its commitment to sustainability?

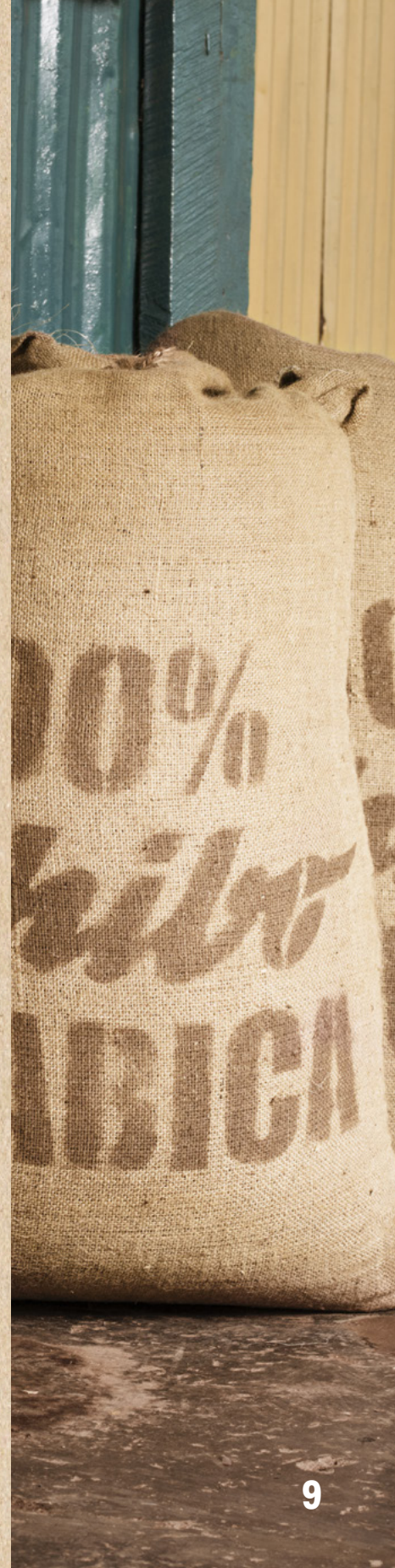
We are 100 percent committed to our goal of sustainability. We realise it is an ambitious goal, but you need to set the bar high if you really want to make any kind of meaningful difference. We have achieved a lot, all things considered. But we still have a very long way to go. We are still on our journey towards a responsible and sustainable future.

THOMAS LINEMAYR
CEO, TCHIBO GMBH

Thomas Linemayr (59) has been CEO of Tchibo since 2016. Prior to that, he headed up the US branch of the Swiss chocolate company Lindt & Sprüngli.

We understand that sustainability is a process. So where are we today and how did we get here? Facts and figures.

01 ABOUT TCHIBO



ACHIEVEMENTS IN 2019

KEY FIGURES AND THE MOST IMPORTANT
MEASURES AT A GLANCE

COFFEE

40,000
farmers

Since 2009, we have supported 40,000 farmers across nine countries with the Tchibo Joint Forces!® programme, implementing 17 projects to help farmers transition to more sustainable farming methods and improve their living conditions.



**EVERY
SECOND,**

we serve a sustainable cup of coffee in one of our stores.

NON-FOOD



89%
of our cotton-based
textiles

are from sustainable sources
(OCS, GOTS or CmiA).

6%
of our products

that use synthetics or plastics as the main
material come from recycled sources.



**WOOD AND
PAPER**

In 56% of our products that contain
wood and paper, we source these
materials from sustainable forestry
(FSC-certified or European forestry).

405
producers

405 producers from 11 countries have participated
in the WE training programme since 2007.



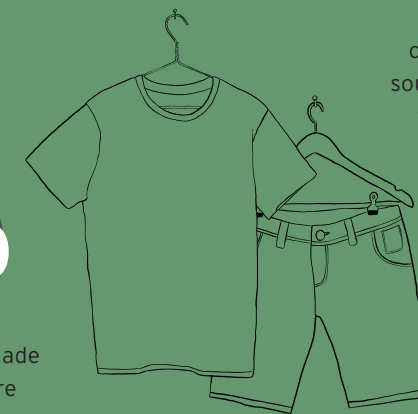
OTHER

**11 YEARS OF
GREEN ENERGY**

All of our Tchibo sites (headquarters,
warehouses, stores and roasting plants)
have been running on 100% green
energy for 11 years.

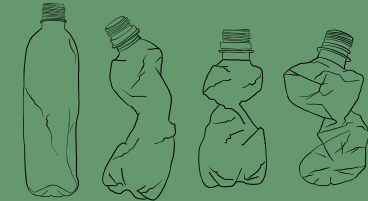
76%

of our textiles featuring man-made
cellulosic fibres are from more
sustainable sources.

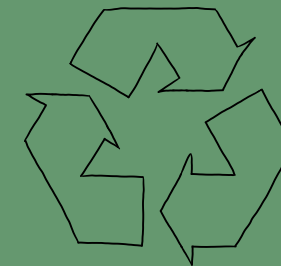


12
million

recycled plastic bottles
were used in our textile
products in 2019.*



PACKAGING



97%

of our consumer goods
packaging is recyclable.

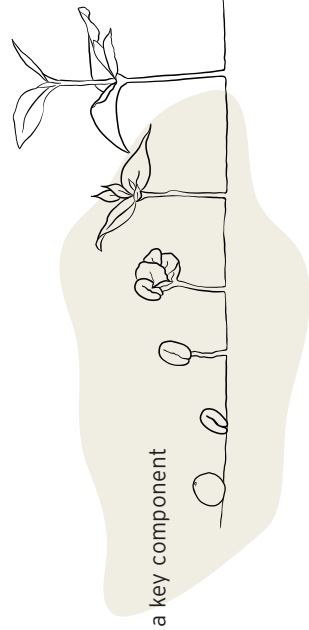
61%

of our textile products are
sourced from DETOX-certified
wet production facilities.

MILESTONES: OUR JOURNEY TOWARDS FAIRNESS AND SUSTAINABILITY

2005

Campaign launched against Tchibo over labour law violations by suppliers in Bangladesh



Since **2006**

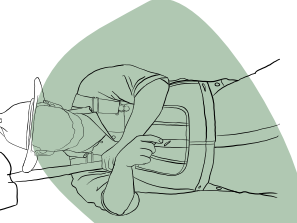
Corporate responsibility a key component of our business strategy

2007

'Logistics towards Sustainability' (LOTOS) project launched in collaboration with BMU* and Hamburg-Harburg Technical University

Since **2008**

Tchibo WE programme for social standards and human rights



Since **2009**

40,000 coffee farmers supported by our Tchibo Joint Forces!® training programme to help them grow coffee more sustainably



2010

Magazine paper and shipping boxes switched to FSC-certified paper

Since **2011**

Board decision to become a 100% sustainable business

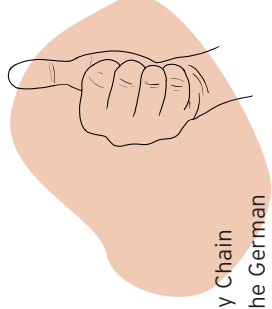


2012

Negotiation of the 'Accord on Fire and Building Safety in Bangladesh'

2013

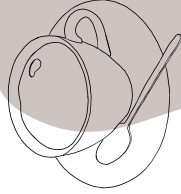
Awards: German Supply Chain Sustainability Award, the German Government's CSR Award, Prize for Sustainability Communications in Retail



Since

2014

Market leader for sustainable filter coffee, Greenpeace DETOX Commitment signed



Since **2015**

Member of the Partnership for Sustainable Textiles set up by the German Federal Ministry for Economic Cooperation and Development



Since **2016**

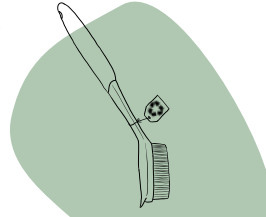
Committed to living wages in the clothing industry as part of the ACT on Living Wage initiative with global brands and the Global Union IndustriALL.

2016

Tchibo named Germany's most sustainable big company

Since **2017**

recycled plastics in practical household items such as brushes



Since **2020**

plastic-free packaging for textiles

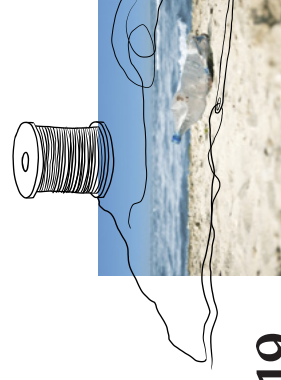


From **2021**

100% sustainable cotton

Since **2018**

Children's and baby clothes available for rent via Tchibo Share

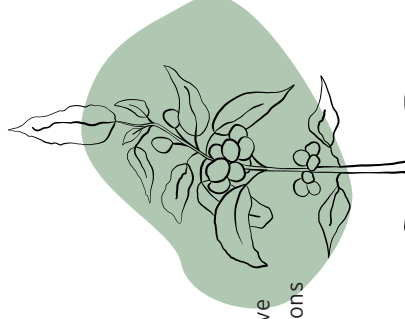


2019

12 million plastic bottles and 5 tonnes of fishing nets recycled in textile products

By **2030**

We want to halve our CO2 emissions



No one can change the world on their own. But each and every one of us has a part to play – let's call it our 'superpower'. If we all join forces and harness these superpowers, we can create a space where new solutions will emerge, and where previously unthinkable decisions will become possible. What's your superpower?

SUPERPOWERS

What's your superpower?

Jakub Kaliszewski/ Fairtrade



Dieter Overath

MANAGING DIRECTOR AND CEO OF TRANSFAIR E.V.
(FAIRTRADE GERMANY)

If perseverance is a superpower, that's mine! I've been with Fairtrade since it was founded in 1992 and without perseverance and a great team, Fairtrade would not be where it is today. People laughed at me when I first started knocking on the doors of major coffee companies to promote the idea of Fairtrade product labelling. Nowadays, Fairtrade coffee is sold in every supermarket and companies cannot afford to ignore environmental issues or human rights concerns anymore. Even so, I still need my superpower – after all, until Fairtrade coffee has been fully realized, we still have a lot of work to do.



I have spent the last 20 years coordinating the Clean Clothes Campaign in Germany. When I first started, our three daughters were aged between 9 and 15 – the same age as girls being exploited in garment factories all over the world. I could not and would not sit back and let that happen. Thinking about these girls was what gave me strength then and still does today.

Christiane Schnura

CLEAN CLOTHES CAMPAIGN



I would love to change the minds of consumers so they are willing to pay a fair price for the things they demand.

Crista Foncea

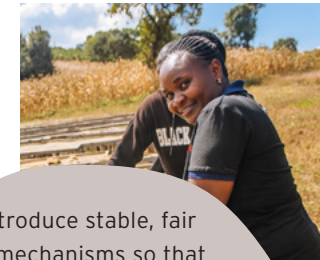
COFFEE CARE, GUATEMALA



I use my superpower of empathetic listening to promote sustainability in our supply chains. I have found that when you listen to others' stories with empathy you find more commonality than you can imagine. This helps to create shared goals with people from different groups and that lead to positive changes.

Fatima Chowdhury

TCHIBO, BANGLADESCH



My superpower is to introduce stable, fair and long-term market mechanisms so that farmers receive a fair and reasonable price for their sustainably produced coffee. This would lead to more farmers switching to sustainable production and making a better living from coffee growing.

Martha Kimboi

SUSTAINABILITY MANAGER COFFEE CLUBS
(TJF!® PROJECT TANZANIA)



Corporate Responsibility is not possible without involving trade unions. I am fighting to ensure that Tchibo and the textile sector live up to this expectation.

Christina Hajagos-Clausen

DIRECTOR, TEXTILE AND GARMENT INDUSTRY,
INDUSTRIALL GLOBAL UNION



My superpower is an innate drive to strive for a healthier planet while never forgetting the human aspect of sustainability. That's why I so firmly believe in putting the livelihoods and business of farmers centre stage in order to achieve the many environmental benefits of organic cotton. Farmers are the catalysts for positive change – the stewards of the land. Support them and you safeguard the planet.

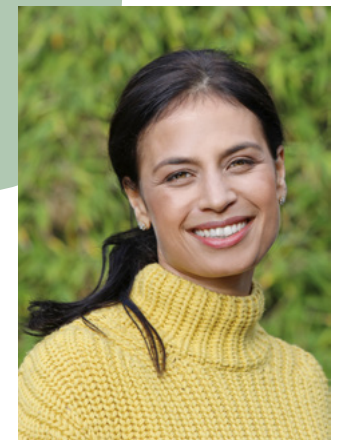
Bart Vollaard

EXECUTIVE DIRECTOR
ORGANIC COTTON ACCELERATOR

My superpower is the firm belief that true change for fairness and sustainability is possible, contrary to many cynics out there. We simply need to find the right solutions. And this is my second superpower: always seeking for new solutions and never giving up.

Nanda Bergstein

TCHIBO, DIRECTOR CORPORATE
RESPONSIBILITY





My superpowers come from my honesty, integrity, fairness, neutrality and care for others. I also always put the common interest first. These values give me the unified voice and trust that enable me to work for fairness in the workplace.

Hav Pok

FACTORY WORKER AND EMPLOYEE REPRESENTATIVE, CAMBODIA



My superpower is the ability to create an agroforestry system that enables diversification on coffee farms and, above all, the implementation of good practices in sustainable agriculture and the production of quality coffee that is always in demand in foreign markets.

Gerson Merary Solorzano

COFFEE FARMER, HONDURAS

Making sustainability, fairness and a better future a reality requires courage. So if I had one superpower, I would want it to be unwavering courage that I could use and share with everyone.



La Rhea Pepper

**MANAGING DIRECTOR
TEXTILE EXCHANGE**

*What's your
superpower?*

As a young scientist, the son of an entrepreneur, a passionate outdoor sports enthusiast and soon-to-be father living in a world still reeling from chemical disasters such as Seveso, Sandoz and Bhopal, it dawned on me some 30 years ago that nothing could make any sense or have any kind of future without a more sustainable economy and society. Today, sustainability is transforming the whole world. That motivates me every day, giving me renewed strength to keep working towards a more sustainable economy and society.



Prof. Stefan Schaltegger

**ECONOMIST AND PROFESSOR OF SUSTAINABILITY
MANAGEMENT AT LEUPHANA UNIVERSITY, LÜNEBURG**

Tchibo is leading the way. What changes can we make on our own, and what areas require a collaborative approach? Plus: putting people at the heart of everything we do.

02 LEVERS FOR CHANGE



Coffee cherries in Ethiopia

Can a company claim to stand for fairness and sustainability if it is not yet 100% sustainable? Is there even such a thing as a completely sustainable company? Put another way, when does a company become sustainable? These are questions that we have been exploring in great detail here at Tchibo.

Catering to the needs and demands of our customers is an integral part of our day-to-day business. We face grave

threats to the environment and profound social problems around the world today, and our role in the supply chain makes us part of this global problem. We know that business has a powerful voice. That's why we use our size to address tough issues in the industry - issues like recycling, living wages and conservation of resources - by encouraging a shift in thinking from owning to renting, for example.

NOT 100% PERFECT,

Coffee plantation, Guatemala



BUT MAKING

BOLD PROGRESS

»We believe that safeguarding jobs and treating others with respect are particularly important.«



Our values

Yet we aren't just a big commercial enterprise; we are also a family business that has always had a strong sense of responsibility.

It is especially important to us to protect the jobs of the more than 100,000 employees at our sites and in our supply chains. We are also committed to driving growth and generating profit as a business. To ensure the company's long-term viability, we must absorb rising personnel expenses and raw material costs, while at the same time investing in the corporate infrastructure and business innovations. Making profit is part of business, but not at any price - and certainly not at the expense of people or the environment. Whilst many companies tread a more conventional path, 14 years ago we took the decision to follow a path towards full sustainability.

But the road is long. We constantly have to resolve the tension between our own ambitions and the challenges we face, simply through being in a highly competitive business environment. Until businesses in general begin to move more quickly towards fair and sustainable practices, our investments will continue to spark innovations and improvements but they will also be hampered by the need to remain competitive.

We stand by the fact that we have not yet reached our goal of full sustainability. After all, honesty is an important value for us. We believe that greenwashing is damaging to the cause as it conceals the true need for action in products and supply chains.

However, we do not see these obstacles as roadblocks. We are continuously working on innovating and improving our performance in crucial areas such as packaging, recycling and waste reduction. Our packaging for textiles, for example, will be completely plastic free from 2020 onwards. But we are still actively looking for new packaging solutions for our hard goods - solutions that are both eco friendly, high quality and resistant to breakage.

Everyone who has been with us on our journey knows that we are constantly evolving, moving forwards and trying to create breakthroughs - with commitment, enthusiasm and pride in what we have achieved.

The road is long, but the rewards are huge. If we succeed in transforming a conventional company into a sustainable enterprise, we can send a strong signal to the market. Our mission is to prove that a company can successfully combine profitability with sustainable and fair business practices.



Vietnam 2018



India 2019



Cambodia 2019

People working with and for Tchibo – each and every one of them helping to drive change every day



Cambodia 2019

Kenya 2011



Vietnam 2018



China 2018



India 2019

*Transparency, humanity,
results, fairness and sustainability
for all – and courage*

Our commitment to sustainability – what matters most to us

- **Transparency:** We don't like greenwashing. We want to make a genuine impact. Whenever we encounter obstacles that hamper our progress towards sustainability, we are open and honest about them.
- **Humanity:** We put people at the heart of everything we do. We actively seek to include the voices of factory workers and farmers.
- **Impact:** We believe in the principle of return on investment – not just in financial terms but from an ecological and social perspective as well. We strive to operate effectively, to do what is right and deliver tangible results – for people and the planet, as well as for the Tchibo brand.
- **Fairness and sustainability for all:** We are committed to our customers. We take their wishes, their day-to-day needs and their lifestyles seriously and want to support them as best we can with our responsible products and services.
- **Courage:** Rather than simply accepting the status quo, we continuously explore new avenues to find the best ways of realising our goals.

Jungle coffee farm



Lubna from India

POWER

TO THE PEOPLE

To successfully implement profound changes, we need clear goals and the courage to question and abandon established thinking. Taking sustainable products from a niche market and making them the norm in mass markets is one such profound change. A company can only successfully do this if every employee believes in and is dedicated to this shared goal – both on a personal level and in his or her own area of professional responsibility.

»How does one become a butterfly?« asked the little caterpillar. »You must want to fly so much that you are willing to give up being a caterpillar«, came the answer.*



* Source: Hope for the Flowers by Trina Paulus

From a sustainable corporate culture

We empower each and every employee to adopt fair and sustainable practices across our sites and supply chains.



1.



2.



3.

We will only succeed in transforming our business model if all our employees are empowered to question existing processes and - if need be - adapt them to make them more responsible. It's not enough to make Tchibo's commitment to sustainability part of our corporate strategy. We need each and every employee to see themselves as a (sustainability) entrepreneur, taking responsibility and driving change. This kind of individual commitment is not something that can be forced. It emerges and flourishes when employees are able to identify with this shared goal and recognise that they can help shape their own area of responsibility and make a crucial difference.

Transparency is vital to establishing and maintaining this motivation. That's why we are developing a company-wide Objectives & Key Results (OKR) system that will enable us to track targets and achievements in a way that is visible to everyone.

Trust and mutual appreciation are also fundamental to our employees' personal commitment. We have therefore introduced employee participation schemes and are engaging with every department to ensure that sustainability can develop from within our organisation. Sustainability training is a key element of this, allowing all our colleagues to learn more about the background, values and goals of the company's commitment to sustainability.

Our company takes a holistic approach which empowers our employees, factory workers and small-scale farmers. The methods we use give them the freedom to make their voices heard. We empower people to offer their own perspectives, because we firmly believe that they are key to our joint success. This allows them to play an active role in shaping the transformation process.

1. This is why we launched the WE programme back in 2008 in the non-food sector, for example.
2. We established Tchibo Joint Forces!® in the coffee segment.
3. In 2019, all our Tchibo employees were given the opportunity to take part in interactive training sessions to learn about our activities and the challenges surrounding the issue of sustainability.

to sustainability entrepreneurs

SHAPING

TOMORROW'S

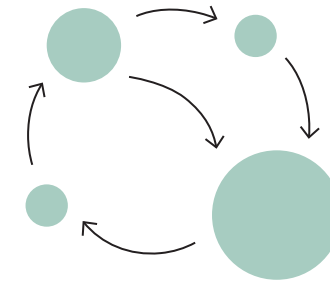
Innovations

CONSUMER

We're not a start-up that can reinvent itself every year. We are a company with more than 10,000 employees, with established processes and strong foundations. Yet we also have to integrate the latest developments from the market while ensuring that our existing processes continue to run smoothly. This presents a challenge that we believe calls for a three-pronged approach – discover, facilitate and change.

HABITS

TOGETHER



Sensing: Sniffing out ideas

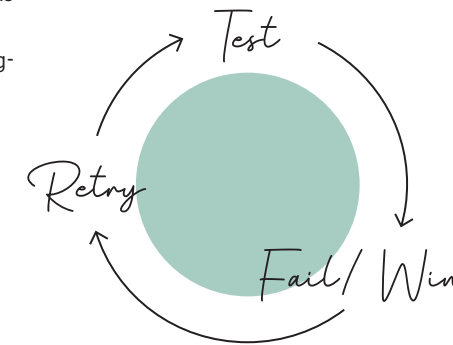
Innovative and effective solutions are the key to our success. A wealth of knowledge and a wide variety of skills are essential if we are to continue developing and refining these solutions. That's why we have set up a system of active and continuous knowledge transfer between internal departments: our sales, product line, logistics, IT and sustainability divisions all share information and ideas with each other, discussing challenges and problems such as how to introduce eco-friendly transport for our products. We are also constantly on the lookout for new external partners with relevant expertise. We work with start-ups, think tanks, professional networks and innovation accelerators.

Our collaboration with Hamburg-based upcycling start-up Bridge&Tunnel (B&T) is a perfect example of how we find new ideas and incorporate them into our processes. Bridge&Tunnel is a brand that employs refugees and people from disadvantaged communities, transforming old jeans and unwanted fabrics into stylish denim creations in collaboration with various companies, including Tchibo. This collaboration sees B&T using discarded fabrics and surplus products from Tchibo. These products then make their way back onto Tchibo shelves in the form of elegant washbags and make-up bags, for example.

Facilitating: Nurturing ideas

Our Corporate Responsibility department acts as a facilitator for kick starting new topics. It helps specialist divisions implement initial prototypes and also brings new ideas and partners to the table. This includes, for example, developing sustainable packaging for coffee and consumer goods as well as reusable shipping bags for logistics.

The department supplies resources and also provides expert advice on agility, sustainability and business development for prototypes. It is vital that we understand how to set up prototypes in protected test environments without placing any strain on existing company processes. Our experience of developing Tchibo Share forms an important basis for this. The basic philosophy behind facilitating is the 'test-fail/win-retry' cycle - and it is something that we are constantly evolving and expanding.



www.tchibo-share.de

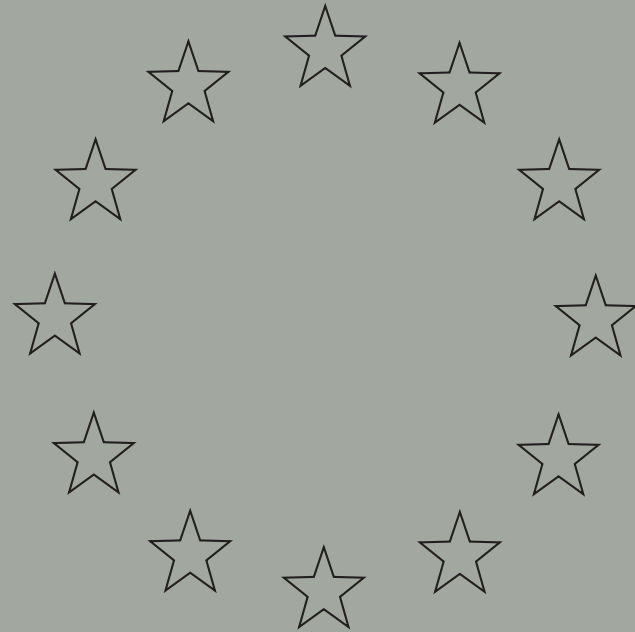


Changing: Driving transformation

Any prototypes that we think are particularly good are put through their paces in practical tests. In order to do this, we provide secure spaces for the development of prototypes and testing them under real-life operating conditions.

The Tchibo Share service is one example of this. It was launched as a prototype in January 2018 in partnership with the start-up company kilenda. Tchibo Share is a rental system that gives consumers the opportunity to use products for as long as they need them and send them back when they don't want them anymore. The products are then offered for further rental on an online platform. The benefits: products are kept in circulation, which reduces resource consumption. The platform caters directly to customers, who only need certain products for a short time and don't want the hassle of having to find new homes for them (through second-hand shops or retail sites).

We need regulation, at a national,



European and international level.

→ Almost half the world's population (3.6 billion people) live in areas where there is a shortage of water for at least one month every year. By 2050, this figure could reach 5.7 billion.

→ Statistics show the earth's soil may only have 60 harvests left, a figure which illustrates the scale of soil erosion and contamination that we are seeing. (2014 KPI)

→ 736 million people live in extreme poverty today

These are just some of the many problems we are facing as a global community. The scale shows that there is no time left for talking. We must take urgent action – and we must all do so collectively: governments, businesses and society as a whole. Each and every one of us must act, regardless of who is ultimately responsible.



From left to right: The host, Thomas Linemayr (CEO Tchibo); Dr Gerd Müller (Federal Minister for Economic Cooperation and Development); Jenny Holdcroft (Assistant General Secretary of IndustriALL Global Union); Dr Frank Hoffer (former Managing Director of the ACT initiative for living wages); Barbara Meier (Fair Fashion Expert); Caspar Dohmen (Journalist)

We are often confronted with systemic challenges in the sectors in which we operate. These challenges are the flip side of the international division of labour and the globalised economy. In an unbalanced system, they bring low wages, poor working conditions and job insecurity.

If we want to bring about change, we must *come together to fight for a better world.*

This also requires clear legislative action, alongside the measures and investments companies must put in place themselves. Some companies are already acting on their own initiative, however, this is not happening on a big enough scale for it to have a global impact. A smart balance of legal obligations, individual responsibility and collaboration is vital if we are to make the progress that is so urgently needed.

We must all respect environmental and social standards in our supply chains. The only way to prevent human rights and the environment suffering in the

Politicians must draw up clear and binding regulations that hold all companies jointly accountable.

name of competition is to ensure that all companies are required to comply with the same legal framework. We need a minimum threshold that creates the same conditions for all market players, fosters a spirit of collective responsibility and allows companies to continue developing innovative solutions. EU legislation is the best way of achieving these objectives.

SUSTAINABILITY IS NO LONGER UP FOR NEGOTIATION!!!



Kenya 2011

We've already made a start

We aren't going to sit back and wait for laws to be passed before we take action. We have developed our strategy and policies to ensure that we can do what we can within our own sphere of influence. Whenever we reach the limits of what we can achieve, we look for innovation and opportunities to collaborate with others in order to make progress and effect lasting change.

Long-term cooperation based on equal partnership has been shown to have benefits at both factory and farm level. Nevertheless, there is clearly a limit to the impact that individual supply chain programmes can have. We have been working closely with policymakers, businesses, non-governmental organisations and trade unions in Germany and our purchasing markets for many years. Our common aim here is to improve working conditions for people in the countries where our products are produced. We have co-founded numerous industry and multi-stakeholder initiatives. In the clothing sector, for example, we helped establish initiatives such as Germany's Partnership for Sustainable Textiles, the Ban-



India 2019



Vietnam 2018

ladesh Accord on Fire and Building Safety and ACT on Living Wages. The Global Coffee Platform and the coffee & climate initiative reflect our commitment in the coffee sector.

In 2006, we began the process of transforming our company into a socially and environmentally friendly business, motivated by our conviction that businesses do not have to operate at the expense of people and the environment. We believe that responsible and sustainable business practices are not optional but an absolute necessity. Everyone must play their part if we are to safeguard human rights and protect the environment on a global scale. When we first began 14 years ago, we believed this could be achieved without enacting new laws. Today, the sheer urgency of the issues at hand tells us that there needs to be binding legislation.

Sustainability is a complex issue that calls for innovative thinking. How can we get closer to reaching our goal?

03 LEADING TRANSFORMATION



FIVE

APPROACHES

We recognise that when it comes to sustainability, we as a company are still part of the problem. We have made it our mission, however, to become an ever-greater part of the solution. We don't want to sit on the sidelines, responding passively to new challenges. Instead, we are using our creative, entrepreneurial energy to actively shape change. To do this, we need an unwavering desire for change paired with the courage to take risks and make mistakes. We are prepared to change our mindset and reinvent ourselves time and again. We have discovered five methods and ways of thinking that enable us to constantly evolve.

For our future

WE

BELIEVE IN

Theory U:
The art of letting go and
adapting to new things

1

The Cynefin framework:
Simplifying complex issues

2

3

Co-creation:
Developing strength
together

4

Prototyping:
Approaching a solution,
one step at a time

5

Facilitation:
Empowering people

1. The Cynefin framework: Simplifying complex issues

The term 'cynefin' is a Welsh word meaning 'habitat'. Dave Snowden's Cynefin framework categorises situations and systems according to how 'disordered', 'obvious', 'complicated', 'complex' or 'chaotic' they are. Categorising situations and systems in this way helps us decide what methods to use and which approaches to adopt in order to solve a problem.

The Cynefin framework can be used in a wide range of situations. Originally, it was mainly applied to cultural change. However, its scope was later extended to include business processes such as product development and branding. Today it is used for a variety of scenarios, such as risk management, evaluating crisis situations and analysing political decision-making processes.

Global sustainability challenges tend to fall into the 'complex issue' category. These challenges involve cause and effect relationships that can often only be identified with hindsight, if at all. So whilst it may

be possible to analyse a situation, it might not be possible to derive clear action for the future from the results of the analysis. There simply may not be any definite solutions. Nevertheless, there is still a way in which we can move forward here: If we analyse what we do and take action through constant trial and error, patterns start to emerge that can help us to identify possible solutions. By experimenting, we gradually move forward. We might also take some steps back during this process, but we will learn from it. In the long term, this will bring us closer to our goal and a sustainable solution.

COMPLEX

→ Cause-and-effect relationships can only be identified with hindsight. Since there are no definitive solutions, we must edge ever closer to the goal through experimentation. This is how innovations come about. **Example:** devising an effective marketing strategy in an already crowded market.

COMPLICATED

→ Although there is a clear relationship between cause and effect, only experts are able to spot this relationship. And whilst there may be various possible solutions, they are not all equally effective. **Example:** developing and building an aircraft.

DISORDERED

→ **Example:** It is unclear exactly what situation you are in. The situation must be categorised before doing anything else.

CHAOTIC

→ There is no cause-and-effect relationship but a great deal of turbulence and lots of unknowns. The impact of a decision forms the basis for subsequent steps. The primary objective is to stabilise the situation at hand. **Example:** (Natural) disasters and the (emergency) measures adopted by decision-makers in response.

OBVIOUS

→ There is a clear relationship between cause and effect. Effective solutions and methods are already established. The problem is identified and the best solution is then chosen. **Example:** Purchasing decisions where price is the primary consideration.

Cynefin framework, source: Cognitive Edge



2. Theory U: The art of letting go and adapting to new things

This is a situation most people will have encountered at work before. There's something you want to achieve and all you encounter is opposition or a lack of interest. In our sustainability programmes, we experiment with a change management model to overcome resistance to change and develop new approaches. German economist Otto Scharmer developed his 'Theory U' model at the Massachusetts Institute

of Technology (MIT). Companies all around the world now use this method to help them navigate far-reaching change processes. Scharmer strongly believes that the mindset of those involved has a greater influence on decision-making than facts or perceived constraints. Exposing this mindset - something Scharmer calls 'presencing' - therefore becomes a central part of any change process.

This is a difficult process and usually requires some form of coaching. After all, it calls on people to be open-minded, listen to themselves and acknowledge who they are. It demands

a willingness to really listen to others without judging their opinions. Once people are able to identify and then let go of pigeonhole thinking, prejudices, hierarchies and their own fears, solutions will emerge that previously seemed impossible.

We then adopt these solutions and implement them in collaboration with everyone who is affected by them. Prototyping is a prime example of this → p. 40. We have found that this produces new, holistic solutions that have a strong foundation and are more widely accepted.

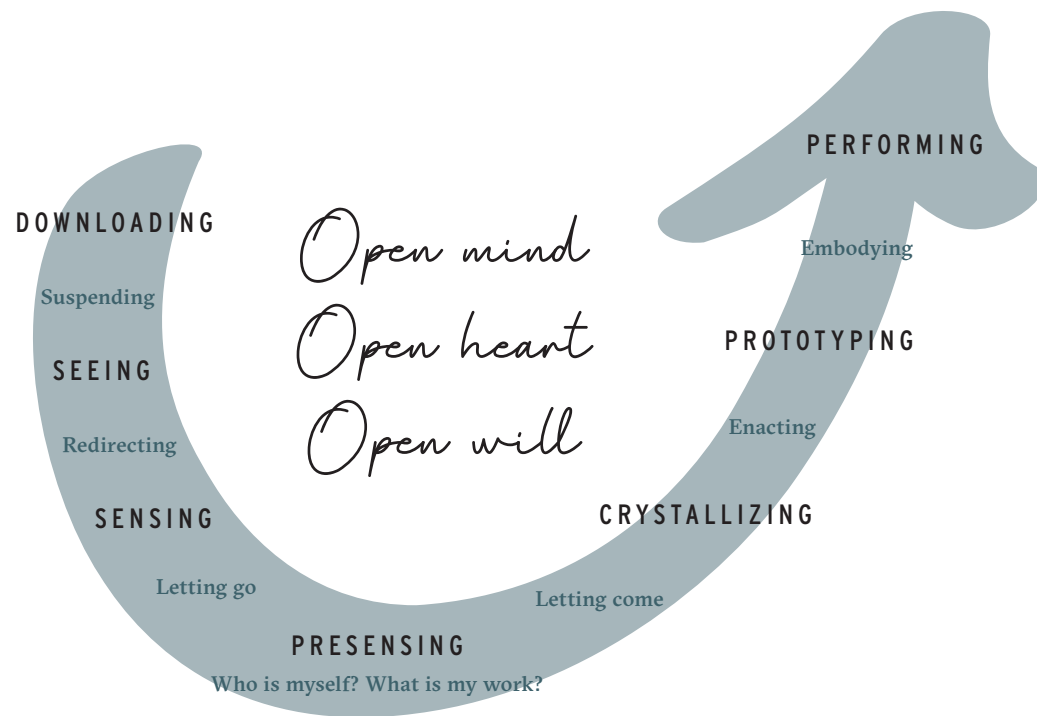


Figure: "Theory U"
Source: Otto Scharmer

Example: The management at a textile factory has agreed to work on human rights issues and has authorised a so-called WE facilitator to help. Yet the seamstresses aren't talk about their fears or about violations of their rights. In their experience, discussing these issues with outsiders will have negative repercussions for them in the workplace. Nevertheless, if the workers do not speak out and offer their input, the parties involved will be unable to

develop effective solutions. This is where WE facilitators come in. They establish trust with all those involved and create a safe space for dialogue, where people listen to each other and treat each other with respect. It is only when all those involved are prepared to express their opinions whilst accepting the varying views of others that it is possible to establish a foundation on which viable solutions can grow. → pp. 60-69 WE programme

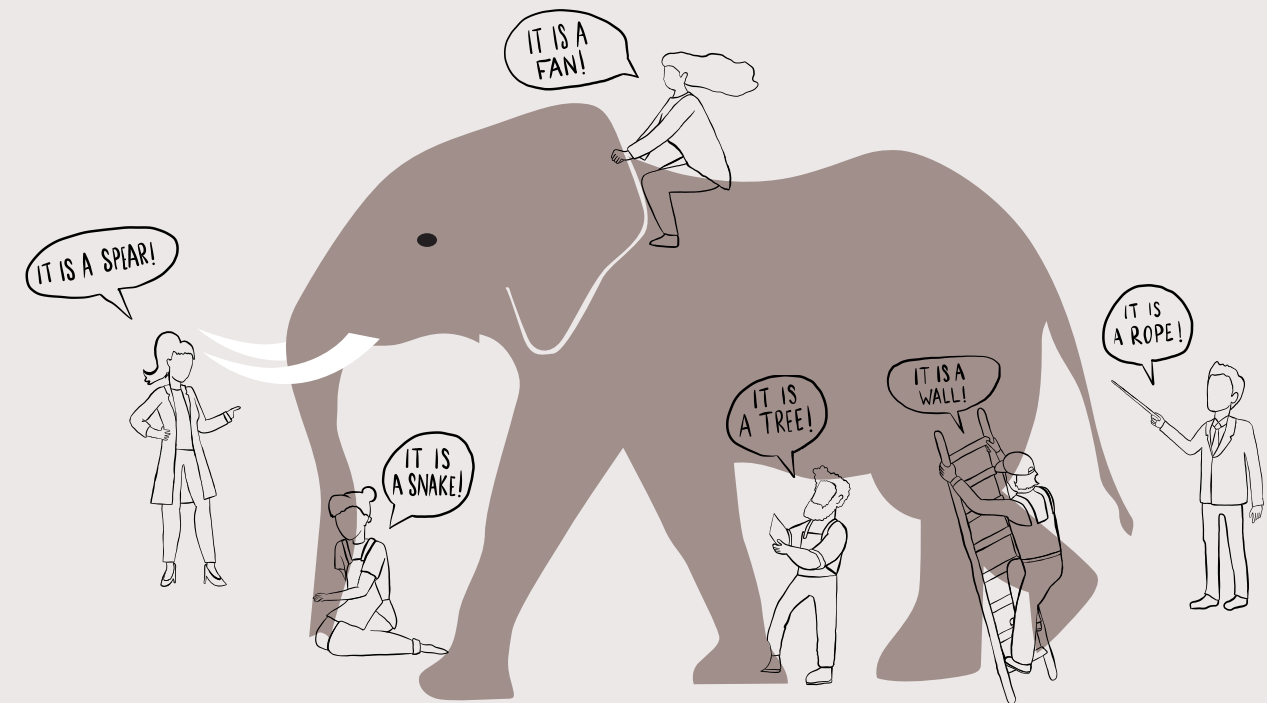
3. Co-creation: Developing strength together

The blind men and the elephant

There is an ancient parable that tells of six blind men who encounter an elephant together. The first man touches the trunk and says, 'It is a snake!' The second, holding its leg, says, 'It is a tree trunk!' The third man

touches the elephant's tail, saying, 'It is a rope!' Meanwhile, the fourth man, standing by its ear, says, 'It is a fan!' whilst the fifth man, holding one of its tusks, says, 'It is a spear!' The last of the six men taps the side of the elephant and says, 'It is a wall!' Each of them is partly right, yet they are all completely wrong as well. It is only by taking everyone's perspectives into account that we can get the complete picture.

We believe in the power of co-creation. Sustainable solutions emerge when all those who are important to a process are actively involved and working together to achieve the result. Time and again, our experience has shown that one person with expert knowledge is not enough to deal with the complex challenges we face. It is far more important that we work closely with the people who are directly affected to shed light on the situation, identify patterns, bring about small changes and see whether the system will change in the way we want it to. By working together, or co-creating, the resulting solutions will subsequently be supported by those affected increasing the chance of success and lasting change.



The blind men and the elephant, source: John Godfrey Saxe, 1872

4. Prototyping: Approaching a solution, one step at a time

Prototyping is the process of getting closer to a finished end product or optimised process. Taking the existing product or process as a starting point, small changes are made one step at a time and the effects analysed. This means that a series of tests can be initiated with minimal testing effort. Whatever works well is adopted as an adaptation. Conclusions can then be drawn from these small changes as to how feasible they would be on a larger scale.

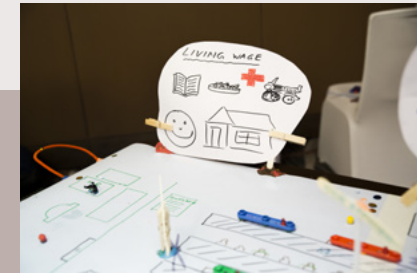
We used this method for example to initially explore the idea of the

Tchibo Share project and then implement it, drawing on our experience, adapting the product range and our marketing communications, reflecting on it again, improving it further, and so on. → p. 102

Prototypes can then be developed using a 3D model, for example, which involves physically building the future you desire. This provides a variety of perspectives on the ongoing process. The model helps to highlight differences, but also common viewpoints - bringing both advantages and disadvantages into sharp focus.

» Fail early to succeed sooner.«

TIM BROWN, DESIGNER AND AUTHOR



3D prototyping at a workshop in India, 2019

5. Facilitation: Empowering people

Facilitation is usually carried out by neutral third parties and is tremendously beneficial in any kind of change process. The purpose of facilitation is to combine the strengths of all those involved, enabling them to achieve the change they are looking for. This creates a setting and framework within which every voice can be heard and all parties are treated as equals. This approach allows all those involved to assume greater personal responsibility and encourages them

to use their own initiative. We firmly believe that incorporating facilitation into change processes can significantly increase the chances of a successful outcome. This is something we have already seen in countless projects and meetings.

The concept of facilitation also underpins our WE programme, which takes a participatory, dialogue-based approach in order to guide and support the envisaged change.



Seamstress in Bangladesh



Workshop in China, 2019

Listening to each other and treating each other with respect

Workshop in Cambodia, 2019



Climate change is a non-negotiable issue. What steps is Tchibo taking in its supply chains to address the problem? And what role does clean water play?

04
**LIVING
TRANSFORMATION
/ ENVIRONMENT**

ENVIRONMENT AND BUSINESS WORKING HAND IN HAND

We believe environmental protection and business sustainability are not mutually exclusive but mutually dependent. An intact environment is fundamental to our economic future as a company.

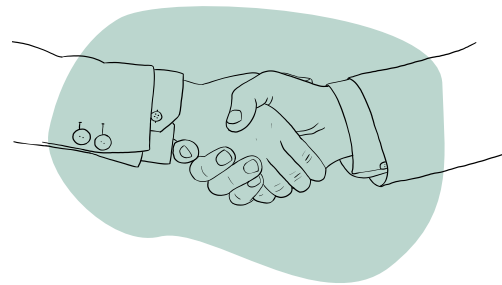
Climate change is causing weather extremes, excessively high temperatures and water scarcity. This threatens our farmers' crops and our entire production. Vast quantities of waste are polluting the environment instead of being recycled to provide valuable resources.

We can influence these trends. We are working on making our business activities as eco-friendly as possible to protect the livelihoods and economic well-being of each and every one of us.

In the spotlight:



We are committed to climate protection and biodiversity, clean water, conservation of resources and a circular economy, which continuously reduces the amount of waste it produces. Water conservation and biodiversity are the issues we face most when it comes to coffee and cotton farming and the production of our non-food products. We have to ensure that the soil does not become infertile and we have to prevent hazardous chemicals from entering the water supply. → p. 52



We are helping to tackle climate change in our farming and production methods, and also by choosing environmentally friendly transport solutions for our products and by cutting CO2 emissions at our administrative premises, warehouses, shops, shop-in-shop solutions and roasting plants. → p. 48-49

Effective environmental protection is based on cooperation. That's why ...

- ... we are working towards eliminating hazardous chemicals in collaboration with the Zero Discharge of Hazardous Chemicals Foundation.
- ... we have signed up to the UN Fashion Industry Charter for Climate Action to reduce emissions in textile factories.
- ... we have joined forces with the NGO WWF and other companies to find solutions for river basins that are particularly at risk.

OUR GOAL

We will cut CO₂ emissions by more than half in our organisation by 2030. We will reduce the amount of CO₂ generated both upstream and downstream in our value chain by 15%. As such, we are doing our bit to meet the 1.5 degree climate target.

CLIMATE CHANGE - THE SURVIVAL OF OUR

*Working together to
tackle climate change*

SPECIES IS AT STAKE

Coffee, cotton and wood are raw materials that we use on a daily basis here at Tchibo. If global warming continues unabated, these raw materials will become scarce and many millions of people who grow them will lose their livelihoods.

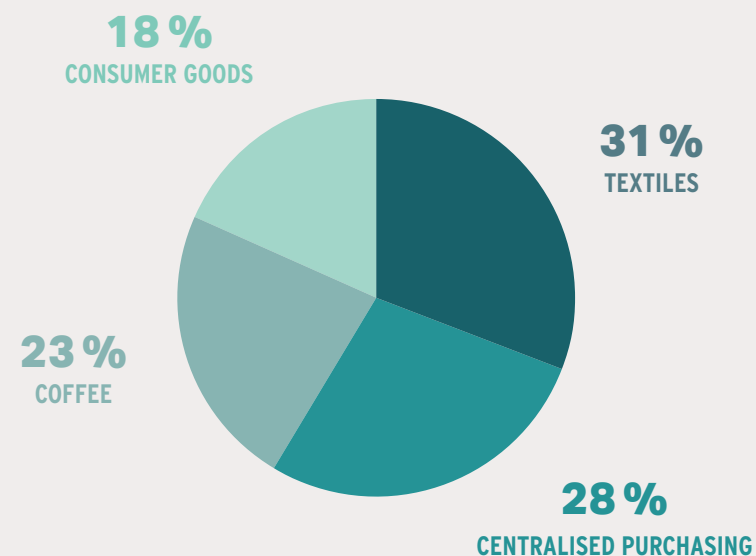
International research on the state of the climate clearly shows that we must change course now and take decisive action to reduce CO2 emissions. The 2015 Paris Climate Agreement sets out the goal of limiting the global temperature increase to 1.5 degrees. We are committed to this climate change target and are taking concrete and ambitious steps to mitigate climate change - because our future and the future of subsequent generations depends on this.

We have been committed to combating climate change since 2006

Over 95% of our CO2 emissions are generated by the production of coffee, textiles and other products. To mitigate

this holistically, we manufacture our products using minimal energy and we also help our suppliers adopt energy-efficient production methods. We further reduce our CO2 emissions by using sustainable raw materials such as organic cotton and recycled materials for our products, by ensuring that our logistics processes are environmentally friendly and by using renewable energy at all our sites and branches.

We also strongly believe that collaboration is key to effectively tackling climate change. This is why we have been working closely with our suppliers and other partners for many years now to develop solutions. We have signed up to the Science Based Targets initiative (SBTi), the Fashion Industry Charter for Climate Action (UNFCCC) and the coffee & climate initiative. These organisations enable us to forge global alliances as we work to introduce effective climate change mitigation measures.



CO2 emissions from goods and services purchased

The diagram above shows emissions from goods and services we have purchased, broken down by purchasing area. In 2018, this figure stood at 819,000 tonnes of CO2, approximately 14% less than in 2017, with emissions from purchased goods and services accounting for the largest share of total emissions.

Overhauling the way we calculate our carbon footprint

In 2019, we completely overhauled the way we calculate our carbon footprint. We now also include emissions from all our overseas facilities, as well as emissions from all stages in the value chain, both upstream and downstream, such as coffee growing. Our carbon footprint is calculated according to the Greenhouse Gas Protocol (GHG), which defines best-practice reporting standards.¹

Based on our revised carbon footprint, in 2020 the Board of Directors adopted new science-based climate targets for Tchibo for 2030, which will help keep global warming below 1.5 degrees Celsius.

¹ Since we do not have consumption data for the first half of 2019, the figures in this report refer to 2018.

WHAT ARE WE DOING TO TACKLE CLIMATE CHANGE?

COFFEE



→ We do a number of things to help farmers adapt to climate change, including supporting the coffee & climate initiative and also our Tchibo Joint Forces!® projects.

→ Our certified sustainable coffees help reduce our carbon footprint.

PACKAGING

→ Since 2012, we have been offsetting the emissions of our courier service provider DHL as part of the GoGreen programme - in 2018, we were able to offset almost 8,000 tonnes of CO2 in this way.

→ In 2019, we were able to reduce the number of orders shipped in two packages by a further four percentage points, down to 13%.



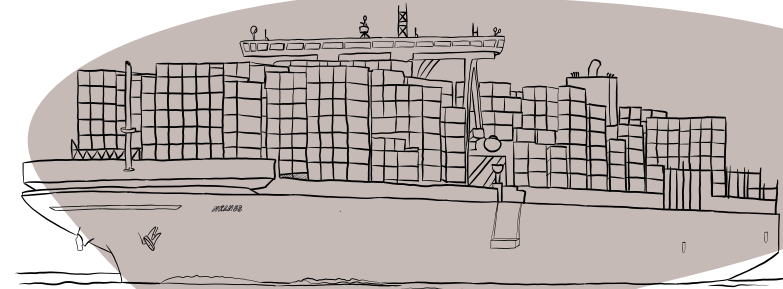
ROASTING PLANTS



→ We use the energy management system defined in ISO 50001, which enables us to continually reduce our energy consumption.

→ In 2019, we commissioned a software-based energy monitoring system at our Berlin plant.

→ Looking forwards, our investment in four ultra-efficient roasters at our Hamburg site will allow us to save over 1,000 tonnes of CO2 every year. This will mark the completion of our upgrade programme across all our sites.



TRANSPORT

→ Over 90% of our cargo is transported by sea - in 2019 we were able to save 346 containers for the same amount of goods by making better use of the cargo space.

→ We put innovative concepts to the test: a trial last year saw an electric lorry drive the 'last mile' to three branches and eight supermarkets.

NON-FOOD

→ We help our textile manufacturers to increase their energy efficiency with the Carbon Performance Initiative (CPI2) online training tool. In 2019, 73 suppliers actively used the tool, with 19 of them attaining the first qualification level 'Bronze' in the energy sector.

→ Modern logistics solutions don't just have to be forward-thinking, efficient and fast - they also have to be environmentally friendly. This is something we have been working on successfully for 14 years with the support of the Hamburg University of Technology. We were able to save 24% of our CO2 emissions per tonne-kilometre between 2006 and 2018. GS1* Germany recognised Tchibo's commitment in 2019 by awarding us the Lean and Green 1st Star.



Dr Jens Köppen (CFO Tchibo), Sina-Maria Schoenlein (Tchibo Logistics), Sarah-Christin Prothmann (Tchibo Logistics), Thomas Linemayr (CEO Tchibo)

* GS1 (a network of not-for-profit organisations) develops global standards for cross-enterprise processes

WATER - THE SOURCE OF ALL LIFE

Water is a vital resource that is essential for both humans and the environment. No other resource is so important for mankind yet at the same time so vulnerable. According to the World Health Organisation (WHO), by 2025 half the world's population will be living in areas where there is a shortage of water.

The coffee and cotton we grow and the products we manufacture mean that we are partially responsible for water pollution and water scarcity. It takes a lot of water to grow coffee and cotton. Fertilisers and pesticides are sometimes needed too. Manufacturing textiles - in particular the

dyeing, washing, printing and finishing of fabrics - pollutes our water with chemicals and effluent that in many cases has not been adequately filtered.

Sustainable water management is therefore a crucial part of our sustainability strategy. Our water conservation efforts are underpinned by three specific programmes: the DETOX programme for better water quality, water stewardship activities for cleaning up critical river basins around our production sites, and the WASH programme, which provides access to clean drinking water for smallholder coffee farmers.

DETOX - IMPROVING WATER QUALITY

» Tchibo has made remarkable progress in eliminating hazardous chemicals. Tchibo has stood out as a driving force in this paradigm shift within the textile industry and has surpassed our expectations.«

DR KIRSTEN BRODDE, GREENPEACE

We have to admit that, until six years ago, although we knew which factories were making our textiles, we had no idea about the companies that were involved in washing and dyeing them. However, to ensure that water was being used sustainably in the production of our textiles, it was absolutely imperative that we trace this part of the supply chain and provide transparent information about the use of chemicals.

We have now succeeded in identifying the wet processing factories for 96% of our textile products (for the 2019 sales year). These 308 plants are based in 24 countries, the majority of them in China. We regularly request effluent analyses to determine whether any chemicals are being released into the effluent and, if so, which ones. Some 63% of these plants have provided effluent tests.

Besides analysing the effluent, we also encourage our wet processing suppliers to review their chemical inventories and substitute any substances of concern with more environmentally friendly alternatives. This allows them to address the use of critical chemicals right from the start of the production process. As many as 38% of the wet processing companies involved in our supply chain regularly check their chemical inventories using professional digital solutions, such as the Zero Discharge of Hazardous Chemicals (ZDHC) online platform.

It is particularly important to us that we work closely with suppliers and wet processing companies. We are proud of the fact that 61% of our textile products are already produced in wet processing plants that have implemented a detox training programme.

In addition, we have observed a 21% decrease in hazardous chemicals discharged between 2016 and 2019.

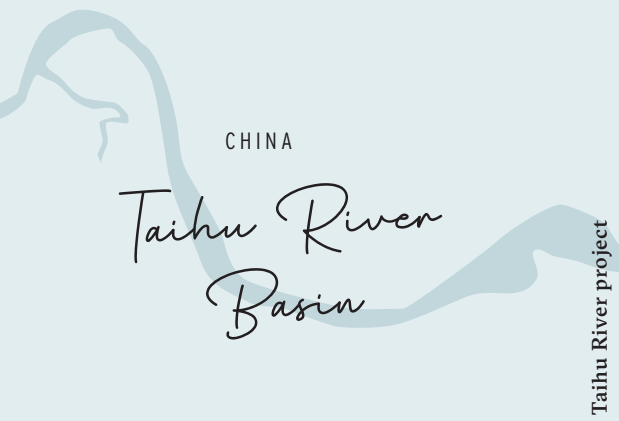
Example 1

The best way to ensure hazardous chemicals are not released into our waters is to avoid using them in the first place. This is something we bear in mind right from the start, when we develop our products. For example, the ecorepel® coating we use for wet-weather clothing mimics the water-repellent properties that water birds rely on to keep their plumage dry. Unlike chemical waterproofing agents, ecorepel® is environmentally friendly and free from fluorocarbons (PFC), which are harmful to human health and to the environment.

Example 2

Our leather products are another case in point, as the tanning process used is 100% chrome free. This protects the environment, the health of the people making our leather products and the health of our customers. Chrome-tanned leather can, over time, release chromium VI, a substance that irritates the skin and is carcinogenic.

WATER STEWARDSHIP – Promoting more responsible practices in critical river basins



»Tchibo is the first German textile company to make a serious commitment to water stewardship. The company's work in vulnerable river basins is a key milestone on the journey towards more sustainable water management.«

JOHANNES SCHMIESTER, WWF

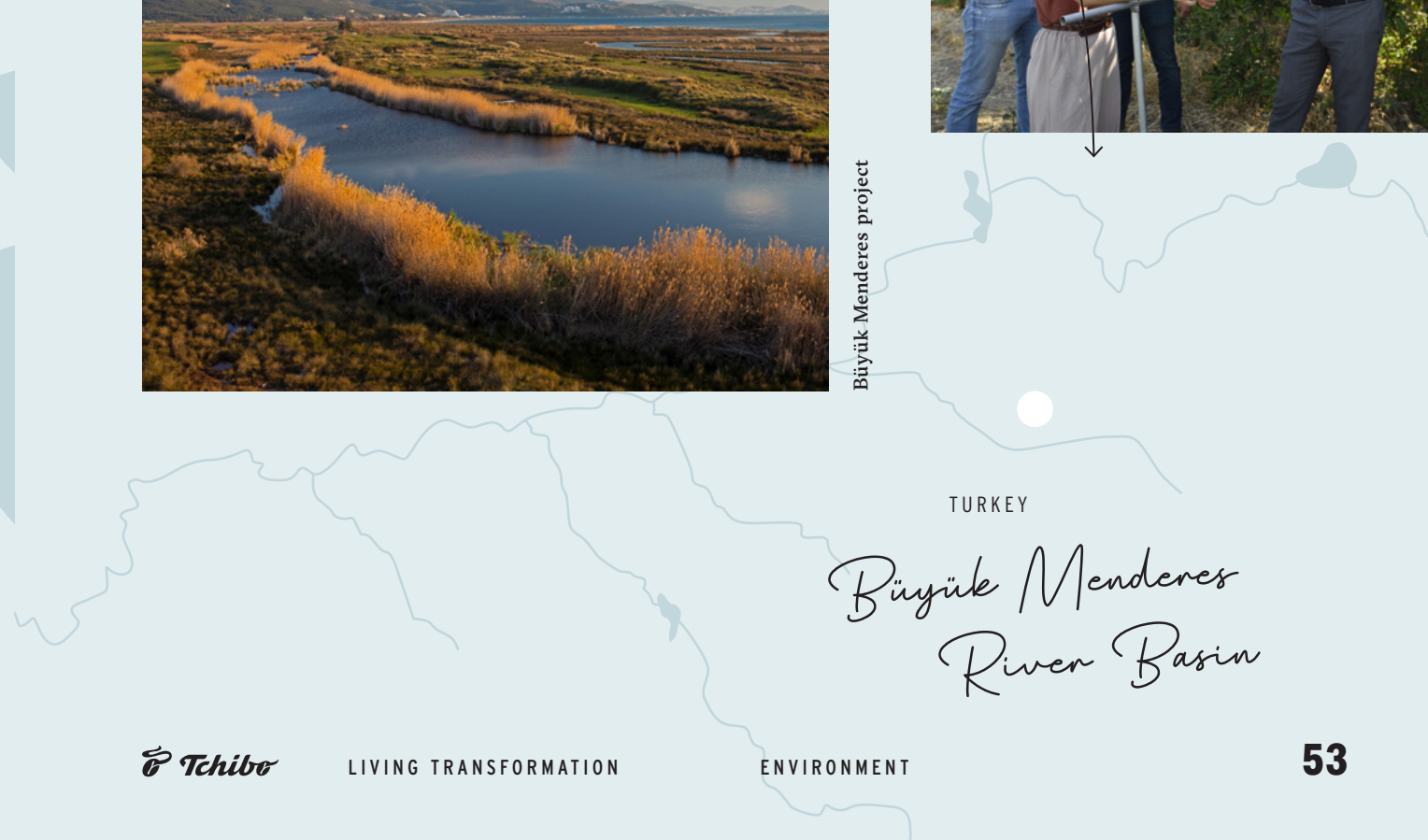
Tchibo endorses the water stewardship approach developed by WWF, which seeks to promote the socially just, environmentally friendly yet economically viable use of water. The underlying idea is that all stakeholders in a river basin that is under threat from environmental pollution work together to find solutions to water problems. The programme takes a holistic approach to finding lasting solutions to water problems, whether by working alongside plants that discharge effluent into these areas or by advocating a more sustainable water policy. For us, this is an impactful way of exercising our corporate responsibility. We don't believe it is enough simply to implement isolated measures in the supply chain if these measures fail to address the real issues at hand.

Our projects in China and Turkey

In 2019, we identified the river basins that are particularly impacted by the manufacture of our products. We then embarked on specific projects in the Taihu River Basin in China and the Büyük Menderes River Basin in Turkey.

According to WWF's Water Risk Filter, China is the country with the most significant water risks in our textile supply chain. The Taihu River Basin is particularly significant for Tchibo, as the wet processing plants that are based there are responsible for two-thirds of the products we manufacture in China. The aim of the project is to improve the condition of this river basin. Factory training programmes devised in 2019 are being implemented in stages in 2020.

The Büyük Menderes is one of the most heavily polluted rivers in Turkey. The river is home to 40% of Turkey's leather production, 60% of its textile production for export and 14% of its cotton production. Biodiversity in this river basin is in sharp decline, water levels are falling and water quality is deteriorating. The water stewardship project launched by WWF also has the backing of H&M and IKEA. Tchibo has been involved since 2019 and is focusing on more sustainable cotton farming in the region. It is hoped that the project will act as a model that can later be applied to other river basins in Turkey.





Wells in Ethiopia



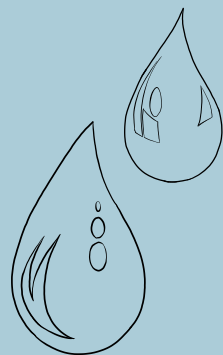
WASH – PROVIDING ACCESS TO CLEAN

People need water - water for drinking, for sanitation and for hygiene (WASH). The UN has set a target of ensuring everyone on the planet has access to safe drinking water by 2030. Right now, some 2.1 billion people do not have access to safe drinking water and 4.3 billion people have no safe sanitation facilities.

Ethiopia is one of the countries hit hardest by water problems - 63% of the population has no access to clean water. This fact, coupled with poor sanitation, is responsible for between 60 and 80% of all communicable diseases in the country. This is where the Tchibo WASH project comes in. The project sees Tchibo working with local non-pro-

fit organisation the Buna Qela Charity Association to build two 50- to 60-metre deep wells in a coffee-growing region that is home to our organic coffee. The wells are due to be completed by the end of 2020. The wells will be equipped with solar pumps, and supply water to more than 2,000 families.

DRINKING WATER



Working conditions are less than ideal in many of the countries where Tchibo products are made. What about human rights? The WE programme works to promote these fundamental freedoms.

05 LIVING TRANSFORMATION / PEOPLE



Factory workers in India

PUTTING

Are we doing enough when there are still so many people throughout our supply chains who are not paid a living wage for their work? When so many people don't feel safe at work?

PEOPLE

CENTRE

STAGE



Workshop in Cambodia

The answer is simple. The global economy as a whole and governments around the world are not doing enough. But we are doing what we can as a company to improve the situation in the global sectors where we have a responsibility. Our influence is not strong enough to have a direct say in working conditions everywhere. We focus on auditing within our consumer goods supply chains to ensure minimum standards, and on certifying our coffee. That said, experience has taught us that audits can only be used to check specific areas. Identifying and preventing sexual harassment, for example, requires a different approach to addressing fire safety issues. Dialogue and mutual respect are the key to improving human rights. That's why our **WE programme** emphasises dialogue and trade union engagement to promote **social standards and human rights.** → p. 63

As a member of the ACT on Living Wages initiative, we are also committed to providing a living wage in the textile industry. **Our aim is to join forces with all major international buyers, trade unions and key producing countries to gradually wages, until they reach a socially responsible and sustainable level.** → p. 70-72

By ensuring transparency in our supply chains → p. 86 and 93 and establishing direct personal contact with our workers - through the WE programme, for instance - we are able to gather information about the human rights situation in the factories and communities where our goods are produced.

We are doing what we can, and we are beginning to see the first fruits of our efforts. Nevertheless, we as an industry will not be satisfied until politicians follow suit and make living wages mandatory when purchasing in the textile sector.



Workshop in India

Human rights due diligence is an integral part of our business practices. Our work is founded on the UN Guiding Principles on Business and Human Rights, and consequently on the requirements of Germany's National Action Plan on Business and Human Rights (NAP). We are committed to upholding human rights, taking systematic action to prevent violations and addressing any violations through targeted measures and continuous improvements.

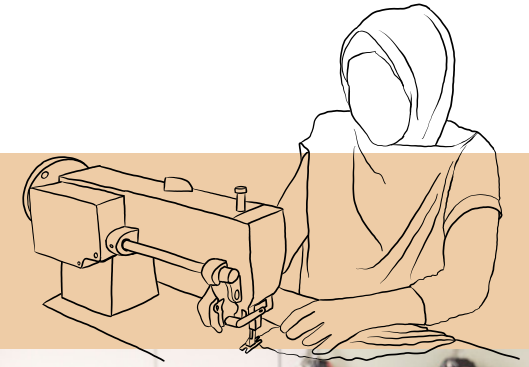
DIALOGUE ON HUMAN RIGHTS



Muhammad Asif Hasan

Muhammad Asif Hasan used to be the manager at a textile factory in Bangladesh. These days he works as a Tchibo facilitator as part of the WE dialogue programme, mediating between workers and management when there is a dispute. All told, there are 16 production sites currently participating in the WE programme in Bangladesh.

Workshop in Bangladesh



Workshop in Bangladesh



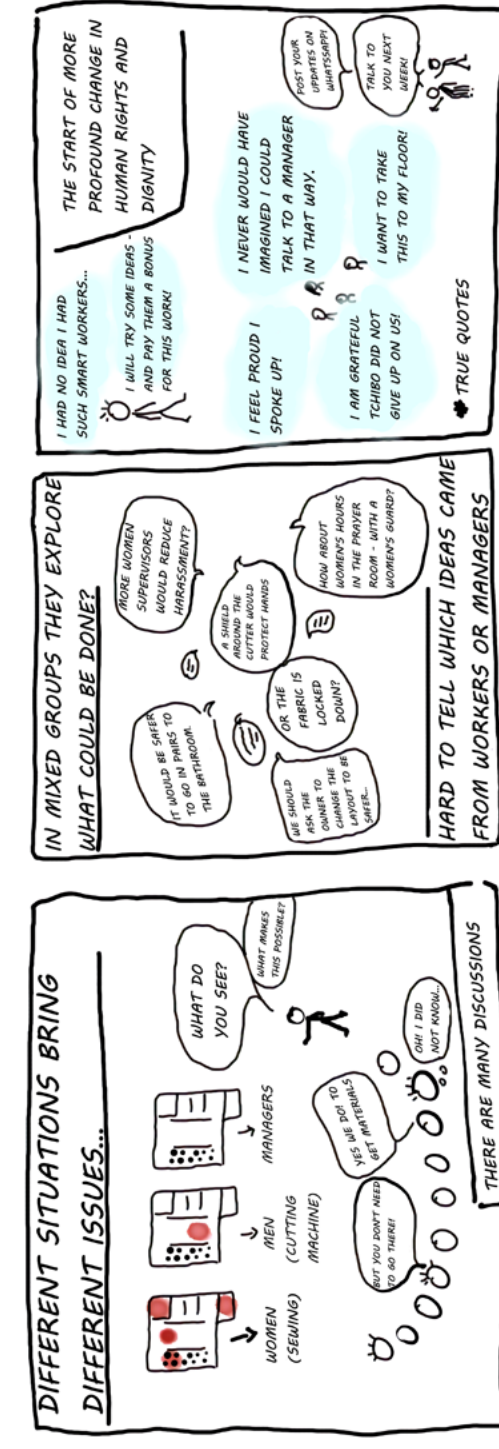
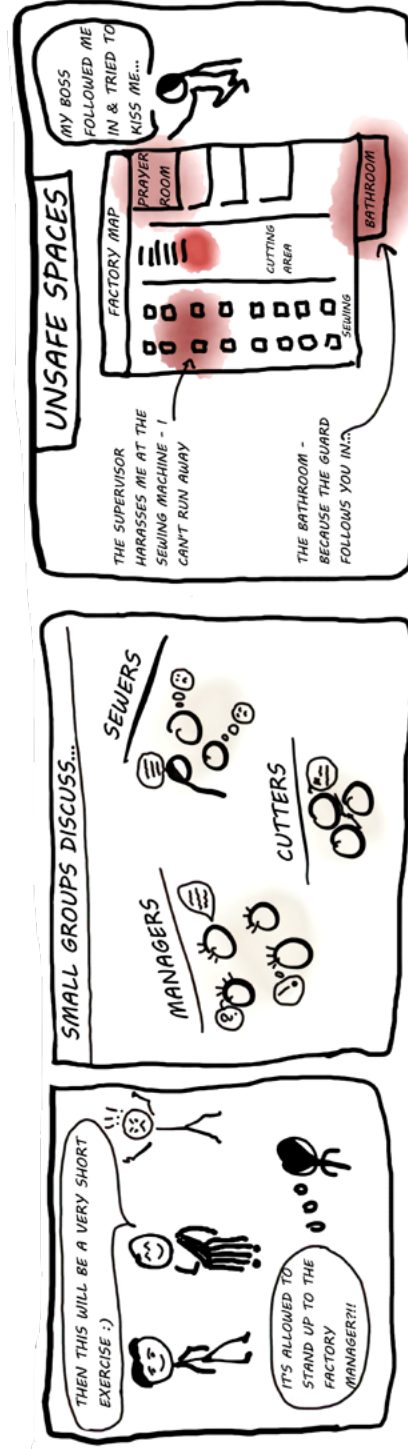
Hasan visits the factories regularly, which has gradually enabled him to establish a good relationship with local workers based on trust. 'If there is a problem, they call us,' he says. The WE programme has transformed the former factory manager's view of working conditions in his country. Hasan and his colleague Abdullah Zafar, formerly a trade union boss, now facilitate discussions between workers, trade union representatives and management. This allows problems to be raised openly, providing a safe environment in which all parties can work together to find a win-win solution.

» If there is a problem, they call us.«

WE stands for Worldwide Enhancement of Social Quality. It is

a dialogue-based programme that we run in a number of factories in our producing countries. The programme brings workers, employee representatives and trade union representatives - if any such representatives exist - together with managers at regular intervals. Together they develop a collective understanding of their respective situations and problems, confront head-on the current human rights situation in their workplace and work together to identify ways of improving the situation.

WE PROGRAMME – THE PROCESS OF CHANGE



↑ This cartoon was created by Caroline Rennie (International Facilitator, BOTZ) to illustrate how the WE programme works and how it achieves empowerment, collaboration and improvement through dialogue.



In 2008 we launched the WE programme.

The pilot phase was carried out as part of a development partnership between Tchibo GmbH and the German Society for International Cooperation (GIZ). Funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), it involved trialling a dialogue-based approach in 40 factories across Bangladesh, China and Thailand/Laos. Since 2012, Tchibo has used its own resources to expand the WE programme further. We have established the scheme in nine countries and successfully integrated it in 405 factories in the years since.

Factory in Bangladesh



Factory in Cambodia



Workshop in China



Factory worker in China



Factory worker in China



WE was developed on the basis of our evaluation of the human rights risks in our non-food supply chains. It builds on the standards of the International Labour Organisation (ILO) and international human rights conventions. The programme centres on areas where there is the greatest need for improvement:

1. Wages and working hours
2. Freedom of association and worker representation
3. Discrimination and sexual harassment
4. Health and safety in the workplace
5. Modern slavery and child labour

Factory workers in Cambodia





day as a way of earning a little extra money. WE facilitator and behavioural psychologist Jai Chandrashekar has been involved with the WE programme in India for three years now. As he explains, 'workers and employers alike are dependent on overtime. You cannot simply abolish it. That's why we urge employers to pay double for overtime instead, as required by law. This is something workers hadn't even dared to ask for before now.'

This example underlines just how important it is to make workers more aware of their rights and empower

Taking the factory as a starting point

The WE programme doesn't follow a fixed pattern. It takes on a new form each time, depending on the particular challenges the factories face at the time. The programme begins with participants defining the problems that they feel are most pressing right at that moment. In doing so, they establish the order in which they want to work on the five human rights areas listed.

Knowing your rights and articulating demands

WE works closely with local teams of dedicated experts, the Tchibo WE facilitators, so that those involved feel completely safe and confident in the process. The programme always runs for at least two years at each factory; in many countries the programme is run on an ongoing basis. This means that a dialogue session must be held at least every quarter and measures implemented to ensure that the development process as a whole does not stall.

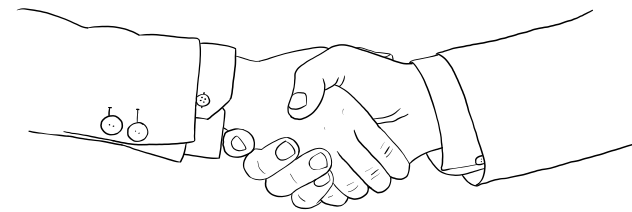
Dialogue based on trust

Improvement is often slow and gradual. Overtime is a prime example here. An average worker in India earns 120 to 150 euros per month in a 48-hour week, but many workers also put in between two and four hours of overtime each

them to articulate these rights among themselves and to their employer. Jai explains how the team facilitates a dialogue between workers and management that is built on trust, saying, 'We have established WE teams in each factory, consisting of 10 to 15 workers and representatives from HR and management. Workers make up at least 70% of the teams. The teams then share the results of the discussions with their colleagues.'

The WE facilitators help teams get as many of their colleagues in the factory involved as possible. Often, a little creativity can reveal new ways of addressing problems. In 'poster parades', workers carry posters they have made themselves about workers' rights in the factory, helping to spark discussions with their colleagues. Drama is also popular, as it allows the workers to raise difficult issues and reflect on them, without immediately provoking a defensive reaction, which can happen if workers feel overwhelmed, afraid of losing something or worried about risks from their employer. It is these imaginative approaches that open the door to creative problem-solving and, ultimately, the possibility of change.

Workshop in Cambodia, 2019



Factory and workshop in India, 2019



Factory and workshop in India, 2019



Factory and workshop in India, 2019

*Improving working conditions by
giving workers a voice*



Factory workers in India



Factory in India



Moradabad
India



HEALTH INSURANCE FOR ALL

The region of Moradabad in Northern India is known for its production of highly sought-after decorative items and kitchenware made of metal. Workers often have little protection from the harmful metal dust they are exposed to. What's more, they aren't formally employed, moving instead from plant to plant depending on where their skills are needed. 'Most of them didn't want a contract, as that would mean having to pay taxes,' says WE facilitator Jekib Ahmed, describing his initial discussions with workers. Yet there are a number of crucial advantages to having a labour contract, such as access to a range of social benefits and statutory health insurance. 'We discovered that this health insurance enabled workers to receive treatment free of charge at a nearby hospital. The employer had previously assumed that this wasn't possible,'

Many workers didn't have a work contract

Jekib recalls. The WE team's intervention proved to have a positive impact, with 70% of workers now employed on a contract. 'Our next task is to make sure the other 30% are also entitled to social benefits,' says Jekib.

Air quality in the factory also needs to be improved. 'The owner bought a system that is meant to filter heavy metals from the air, but it doesn't work.

We've brought in a team of experts to develop a better system,' Jekib explains. Once WE facilitators have succeeded in building a relationship with the factory owners that is based on mutual trust, they can then tackle other problems.

WE IN FIGURES 2019

→ We have improved cross-border learning between local WE teams. An improved collaborative data management system has also been introduced to achieve this.

82



producers were actively involved in the WE programme in 2019, with 20 factories in Bangladesh, India, Cambodia, Myanmar, Pakistan and Vietnam joining the programme for the first time.

6,300

workers and managers took part in the WE programme in 2019 (some on a regular basis).

85,000

These core groups were able to reach about 85,000 people and their families in 2019.

→ We were able to get a major importer in India even more closely involved in the WE programme and optimise improvement processes at the 17 factories we buy from in partnership with him. We were also able to scale up the impact of the WE programme beyond our production facilities.

→ Two international training weeks were organised for all WE facilitators, focusing on 'working with stories' and 'working in complex contexts'.

MYANMAR – HUMAN RIGHTS UNDER SCRUTINY

After years of military dictatorship, Myanmar – formerly Burma – began a period of transformation to become a more democratic society in 2012. Some of our long-term suppliers from other countries saw this as an opportunity to set up new production facilities in Myanmar. This meant we had a decision to make: should we support this move and make Myanmar a part of our textile production network, or not?

We carried out risk assessments as part of our human rights due diligence. The conclusion we reached was that for all the human rights risks we identified, we also saw an opportunity to support democratic change, create jobs for the young population and develop a sustainable model for the clothing industry. So we decided in favour of Myanmar, albeit with a few caveats: no links to the military and no illegal land grabbing. We also set up development schemes for our factories.

In 2017, we had to re-evaluate the situation. The ethnic Muslim minority group the Rohingya has been persecuted by the Myanmar government for decades. This culminated in the systematic slaughter of large numbers of people and the forced eviction of almost all the Rohingya from Myanmar in 2017. Shocked by the violence, we contemplated severing our ties with the country. It was our discussions with local labour rights organisations that ultimately convinced us to continue our cooperation with suppliers from Myanmar. By doing so, we are helping to improve the living conditions of many young female workers, who cannot be held responsible for the actions of their government.



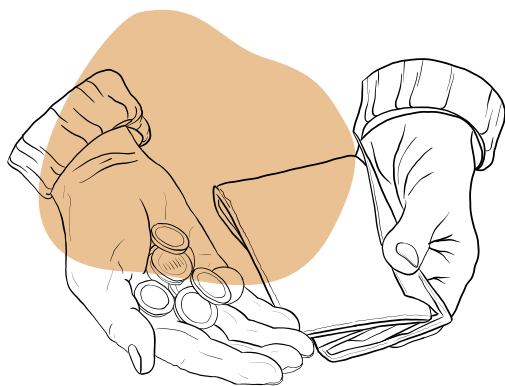
What we are doing

In Myanmar, we are currently involved in the project 'Promoting Sustainability in the Textile and Garment Industry in Asia (FABRIC)', which is run by the German Society for International Cooperation (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). We are focusing on establishing social dialogue with all our local suppliers, with the aim of joining forces to implement better labour standards. Our joint training programme is run in partnership with the country's largest trade union in the textile and clothing industry, IWFM.

ACT in Myanmar

We were able to make some real progress in Myanmar in 2019 as part of ACT. → *Find out more on p. 72* Following lengthy negotiations, suppliers and the industry trade union IWFM agreed on a landmark common standard governing freedom of association and collective bargaining with a view to reducing labour disputes in the country. The Myanmar Freedom of Association Guideline covers all factories producing goods for ACT brands. Tchibo provided substantial support for the negotiations, including training sessions held as part of our local cooperation programme with GIZ. These training sessions gave the negotiating partners the opportunity to learn about social dialogue, which forms the basis for wage negotiations. We will continue to support this process in 2020, providing training for all ACT suppliers and their employees, for instance.

ACT – ACTION, COLLABORATION, TRANSFORMATION



Genuine fairness can only exist in the global clothing industry if workers are paid a fair wage. People working in the textile industry around the world today often earn barely enough to live on. That's why in 2016 we got involved with the Action, Collaboration, Transformation (ACT) initiative for living wages in the clothing industry. The initiative works alongside other major brands and the IndustriALL Global Union - an international confederation of trade unions - to represent employees. The vision behind the initiative is to see regular wage negotiations between the trade unions and employers' associations in a country's textile industry, combined with fairer business practices and long-term business relationships for companies that have their products manufactured in that country. This allows wages to increase gradually until they reach the level of a living wage.

The biggest obstacle right now is the fear among many producing countries that ACT will result in higher wages, but that this will not be offset by higher purchase prices. This is a legitimate concern: ACT cannot guarantee that every brand worldwide supports living wages. This is why Tchibo is lobbying for the legal obligation to carry out human rights due diligence. See Levers for Change. → *see Levers for Change p. 30-31*

Nevertheless, progress is still being made: In 2019, ACT members collaborated with suppliers to set out a commitment and define a method for presenting wage costs in a standardised way in purchase contracts, effectively preventing them from being included in purchase price negotiations. ACT member companies have made a voluntary commitment to this method and are now working hard to implement it.

The coronavirus crisis

This has also dealt a heavy blow to the people and companies in our manufacturing, producing and sourcing countries. A lack of global demand together with national lockdowns in some countries have resulted in a sharp drop in production. It is still too early to tell what the full impact of this will be. Tchibo is working with IndustriALL Global Union, other ACT member companies and many other organisations to provide a global rescue package for the clothing industry. ACT members are actively supporting its implementation in Cambodia, Bangladesh and Myanmar. Thanks to the work we have already done in these countries, we have access to platforms that can be used to establish dialogue between employers and trade unions.

Where does Tchibo coffee come from? And what support do we give to local people so they can have a good life and grow coffee sustainably?

LIVING TRANSFORMATION / COFFEE

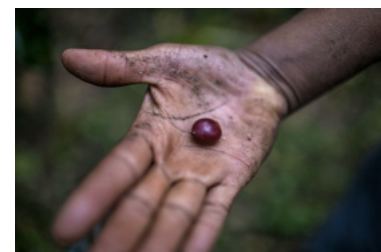
WHAT DO WE MEAN BY FAIR AND SUSTAINABLE COFFEE?



Here is our answer: Fair and sustainable coffee grows in healthy soil and is farmed in harmony with nature, in conditions that are good for the growers, the pickers and their families. Many people who live and work on coffee farms face a host of challenges, such as the effects of climate change and fluctuating commodity prices. This is compounded by the insecurity that stems from unstable political systems, poor infrastructure and a lack of access to education and basic medical care. We want to help change this.

That's why Tchibo is committed not just to growing coffee in an eco-friendly way, but also to improving working and living conditions and providing more educational opportunities locally. Coffee farming is a clear example of how economic, environmental and social considerations are all intertwined.

Our work in the coffee industry is based on a three-pronged approach: we want to be involved at local level - through local projects and regional cooperation. But we are also working to promote political debate and cross-sector cooperation, as we cannot tackle complexity of these issues if we act in isolation.



Our core objective is this: We want to work closely with local communities to create sustainable regions where we can enjoy long-term cooperation in a fair and secure framework.

Sorting coffee in Ethiopia, 2020



» For all our dedication, we are aware that this is too big a challenge for us to tackle on our own. That is why we want to forge alliances and promote political and cross-sector discourse. «



Active at every level: Sustainable improvements in coffee farming can only be made by working together.

TCHIBO JOINT FORCES!® (TJF!®) – STRENGTH THROUGH COLLABORATION



To fulfil our responsibilities to the people in our supply chains, we have set up projects that support farmers in a number of coffee-growing countries. These projects all fall under the banner of Tchibo Joint Forces!®. The aim of the programme is to educate producers about more sustainable farming methods and to help them improve the quality of their coffee. This results in higher profits and also ensures a sustainable balance between economic and environmental considerations. We also take regional

concerns into account and develop specific solutions, such as child protection or providing alternative sources of income.

To date, seventeen TJF!® projects have already been launched in nine countries, most of which have already been implemented - see map. More projects are in the pipeline. Some 40,000 farmers have been helped by the schemes so far.

We have continued to follow this project-based approach over the last year in order to work closely with coffee farmers - in other words, working alongside those affected. In a bid to better understand the needs of local farmers and the realities of their day-to-day lives, we have recruited and trained Tchibo representatives in Central America, Brazil and Vietnam.

We also observe the following principles when designing and implementing projects:

- We work closely with farmers to understand their needs.
- We develop projects in collaboration with farmers.
- We focus on supporting and empowering farmers and their families and ensuring that any measures we implement are sustainable.



Tchibo has been buying premium coffee from Tanzania for many years. It is an important part of our business and pivotal to our Privat Kaffee African Blue.



TJFI® project / Tanzania

The next generation of coffee growers

In Tanzania, if you are the son or daughter of a coffee farmer, then you will most likely take over your parents' business at some point - not least because there are very few alternatives for young people to earn a living in rural areas. In 2017, Tchibo decided to set up Coffee Clubs in southern Tanzania, providing support for the next generation of young farmers right from the go and improving their future prospects. The basic premise of these Coffee Clubs is simple: Young people are given part of the farm by their parents to use as a 'practice field'. After school, the aspiring farmers attend courses to

learn everything they need to know about growing coffee sustainably and profitably. This includes pruning the plants in the right way, using natural fertilisers, irrigating them properly, using soil and water sustainably and a whole lot more. They can then put their expertise to the test in their own fields - in a very practical and hands-on way. Almost 400 young people - 219 boys and 173 girls - are currently enrolled in the training programme. Over the next few years, we will be expanding and further improving our Coffee Clubs.



TJFI® Project in Tanzania

TJFI® - COFFEE CLUBS IN TANZANIA



Guatemala is known and loved for its exquisite coffee. Tchibo Privat Kaffee Latin Grande is made using coffee beans from the Guatemalan Highlands.

At Tchibo, we don't just select the best beans from a particular growing region. We care about the people behind the coffee too — people who grow it with great care and real passion.

TJF!® - EMPOWERMENT



TJF!® project in Guatemala

Santa Barbara region

IN GUATEMALA



TJF!® project in Guatemala

own. That's why we are also committed to helping female farmers generate additional income.

In Guatemala's poverty-stricken Santa Barbara region, Tchibo has teamed up with local NGO Coffee Care to implement a number of projects as part of the Joint Forces! initiative. One example is the WeCare project, which saw 24 women complete an 18-month course, learning how to make high-quality bracelets from sustainable materials. The women are now able to sell their jewellery to generate extra income for their families – even when harvest season is over. The bracelets are sold at Coffee Care coffee shops all over Guatemala. Tchibo will also be selling the bracelets to its customers in 2020.

Tchibo also supports the Population Council's 'Opening Opportunities' programme, which represents a small step towards equal rights. Girls and young women attend workshops covering a range of topics, including what their rights are and how they can assert them.

Education is also high on the agenda in another TJF!® project. The Tchibo Outstanding Students initiative awards scholarships to schoolchildren that allow them to continue their education. It is not unusual for children in Guatemala to be forced to leave school at a young age so they can help with the coffee harvest and support their families financially. Education is the key to escaping poverty, and that is why Tchibo is committed to ensuring that children get a good education. Twelve Guatemalan children and their families have so far benefited from the Tchibo Outstanding Students programme.

Supporting women and girls is one of the main focus areas of our work. In Guatemala's patriarchal society, they are responsible for raising children and looking after their families, and are also heavily involved in growing and harvesting coffee.

At the same time, however, there is a lack of support available to them, such as access to small loans, crop management training or other opportunities to improve their skills. They have very limited opportunities to earn money for themselves and their families. One such opportunity is the coffee harvest, yet this is limited to just a few months each year.

We support female coffee growers by providing advanced training that focuses on more sustainable farming methods. This enables us to improve the quality and long-term productivity of the coffee trees using natural methods. The women can command higher prices for their coffee if they grow higher-quality beans. And this translates into a higher income. In most cases, however, this still isn't enough on its



TJF!® project in Guatemala



CHILDCARE FOR COFFEE PICKERS

Harvesting coffee while caring for children is a balancing act that is almost impossible to pull off. Guatemala has a large number of migrant workers who leave their homes for months at a time to harvest coffee.

Day-care projects

They take their children with them on this journey. A long way from grandparents or friends, these families are often completely alone.

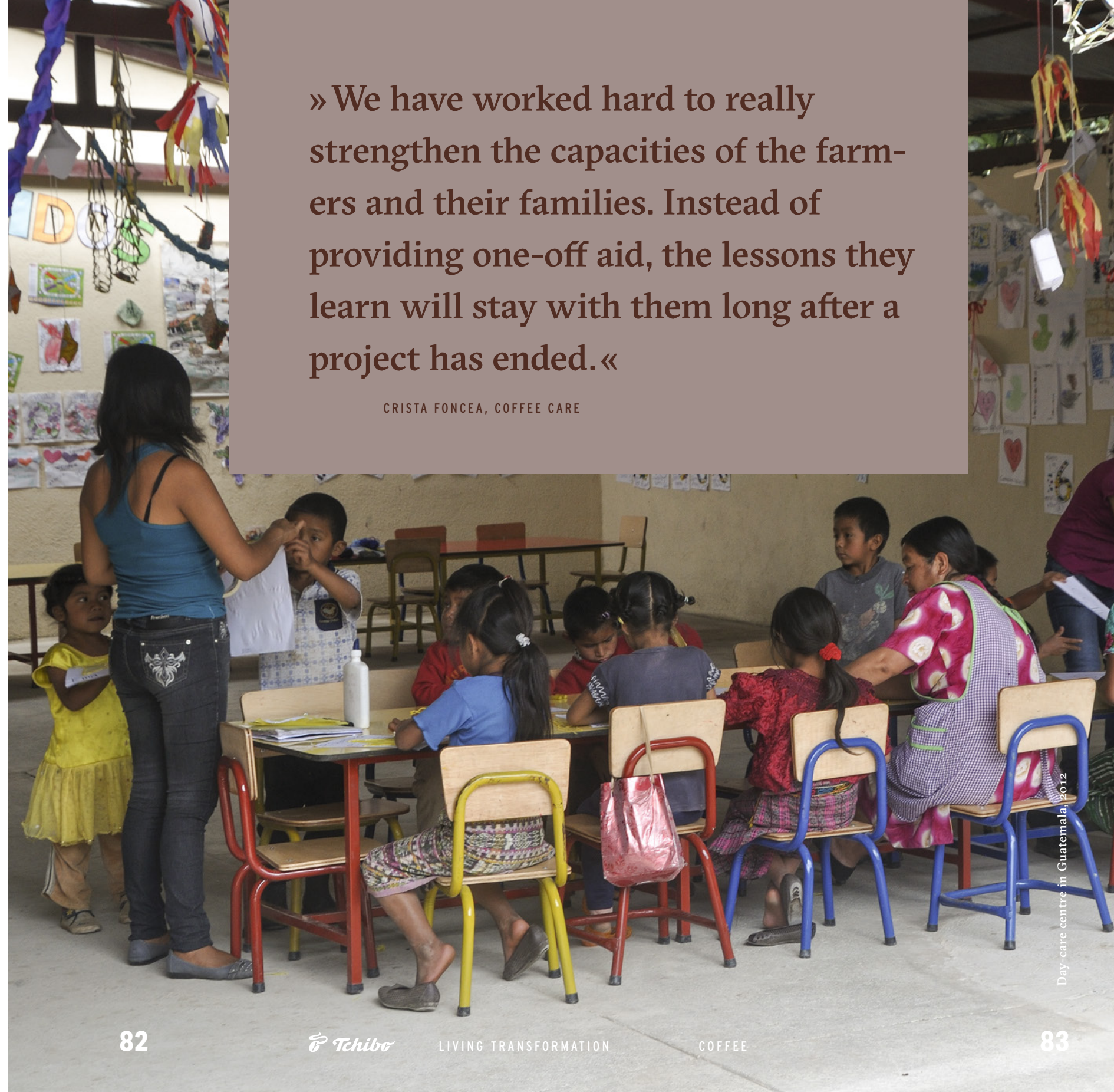
I am not sure what this means. I would suggest a simpler formulation, e.g.: It is very difficult for parents to concentrate on their work while caring for their children at the same time. With this in mind, Tchibo Joint Forces! has set up several day-care centres in the small town of Santa Barbara in southern Guatemala. This makes life much easier for parents - reliable childcare means the coffee pickers always know where their children are and what they are doing. They can also be sure that they are getting regular meals.

We had already learned the importance of taking local factors into account with similar projects in other growing regions in this Central American country. In these areas, there was little interest in the child-care we provided. After investigating the reasons for this, we discovered that the popularity of day-care facilities was closely linked to the proportion of migrant workers among the coffee pickers. In regions where there are few or no migrant workers, parents have little need for childcare, as family members or friends tend to look after children during the harvest season.

What we learnt from this was that social and sustainability projects can only succeed if we work with the local community to develop these projects and tailor them to their needs. Our experience in Guatemala enables us to improve the way we plan other day-care projects - in Honduras, for example - right from the very start.



Day-care centre in Guatemala, 2012



» We have worked hard to really strengthen the capacities of the farmers and their families. Instead of providing one-off aid, the lessons they learn will stay with them long after a project has ended.«

CRISTA FONCEA, COFFEE CARE

INTERNATIONAL COOPERATION

Despite all of our dedication, we know that making the transition to more responsible coffee is a huge challenge. As a company, we can only drive change along our supply chains through our projects; but in all honesty – this approach is too isolated for the kind of transformation that is really needed. And there are issues which we simply cannot address by ourselves. That is why we prioritize forging alliances, promoting political and cross-sector discourse and championing large-scale joint programmes.

We co-founded **International Coffee Partners (ICP)** back in 2001. This sustainability initiative supports coffee farmers in 13 countries on their path towards sustainable development. In 2010, another important project grew out of the ICP: the **initiative for coffee & climate (c&c)** helps coffee farmers and their families adapt to the effects of climate change by providing them with the right information and skills. By 2019, this initiative had provided training for coffee farmers from 80,000 different families.

As with all major sustainability issues, however, support is needed at political level in order to overcome the systemic challenges facing the coffee sector. This is why Tchibo is actively involved in all major sustainability committees that deal with coffee farming, both in Europe and around the world. Our many years of experience have taught us that our sustainability work is most successful when concrete initiatives on the ground are accompanied by powerful alliances and a clear stance at political level.



Forging alliances for a strong future: Cooperation in the sector

Ethiopian Highlands



Developing sustainable coffee-growing regions

Our Tchibo Joint Forces!® projects focus on specific regions and run for limited periods of time. They focus on specific topics and positively change the quality of life of the people involved. Yet we also know that the hard work at project level must be complemented by efforts at regional level and throughout the sector. Working closely with local organisations, representatives from civil society, international trading firms and other like-minded people, we are forging alliances that seek to achieve the same goal along the whole length of the supply chain: more sustainable coffee farming. Our participation in the Collective Action Initiative of the **Global Coffee Platform (GCP) in Brazil** represents a first milestone in this pro-

cess. This initiative has reached around 1,000 farmers within the space of a year, providing them with training on topics such as the correct use of crop protection inputs. We are also in the process of developing a regional approach in Vietnam. We have been carrying out a research project here, studying the use of agrochemicals in coffee farming. Our findings have provided a basis for us to set up an initiative promoting more sustainable coffee farming in Vietnam in collaboration with other key players in the region. We want to understand which environmentally friendly alternatives are commercially viable for farmers so that we can use this information as the starting point for developing new crop protection solutions.

TRANSPARENCY IS NOT AN END IN ITSELF

We may wish that things were different, but global supply chains are rarely straightforward and often quite complex. The same is true of the supply chains in the Tchibo portfolio. Hundreds of thousands of suppliers, subcontractors and farmers are involved before our products reach the shelves.

Keeping track of these supply chains and making sure they are transparent is a major and never-ending challenge. Yet transparency along the length of the supply chain isn't just important because customers want more detailed information about the farming methods, country of origin, production techniques and transport of their goods. A high level of transparency and traceability in the supply chain is also essential if we are to manage our sustainability activities. Consumer preferences and regulatory frameworks will also change, which is another factor underlining the importance of transparency in the supply chain.

Transparency is key

We have been collecting and publishing the details of our supply chains for a number of years now, and have already made progress on the issue of transparency during this time. Our Qbo Premium Coffee beans are a prime example of this. By working with a few, select cooperatives, we are now able to track these beans using GPS. The coffee beans in our BARISTA range are 100% Fairtrade certified and can also be traced right back to their place of origin. We are also working tirelessly in other areas to make our supply chains as transparent as possible.

But we've only just begun! Some hundred thousand coffee farmers are involved in growing our coffee.

It's a small-scale industry. The average coffee grower farms just one hectare of land, which is about the size of a football field. Until now, it has proved difficult to trace coffee beans clearly all the way back to the individual farms.

Digitalisation – a must for transparency

In 2019, we began working with third-party providers to test digital solutions for transparency and traceability. After all, innovative and digital solutions have a vital role to play in helping us tackle the complexities of gathering data. We want to:

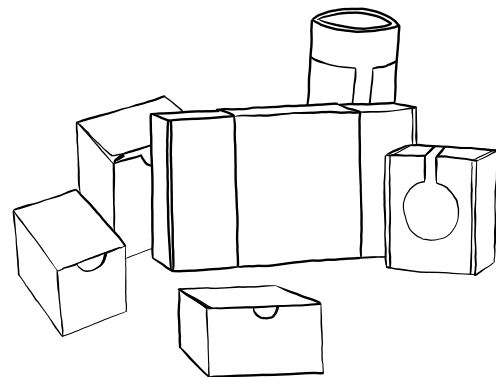
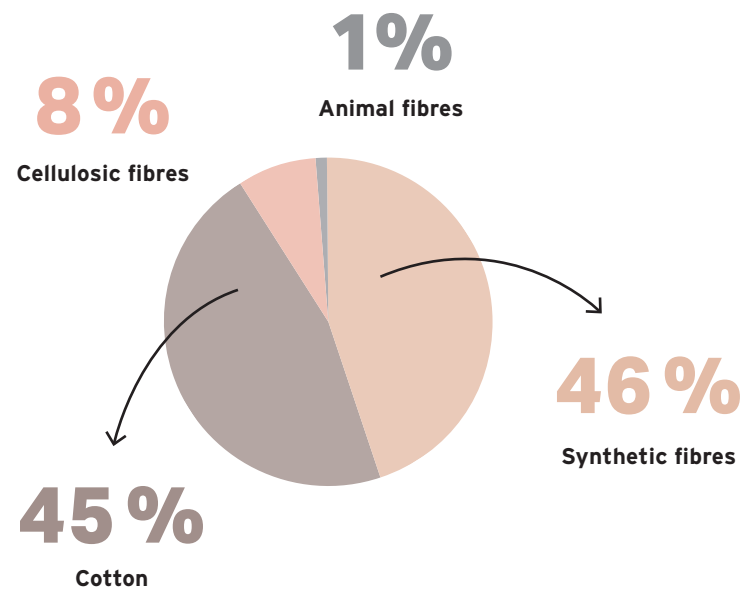
- identify and record the place of origin, the growing regions, the flow of goods and the social/ environmental properties of our products,
- monitor our suppliers and assess them according to selected criteria,
- integrate risk data (water, climate, deforestation, etc.) and make them quantifiable,
- analyse supply chain information in order to improve the management of our sustainability activities and make them more impact-orientated,
- publish supply chain information where relevant as well. We have already published details of our textile producers.

There is certainly a lot we can learn here in the years to come. We are aiming for a digital solution that is flexible and agile in testing and that can be tailored to Tchibo's needs.

Cotton, synthetic fibres, wood, leather and wool: what materials does Tchibo use and how sustainable are they?

07 LIVING TRANSFORMATION / NON-FOOD

DIFFERENT PRODUCTS EVERY WEEK - HOW CAN THAT BE SUSTAINABLE?

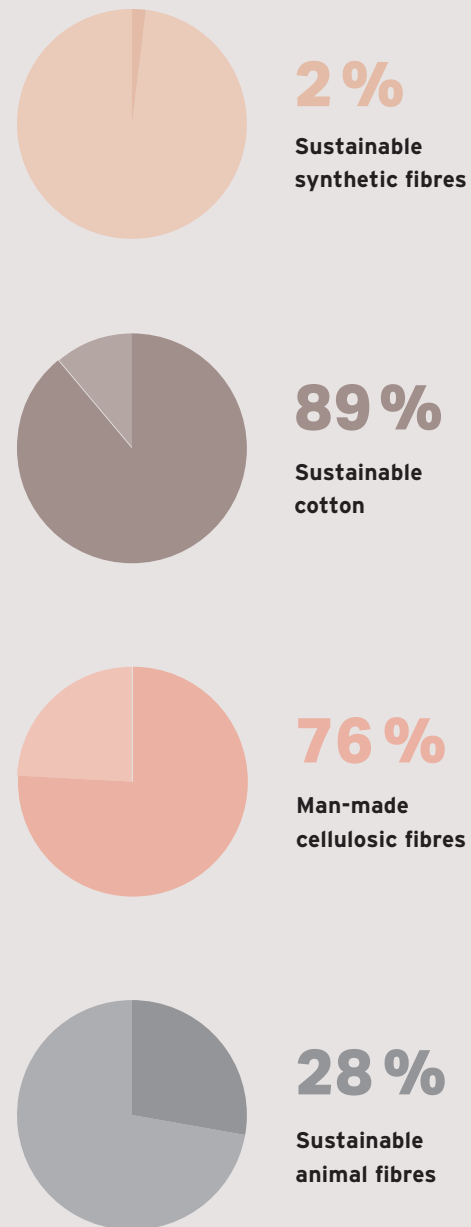


Every week, we surprise our customers with around 40 to 80 products across all sales channels in our weekly promotions. Every year, we offer around 4,000 products on our supermarket shelves, in our stores and through our online shop. We are committed to offering our customers the most sustainable products possible, combining superior quality with environmentally sustainable and socially responsible production. It is this goal that drives us as we put together our product ranges, design our products and select our materials. Even when we are repeatedly faced with obstacles, we remain motivated by the idea that if we - a major consumer goods company - can successfully embed sustainable practices in our product range, these practices will increasingly become part of everyday life. Sustainability will cease to be the exception and will instead become a viable option for everyone.

We're on the right track.

Figure showing a breakdown of materials in 2019: As yet, we do not have similarly detailed figures for our hardware. For this reason, we are unable to provide an accurate breakdown of the materials used in our hard goods.

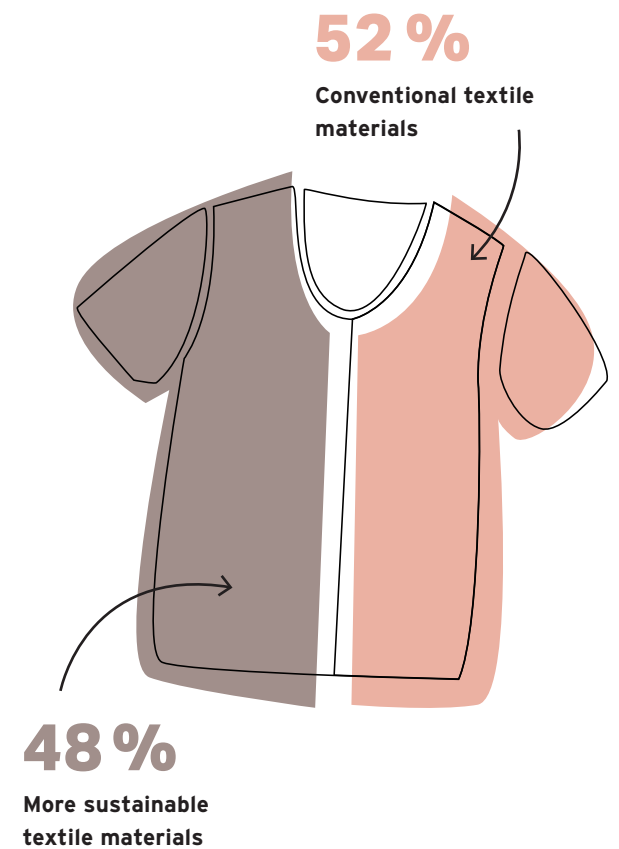
Sustainable proportion per material



A new range of products every week, including anything from underwear, waterproof jackets and shoes to furniture and electronics: with such a wide range of products, there is no one-size-fits-all solution to the problem of how to make the transition from unsustainable to sustainable. We develop custom solutions for each individual product - with an eye on quality and customer satisfaction at all times, of course.

With many products, the key to success lies in choosing the right material. Our internal sustainability guidelines for production provide clear guidance on which materials are allowed and which are not, which sources we use and which we do not, which sustainability requirements we need to demonstrate compliance with and which new standards and materials we want to develop.

These guidelines are based on an ever-growing body of knowledge about farming methods, supply chains, wages and working conditions. These guidelines are not a rigid set of rules. They reflect an ongoing development that takes us towards increased sustainability with every change. In this context, sustainability also means taking into account a company's profitability within its competitive landscape.



Overall proportion of sustainable materials in textiles

LOTS OF MATERIALS - AND NONE OF THEM PERFECT

THE CHALLENGES AT A GLANCE



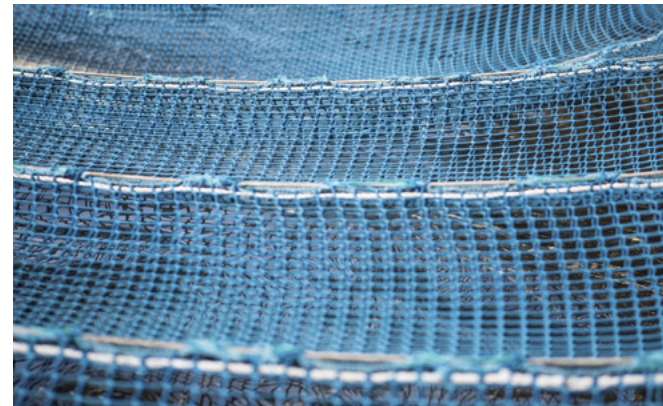
WOOD AND PAPER

Forests are vital ecosystems, providing habitats for countless animal and plant species. Forests also store carbon, which helps combat climate change.



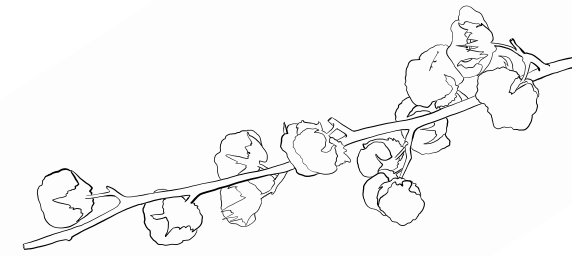
What exactly do we mean by 'more sustainable materials'?

There is no generally accepted definition of sustainability. Every company has its own definition or interpretation. And yet, when you talk about a sustainable material or product, it sounds as if the product is in fact perfect - 100% in harmony with people and nature. This doesn't reflect the reality, however. No certificate or project-based approach can fully live up to the image that we and consumers have of sustainability today. That is why we use the term 'more sustainable' to show that it is a process. We are on the right track. Every step we take is important and we have ambitious plans.



SYNTHETIC FIBRES

Synthetic fibres are produced using fossil resources (oil). The manufacturing process is also associated with high CO2 emissions.



COTTON

Vast quantities of water are needed to grow cotton, and often environmentally harmful pesticides and insecticides are applied in conventional cotton. The production process also poses increased health risks.

LENZING™ fibres by
Lenzing AG



CELLULOSIC FIBRES

Cellulosic fibres attract criticism primarily due to what they are made from and the processes involved in their production. It takes a lot of wood and chemicals to produce cellulosic fibres.

ANIMAL MATERIALS

Animal materials mainly come under attack for unethical husbandry, production processes and slaughter conditions. The production of animal materials also has an environmental impact, as large areas of land and considerable amounts of water are needed.



COTTON



Global textile production has doubled since 2000. Cotton is at the heart of this trend and accounts for nearly a quarter of the fibre produced worldwide. It is the most important natural fibre in our textile range here at Tchibo, representing more than 45% of all fibres used. It is the main material in several product groups such as underwear, nightwear, shirts, jeans, towels and bed linen. We currently obtain almost 90% of our cotton from more sustainable sources, most of which comes from organic certified farming. From 2021 onwards, our aim is for this figure to be 100%.

Growing cotton is extremely resource-intensive. For instance, cotton crops require huge amounts of water (10,000 litres per kilogram of raw cotton, on average), something which is scarce in many regions. The crops are also very susceptible to pests, which means that chemicals are used relatively extensively. Not only is this harmful to the environment, but it also affects the health of the farmers and workers. This impact on the ecosystem and on people was the main reason why, almost 15 years ago, we decided to make a gradual transition to more sustainable cotton.

Organically grown cotton is significantly less damaging to people and the environment than conventionally grown cotton. We work with various certification standards, some of which have strict criteria that go beyond organic farming to include environmental and social considerations throughout the supply chain.

Making maximum impact at the point of origin

The same applies to cotton as it does to coffee: certification on its own is not enough. There are many issues - such as better income for farmers - which certification fails to address directly. As a founding partner of the Organic

Cotton Accelerator, we are also committed to improving the income and living conditions of farmers and providing these farmers with GMO-free seeds.

Transparency

In 2019, we mapped the supply chains for our organic cotton, analysing our suppliers and using questionnaires to trace the value chains. We discovered, for example, that half of our entire supply of organic cotton comes from just 12 suppliers. The cotton itself comes primarily from India, China and Turkey. We were able to trace which regions and, in some cases, which cotton producers supply our cotton. This information enables us to work strategically with our most important partners to reach our goal. We can now trace the cotton back to its point of origin and support farm cooperatives on the ground.



A living wage

We estimate that around 100,000 farmers and pickers work in plantations around the world to produce the amount of cotton we use in our products each year. Since cotton is grown by small-scale farmers everywhere, much of the work involved is manual. And when the cotton harvest begins, it is generally still picked by hand. Nevertheless, the price farmers receive for their cotton often isn't enough for them to live on.

So in 2019, we laid the foundations for a pilot project in conjunction with the Indian cotton cooperative Chetna Organic. One outstanding feature of Chetna Organic is that it provides support for farmers converting to organic farming. This is because the three-year transition period required before cotton can be certified as organic is expensive, but it does not generate any additional income during the conversion phase. The project aims to provide farmers with training to help them generate a better income.

Seeds

For years India has been the world's leading producer of organic cotton. According to the most recent Organic Cotton Market Report by Textile Exchange (2019), the country is responsible for 47% of organic cotton produced worldwide. However, over 95% of the total land used for growing cotton in India is farmed using genetically modified (GM) seeds - a similar proportion to that seen in the USA and China. It is often difficult to obtain GM-free, single-variety seeds, especially for small-scale farmers with limited market influence. What's more, organic cotton farms and cotton farms using conventional methods are often very close to each other.

This leads to cross-pollination, which can contaminate the organic cotton.

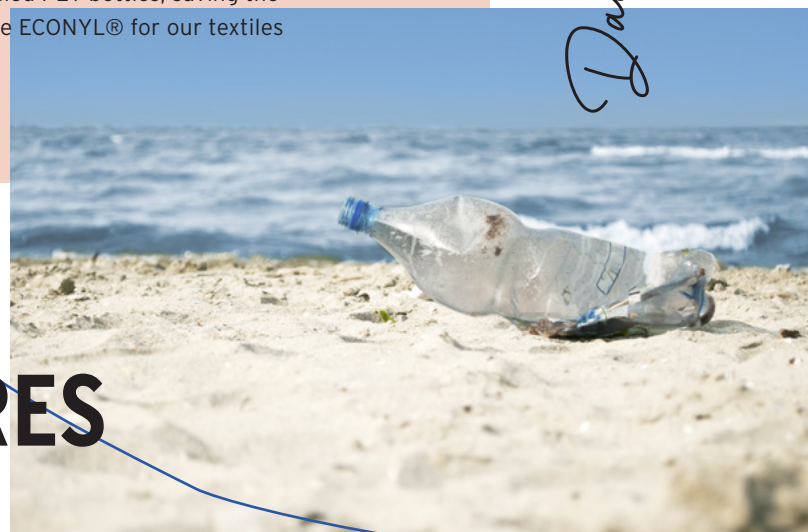
There is little information about what impact the purported achievements of genetic engineering in farming has on humans and the environment. We therefore oppose genetic engineering and specifically support GM-free seeds. As a contributor of the multi-stakeholder organisation Organic Cotton Accelerator (OCA), we support the Seed, Integrity and Community Investment (SICI) Programme, which brings additional transparency and integrity to organic cotton.



¹ In 2017, [...] in India, China and the US 95-96 percent [of cotton production was genetically modified.]

Swimming trunks made from PET bottles? Sportswear from old fishing nets? Why not? We have been using recycled fibres since 2018, in a bid to conserve finite fossil resources and curb the ever-growing problem of plastic pollution. These fibres can be made from old fishing nets, PET bottles or textile waste, for example.

In 2019, we processed 12 million PET bottles and some 19 tonnes of recycled scrap nylon - including nearly 5 tonnes of discarded fishing nets - to produce textiles made from recycled material. Last year, this resulted in products that we are especially proud of. Our swimming trunks alone were produced using 263,000 recycled PET bottles, saving the equivalent of 11 tonnes of CO2. We are also continuing to use ECONYL® for our textiles - a recycled fibre made from scrap nylon.



Daring to innovate

SYNTHETIC FIBRES

Sportswear made from recycled materials

In 2019, we more than doubled the proportion of textiles made from recycled material. We aim to replace 100% of the conventional polyester and polyamide fibres in our sports textiles with recycled material* by 2025. We have already reached 12%. We will gradually expand into other product categories, such as children's textiles, ladies' and men's clothing and soft furnishings. Because our yarns are made from recycled material and are certified with the Global Recycling Standard (GRS) or Recycled Claim Standard (RCS), we are able to prove exactly how much recycled material is in each of our products.

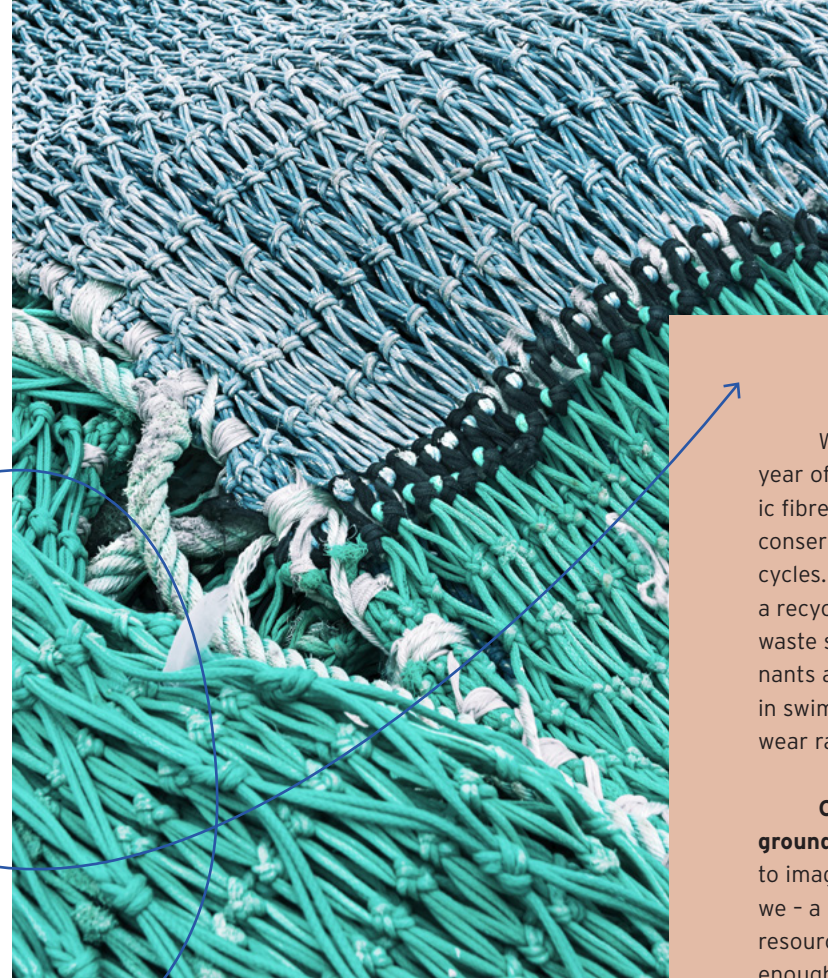
→ For details of our certifications and other materials, please visit [tchibo-sustainability.de](https://www.tchibo.com/sustainability)

Looking to the future: Closing the loop in the textile industry

Producing textiles from recycled PET bottles and fishing nets is a fantastic milestone, but the real challenge lies in closing the material circle of the textiles we make ourselves and producing new ones from old textiles. For this vision to become a reality, we will need innovations in the production, disposal, sorting and recycling of clothes and - as is so often the case - we also need the support of the entire textile industry.

* Where synthetic fibres are the primary material (>50%)

INNOVATIVE MATERIALS



We are constantly on the lookout for new ideas and innovative, sustainable materials. Yet we face many challenges, including environmental conservation, animal welfare and social justice, many of which are yet to be resolved. How can we reduce our negative impact on the environment whilst still preserving the intended function and quality of our products? What sustainable alternatives are there to animal and synthetic fibres and how can we sensibly close material circles in order to protect animals and conserve resources? When an innovation is first introduced, we often have to deal with a shortage of materials, meaning that there is not enough to implement this new innovation in any great quantities in our product range. To follow this path to a better future, we need perseverance, the courage to try new things, innovative ideas and technologies - and of course our customers, who are with us every step of the way on this exciting journey.

We are already in our second year of integrating recycled synthetic fibres into our textiles in order to conserve resources and close material cycles. We are using more **ECONYL®**, a recycled fibre made from nylon waste such as fishing nets, fabric remnants and carpet scraps, particularly in swimwear but also in our sportswear range.

Clothes made from coffee grounds? Okay, so we'll admit it's hard to imagine at first. But why shouldn't we - a coffee company - harness a resource that we have more than enough of? That's why we are currently looking at developing textiles made from a combination of recycled PET bottles and recycled coffee grounds. Thanks to the coffee in it, this product is not just sustainable but also odour-resistant, breathable and quick-drying.

Another exciting project involves textiles made from **recycled cashmere** - a premium material that's far too precious to let it vanish from the scene at the end of its first lifecycle.

In addition to using recycled materials and coffee grounds, we are also looking forward to launching our first consumer goods made from **I'm Green™ PE**, a bio-polyethylene made from sugar cane - an interesting alternative to polyethylene made from fossil resources.

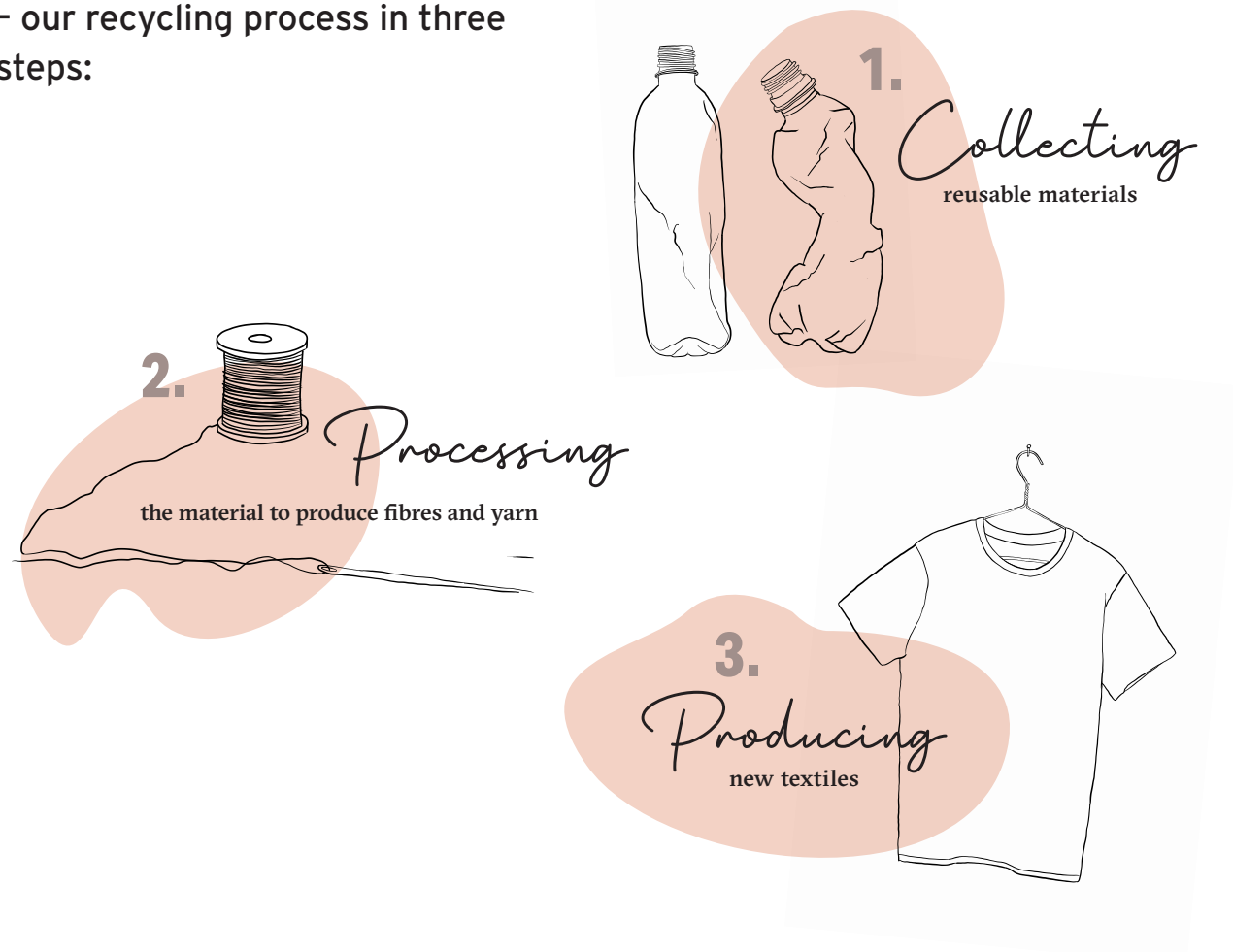
HOW DO YOU TURN OLD PLASTIC INTO SPORTSWEAR?

The new collection involves converting PET bottles into polyester fibres, whilst fishing nets and other scrap nylon are converted into regenerated ECONYL® nylon. The result? A stylish yet more sustainable alternative that delivers the same outstanding quality we expect from our products.

» Using recycled polyester – by reprocessing PET bottles, for example – allows us to reduce our impact on the environment without compromising on quality.«

KIM JULIENNE ANDERS,
BUYER FOR THE 'ACTIVE' DEPARTMENT

Responsible choices made easy
- our recycling process in three steps:



ANIMAL FIBRES – AS LITTLE AS POSSIBLE

2008

No products made from or containing real fur

2014

Angora no longer used in products

2016

100% chrome-free leather tanning

Ban on mulesing in wool production

2018

Ban on mohair (Memorandum)

Recycled wool used for the first time

DOWNPASS standard adopted for soft furnishings; down no longer used in clothing

2019

RWS-certified wool used for the first time

2020

Recycled cashmere used for the first time

Animal Policy published

Our Animal Policy sets out in detail our requirements and the standards we work to.

Animal welfare and animal protection are very close to our hearts and form an integral part of our company policy. We have been committed to making our animal fibre range more sustainable for over 10 years.

Our aim is to use animal-based materials for our Tchibo products only where it makes sense to do so and when there is no appropriate substitute. This always comes with the caveat that the animals are reared in humane conditions and the fibres are obtained in accordance with animal welfare principles. At the same time, we are also working to develop and promote alternative materials that do not come from animals.

Just 1% of our materials still come from animals. This applies mainly to leather, wool and down products. We work hard to make sure the materials we use come from responsible sources. We rely on certification standards such as the Responsible Wool Standard and the Downpass to ensure this.

Things we avoid on principle:

→ We eliminated real fur and angora wool from Tchibo products many years ago.

→ After the animal rights organisation PETA reported on the mistreatment of animals during shearing, we took the decision to stop using mohair in our products in 2018. If humane shearing practices can be guaranteed by a certification standard, we will review this decision.

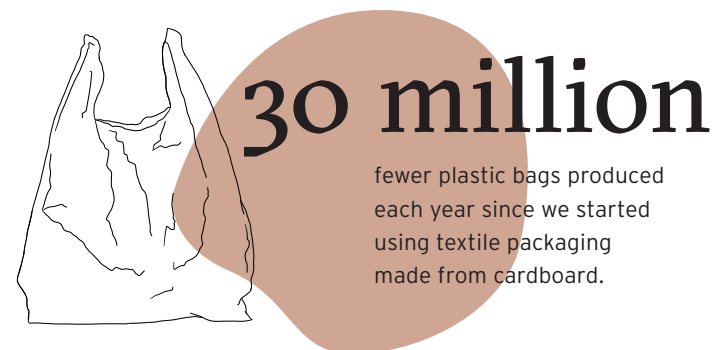
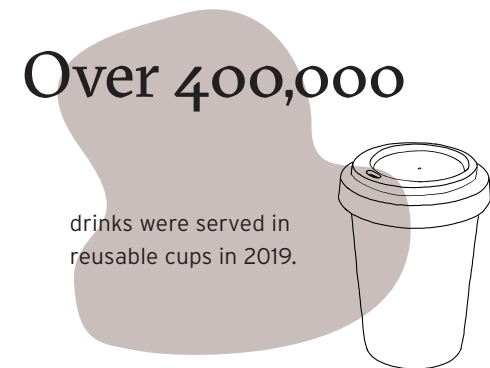
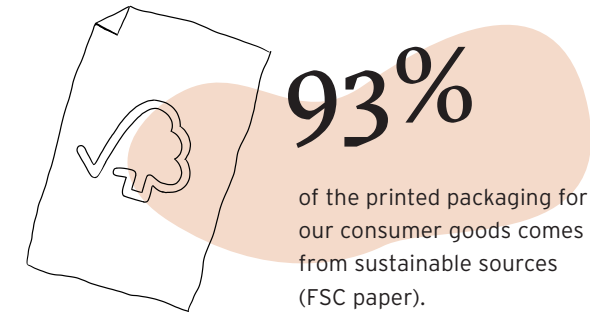
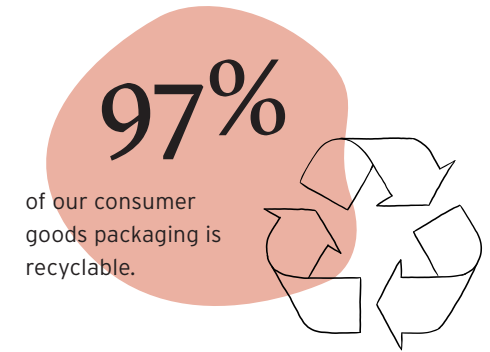
→ We oppose practices that violate animal welfare, such as mulesing merino sheep and live-plucking or force-feeding ducks and geese. If necessary, certain regions will be excluded from our supply chain – such as Australia for uncertified merino wool, for example.

THE SENSE AND NONSENSE

» Finding the right packaging is highly complex. Besides the requirement to protect our products, we have to consider the trade-off between different alternatives. We strive for the most sustainable packaging by implementing solutions that help reduce and reuse materials. We also use sustainable materials and ensure solutions are designed for recycling. We may also use plastic depending on the individual use case and providing that the materials can be correctly disposed of and recycled. «

JOHANNA VON STECHOW,
HEAD OF ENVIRONMENTAL RESPONSIBILITY, TCHIBO

OF PACKAGING



You've bought a new product. Filled with anticipation, you unpack it at home, eager to use it straight away – and the first thing you see is a mountain of packaging. As you throw it all away, you find yourself thinking, 'There must be a better way, surely?'

This is precisely the challenge we face at Tchibo when we're designing the packaging for our products.

In 2020 we phased out plastic bags for textile products in an effort to avoid and reduce packaging. Now, thanks to new textile packaging made from cardboard, we are able to use 30 million fewer plastic bags each year. We are also currently testing a reusable shipping bag in our shipping department. We have joined forces with other companies and retailers in the PraxPack pilot project to collect initial feedback on whether customers return reusable shipping bags to us.

Ensuring recyclability: We are constantly improving the recyclability of our packaging so that the materials can be re-used. For consumer goods, 97% of packaging is already recyclable. The Cafissimo and Qbo coffee capsules can also be recycled and put in the yellow recycling bag in Germany. As far as other coffee packaging is concerned, there is still more we want to do - and must do. We are still using non-recyclable materials here to protect the flavour of the coffee.

Since 2019, customers have been able to fill their own coffee cans with coffee beans or ground coffee in our Tchibo branches. We also serve coffee in reusable cups that customers can take to our stores. We give a 10 cent discount on each drink. For a small deposit, customers can also borrow a reusable cup from any of our 32 Bavarian branches and have their coffee to go.

Our progress in numbers

TCHIBO SHARE – COFFEE CHAIN RENTS OUT BABY CLOTHES

‘Coffee chain rents children’s and baby clothes’, read the headline in the German tabloid Bild in January 2018 following the launch of Tchibo Share, an online platform where people can rent products by the month. Why is Tchibo offering a service that was previously so unusual?

We launched Tchibo Share in 2018 as a prototype and ‘testing ground’ for sustainable consumption. It came as a surprise to everyone in the industry because we were the first mainstream provider to rent out children’s and women’s clothing online. The products on offer included trousers, jackets, weatherproof clothing, bed linen and accessories. Most of the products are made from more sustainable materials such as organic cotton and are for the most part produced by suppliers who have completed our WE training programme.

Initial results showed that the rental service was viewed very positively and was seen as innovative. However, the number of actual users remained rather limited. Key challenges were the narrow product range, the unfamiliar way the service worked and a lack of awareness of the service.

We therefore refined the service in 2019, launching new product ranges on Tchibo Share and trialling partnerships with other sustainable brands and producers. This has enabled us to expand our product range, which in addition to other women’s and children’s clothes now includes toys, baby carriers, children’s furniture, camping equipment and coffee accessories.

To raise the profile of the scheme, we have adapted our communication strategies, collaborated with bloggers and influencers and regularly collected customer feed-



back. As a result, we were able to impress more and more customers with our sustainable service - even though we are still operating in a niche market. What motivates us is the fact that once we have won customers over, they are extremely satisfied and are keen to carry on using the sustainable sharing service.

Products that have proved particularly popular in the children’s range include rompers, baby carriers, waterproof clothing and skiwear. Among the ladies’ range, jackets, blazers and skiwear are the most popular. There is relatively little demand for furniture at the moment.

Now we are taking things one step further: Since early 2020, we have been offering selected products for sale in our second-hand store in addition to our rental service. These are mainly products showing minor signs of wear that no longer meet our strict quality requirements for rental but which are still in perfectly good condition and can be used

or worn again. This helps us pursue our goal of further increasing the current reusability rate of 85%.

To enable clothes to be re-used for even longer, we launched an upcycling partnership with Bridge&Tunnel. Bridge&Tunnel → p. 29 *Levers for Change* is a social initiative that supports people who are socially disadvantaged and creates new accessories from used functional textiles. For example, raincoats and skiwear that no longer meet our quality requirements and cannot be rented out again are transformed into bags and hair bands, making their way back into the Tchibo product range.

Any items that cannot be rented out, sold or upcycled are donated to a member organisation of FairWertung e. V. and recycled according to socially and environmentally responsible principles.

We want to carry on refining Tchibo Share and discover whether a rental service can really benefit customers, and if so, how.

We carried out a survey and found that...

- one in four people questioned were generally interested in renting clothes and furniture for their children,
- one in five of those surveyed would use rented clothes,
- but less than 10% of respondents have actually done so or rented clothing or other items,
- however, those surveyed who are already renting or sharing items are very happy with the service.

Data taken from a representative online survey in December 2019 about the trend towards renting. The survey questioned 800 women between the ages of 25 and 49 who live in a household with at least one child under the age of 12.

FIVE CUPS A DAY –

The Tchibo Podcast

» Just 11 items of clothing in your wardrobe «

Is the sharing economy really better for our climate and resources – or is it just a trend that gives you more variety in your wardrobe? Find out more in our podcast: Just 11 items of clothing in your wardrobe → <https://5tassentaeglich.podigee.io/3-nur-elf-kleidungsstuecke-im-schrank>



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**Change will not come if we wait
for some other person or if we wait
for some other time. We are the ones
we've been waiting for. We are the
change that we seek.**

BARACK OBAMA



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