



## **Tchibo GmbH 2013/2014 Progress Report on the Leadership Declaration of the 'Biodiversity in Good Company' initiative**

### **Leadership Declaration**

All signatory companies acknowledge and support the three objectives of the international 'Convention on Biological Diversity':

1. Conservation of biological diversity
2. Sustainable use of its components
3. Fair and equitable sharing of the benefits that arise from the use of genetic resources.

and commit themselves to:

1. Analysing the impact of the business activities on biological diversity;
2. Incorporating the protection of biological diversity and its sustainable use in their environmental management system;
3. Setting up a responsible agency within the company to manage all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives for the improved protection and sustainable exploitation of biodiversity, to be reviewed and adjusted every two to three years;
5. Publishing all biodiversity-related activities and achievements in the company's Annual, Environmental, and/or Sustainability report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organisations (NGOs) and/or governmental institutions with the aim of deepening expertise through dialogue and continuously improving the management system.

To demonstrate this ongoing commitment, member companies will provide the Initiative with a progress report every two years.

### **On the way towards a 100 % sustainable business**

As a globally active Hamburg-based family-owned company, Tchibo GmbH assumes responsibility for the environmental, social and economic consequences of its commercial activities.

The Tchibo business strategy includes the goal of becoming a 100 % sustainable business. This means that all its product ranges and processes are continuously optimised with regard to their environmental and social as well as commercial impact. This is achieved by measures that are developed on the basis of appropriate life-cycle analyses and implemented according to defined objectives in the individual business units.

Business of Tchibo depends on natural resources, especially coffee, cotton, wood and wood pulp. Therefore, biodiversity is one of the aspects the trading company takes into account in its integrated sustainability management. Biodiversity as it pertains to the above-listed natural resources is mainly affected by agricultural and forestry processes in the countries of origin. In the case of coffee and cotton, these processes are mainly controlled by smallholder farmers, and skills building and the necessary infrastructure are required to support them.

Therefore, as one of many measures, Tchibo GmbH joined the 'Biodiversity in Good Company' initiative and acknowledges the seven points of the Leadership Declaration. These are put into action as follows:



## **Detailed report on progress in accordance with the Leadership Declaration**

### **1. Tchibo GmbH analyses the impact of its business activities on biological diversity.**

In 2009, Tchibo for the first time systematically analysed which of its business activities have a significant impact on biodiversity. The screening showed that the focus here is on the Tchibo product supply chain, first and foremost the cultivation of natural resources such as coffee, wood and cotton. These three commodities and the products manufactured from them account for the majority of Tchibo revenues. To further increase knowledge about possible measures to prevent and mitigate negative impacts on biodiversity in these value chains, we mainly rely on collaboration with international standards organisations and multi-stakeholder initiatives such as the Rainforest Alliance, Textile Exchange and FSC®. These and other organisations continuously assess the impact of the implementation of their requirements and guidelines on local ecosystems. We are also continuously in contact with our business partners and relevant stakeholders to identify and quantify risks to biodiversity from the supply chains and processes of other Tchibo businesses that could have a significant impact on biodiversity, such as transport and textile production.

The aim is to be able to give more detailed information on the impact of Tchibo business activities on biodiversity in future. In order to safeguard biodiversity in our value chains, however, it is essential to not only *know* our own impact, but also to systematically manage business activities to increase their effectiveness and benefits for biodiversity.

### **2. Tchibo GmbH incorporates the protection of biological diversity and its sustainable exploitation in its environmental management system.**

In accordance with its strategic orientation, Tchibo has integrated environmental and social responsibility into all areas of its business. The action areas, targets and measures in the various business units are derived from the results of the respective lifecycle analyses. To enable a comprehensive management and coordination of its various activities, Tchibo has implemented a company-wide sustainability management system that, with respect to environmental aspects, takes its cue from the requirements of ISO 14001. This sustainability management system, which is managed by the Corporate Responsibility department, also enables the centralised and comprehensive monitoring and reporting of environmental and social indicators. Based on these indicators, a Sustainability Report that meets the requirements of the Global Reporting Initiative (GRI) is published or updated annually. The 2014 report complied with the new GRI G4 reporting standard for the first time.

Biodiversity is integrated as an essential component in this comprehensive management and reporting system, especially in the supply chains recognised as essential for natural resources (coffee, cotton, wood). The controlling and reporting are currently carried out mainly by ensuring environmentally friendly, certified or validated agriculture and forestry in the regions where Tchibo raw materials originate.

Our goal and challenge is to continuously expand these measures as needed while ensuring their effectiveness locally.

### **3. Tchibo GmbH sets up a responsible agency within the company to manage all activities in the biodiversity sector and report to the Management Board.**

The Corporate Responsibility department, which reports directly to the CEO of Tchibo GmbH, is the central agency responsible for coordinating and controlling all of the company's sustainability



programmes and activities. The topic of biodiversity is integrated into the relevant management systems and reporting structures. Corporate Responsibility acts as an in-house consultant and supports the departments in developing, implementing and managing sustainability- and biodiversity-related programmes for the various value chains and processes. Based on the respective results, Corporate Responsibility advises the departments on the continuous development of integrated sustainability programmes, and senior management on the development of the business strategy.

#### **4. Tchibo GmbH defines realistic, measurable objectives for the improved protection and sustainable exploitation of biodiversity, to be reviewed and adjusted every two to three years.**

Tchibo GmbH defines medium-term, five-year goals as part of its integrated sustainability management system. The current period runs from 2010 to 2015. In order to achieve these 5-year goals, annual targets are set, which are adjusted at the end of each year for the following year. This annual adjustment considers the degree of achievement as well as changes to the framework conditions that have occurred during the year or are expected to occur in the future.

Tchibo GmbH's biodiversity-related objectives are focused on the natural resources of coffee, cotton and wood, since the agricultural and forestry processes used in their production are expected to have a potentially significant impact on biodiversity. Products made from these raw materials also account for the bulk of Tchibo revenues.

The key indicator here is the percentage of products that are produced with raw materials from validated or certified sustainable sources.

##### Coffee: By 2015, 40 % of it is to be covered by our sustainability concept

Two certifications that particularly influence the protection of biodiversity at the origins of the coffee are the 'Bio' (compliant with the EU Organic Production Regulation) and Rainforest Alliance™ standards, whose requirements focus on environmental aspects. However, by specifying environmental requirements, the Fairtrade and UTZ Certified standards as well as the 4C Code of Conduct basic standard also contribute to at least reducing the impact on local ecosystems compared to conventional farming. As part of the consultations on the further development of standards, we are supporting the organisations to systematically integrate further targeted environmental aspects in their requirements. At the end of 2014, the proportion of certified or verified sustainable coffees was almost 35 %.

##### Cotton: Maximise the share from sustainable sources

In contrast to conventional cultivation, cotton farming in accordance with recognised sustainability standards has far fewer negative impacts on humans and the environment. In its product range, Tchibo works with the 'Bio in accordance with the EU Organic Production Regulation' standard, the Aid by Trade Foundation's 'Cotton Made in Africa' standard, and the Better Cotton Initiative (BCI) basic standard.

Organic farming only allows the use of organic fertilisers and pesticides. In parallel, organisations such as Textile Exchange, of which Tchibo is a member, campaign for the establishment of seed banks to conserve genetic diversity. Cultivation in accordance with the Cotton made in Africa standards uses far fewer non-degradable synthetic chemical pesticides, insecticides and fertilisers. Water consumption is reduced using methods such as rain-fed irrigation. Pests are only controlled by natural means, and attention is paid to annual crop rotation. The Better Cotton Initiative supports cotton farmers in the implementation of essential rules of good agricultural practice.



All these measures serve to protect biodiversity in the cotton-growing areas. In 2014, around 70 % of the cotton products Tchibo sold were made from cotton (most of it organic) was grown in accordance with one of the aforementioned standards – and in 2015, this figure will be about 80 %. However, from a sustainability perspective the challenges associated with the textile value chain are not confined to cotton cultivation. The further processing of fibres incl. refinement, dyeing and finishing can have negative impacts on biodiversity, for example through the emission of toxic, persistent or bio accumulative chemicals. That is why, in 2014 Tchibo, obtained certification according to the GOTS standard, which covers the entire textile chain, and joined Greenpeace's "Detox" commitment in October 2014. The aim in this connection is to free the entire textile value chain of questionable chemicals by 2020.

#### Wood and wood pulp: Maximise share of wood and wood pulp from responsibly managed forests

Wood and paper products, such as garden and indoor furniture, kitchen and decorative items, as well as craft supplies and books represent another substantial proportion of Tchibo range. Therefore, Tchibo is committed to responsible forest management and is a member of the non-profit organisation, the Forest Stewardship Council® (FSC®). The FSC awards a recognised label for wood or paper products that come from responsible forestry. Independent institutes review each company involved in the supply chain for compliance with the strict FSC standards, which define several principles that protect biodiversity and the living and working conditions of people in the forest ecosystem.

For over ten years, all Tchibo garden furniture made from boreal and tropical hardwoods has been FSC certified. In recent years, more and more wood and paper products have been sold with FSC certification. In 2014, the proportion of FSC-certified products was nearly 60 %. For 2015, we are aiming for a share of 70 %.

#### Forest Tracing Standard: proof of legal wood procurement

For our non-FSC-certified wood, in 2008 with the support of WWF we developed our own standard, the Forest Tracing Standard (FTS). It stipulates that our suppliers have to prove the origin of the wood. In this way, we make sure that neither wood from overexploited areas nor protected wood species are used.

Wood is also the raw material for pulp and paper. Therefore, it is also important to exclude undesirable sources in paper and paperboard, which we use for example in our product packaging. These are often recognisable from 'mixed tropical hardwood' that can be found in a microscopic analysis of fibres. For this reason, we have excluded mixed tropical hardwood from our sourcing contracts. As a next step, together with a variety of partners we plan to expand a corresponding wide-ranging quality assurance system and review opportunities for FSC-certification of the already low virgin fibre content of our packaging.

### **5. Tchibo GmbH publishes all biodiversity-related activities and achievements in the company's Annual, Environmental, and/or Sustainability Report.**

Every two years, Tchibo GmbH publishes a Sustainability Report (<http://www.tchibo-nachhaltigkeit.de/csrweb/servlet/cb/1029458/data/-/TchiboSustainabilityReport2013.pdf>), in which it reports on objectives, measures, successes and challenges in implementing its strategic direction of becoming a 100 % sustainable business. In the intervening years, an update of key figures, including a short report, is carried out.



The reporting is in accordance with the Global Reporting Initiative (GRI) guidelines. The 2014 report was conducted on the basis of the new GRI G4 reporting standard for the first time. Activities to preserve biodiversity are each integrated into the chapters of the specific value chains.

## **6. Tchibo GmbH informs suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step.**

Tchibo mainly keeps its suppliers informed about its biodiversity targets through elements in its tenders and contracts. It draws on two essential tools: first, the Tchibo Social and Environmental Code of Conduct, which describes both environmental and social requirements for our suppliers and is part of all contracts. Second, the respective quality and test specifications for the individual products and raw materials, which – in addition to “classic” quality requirements – also specify environmental and social requirements to be met when producing the raw material and the product.

In addition, our producers in the Non Food sector are informed about our goals and joint actions at Tchibo information events (“Vendor Days”). Individual producers are involved by jointly developing and implementing specific local measures.

In the coffee sector, coffee farmers are informed about such things as biodiversity targets and measures during training to prepare for sustainability certification, such as the Rainforest Alliance, as well as during training in connection with our own Tchibo Joint Forces! ® qualification concept.

## **7. Tchibo GmbH explores the potential for cooperation with scientific institutions, non-governmental organisations (NGOs) and/or governmental institutions with the aim of deepening expertise through dialogue and continuously improving the management system.**

As a member of the Forest Stewardship Council (FSC) International, FSC Germany and the Global Forest and Trade Network (GFTN) initiated by the WWF environmental foundation, Tchibo actively promotes responsible forestry. Measures to promote global awareness and market penetration of responsible forest management are developed and put into action in working groups and roundtables.

As a member of the ‘Cotton made in Africa’ demand alliance, Tchibo supports training activities and projects in the cotton-producing regions, which improve environmental protection as well as people's living conditions.

Furthermore, Tchibo is a member of the Carbon Performance Improvement Initiative (CPI<sub>2</sub>), which uses an online tool to provide factories with practical knowledge about energy efficiency as well as water and chemical management.

### **Project example**

#### **Textile Exchange: Meta-study on lifecycle analyses of organic cotton cultivation**

Tchibo is a member of Textile Exchange, a global non-governmental organisation that among other things promotes the cultivation of and demand for organic cotton. In 2014, Textile Exchange commissioned a study that provides a global overview of findings on the environmental benefits of organic farming. Previously, there were only a number of regional studies. Thanks to the project, a statement on the ecological effects of organic cultivation can now be made on a global scale, and based on this, there can be an even better management and fine-tuning of biodiversity-related aspects in cultivation. Tchibo was one of several partners who supported this study.