



## **Tchibo GmbH Progress Report for the 2015/2016 reporting period**

on the Leadership Declaration of the 'Biodiversity in Good Company'  
initiative

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## The Leadership Declaration

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

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources.

and commit themselves to:

1. Analysing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company’s annual, environmental, and/or corporate social responsibility 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 organizations (NGOs) and/ or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

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



## Responsible business conduct – On the way towards a 100% sustainable business

As a globally active family-owned business, Tchibo has modelled itself on the paradigm of an 'honourable hanseatic merchant' for more than 65 years: We think long-term and see it as a corporate duty to take responsibility for our actions. On the way towards a 100% sustainable business, we therefore consider the impact of our business activities on people and the environment. Our goal is to optimise continuously all products and processes regarding their environmental, social and economic impact.

In the past few years, the successes – as well as the setbacks – of our sustainability efforts have taught us some valuable lessons about their further development. Two strategically important instruments for the years ahead have emerged in the process: cooperation and innovation. Cooperation, because we can only effectively meet the systemic and structure-related challenges by working together with other actors in the respective sectors and regions. Innovation, because new, ground-breaking ideas and actions are needed in response to resource depletion, loss of biodiversity, climate change, demographic change and other global challenges.

The business of Tchibo GmbH directly depends on natural resources such as coffee, cotton and wood pulp. This is just one reason that the preservation of biodiversity and ecosystem services is essential for us. Biodiversity – and hence ecosystem services – are at risk in many of the countries where our raw materials come from and our goods are produced. We have therefore taken special care to integrate biodiversity into our strategic approaches for the Coffee and Non Food supply chains. Our focus is on the following action areas:

- Sustainable, environmentally friendly cultivation of coffee and cotton
- Promotion of responsible forestry, ruling out deforestation
- Substitution of hazardous chemicals in production processes
- Climate protection in cultivation, production and transport
- Reduction of resource consumption even at the product design stage

To advance these action areas and topics, develop innovative solutions, and where possible effect a change in the framework conditions, we continually involve all relevant stakeholders in our activities, and collaborate with internationally recognised organisations and standards.



## Report on progress made during the years 2015 and 2016

The following describes in detail the progress Tchibo GmbH has made in implementing the Leadership Declaration in the years 2015 and 2016:

### **1. Tchibo GmbH analysed the impact of its business activities on biodiversity**

In 2009, Tchibo GmbH performed a comprehensive analysis to determine which of the company's activities have a significant impact on biodiversity. This analysis indicated that the cultivation of the natural resources of wood, coffee, and cotton, as well as the production of our Non Food products, have a particularly significant impact. To further increase knowledge about possible measures to prevent and mitigate negative impacts on biodiversity, we – among other activities – exchange ideas and cooperate with internationally recognised organisations and multi-stakeholder initiatives such as the Rainforest Alliance, Textile Exchange and Forest Stewardship Council® (FSC®). These and other partner organisations continuously monitor the impact of the implementation of their requirements and guidelines on local ecosystems.

We also conduct detailed analyses of relevant processes and products to obtain specific information about the impact of a given product, assortment or process on biological diversity.

#### **Example: Calculating the environmental footprint of the Cafissimo coffee capsule system to identify any need for optimisation**

Since the beginning of 2015, Tchibo has worked with the Öko-Institut e.V. to carry out a comprehensive accounting and analysis to determine the environmental footprint of the Cafissimo coffee capsule system. The objective of the analysis was to determine the direct or indirect environmental impact on biodiversity, and identify any optimisation potential. The entire value chain was taken into account, from green coffee cultivation, transport, and production through to the preparation of coffee and disposal of capsules. Result: green coffee cultivation and the preparation of coffee are significant drivers of environmental impact. The analysis has validated our approach of continuing to increase the proportion of sustainably grown coffee and optimise the energy efficiency of our capsule machines. Moreover, in 2016 we have refined the coffee capsules so that they can be simply recycled by customers through their household recycling.

#### **Example: Regional analyses to promote sustainable coffee cultivation**

We believe that the global environmental and social challenges call for a significantly greater speed, depth, and breadth of optimisation measures in the global supply chains, especially in product sourcing and cultivation. This is why, since the end of 2015, among other things we have been developing a new, scalable, systemic approach to promoting sustainable coffee



cultivation. The idea is to develop tailored and systemic solutions to the different challenges the various cultivation regions are facing. Detailed analyses in each region are required to identify the challenges and determine needs and underlying causes. We are currently working with our partners on developing an appropriate set of indicators. One thing is already clear: indicators regarding key aspects of biodiversity will also be included in the set.



Regional analyses: Sample presentation

The regional analyses help us to identify the most pressing challenges and requirements, and work with partners, stakeholders, and representatives of the communities to develop innovative, overarching, systemic solutions following appropriate analyses of the underlying causes.

## 2. Tchibo GmbH incorporated biodiversity protection into its environmental management system

As part of its strategic orientation, Tchibo has integrated environmental and social responsibility in all areas of its business operations. The action areas, targets and measures in the various business units are derived from the results of the lifecycle analyses conducted for the respective product ranges and processes. To manage and coordinate its various activities, Tchibo has implemented a company-wide sustainability management system whose environmental aspects are modelled on the requirements of the ISO 14001 standard. This sustainability management system, which is managed by the Corporate Responsibility department, also enables 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-G4) is published annually.

Biodiversity is integrated as an essential component of environmental protection in this comprehensive management and reporting system, especially in the supply chains recognised as essential for natural resources (coffee, cotton, wood).



Coffee value chain	Non Food value chain	Customers and products	Environmental protection at sites and during transport	Employees at Tchibo
<ul style="list-style-type: none"> <li>• Sustainable coffee grades</li> <li>• Sustainable development of the coffee sector</li> <li>• Environment and climate</li> <li>• Education projects at the origins</li> </ul>	<ul style="list-style-type: none"> <li>• Integrative supplier management</li> <li>• Sustainable resources</li> <li>• Environmental protection in production</li> <li>• Education projects at the origins</li> </ul>	<ul style="list-style-type: none"> <li>• Customer focus</li> <li>• Product quality and safety</li> <li>• Consumer-focused communications</li> </ul>	<ul style="list-style-type: none"> <li>• Climate protection</li> <li>• Resource conservation</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate culture and values</li> <li>• Occupational health management</li> <li>• Work-life balance</li> <li>• Talent management</li> </ul>

**Biodiversity is particularly integrated in the fields of action of coffee, consumer goods and locations.**

The management and reporting of biodiversity aspects in these value chains is currently carried out primarily by ensuring eco-appropriate and accordingly certified/validated agriculture and forestry in the regions where Tchibo sources its raw materials.

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

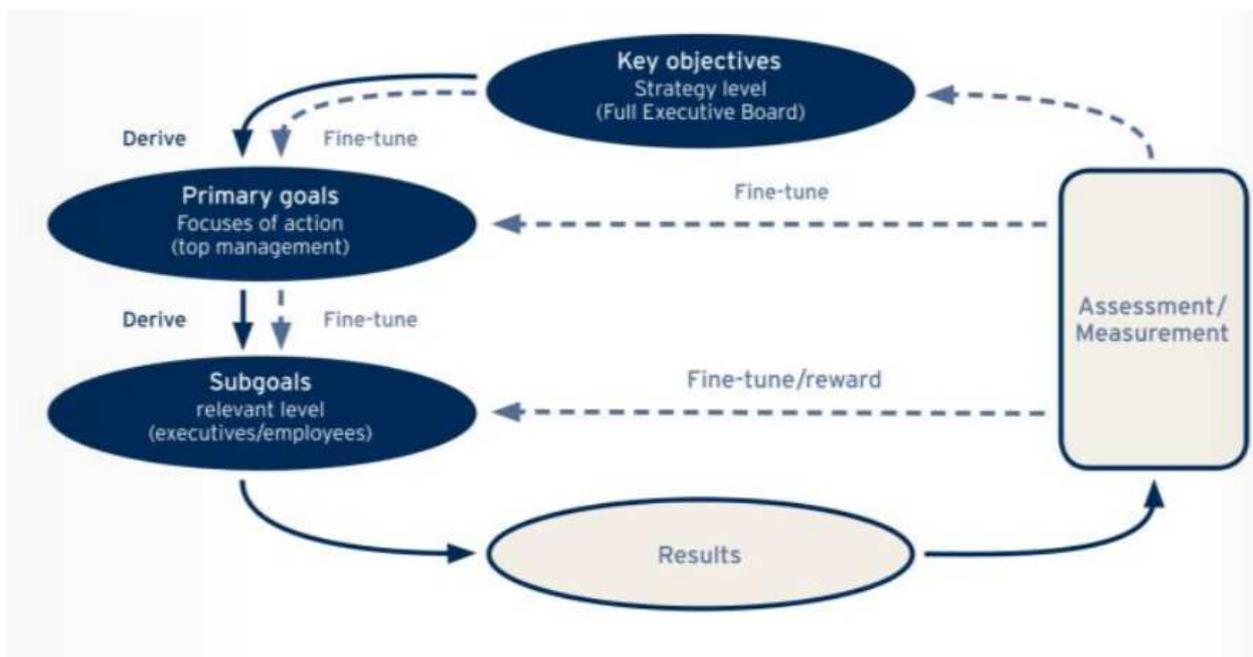
**3. Tchibo GmbH has appointed a responsible officer within the company to steer all activities in the biodiversity sector and report to the Management Board.**

As part of our integrated management system, we are working on putting our strategic core goal of “on the way towards a 100% sustainable business” into action across the company. In order to centrally anchor the management of sustainability activities in our organisation we established the Corporate Responsibility department in 2006. The Corporate Responsibility department, reports directly to the CEO. The topic of biodiversity is integrated into the relevant management systems and reporting structures.

**4. Tchibo GmbH defined realistic, measurable targets for improving the protection of biodiversity, and sustainable biodiversity utilisation. These targets are reviewed and adjusted every two to three years.**

With a view to our core goal of 100% sustainable business operations, the company’s divisions and departments, are developing key objectives with the support of the Corporate Responsibility department. These relate to the specific tasks of the individual departments, are concretised in sub-targets, and put into action as measures. The fixed and variable components of the employee remuneration system is also linked to the degree of target achievement.

The Corporate Responsibility department reviews whether the departments’ partial targets have been achieved and – after consultation with the departments – reports the results to the CEO once a year. If necessary, the targets and actions for the next financial year are adjusted, and new targets are set. Each target achievement is transparently reported as part of the company’s sustainability reporting.



**Integrated system of targets**

The following targets, measures and instruments contribute directly and indirectly to the conservation and responsible use of biodiversity and its ecosystem services.

### **Increasing the share of sustainable green coffee to 50% in 2016**

The certifications that are particularly effective in improving biodiversity protection at the source of coffee are the 'Bio' (compliant with the EU Organic Production Regulation) and Rainforest Alliance™ standards, whose requirements focus on environmental aspects. However, the Fairtrade and UTZ Certified standards, as well as the 4C Code of Conduct basic standard, also help to reduce the impact on local ecosystems compared to conventional farming by specifying environmental requirements.

We achieved our target of increasing the share of coffee certified or validated as sustainable to 40% in 2015. We intend to further increase this percentage to 50% by the end of 2016.

### **Increasing the share of sustainable cotton to 100% by 2018**

In contrast to conventional cultivation, cotton farming in accordance with recognised sustainability standards has far fewer negative impacts on people 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 Global Textile Standard (GOTS).

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. In addition, since autumn 2016 Tchibo has been a founding member of the organisation Organic Cotton Accelerator (OCA) which focuses on stabilising and expanding the organic cotton farming.

The Global Textile Standard (GOTS) goes beyond the organic cultivation of cotton by specifying high-level environmental criteria along the entire production chain. For example, environmentally harmful chemicals are strictly prohibited during processing. Tchibo offered the first GOTS-certified products in 2016 and will continue to expand this offer in future.

Cultivation in accordance with the 'Cotton made in Africa' standard uses fewer [non-biodegradable] 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.

All the above-listed measures serve to protect biodiversity in the cotton-growing areas. We achieved our target of increasing the share of cotton from certified and verified sources to 80% in 2015. Moreover, according to analyses by Textile Exchange, Tchibo was also the world's third-largest buyer of certified organic cotton for the second consecutive year. Our goal is to use 100% sustainable cotton for our textiles by 2018.

### **Wood and pulp: Greatest possible proportion 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 the Tchibo range. Therefore, Tchibo is committed to responsible forest management and is a member of the non-profit Forest Stewardship Council® (FSC®). The FSC awards an accredited 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 the past few years, we have sold more and more FSC-certified wood and paper products. In 2014, the proportion of FSC-certified products was just under 30%. For 2015, we aimed to increase this share to 60%, but were not able to achieve this target. Because we expanded our range to include indoor furniture made with wood from Germany, where FSC



availability is currently still difficult, and a simultaneous expansion of the scope of consideration, the target relative share (as opposed to the absolute number) was not reached. All in all, we achieved a proportion of 40% FSC-certified wood and paper items in 2015. In the years ahead, we aim to keep increasing the proportion of FSC-certified products.

### **Forest Tracing Standard: Ruling out illegal forestry**

In 2008, with the support of the WWF environmental foundation, we developed our own internal standard, the 'Forest Tracing Standard' (FTS), for our wood and paper products that are not (yet) FSC-certified. It stipulates that our suppliers have to prove the legal origin of the wood. The goal is to rule out the use of wood from overexploited areas and of protected wood species. All of our wood and paper items are subject to the Forest Tracing Standard. The requirements of the EU Timber Regulation and the corresponding German wood protection law are integrated in the FTS.

### **Resource conservation: reducing packaging and paper consumption**

Wood is also the raw material for pulp and paper used in and for packaging and printed products. Therefore, it is also important to reduce consumption of packaging, paper and cardboard, to exclude undesirable sources in their procurement, and to increase the share of sustainable materials.

Illegal sources can often be identified from the 'mixed tropical hardwoods' found in a microscopic analysis of fibres. For this reason, we have excluded mixed tropical hardwood in our sourcing contracts. We regularly review compliance with this requirement through appropriate analyses. In 2015 and 2016, we also further developed the sourcing structures for our packaging, and advanced the FSC certification of our suppliers. Building on this, we plan to increase the proportion of FSC-certified packaging to 30% in 2016 and to 90% by 2020.

Meanwhile, we are continuously working to reduce resource and especially paper consumption in our logistics processes. Our goal by 2020 is to reduce cardboard and paper consumption in our B2B and B2C supply/deliveries by 30%. We have already achieved a lot: for example, since 2015 we have done without paper delivery documents when supplying our business partners and Tchibo shops, and even our private distance-selling customers only receive a printed invoice if they expressly request one.



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

Every year, Tchibo GmbH transparently and comprehensively reports on its economically, environmentally and socially responsible actions, as well as the measures and target achievement of its sustainable corporate governance ([www.tchibo-sustainability.com](http://www.tchibo-sustainability.com)).

The reporting is in accordance with the GRI-G4 guidelines issued by the Global Reporting Initiative, the globally recognised basis for comparability and transparency, and includes the Communication on Progress (advanced level) required for signatories of the United Nations Global Compact (UNGC). The materiality of the content, as well as a focused presentation of key issues, are central considerations in the reporting. For this reason, the reporting of activities, targets, and achievements in the area of biodiversity is integrated in the presentation of the relevant supply chains and action areas.

An independent auditing firm in accordance with the International Standard on Assurance Engagements (ISAE) 3000 regularly audits our reporting.

## **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 of its tenders and contracts, using 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.

### **Producers get additional information via qualification programmes**

Tchibo producers in the Non Food sector are informed about our goals and measures at twice-yearly dialogue events (“Vendor Days”).

Individual producers are specifically involved via Tchibo's own 'WE' qualification programme, which focuses on the joint development and implementation of individual local measures.

In the coffee sector, coffee farmers are informed about such things as biodiversity targets and measures during their 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 to deepen expertise through dialogue, and continuously develop the management system.**

Tchibo GmbH has frequently led the way in recent years, striding ahead as an individual company. We were able to make a difference in several areas. But frequently, we encounter the limits of what we can achieve on our own. The United Nations Sustainable Development Goals adopted in September 2015 also underline the need for alliances.

In particular, we cannot cope alone with structural and political challenges in our supply chain. These require the joint efforts of all relevant stakeholders from the public and private sector, NGOs, and trade unions. We therefore support the efforts to implement the UN's guiding principles on economic and human rights through ambitious national action plans, and participate in cross-sector alliances and solutions. For instance, we are committed to the German Federal Government's Partnership for Sustainable Textiles, and the Global Coffee Platform newly founded in 2016. Voluntary commitments also play an important role, such as our commitment to the Detox standard developed by the environmental organisation Greenpeace.

A comprehensive list showing our key commitments, memberships and partners is publicly posted at: <http://tchibo-sustainability.com/servlet/content/1111280/-/home/facts-and-figures/commitments-cooperations.html>

**Dialogue event with relevant stakeholders**

In early November 2016, Tchibo GmbH hosted an expert dialogue event with senior representatives from business, politics, associations and NGOs. The issue of "Bringing sustainability out of the niche – What level of obligation does sustainability require / how much can it take?" was debated in panel discussions and discussed in further detail in three workshops. One of them examined the question "What can alliances (not) effect?" The consensus in the group was that alliances involving all relevant groups of actors (NGOs, companies, trade unions, standard organisations, government representatives and authorities), can have a much stronger impact on many overarching political issues than individual stakeholders or groups of protagonists. We will continue this intensive dialogue going forward.