

UN Global Compact Communication on Progress (COP) Miele & Cie. KG

Reporting Period: Business Year 2017/18,
July 1, 2017 – June 30, 2018
GC Active Level

Reference:

- Miele Sustainability Report 2017 and 2019 (will be available in May 2019):
www.miele.com/sustainability

1. Statement of Continued Support by the Chief Executive Officer
2. Human Rights Principles
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5. Anti-Corruption Principles

1. Statement of Continued Support by the Chief Executive Officer

To our stakeholders:

Our company stands for integrity and a sense of responsibility towards individuals and the environment, continuity and quality – all these values are deeply embedded in our corporate culture. Since 2004, when Miele joined the United Nations Global Compact, we have continually increased our commitment to sustainability and we are pleased to confirm that Miele & Cie. KG reaffirms its support of the Ten Principles of the United Nations Global Compact. Furthermore, we wish to contribute towards achieving the sustainability goals laid down by the United Nations (Sustainable Development Goals) – and, in doing so, help to master the challenges of our day and age. Our vision is to be the most sustainable company in our branch of industry. In order to keep our stakeholders informed of our strategy and our progress, we will publish our ninth sustainability report in 2019.

Our 'Forever Better' brand promise has always been the guiding principle since the days of the founding fathers. In order to continue to do justice to this claim, Miele seeks to undergo further continuous development.

Almost all our production plants, for example, now have their own sustainability programmes. These involve determining local measures which contribute towards our overriding targets pursuant to our sustainability strategy. Over the past two business years, we were able to make progress regarding specific CO₂ emissions per appliance, per tonne of product and per employee. These have been reduced by up to 11% compared with 2015. However, in absolute terms, energy consumption during the last business year increased on account of production increases. When calculating CO₂ emissions, we considered the entire usage phase for the first time. This served to identify further levels with which to reduce emissions. And, in

terms of perception, Miele is also able to report successes: In 2017, Miele achieves top position in the Sustainability Image Score, a sustainability study conducted by the Serviceplan Group. According to this study, Miele is the brand which is perceived as being the most sustainable by German consumers.

2017/18 saw solid growth once again, with the Miele Group achieving a turnover of € 4.1 bn. For the first time in the company's history, Miele employed a workforce of more than 20,000 – individuals who are the bedrock of our ongoing success. We are extremely pleased about these developments, but are also very much aware that the success and growth of our company is accompanied with greater responsibility. Consequently, we will continue to do our utmost to be a reliable and conscientious employer, business partner and neighbour.

In this Communication on Progress, we describe our actions and the progress we have made in the 2017/18 business year in implementing the Ten Principles.

Dr Stefan Breit
Executive Director Technology

2. Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Business should make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

Since Miele was founded in 1899, supporting and respecting human rights in all its business activities has been a pivotal aspect of its corporate culture. Consequently, Miele supports and respects the UN Declaration of Human Rights.

Furthermore, the observance of human rights is an important issue for Miele's future sense of direction and for risk management. To ensure the support of human rights beyond its own operations and along the entire supply chain, Miele has set up a responsible supply chain management system. Compliance with environmental, social and economic sustainability standards is monitored several times over the course of a business relationship. Suppliers and business partners are supposed to comply with social requirements based on SA8000, which Miele controls with the help of supplier self-assessments and supplier audits. Additionally a risk surveillance system collects intelligence about worldwide news and developments regarding the supply chain. Thereby Miele strives not to miss any relevant information about its business partners and the regions of sourcing.

Implementation

In 2008, Miele first implemented its Code of Conduct. This was last reviewed and updated in 2018. The code states in writing – amongst other things – the company's policy on human rights and anti-corruption. On commencing employment with Miele, new employees are introduced to the company's principles and the Code of Conduct. Noticeboard bulletins at production plants remind employees of the General Equality Act and the complaints office and cite contact persons for male and female complainants. Every employee in Germany has the right to turn to a complaints office, which offers help as the first point of call in the case

of suspected discrimination. The complaints office works closely with the aggrieved person to review the circumstances surrounding the complaint. Wherever possible, the results of the review are disclosed to the person within one month. Since 2015, an online compliance training programme on the Miele Code of Conduct, valid legislation on competition and the General Equality Act is in place. Participation is obligatory for relevant groups of employees, mainly in management positions; the programme is also open to all other interested parties within the company.

To ensure compliance with human rights in its own business activities, Miele decided to implement the SA8000 Standard, which suggests a management system approach to complying with the UN Declaration of Human Rights, conventions of the ILO, as well as UN and national law. All European sites have been successfully re-certified for three more years, valid until December 2020. In the business year 2016/17, Miele's plant in Dongguan, China, was also certified – as a result, all of Miele's plants are now certified according to the SA8000 Standard. Miele classifies all suppliers with respect to risk on the basis of SA8000 criteria. This risk classification process was reviewed and presented outside of the reporting period in the SA8000 audit in November 2018. The objective is to enable the external validation of the risk matrix.

Once potential suppliers have completed their self-assessment successfully and Miele is interested in engaging in a business relationship, the supplier needs to pass a short audit conducted on-site, assessing amongst other things compliance with human rights and labour principles. Suppliers are required to update their self-assessment every year and are audited on a regular basis, assessing similar criteria to those in the short audit. In addition, if classified as a high risk supplier due to country of origin or sector affiliation, suppliers undergo a more detailed audit specifically focusing on human rights and labour principles every year. In the 2017/18 business year, Miele had access to more than 139 trained auditors in total who are deployed in process audits. If a supplier does not pass the audit, Miele engages with the supplier to jointly develop improvement measures. If however the supplier is not willing to improve, Miele usually ends the business relationship.

Measurement of Outcomes

The online compliance training programme on the Miele Code of Conduct has been successfully completed on a worldwide scale by a total of 3,514 employees. During 2017/18, 812 participants successfully completed this training, including all employees for whom this is mandatory on account of their position.

In the 2017/18 business year 806 suppliers completed the self-assessment. Within this year, one supplier was inspected according to an escalation plan. Inspection showed no deviations; the supplier was not placed under embargo.

| Self-assessment on compliance with social standards by suppliers | | | | | |
|--|---------|---------|---------|---------|---------|
| No. | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Compliance confirmed | 555 | 968 | 475 | 735 | 799 |
| Compliance not confirmed | 15 | 6 | 9 | 8 | 7 |
| Total | 570 | 974 | 484 | 743 | 806 |

GRI References

Principle 1: 410, 411, 412, 413

Principle 2: 412, 414

3. Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Assessment, Policy and Goals

Meeting high social and ethical standards is a top priority for Miele. Upholding the freedom of association and collective bargaining as well as the elimination of forced labour, child labour and employment discrimination are core responsibilities. Consequently, Miele supports and respects the ILO Core Conventions.

Miele's commitment to its employees goes beyond fulfilling legal requirements. The company pays decent wages in all countries of operation. Furthermore, Miele grants numerous social benefits and ensures worker participation and employee representation. Miele is an equal opportunity employer. This is also reflected in the updated sustainability strategy, the objective being to promote diversity through respect and equal opportunities.

Miele would like to raise awareness throughout the company for the potential of diverse life and work experiences, perspectives, and values. The company-wide framework for promoting diversity and equal opportunities and combatting discrimination is provided by Miele's Corporate Philosophy, the Miele Code of Conduct and a company agreement to adhere to the general principles of equal opportunities. The successful recertification of all locations according to SA8000 end of 2017 is the result of Miele's continued commitment towards fair working conditions. Furthermore, Miele has signed the German Diversity Charter in 2012.

Salaries and wages are based on tariffs and company agreements. There are no differences in the pay received by women and men at Miele. Merit pay is categorised and calculated strictly based on the specific task and actual performance and does not take gender or other irrelevant criteria into account.

Employee pay at Miele's Dongguan plant in China was raised above the minimum wage to an appropriate living wage, which, unlike the former, covers the cost of living. Employee pay in the Czech Republic is also based on the local cost of living. In Romania, Miele complies with national guidelines and also makes additional social security payments.

To establish support of labour standards beyond its own operations and along the supply chain, Miele has set up a supply chain management system. Suppliers and business partners are supposed to comply with social requirements based on SA8000, which Miele controls with the help of supplier self-assessments and supplier audits.

Please see also Principle 1/2 for further details.

Implementation

To ensure occupational health and safety, all Miele sites are OHSAS 18001 certified. Certification was renewed in 2017 and is valid for a further three years. In the Miele plants, 23 specialists are deployed exclusively in the field of occupational safety (2017/18 business year). In addition, we also have 253 safety officers who perform these tasks alongside their regular company duties. These include providing advice during the planning and realisation of plant systems or when workstations are being designed. The safety officers receive regular training on various safety topics ranging from hazardous substances to noise. Furthermore, regular instruction takes place at all locations. Extensive checklists are available for daily work activities. Regular safety meetings are held at all plants and all departments are frequently inspected. This ensures that necessary measures are taken seriously. With the aim of increasing the safety awareness of all employees in the workplace and to regularly update knowledge, around 900 external training courses and specialised instruction sessions are held in almost all departments each year. In addition, the Work Safety Committee at each plant meets four times a year. Approximately four percent of the entire company workforce at Miele is directly involved with this committee.

Every manager needs to qualify with a one-day training on diversity. New managerial staff underwent a two-day training course under the title 'Managing Diversity' in 2017/18. To promote equal opportunities, Miele runs projects and events to promote the interests of women. Women at Miele are also often involved in the company networks for women. Miele opened its own child day-care centre at its Central Headquarters and largest production location in Gütersloh during 2018. The close proximity to the production site and the opening times contribute towards improving the lives of working parents. Services are provided to 80 children ranging from toddlers to infants of school age.

Every employee in Germany has the ability to turn to a complaints office, which offers help as the first point of call in the case of suspected discrimination. In accordance with the General Equality Act, the works council is involved in handling and evaluating incoming complaints. Miele has set up a dedicated complaints office at each company location in Germany, each of which is run by one man and one woman. All complaints are treated confidentially. The complaints office works closely with the aggrieved person to review the circumstances surrounding the complaint. Wherever possible, the results of the review are disclosed to the complainant within one month.

Please see Principle 1/2: Implementation for further details. Miele has implemented comprehensive management systems to ensure compliance with both human rights and labour principles along the value chain.

Measurement of Outcomes

Please see Principle 1/2: Measurement of Outcomes for further details on management systems, number of employees trained on the Code of Conduct and number of potential suppliers who completed the self-assessment questionnaire.

The following measurements of outcomes refer to the business year 2017/18. The change to business year 2016/17 is given in brackets in percentage or percentage points (pp), where applicable:

- Total number of employees: 20,098 (+3.3 %)
- Percentage of employees covered by collective bargaining agreements: 70.5 % (+ 3.9 pp)
- Employee turnover rate Germany: 1.37 % (+0.3 pp)
- Injury frequency rate: 11.1 (+1.8 pp)
- Average hours of training per year per employee: 8.1 (+14.1 %)
- Percentage of women in total German workforce: 22.1 % (+/-)

- Percentage of Miele employees in Germany with non-German citizenship: 5.9 % (+0.2 pp)
- Percentage of employees in Germany with disability: 6.0 % (+/-)

Miele was awarded the TOTAL E-QUALITY label in 2017 for its personnel policy geared to equal opportunities. The label is valid for three years. TOTAL E-QUALITY Germany awards this prize to organisations which promote equal opportunities in their personnel and corporate policy. This award honours Miele's commitment to the appreciation, promotion and harnessing of the individual diversity of its employees.

During 2016/17 and 2017/18, 78 managers and employees from HR were trained on the General Equality Act using an online learning program. Since the programme was introduced, a total of 1,380 employees have gained this qualification. During the reporting period, a total of three complaints were received relating to gender and ethnic origin. In every case, remedial measures were taken and the employees were offered further support.

GRI References

Principle 3: 102, 402, 407

Principle 4: 409

Principle 5: 408

Principle 6: 102, 202, 401, 404, 405, 406

4. Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy and Goals

Miele sees environmental protection as one of its core responsibilities. Climate protection is one of the most important issues in the 2018 analysis of key factors and is of special significance to Miele. Approaches and solutions as to how Miele can meet its entrepreneurial responsibilities in the field of climate protection are reflected in almost all strategic fields of action. With its climate protection measures, the company wishes to exploit competitive advantages and minimise business risks. Miele subscribes to the United Nations' two-degree target and continues to promote the reduction of company-linked greenhouse gases.

Beyond greenhouse gas emissions, the company addresses in its own processes material use, energy use, water use, wastewater, and waste. However, as a producer of household appliances, the largest impact in the value chain lies in the usage phase of its products. Thus, the company places special emphasis on managing this aspect of environmental impact. As a guiding principle, the company aims to avoid, reduce and recycle as much as possible and adopts a precautionary approach.

The updated sustainability strategy defines objectives relating to the environmental performance of products and production through to 2025:

- Miele is branch leader in terms of environmental performance, in particular with respect to CO₂ emissions, energy and resource efficiency: Efforts to improve efficiency in production will be continued and central climate indicators added. Material loops are to be closed with respect to both products and production wherever economically feasible according to the cradle-to-cradle principle. Measures will cover the three areas of energy consumption, resource efficiency and CO₂ emissions.
- Miele appliances are the benchmark in sustainable product design and holistic efficiency: Designing machines which are both long-lasting and repairable is an integral part of Miele's product philosophy.
- Miele is leader in its branch of industry with respect to new products and features and business models with a bearing on sustainability: With new or redesigned business models, Miele exploits sustainability potential and creates additional user benefits for its customers. Wherever they make sense, system solutions, sharing, leasing and other models are adopted which are comprehensive and well-conceived.

In formulating its sustainability strategy, Miele has defined the following quantitative goals in the energy field:

- Reduction of specific energy consumption per product in kWh/unit by 2025 by 20 % compared with the 2014/15 business year.

To promote environmental responsibility amongst its suppliers, Miele has integrated environmental aspects in its supply chain management system. Suppliers and business partners are asked to indicate in the supplier self-assessment if an environmental management system is in place, that local environmental laws are observed and if resources are managed sustainably. Requirements regarding the environmental impact of purchased raw materials and components are guided by both applicable laws and company specifications.

Implementation

Production

Since 2015, Miele monitors compliance with regulations at all of its German plants with the help of a unified legal management system covering operational environmental protection, energy management and occupational health and safety.

Miele uses an integrated management system to control environmental protection affairs throughout the company. An important component of this management system is the environmental management system, which is certified according to ISO 14001 at all Miele production locations worldwide. It includes guidelines for dealing with materials, water, and waste as well as emissions. Miele manages and monitors its environmental performance with the help of environmental performance indicators. The management system is reviewed at the beginning of each business year and progress is measured based on the results of individual reviews conducted at the various Miele plants. The responsible officers set new objectives based on these results. The internal reviews are complemented by external monitoring audits.

A further building block in the integrated management system is energy management which is certified at all European production locations according to ISO 50001. Recertification is required once every three years. The energy management system at the Dongguan plant in China is also based on ISO 50001. The system helps the locations to identify potential for further energy savings and to implement appropriate measures. The officers regularly exchange best practice information on a cross-plant basis. Miele reviews

its energy management system on a yearly basis by means of internal audits which are carried out by six specially trained employees. During the 2017/18 business year, no deviations were observed. There were only recommendations on optimising individual process descriptions; appropriate improvement measures are currently being implemented. With the audits, Miele also fulfils the national implementation of the 2015 EU Energy Efficiency Directive (EED) , which requires companies to carry out an energy audit every four years. The energy audit according to DIN EN 16247-1 will be performed at affected subsidiaries.

Each area has its own responsible officers at the Miele headquarters and in the individual plants. All of the plant officers report to the headquarters in Gütersloh. There is a continuous exchange of information across all plants: the teams for operational environmental protection and energy management meet three times a year at one of the German locations. These meetings are used to discuss individual efficiency projects, to provide information about changes in the legal framework, and for further training. Officers from other European plants and from Dongguan in China participate in workshops in Germany. The energy management team has also been organised as an internal efficiency network.

Products

To ensure its products will meet the required quality, longevity, and environmental standards, Miele uses an environmental check list within the product development process. Miele adopts a holistic approach in developing its durable domestic appliances and commercial machines. All products offer high performance and the best possible results in combination with the lowest possible energy, water and chemical consumption. Above all in the laundry-care and dishwashing sectors, Miele increasingly offers system solutions in which appliances, wash processes and detergents are perfectly matched. Similarly, the connectivity of domestic appliances can contribute towards a more efficient use of resources. On the path towards the long-term objective of a circular economy, Miele is experimenting with the recuperation of materials from old appliances.

Suppliers

Please see Principle 1: Implementation for further details on how Miele audits its suppliers. Environmental aspects are part of the same audits as compliance with human rights and labour standards.

Measurement of Outcomes

The following measurements of outcomes refer to the 2017/18 business year. The percentage change to business year 2016/17 is given in brackets:

Production (in absolute figures)

- Environmental protection investments: € 2.2 m (+108.3 %)
- Environmental protection expenditures: € 7.1 m (+5.8 %)
- Energy use: 249,416 MWh (+1.2 %)
- CO₂ emissions: 104,712 tons CO₂ (+2.2 %)
- Water use: 357,868 m³ (-1.1 %)
- Waste water: 326,492 m³ (1.9 %)
- Waste: 40,792 tons (+5.2 %)

Production (in relative figures)

- Energy use per ton of product: 1,236 kWh (+4.1 %)
- CO₂ emissions per ton of product: 0.52 tons (+5.0 %)
- Water use per ton of product: 1.77 m³ (+1.7 %)
- Waste water per ton of product: 1.62 m³ (+0.8 %)

- Waste production per ton of product: 151 kg (+1.8 %)

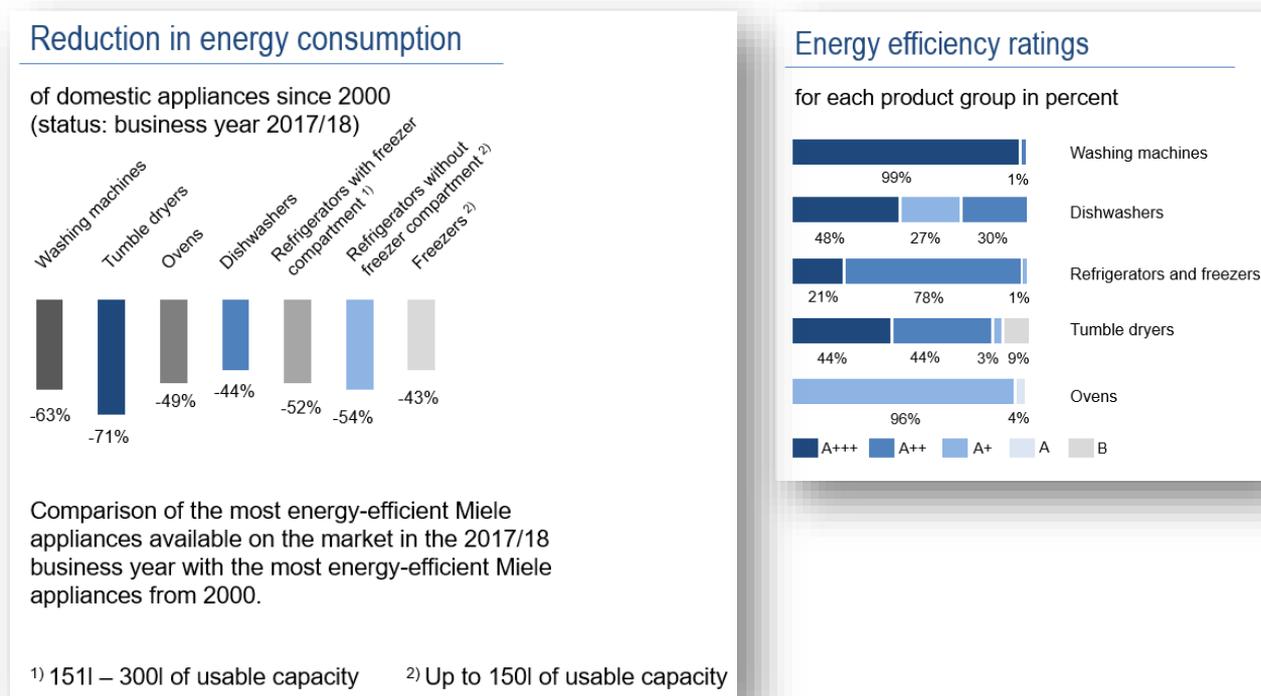
To further improve the energy efficiency of its production operations, Miele has invested in numerous energy-saving measures. During 2016/17 and 2017/18, a variety of energy-efficiency measures were undertaken at all Miele locations. In total, savings in the order of 3,400 MWh electricity and heat energy were achieved.

Despite various measures to increase energy efficiency, no efficiency improvements were achieved in absolute and relative terms: The reason for this was mainly an increase in production. This increase is likely to continue in line with company growth. On account of increased energy needs, the absolute CO₂ emissions along with relative CO₂ emissions increased.

No contraventions of environmental regulations were recorded during the period under review. Miele takes complaints very seriously indeed and processes these with a high priority. During the 2017/18 business year, a total of two notable complaints about noise were received at two locations. The causes were promptly dealt with through administrative measures.

Products

Miele was once again able to improve the efficiency of its appliances. This is reflected in both consumption and energy efficiency ratings.



In the 2017/18 business year, almost all washing machines subject to energy labelling in the EU (more than 99 %) fell into the top A+++ category, undercutting the boundary value by up to 40 % (depending on model). In the case of tumble dryers, an even more significant increase in the share of products in the highest efficiency category in the European Union was achieved: from 35.3 % (2016/17) to 44 %. The share of dishwashers in the A+++ category was steady with 43.5 % and the share of refrigerators and freezers increased from 15 % (2016/17) to 21 %. This enabled Miele to achieve its targets of further increasing its share of low-consumption products.

GRI References

Principle 7: 201, 301, 302, 303, 305

Principle 8: 301-308

Principle 9: 302, 305

5. Anti-Corruption Principles

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

Assessment, Policy and Goals

Miele pursues a zero-tolerance policy against all forms of corruption, bribery, extortion and illicit enrichment and has committed itself to be in compliance with all relevant laws, including anti-corruption laws.

Compliance management ensures that valid legislation and Miele's own guidelines are applied at all times.

To establish support of anti-corruption policies beyond its own operations, these principles are embedded in Miele's supply chain management system. Suppliers and business partners are asked to follow anti-corruption policies and confirm doing so in a supplier self-assessment.

Implementation

Code of Conduct

In 2008, Miele first implemented its Code of Conduct. This was last reviewed and updated in 2018. The code states in writing, amongst other things, the company's policy on corruption, bribery, donations and sponsoring. Its predecessor was the Code of Ethics, which was implemented in the purchasing department in 1996. On joining the company, new employees are introduced to the company's principles and the Code of Conduct.

As part of the internal audit, specific aspects of the Code of Conduct are verified, amongst them compliance with the policies on accepting gifts, on donations, and on conflicts of interest. In the event of non-compliance, improvement measures are implemented.

Please see *Principle 1: Implementation* for further details on how Miele audits its suppliers. Compliance with its anti-corruption policy is part of the same audits as compliance with human rights and labour standards.

Grievance Mechanism

Since 2010, an external ombudsperson can be contacted if there is a suspicion of corruption, fraud, or theft in any Miele location. Employees, suppliers, and third parties all over the world are able to consult the ombudsperson. Whistleblowers are guaranteed complete anonymity.

The first contact in the event of contraventions against data protection provisions is the Data Protection Officer of the Miele Group. During 2018, Miele also passed the Miele Data Protection Policy. This regulates the treatment of digital data, in particular those relating to customers.

Measurement of Outcomes

Please see Principle 1/2: Measurement of Outcomes for further details on number of employees trained on the Code of Conduct.

In 2016, self-learning software on the subject of competition and anti-trust legislation was introduced at all its locations in Germany. All employees involved in issues relating to competition and anti-trust law are obliged to use this self-learning software. The programme ends with a test. Records are kept on whether tests were passed. Additionally, a legal management system covering environmental protection, energy, occupational health and safety was implemented in the period.

There were no signs of corruption during the 2017/18 business year. Furthermore, no contract with a business partner or supplier was terminated or discontinued due to non-compliance with the anti-corruption policy.

Please see Human Rights Principles and Labour Principles: Measurement of Outcomes

GRI References

Principle 10: 102, 205, 415