

HEMA

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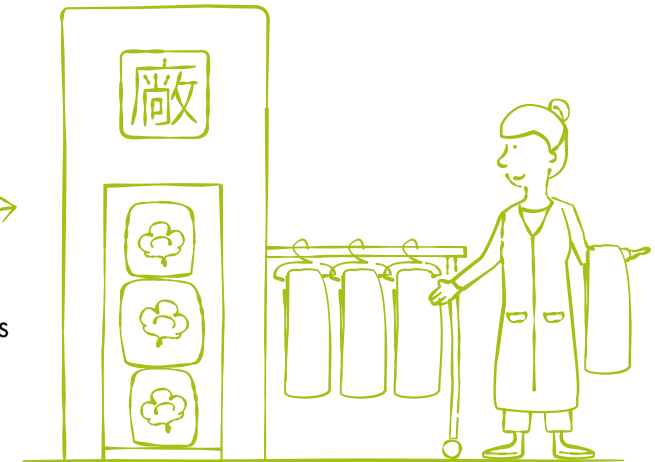


what our products are made of

- natural resources and raw materials
- animal welfare
- packaging

how our products are made

- supply chain transparency
- working conditions at producers' facilities
- transport and energy



our role in society

- social engagement
- good employment practices



For everyone

3 "Looking back on 2016, I feel optimistic. About HEMA as a whole, because we have been able to continue the positive trend in the present year. And specifically about sustainability. One of our key focus areas in 2016 was embedding sustainability in our organisation. We had already taken a major step in this area in 2015, by integrating this subject in our 'HEMA Heart'*. And we continued on this course in 2016."

Tjeerd Jegen, CEO of HEMA
23 May, Amsterdam



Favourite sustainable product:
oatmeal

Sustainability has a natural match with our brand, and our customers almost take it for granted that we offer sustainable products. I am happy about this, because it is very important to me that our products and services are produced and provided in a sustainable manner. In my view, sustainability is an inextricable part of HEMA's overall strategy. I am convinced that sustainability is one of the key drivers to build HEMA as a brand that can face the future with confidence.

We aim to better integrate sustainability in all our operational processes, and we are currently laying the foundations to be able to realize this ambition. Over the past year, we once again took a number of important steps. The subject has our full attention and commitment. We have grown our sustainability team which has allowed us to launch a number of projects that will help us to measure the sustainability of our products more effectively and report in more detail on our achievements.

In HEMA's complex environment, realising this ambition is far from straightforward. We sell over 32,000 products – ranging from fashion to food, from beauty products to stationery. We source them from locations all over the world and sell them in seven countries. This report will provide a closer look into HEMA's world, by means of illustration, we have chosen three sustainable products to illustrate our supply chains. These products will highlight the three pillars of our sustainability policy. This visual presentation is an example of how we strive to keep making our communication more transparent.

In 2017, sharing the stories behind our products will play an even bigger role in our communication. We will be putting more emphasis on communication and sharing more information about our products with our customers. Customers will be able to see improved communication in our stores and online. This will make it easier for customers to choose from our range of sustainable products – in line with our ambition to bring sustainable products within everyone's reach. Of course, there's more to sustainability than simply addressing these issues internally.



Sustainability is definitely also about entering into new partnerships with other parties in the sector – so that together, we can make a difference. A fine example is the International Corporate Social Responsibility (IMVO) Covenant* for sustainable clothing and fabrics, a wonderful initiative by Minister Ploumen to improve the sustainability of the textile industry. In addition, we have started working together with the Children's Council and met with the pupils of IKC Noordrijk primary school and Princess Laurentien, to discuss the next generation's perspectives on sustainability, and what they expect from us.

2016 was also a joyous year for us, as we looked back on 90 years of HEMA. And we celebrated our anniversary in style, with numerous festive events for both our staff and customers. For example, we collaborated on a great feature with Linda. Magazine, which featured interviews of different generations of customers. And you can increasingly see this ambition – to be there for everyone – in all our communications. During the festivities, we asked our customers to put their 'Christmas wish' for someone else in one of the Christmas trees in our stores, after which we made their wishes come true. A heart-warming experience.

I am convinced that in the year ahead, we can once again take important steps in achieving a higher level of sustainability. For now, I hope you will enjoy reading our report on 2016.

232

audits in 2016



social key
figures

553

employees participated in training
and educational programmes



results 2016

economic
key figures

environmental
key figures

70,000

transport kilometres saved



15

new European stores opened



€1,193.2

million net turnover*



600

products with Forest
Stewardship Council® (FSC)
certification



* financial year: 1 February 2016 up to and including 31 January 2017.

the essence

**optimistic
unique
clear
reliable
accessible
typically Dutch**

5

our most important categories
based on net turnover 2016

36% hard goods

home and bedroom, beauty and
health, school and office, party
and gifts, hobby and leisure

37% fashion and underwear

women, men, baby and children's
fashion

24% food and drink

retail, hospitality, take away

3% services

tickets, photo service, insurances
and notary services

HEMA in brief

The Hollandsche Eenhedsprijzen Maatschappij Amsterdam, or H.E.M.A., opened its first department store in Amsterdam on 4 November 1926. Founders Leo Meyer and Arthur Isaac wanted to open a department store for 'ordinary people'. HEMA was the first Dutch department store of its kind. Products cost 10, 25 or 50 cents. From day one, HEMA was recognised as optimistic, unique, transparent, reliable, accessible and typically Dutch.

Today, we have more than 700 stores in seven countries, with over 18,000 employees. HEMA has around 32,000 products, sold through our stores and online via our web store in all the countries we operate in. We serve six million consumers on a weekly basis.

In recent years, we have strengthened our focus on the sustainability of our products and activities. HEMA is there for everyone. In 2017, we will continue to communicate this sentiment in our client communication, by emphasising sustainability. We believe that sustainable choices must be within reach of a wider public and we try to achieve this by making sustainable products affordable and accessible.

HEMA B.V. has been a part of Lion Capital since 2007. In 2016, we achieved a net turnover of €1,193.2 million.

stores and employees

number of employees*

1,847 male
7,698 female

9,545 total

support office Amsterdam

number of employees:
227 male
399 female

626 total

distribution centre Utrecht

number of employees:
397 male
99 female

496 total

bakeries

number of employees:
179 male
41 female

220 total

- **Purchasing offices**
Shanghai, Hong Kong, Dhaka



- **Netherlands**
545 stores
8,203 employees*
- **Belgium**
96 stores
897 employees
- **France**
53 stores
426 employees
- **Germany**
10 stores
107 employees
- **UK**
7 stores
74 employees
- **Spain**
5 stores
62 employees
- **Luxembourg**
4 stores
27 employees

* these are our own employees, excluding our franchise stores in the Netherlands.
Including franchise stores, we have more than 18,000 employees.

five priorities

- **truly happy customers**
- **employees who are proud of HEMA**
- **simplifying and improving our activities**
- **sustainable business operations**
- **achieving healthy financial results**

truly HEMA

HEMA looks for the optimum balance between quality, design and price. We achieve this through continuous innovation in all our product categories. We aim to be the number one choice for everyday products that make the lives of our customers easier and more fun.

The HEMA heart and our values are central to our strategy. Our core values serve as a guide for how we work, with our business partners and in our communities. They help us come up with unique and reliable products and services for our customers. We pursue five priorities: truly happy customers, employees who are proud of HEMA, simplifying and improving our activities, sustainable business operations and achieving healthy financial results.

sustainability at HEMA

HEMA wants to make sustainable products normal and affordable for everyone. From the moment we design a product, we start thinking about the sustainability of the materials we are going to use and the conditions in which it will be made. Step by step, we integrate sustainability into the quality and unique design of our products, while keeping prices affordable.

8

Everywhere we operate, both in the Netherlands and globally, we strive to give our employees, suppliers and their employees the best possible conditions to work in and we try to minimise our environmental impact. To achieve this, we work closely with other parties. Only through cooperation with other parties in our sector and in the production chain* can we raise sustainability to a higher level. We offer consumers and other stakeholders* transparency regarding our sustainability policy and the principles we apply when compiling our range.

Sustainability is an important component for HEMA to be more future-proof as a business. It therefore holds a prominent position in our business strategy. The company-wide approach covers all the different links in the HEMA supply chain: from our support office to our distribution centre, bakeries, stores, purchasing offices and our

agents. For the success of our approach, it is essential that we have the support of our employees.

incorporating sustainability into the organisation

Sustainability and our role in society is one of the five priorities of HEMA. The sustainability department reports directly to the CEO. By incorporating sustainability in this way, it is deeply rooted in the core of our organisation. In 2017, we will give the integration a further push by making sustainability a focus area of our strategic development. The department coordinates the development of the sustainability policy, in close consultation with internal and external stakeholders. It is also responsible for evaluating progress and it reports every three weeks to the CEO.



"Sustainability is important for HEMA, and although we have been doing a lot of work behind the scenes, our communication has always been limited. Our customers have been increasingly curious about sustainability. Expect to hear a lot more from us this year. We hope to inform customers better about what we do and the sustainability of the products that we offer. Although there is still work to be done, we have taken some great steps. Take our range of sustainable cleaning products. A wonderful example of how daily sustainable products don't need to be expensive."

Eva Ronhaar,
Head of Sustainability

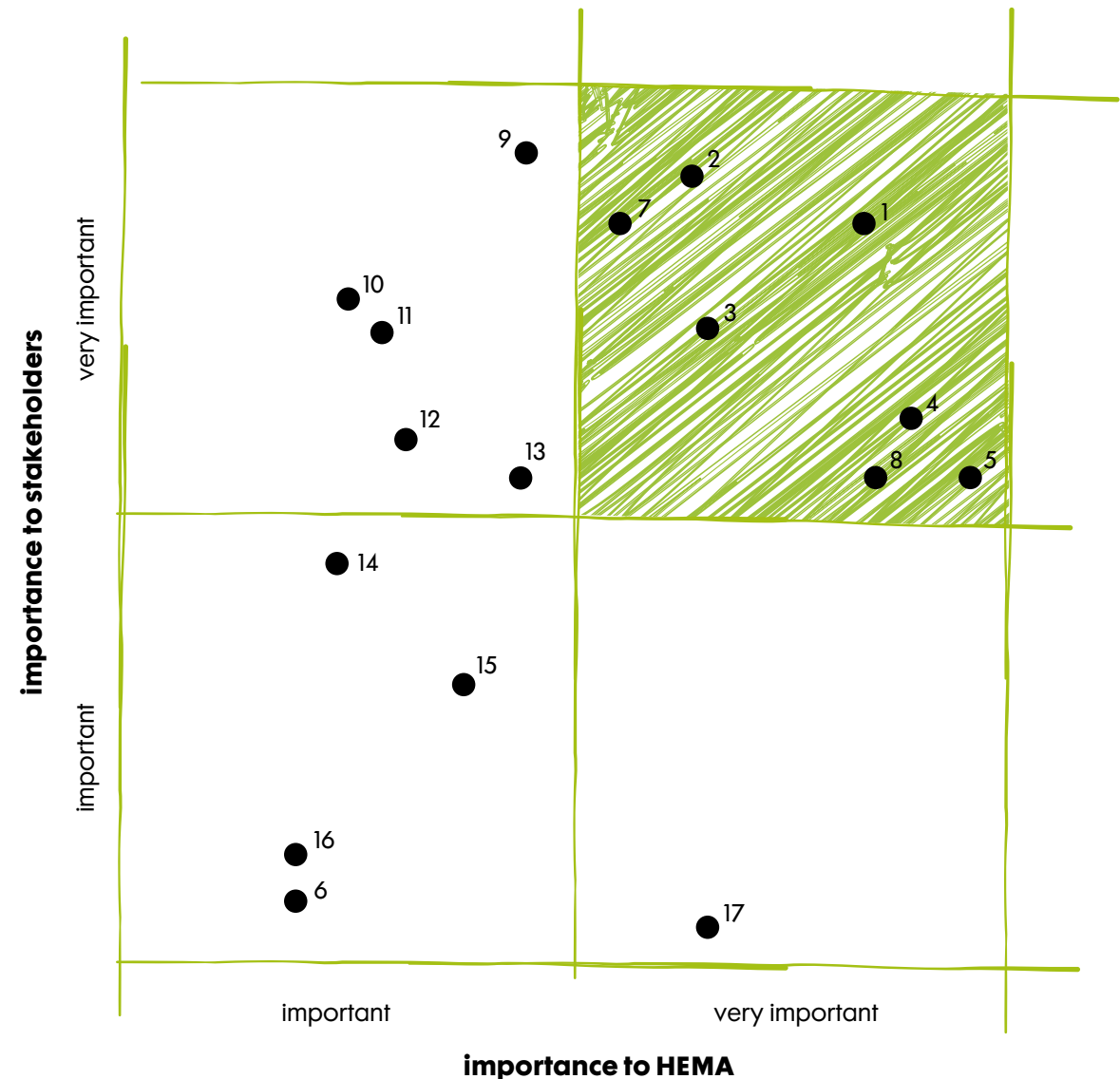


favourite sustainable product:
eco dish soap

the right focus

To make sure we focus on the issues that are meaningful for both HEMA and society, we carried out an analysis for our 2015 sustainability report. By means of questionnaires administered to internal and external stakeholders, including customers and employees, we presented a list of issues and asked which issues were most important to them. These issues form the core of our approach and reporting.

The 17 issues that emerged from the analysis as being important are shown in the graph on the right. The higher the issue is plotted on the graph, the more important it is to HEMA's stakeholders. The more an issue is plotted on the right, the more important it is for HEMA's business success. Further to the list of issues presented, stakeholders identified the following four issues that were important to them: communication on sustainability, certification, transport and trust. These are therefore categorised as 'important to stakeholders' on the graph. In this report, we focus on the seven topics that emerged as the most important from the analysis. In addition, we have added two topics that are important to us in addressing climate change. These topics are transport and energy.



1. **natural resources and raw materials**
2. **animal welfare**
3. **packaging**
4. **supply chain transparency**
5. **working conditions at producers**
6. **transport**
7. **social engagement**
8. **good employment practices**

9. **environment**
10. **food waste**
11. **healthy products**
12. **stakeholder engagement**
13. **sustainable design**
14. **waste and recycling**
15. **communication on sustainability**
16. **certification**
17. **trust**

in dialogue with the world around us

HEMA wants to be there for everyone and is therefore in dialogue with the different parties that are important for the future of the organisation. HEMA engages with these parties in diverse ways and about different issues. By doing so, we learn what is important to them when it comes to sustainability, and we can take appropriate next steps.

sector organisations

We are in dialogue with various sector organisations and we play an active role in discussions. It is essential to keep up to date with the most important developments in the sector and any upcoming laws and regulations. Together, we consider how we can jointly best tackle issues such as poor working conditions.

partners

We work together with our partners such as the Missing Chapter Foundation, LINDA foundation and KWF Kankerbestrijding (Dutch Cancer Society).

(local) government

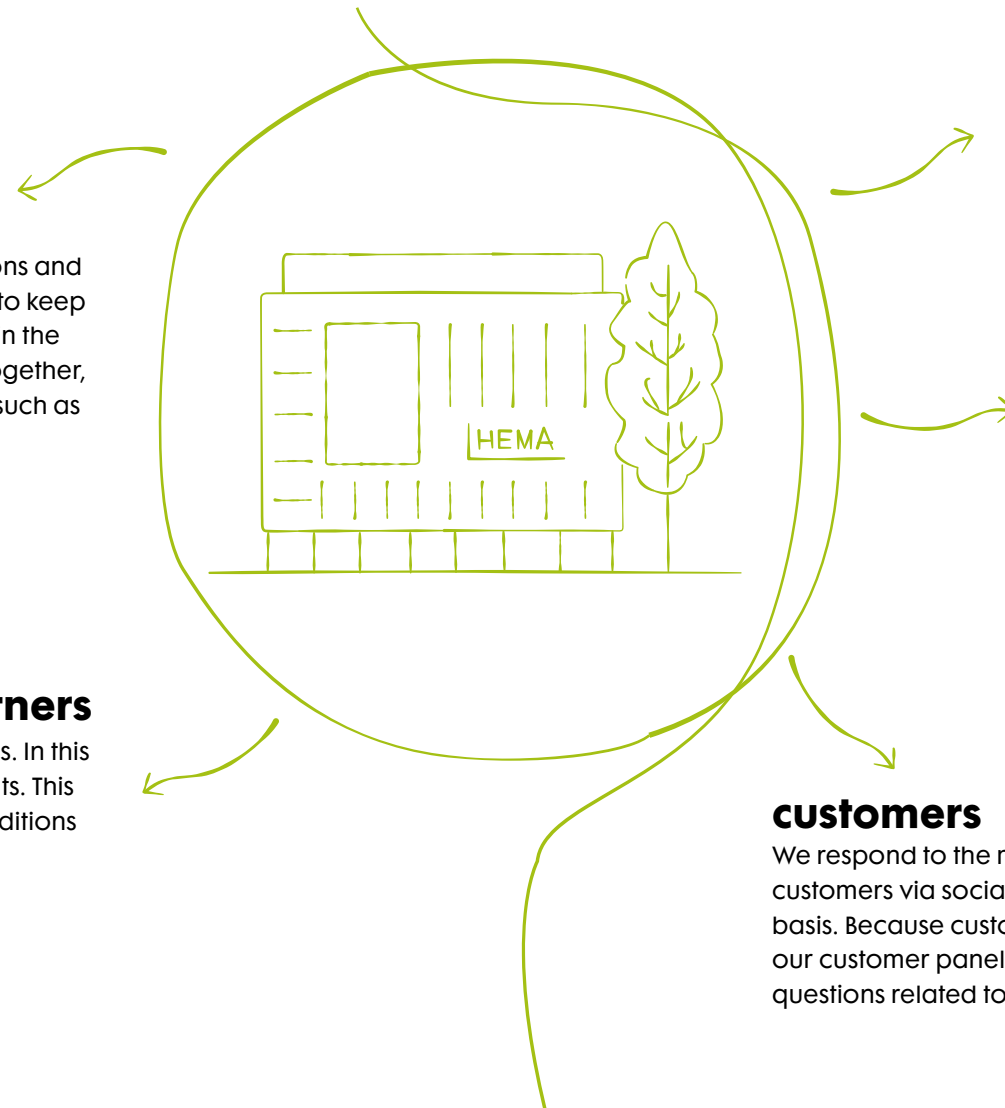
We are in dialogue with the government and take part in meetings it organises. Where relevant and possible, insights gained are implemented in our policy and working processes.

suppliers and supply chain partners

We regularly organise supplier days on various themes. In this way, we remain up to date with the latest developments. This helps us to improve our policy relating to working conditions and social compliance*.

customers

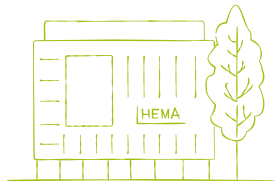
We respond to the many questions, ideas and views of our customers via social media and other channels on a daily basis. Because customer input is valuable to us. We also ask our customer panel consisting of more than 6,500 participants, questions related to sustainability.



HEMA's world

With over 700 stores in seven countries, the online web store and over 18,000 employees through which we serve six million consumers every week, HEMA has a big impact. Moreover, we have a varied product range consisting of 32,000 products. HEMA's products are known for their simplicity. The production of these products requires a vast international organisation, of which some processes or chains can be quite complex.

Amidst this complexity, we strive to create value for all stakeholders, from good labour conditions in production facilities to sustainable products for our customers. The illustrations on the next pages show the various steps of our business process and how HEMA aims to make a positive contribution to the world around it.



product development

HEMA designs, produces and sells almost all of the 32,000 products under its own label. Our category managers know what our customers want and our designers and purchasers ensure that we offer the right products to meet those expectations. Because of our varied product range, we also depend on diverse natural resources. We continuously improve product development to ensure that our products have a better durability, contain sustainable materials and are produced responsibly.

- introduction reusable coffee cups
- introduction new range of eco cleaning products
- goal: we will introduce pasture milk within our range of dairy products in 2017
- goal: In 2017, we will apply for the Better Life (Beter Leven) label for our range of meats

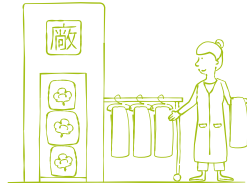


stores

HEMA employs over 18,000 employees across seven countries. Our employees enjoy sustainable employability and training. We are committed to nurturing a diverse workforce including people with disabilities. In our stores, we strive to reduce the use of plastic bags and packaging materials and we are committed to installing energy efficient lighting.

- the use of plastic bags has been reduced by 80% in comparison with 2015
- LED lighting is the standard in our new stores
- 553 participants in training and education programmes

HEMA's world



production

Our products are made all over the world. From our t-shirts in Asia to our pastries in The Netherlands. Wherever we work with production facilities, we ensure that the circumstances under which people work are good. We increase the transparency of our production chains and continuously drive improvements by carrying out audits*, developing improvement programmes, participating in the Bangladesh Accord, the IMVO Sustainable Garment and Textile Sector agreement and by organising our own supplier days.

- annually HEMA sells around 3.7 million towels, which will be fully sustainably sourced in 2017
- 232 HEMA audits performed
- goal: 100% sustainable cotton (organic or Better Cotton) by 2020



customers

We offer our customers over 32,000 products in the fashion and underwear, hard goods, food and drinks, and services categories. We want to make sustainable products normal and affordable.

- our customers were given the opportunity to decorate one of the trees in our stores with their 'Christmas wish' for someone else
- with our special edition T-shirts for the Amsterdam Gay Pride 900 school locations and approximately 250,000 people were reached



logistics

For the transport and warehousing of our products, we depend on packaging materials and (fossil) fuels. We strive to reduce greenhouse gas emissions through more efficient logistics and by implementing energy saving measures. We also aim to use less packaging materials.

- 70,000 kilometres saved on transportation



society

HEMA is there for everyone. Both in the Netherlands and internationally, we want to make a positive contribution to society.

- all cocoa is UTZ certified
- all tea is Fairtrade certified
- all coffee is Rainforest Alliance or UTZ certified

for everyone

HEMA is there for everyone. We feel it is important that our products make a positive contribution to the lives of everyone we work with – customers, employees, suppliers and their communities. And by everyone we mean our customers, but also the people involved in the production and distribution of our products. By highlighting three typical, everyday HEMA products, we want to illustrate that there is a remarkable story behind a simple product.



**what our products
are made of**



**how our products
are made**



**our role
in society**

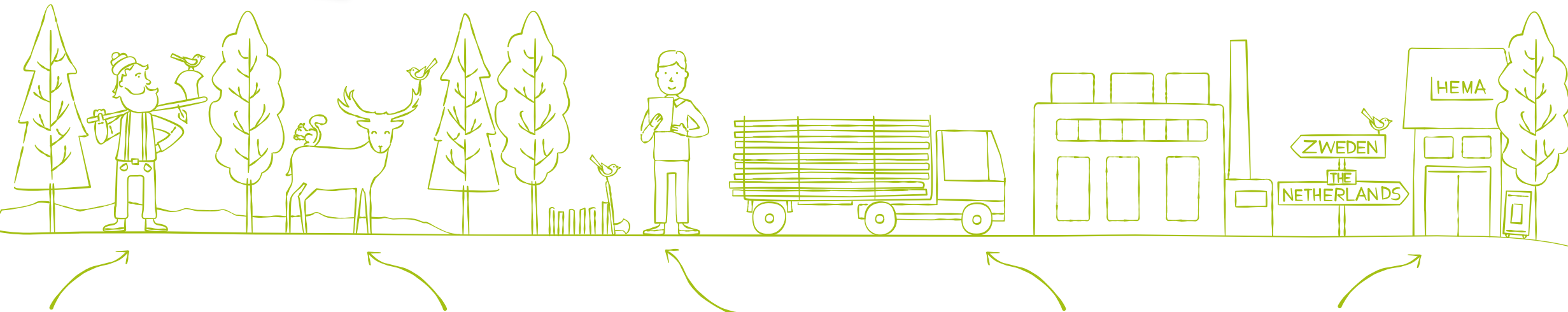
what our products are made of

We try to reduce the impact of our products by looking for alternative natural resources and raw materials, by addressing animal welfare and by thinking carefully about the packaging we use. This is how we apply our vision of “HEMA is there for everyone” to the beginning of our supply chains.

But how does this work in practice? We will take you on a journey, to the origins of one of our products: our paper tissues. A simple product, albeit with a complex story. That story starts in Sweden.



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- 1 This is where pine and deciduous forests are managed responsibly. This means, among others, that these forests have time to grow back after the wood is harvested.
- 2 Biodiversity and vulnerable ecosystems are protected. Moreover, trees absorb a lot of carbon dioxide, which makes forests important in mitigating climate change.
- 3 The state of the forest and the social and ecological effects of the logging are checked against the criteria of the Forest Stewardship Council (FSC) by independent auditors. FSC guarantees that logging is done in a responsible and legal manner.
- 4 After the harvest, the wood goes to the paper factory, where it is shredded into fibres and mixed to pulp. The pulp is then processed into paper tissues.
- 5 The tissues travel onwards to the Netherlands, where they are distributed to the stores. A month after the logging, the tissues find their place on the shelves of the HEMA stores.

natural resources and raw materials

We have a varied product range - from fashion and household equipment to food. This means we use many types of natural resources and raw materials. One of the focus areas of our sustainability strategy is the purchasing of sustainable resources and materials. Some of our product categories are fully certified against social and environmental standards. All our cocoa is UTZ certified, our tea is Fairtrade certified and our coffee carries either the UTZ or the Rainforest Alliance labels. A part of our fish assortment has the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) label. We are committed to achieving sustainable cotton for all our cotton products by 2020. For HEMA, sustainable cotton is defined as; organic cotton as well as cotton that is produced according to the Better Cotton Initiative* standard. In 2016, we sourced more than 20% of our cotton assortment as Better Cotton. Also, one third of our cotton rompers are organic. For 2017, we have the ambition to purchase all cotton rompers sustainably.

With our food assortment, we want to offer our customers a healthier choice. We are aiming to lower the salt level of our products and offer our customers healthier alternatives. All our meats already meet the requirements of the Dutch Salt and Fat in Meats covenant, an industry agreement on lowering the salt content in these foods. For our customers with a gluten sensitivity or gluten allergy, we introduced gluten-free pastries in 2013. These are just a few examples of how we are consistently working on improving our products.

- HEMA aims to use more and more FSC certified wood and paper
- all cocoa is UTZ certified
- 100% sustainable cotton (organic and/or Better Cotton)
- all tea is Fairtrade certified
- all coffee is Rainforest Alliance or UTZ certified

"I think it is important to have a choice between products. I'm glad HEMA sells products with the Better Life (Beter Leven) label. This helps me in making my product choices."
Yvonne, 36 year old (HEMA customer)

"One of HEMA's strengths is the durability and quality of its products. That also relates to sustainability. I also see that HEMA is working seriously within its supply chains and is successful in establishing cooperation with independent labels, such as FSC. HEMA has been a partner since the beginning."



Liesbeth Gort,
General Manager
FSC Netherlands

animal welfare

Within our range, we use animal products. When selecting our products, we carefully consider animal welfare. We exclude the use of angora wool and only process merino wool if it is mulesing-free*. A large part of our duvet and pillow fillings is synthetic. When using goose or duck down, we make sure that the animals were not live-plucked. In 2017, we shall replace our cosmetic brushes made of material from animal origin with synthetic alternatives. We will also explore possible alternative ingredients to substitute animal ingredients in our cosmetic range.

In 2017, we will apply for the Better Life (Beter Leven) label for our range of meats. The scope of products positively impacted will be our pork and chicken products in our stores, restaurants and take away. All our fresh milk is organic and we will introduce pasture milk to our range of dairy products in 2017.

- introduction new range of eco cleaning products
- introduction organic Women's Basics line
- introduction reusable coffee cups
- in 2017, we will apply for the Better Life (Beter Leven) label for our range of meats.
- we will introduce pasture milk into our range of dairy products in 2017

packaging

Packaging is necessary to guarantee the quality and safety of our products. This not only relates to the packaging of individual products, but also to the outer packaging materials we require during warehousing and transport. We look for ways to reduce the negative environmental impact, for example by using smaller or more environmental-friendly packaging. A good example of how we reduce waste is the introduction of our reusable coffee cups. Our customers can refill the cups themselves - a great way in which we can create awareness and our customers can play their part. Another example are the coasters for our cakes. Since 2016, these are made from biodegradable sugar cane.

"I am increasingly conscious of nutrition and a healthy lifestyle. As a loyal HEMA customer, I appreciate the growing range of healthier products."
Dimitri, 36 year old (HEMA customer)

"There is a lot of discussion about healthy nutrition. We listen closely to society and continuously try to improve the qualities of our bakery products. I'm kind of an idealist myself. In my son's football team, there was a boy who was gluten-intolerant, so he couldn't have a slice of cake when they won the championship. Personal experience, and the increasing amount of customer requests we were receiving lead us to say: as HEMA we want to be there for everyone – let's start offering gluten-free pastry".



John Vermin,
manager Bakeries



favourite sustainable product:
LED lighting

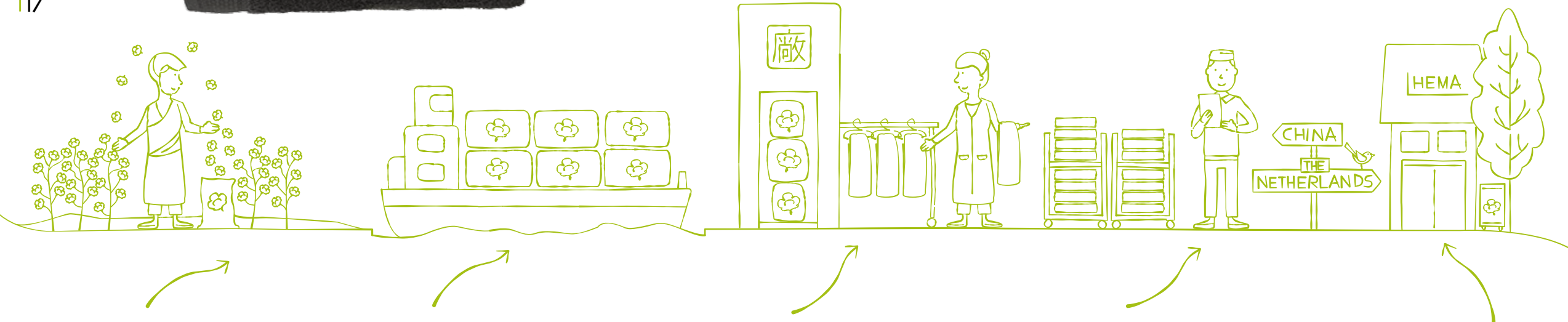
how our products are made

We want to guarantee our customers that our products are made in a responsible manner. Good insight into our production chains is a prerequisite to achieve this.

We are committed to ensuring good labour conditions at our producers' facilities. To demonstrate how this works in practice, we take a look behind the scenes of one of our products. We start in West India.



17



1 This is where the cotton for our towels is harvested. The cotton meets the standards of the Better Cotton Initiative (BCI). This ensures that farmers receive support and an education and that local communities experience economic, social and environmental benefits.

2 The cotton is harvested from October to February. The fibres are mechanically separated from the seeds and shipped to China.

3 This is where the textile factory is located, which spins the fibres into yarn. After a process of weaving and colouring, the first HEMA towels leave the production line.

4 This production facility has been positively rated by our internal auditors and those of the Business Social Compliance Initiative (BSCI). This means that the rights of the factory workers are protected and that they have a safe working environment, decent working hours and insurance.

5 After the production, the towels are shipped to the Netherlands. From our distribution centre in Utrecht, they are distributed to our stores in Europe. It takes roughly six months after the cotton harvest, before our towels can be sold in stores.

supply chain transparency

Our production chains are often long and complex. We are in contact with our direct suppliers, who regularly work with a number of production facilities. We ask our direct suppliers for transparency and insight into the supply chain. We also engage with the production facilities directly, because that is where the potential risks are. We are particularly alert to countries or supply chains with an increased risk of child labour, forced labour or unsafe working conditions, and take appropriate action when it occurs.

We view the dialogue with NGOs as a valuable way to monitor our supply chains. We regularly meet these organisations. They raise key questions and identify potential risks in our supply chains. In July 2016, HEMA was one of the first textile retailers to sign the International CSR Covenant on Sustainable Clothing and Textiles, an initiative of the Dutch government. Through this, HEMA commits to the implementation of visible improvements relating to labour conditions, wages and the environment. Like the other signatories, HEMA will provide annual updates on how we honour the commitments of the covenant. The knowledge that we gain through this, but also via the Bangladesh Accord* and Pakistan Buyers Forum, will be shared with our partners in the chain.

In 2016, we reduced the number of direct suppliers from 556 to 489. By reducing the number of production facilities, we simplified our supply chains and gained relevant insight. We will continue to simplify our supply chains.

working conditions at producers' facilities

Since 2003, we have been working with the Business Social Compliance Initiative (BSCI). BSCI supports us in improving social aspects in the supply chain. Since 2015, we have been an active member of the BSCI Auditing Working Group. We share our knowledge and experiences of factory visits, which benefits all parties associated with BSCI. Last year, BSCI set up an Audit Integrity Programme, based on our input. This programme furthers improves the quality of the audits. Our active participation not only guarantees the quality of the audits, it also allows us to look for continuous improvements.

- more than 20% of the textile range has been sourced as Better Cotton
- in 2017, we aim to adopt the Responsible Down Standard, an international standard that further improves animal welfare
- 232 HEMA audits performed
- annually HEMA sells around 3.7 million towels, which in 2017 will be sourced according to the guidelines of the Better Cotton Initiative

"I think it is very typical for HEMA to be so connected to society. I like it that HEMA is there for everyone."
Martijn, 27 years old (HEMA customer)

"I am glad that HEMA is concerned about sustainability. Many other brands are still lagging behind in this area."
Bibi, 32 years old (HEMA customer)

HEMA auditors

In the countries in which we produce, we work with our own social compliance auditors. We impose seven important requirements on our manufacturers. In case of a deviation, the factory needs to draft an action plan*. Our auditors monitor the implementation of this plan. If there is no willingness to improve, we don't place orders. Subsequently, BSCI also audits the facility. In new production locations, we apply a zero tolerance policy for certain practices, such as child labour and (attempted) bribery. In 2016, we refined our audit structure and reviewed it together with all our auditors. This update ensures that the audits are performed more consistently. In 2016, our internal social compliance auditors performed 232 audits.

transport and energy

We use fuel to transport our products and require energy to light and heat our support office, distribution centre, bakeries and stores. This produces carbon emissions, which have a negative impact on the environment. The 2015 international climate agreement aims to achieve a substantial reduction in these carbon emissions. We also want to contribute to this goal. We do so by making our transport more efficient and through efficient use of energy. The first HEMA stores now have LED lighting. This is the standard for all our new stores. Our distribution centre also has energy efficient lighting and almost the entire warehousing has motion sensors to prevent unnecessary energy use.

We are always looking for ways in which to make our transport more efficient, thereby reducing the number of trips. By destocking in 2016, we were able to close a large number of warehouses. This allowed us to plan our transport more efficiently and save more than 70,000 kilometres. Also at our support office, we contribute by only using electric taxis and there are bikes available for appointments in the neighbourhood.

We regularly organise supplier days, during which we ask our most important suppliers for new experiences and ideas. In 2016, we also spoke to many of our suppliers about sustainability. We notice that the awareness level has grown enormously over the last years. These conversations help raise the awareness. The suppliers are familiar with both the legal and the minimum requirements that HEMA places on manufacturers.

- number of direct suppliers reduced to 489
- active member of the Business Social Compliance Initiative (BSCI)
- LED lighting is the standard in our new stores
- signatory of the IMVO Covenant Sustainable Fashion and Textiles
- we saved 70,000 kilometres in our transport

"Balancing sustainability and affordability is sometimes a dilemma. Often, the (limited) availability of a sustainable resource is something that increases the price. Moreover, to become more structurally sustainable, you need to have a good knowledge of the supply chain. This is a basis for clear agreements with our manufacturers."



Pieter Völker,
Global Procurement &
Sourcing Director HEMA



favourite
sustainable
product:
cotton towels

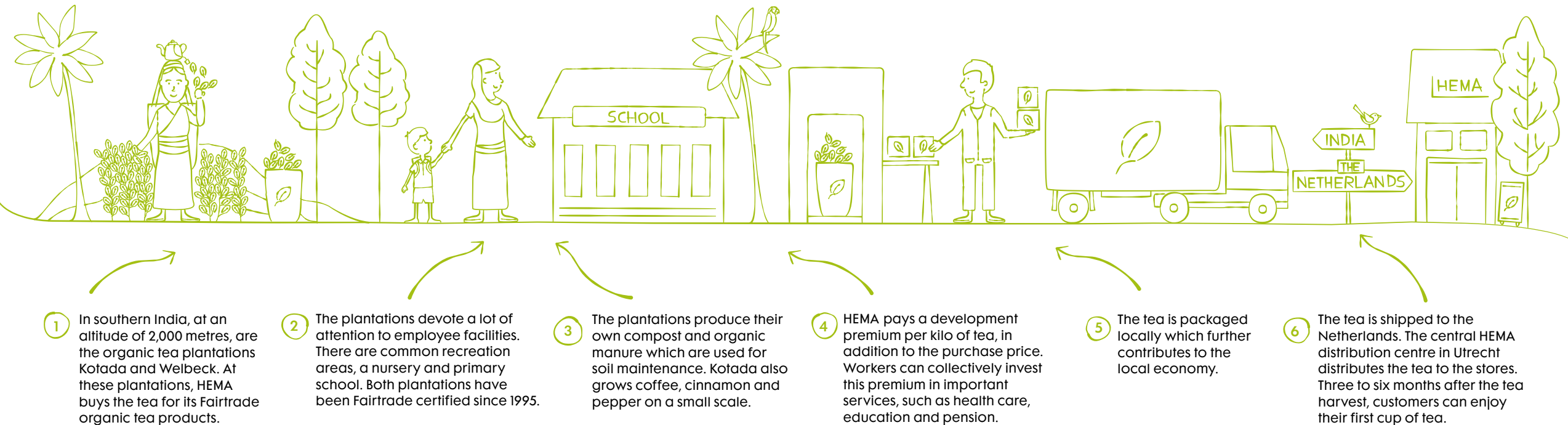


our role in society

HEMA is firmly rooted in society and we feel responsible for the people who work with us. We contribute to the local communities where our stores and suppliers are based. As an employer, we ensure that employees and the people who make our products are happy and motivated.

The product that illustrates how we want to fulfil our role in society is our Fairtrade tea. We would like to show what makes this ordinary product so special. To tell this story, we are returning to India.

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social engagement

HEMA wants to make everyday life better and easier for everyone. This goes for our customers, but also for the people that work hard to produce our products. We feel connected to society and are happy to make a positive contribution. This applies both to the countries in which our products are made as well as to the seven countries in which our more than 700 stores are located. We support several initiatives that generate impact and fit with our core values. We've been working together with the Dutch Cancer Society (KWF) since 2006. Customers can return empty cartridges in stores. For each submitted cartridge KWF receives one euro. To receive advice from an entirely different angle, we formed a partnership with the Missing Chapter Foundation. This foundation sets up a Children's Council, which allows children to provide their input on a wide range of social issues, thereby giving children a voice in corporate decision-making.

HEMA is there for everyone

Regardless of where you come from or who you are, HEMA is there for you. We feel it is important that you can be who you are. For that reason, we supported a COC project in 2016. The COC is one of the largest Dutch organisations of gays, lesbians, bisexuals and transgenders. We developed special edition T-shirts for the Amsterdam Gay Pride. The 20,000 euro profit from the sale of these T-shirts were donated to the COC, and was used to purchase teaching materials for secondary schools. With this action, 900 school locations and approximately 250,000 people were reached.

Christmas wishes campaign

As part of the Christmas Gift Factory campaign, HEMA asked its customers to send in their dearest Christmas wish for someone else. Margreet Moolenijzer, a primary school teacher from South-East Amsterdam, wanted to go ice-skating with her school class. A wish HEMA was happy to fulfil. Particularly when we discovered that Margreet teaches a class of children who were new to the Netherlands and did not yet speak the language. Many of these children had been through a lot, which made it extra special to give them a lovely surprise. This would be their first real Dutch winter. What better introduction to it than to strap on skates and go ice skating?

- by purchasing UTZ certified chocolate and coffee, HEMA supports sustainable agriculture in the countries of origin
- our Rainforest Alliance coffee also contributes to improvements in agriculture and forestry
- HEMA sells Fairtrade tea, -wine and -bananas. This means a fair price and premium for farmers and workers to invest in their community

"HEMA is there for everyone. Almost every Dutch citizen (90% of the population) visits a HEMA store at least once a year. We are part of the community and perceived as a sustainable brand. We don't express it too much, but the strong connection with society is in our DNA. Our employees feel that too. That role brings responsibility and we take that seriously. We are always looking for new opportunities related to sustainability."



favourite sustainable product: UTZ chocolate bar



Adriana Hoppenbrouwer-Pereira,
Chief Marketing Officer (CMO) at HEMA

good employment practices

HEMA is there for its own employees. Only with satisfied and motivated people can we be there for our customers. We therefore devote a lot of attention to employability, training and education. As HEMA, we are in the midst of society. We believe that it is important to be a good reflection of the society in which we operate.

employees speak up

With an employee survey, in which 67% of our employees participated, we assessed the opinions, wishes and expectations of our employees. Many people feel very engaged. They have a good idea of what our strategy entails and believe in the goals we work towards. The high level of job satisfaction is a striking outcome of the survey. Of course, there are also points of improvement. Employees indicate that there should be more recognition for good performance and more efforts to promote learning and development in the workplace. Every manager makes an action plan to implement these improvements. In 2017, we will also conduct an employee survey, including our offices in Asia.

learning on the job

In 2016 we launched a certified programme for apprenticeships (BBL) in our distribution centre. Twelve colleagues were trained as logistics assistants and received a vocational diploma level 2 (2-3 year programme). In 2017 we will also start this programme in our stores and possibly in our bakeries. HEMA has a lot of contact with schools. This enables us to be a breeding ground for people with the ambition to build a career in retail. We also support people who are in a difficult professional or educational situation. We welcome them at HEMA and offer them a place to work and learn. This includes people of all ages. The objective is to reach several hundred BBL students in 2017.

- 553 participants in training and education programmes
- 204 participants in Jong HEMA, the platform for young professionals
- male/female ratio: 19%/81%
- 38 employees with a disability

"It's very good that HEMA is becoming more sustainable and is making sustainable products available to everyone. I am a student and don't have a lot to spend, but at HEMA I can purchase sustainable and affordable products."
Anne, 20 years old (HEMA customer)

*definitions

audit

Assessment procedure to evaluate the operational management of a production site according to a set of predetermined criteria.

action plan

Improvement plan drawn up by HEMA when an audit has demonstrated that a production location does not meet the criteria. This plan describes the corrective and preventive measures needed to meet these criteria.

Bangladesh Accord

In 2013, HEMA co-signed the Bangladesh Accord, which is an initiative focussed on improving the working conditions in the textile industry in Bangladesh. This initiative was taken after the Rana Plaza building in Bangladesh had collapsed, which predominantly housed textile production sites. And although HEMA did not do business with these producers, we are actively involved in the Bangladesh Accord. www.bangladeshaccord.org

Better Cotton Initiative (BCI)

The Better Cotton Initiative (BCI) is a non-profit organisation that works towards improving cotton standards worldwide and brings the parties from the complex cotton supply chains, from farmers to retailers, together. www.bettercotton.org

Business Social Compliance Initiative

The Business Social Compliance Initiative (BSCI) is a platform for companies with the aim to globally improve the working conditions in the production chain of its members. Companies that are affiliated with BSCI implement the BSCI Code of Conduct in their supply chain. www.bsci-intl.org

HEMA heart

At the centre of the HEMA heart there are five priorities that we pursue in our mission to make our customers' daily life easier and more fun. These are: truly happy customers, employees who are proud of HEMA, simplification and improvement of our activities, sustainable business operations, and achieving healthy financial results.

IMVO Covenant

HEMA is one of the companies signing the covenant for improvements in and assurance of the sustainability of the international garment and textile supply chain. In this covenant, the signatory parties combine forces in an effort to achieve practical improvements to counteract discrimination, child labour and forced labour. They also aim to encourage the right to free negotiation by independent unions, ensure decent wages, and stimulate safe and healthy working

conditions. In addition, they aim to reduce negative environmental impact.

mulesing

Mulesing is the process whereby parts of the skin of a sheep are removed in an animal-unfriendly manner in order to prevent infections.

production chain

The subsequent series of processes undergone by a product, from raw material until it reaches the customer.

social compliance

Compliance with set rules for social responsibility within the own organisation as well as at suppliers and in the production chain. The relevant parties are continuously looking for improvements to safeguard and protect the health, safety and rights of employees.

stakeholders

Stakeholders are persons and organisations that are directly or indirectly influenced by the activities of the company or that have a direct or indirect influence on the company.



about this report

HEMA feels that sustainability should be within reach of a broad public and intends to achieve this by making it more understandable. We hope that this report has contributed to this. If you have any suggestions or comments, please do not hesitate to contact us. Send a message to sustainability@hema.nl. Follow HEMA on

This report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines and complies with G4 level Core. It relates to the period 1 January 2016 up to and including 31 December 2016. No significant acquisitions or divestments took place in this period. Unless otherwise indicated, the results relating to the national and international activities of HEMA relate to the own organisation. The scope and demarcation of the content are based on the material subject matters and on the information requirements of the stakeholders. It is HEMA's ambition to report annually on progress on the material issues presented in this report.

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