



**Kathmandu**<sup>®</sup>

live the dream<sup>™</sup>

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SUSTAINABILITY  
REPORT 2015





# ABOUT THIS REPORT



This is our fourth annual sustainability report. It covers the period from 1 August 2014 to 31 July 2015. The report is prepared in accordance with the core requirements of the Global Reporting Initiative (GRI) G4 reporting framework. It accompanies our Kathmandu Annual Report 2015, available online at [kathmanduholdings.com](http://kathmanduholdings.com) and includes our full financial results.

Data in this report covers Kathmandu operations, including our stores, distribution centres and support offices in New Zealand, Australia and the United Kingdom. If any issues are material beyond these boundaries, we have reported on these issues and our approach to managing them, but we may not have complete data available. Financial figures are expressed in New Zealand dollars unless otherwise specified.

We'd love to hear your feedback on the report. Feel free to send comments and questions to our team at [sustainability@kathmandu.com.au](mailto:sustainability@kathmandu.com.au)

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5 GOALS  
WE HAVE SET

Starting Winter 2016  
**100% CERTIFIED  
RDS** THROUGHOUT  
OUR RANGE

By 2018  
**ZERO WASTE  
TO LANDFILL**

By 2020  
**100%  
SUSTAINABLE  
COTTON**

By 2020  
**20% REDUCTION  
OF CARBON EMISSIONS**

For 2016  
**USE 1 MILLION  
PLASTIC BOTTLES  
FOR OUR REPREVE RANGE**



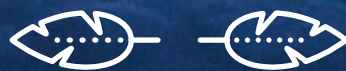
Sustainability Report

# 2015 HIGHLIGHTS



**840K** USED  
**PLASTICS**  
BOTTLES  
UPCYCLED FOR **REPREVE® RANGE**

JOINED THE  
**RESPONSIBLE DOWN  
STANDARD (RDS)**



**100% COMMITTED  
TO USING RDS DOWN**

**RANKED #7**  
IN THE **RACE TO THE TOP**  
LEAGUE TABLE (TOP 10 USERS  
BY ORGANIC SHARE) IN THE  
TEXTILE EXCHANGE 2014 ORGANIC  
COTTON MARKET REPORT

JOINED THE CHEMICALS  
CONVERGENCE INITIATIVE

WE GEAR TESTED **350  
PRODUCTS** AND REPAIRED  
**3178 GARMENTS**

BECAME AN ADVISORY  
MEMBER FOR THE **RWS**

FIRST AUSTRALASIAN  
COMPANY TO JOIN THE  
**BETTER COTTON  
INITIATIVE (BCI)**  
TO GROW OUR SUSTAINABLE  
COTTON RANGE

RATED IN THE  
"LEADING" CATEGORY  
FOR SUSTAINABILITY  
DISCLOSURE BY THE  
AUSTRALIAN COUNCIL  
OF SUPERANNUATION  
INVESTORS

☆☆☆☆☆  
IN THE FINAL STAGES  
OF OUR FIRST FIVE STAR  
GREEN STAR RATED  
FLAGSHIP STORE

NEPAL EARTHQUAKE RESPONSE

**\$230K<sub>NZD</sub>**

IN DONATIONS, CLOTHING AND EQUIPMENT

**enact®**  
RANGE **15%**  
GREW TO

FOR APPAREL AND EQUIPMENT



# CHAIRMAN'S REPORT



We will drive brand loyalty and sales growth by creating a positive in-store and online experience. Sustainability has a vital role to play in this. It remains a key part of how we enhance our customers' brand experience.

The past year was challenging for Kathmandu and the wider retail industry. Consumers spent less and we did not meet our projected sales targets.

But it was also a year of change. We appointed a new CEO, Xavier Simonet, who has a wealth of experience building local and overseas brands and retail businesses. He brings a renewed focus on connecting with our customers to inspire adventure. This is what makes our brand great.

We will drive brand loyalty and sales growth by creating a positive in-store and online experience. Sustainability has a vital role to play in this.

It remains a key part of how we enhance our customers' brand experience. Our new stores are designed using an industry-leading Green Star rated sustainable store standard. In FY2016, we will open our new flagship store in Melbourne and support office in Christchurch's Innovation Precinct. Both will be five star Green Star rated sustainable buildings.

We also aim to grow our Summit Club membership by enhancing member value and offering more responsible travel opportunities, like our successful Summit Club Everest treks. Other key priorities are to continue expanding our Australian store network and driving online sales in foreign markets. This will contain investments in our bricks and mortar store network.

Our sustainability commitment remained strong throughout the year. We mobilised our team, store network, customers and charity partners to help with the Nepal earthquake response.

This strengthened our deep community partner relationships to support the Nepali community who inspired our name. We kept engaging with suppliers to lift their social and environmental standards and ensure that our products are ethically made. There were many advances in sustainable design as we achieved full down traceability and signed up to develop a responsible merino standard.

As always, I would like to pay tribute to our people who remained dedicated and focused during the year. We farewell Mark Todd, Finance Director and acting CEO in 2015, who has been with the company for 18 years and was influential in Kathmandu's rapid growth.

**David Kirk**  
Chairman

# CEO'S REPORT



We will grow profit through efficiencies, engaging more closely with our customers and tapping into the aspirational nature of our brand. We exist to enable our customers to experience adventure and realise their potential.

I am excited to present my first sustainability report as Kathmandu's CEO, after joining the company in July 2015. In this short time, I have been struck by how the brand inspires loyalty in our people, customers and communities.

It has been a tough year and results fell short of expectations. This prompted us to re-think our approach and commence a review of our business model. Our strong local heritage, deep customer relationships and the scale of our Australasian store network provides a strong foundation for future growth.

We will grow profit through efficiencies, engaging more closely with our customers and tapping into the aspirational nature of our brand. We exist to enable our customers to experience adventure and realise their potential.

We must be smarter about how we listen to our customers and make products that meet their needs. This will enhance brand loyalty and the customer experience.

Sustainability is a key part of our conversation with customers. It is embedded in our brand as a core value and drives our Summit Club member value proposition. Sustainability informs how we design, make and innovate our products, so that our customers realise their full potential in the great outdoors. Our 1.4 million Summit Club members are a huge asset. We want to activate these members to offer more sustainable products and responsible travel experiences that reflect their interests and meet their needs.

In the year ahead, we will become a more lean and efficient organisation. We will further develop our social, digital and online channels to expand into international markets and engage our customers.

Our people were resilient in the face of great change. They adapted to a workforce restructure, which will improve productivity and optimise store labour. I thank them for their support and passion during this period of leadership and management renewal. Finally, I would like to thank Mark Todd, Finance Director and acting CEO in 2015, for his major role in the company's success.

I look forward to delivering further value to our loyal stakeholders as an industry leader in sustainability and adventure travel.

**Xavier Simonet**  
Chief Executive Officer



# OUR STORY

At Kathmandu, we passionately believe in operating a responsible and ethical business. We drive constant innovation in sustainable product development, looking for ways to minimise our environmental impact and contribute to the broader community.

## OUR CORE VALUES

INTEGRITY  
 RESOURCEFULNESS  
 ENVIRONMENTAL ACTION  
 OPENNESS AND DIRECTNESS  
 PASSION AND DETERMINATION  
 LOVE OF TRAVEL AND ADVENTURE

**10** NEW STORES IN AUSTRALIA  
 OPENED THIS YEAR

AS OF 31 JULY 2015  
 KATHMANDU HAS  
 160 STORES

→ 110 IN AUSTRALIA  
 → 46 IN NEW ZEALAND  
 AND 4 IN THE UK



OUR ONLINE SHOP ALSO SHIPS OUR PRODUCTS  
 TO OUR ADVENTURE LOVING CUSTOMERS GLOBALLY

### Our core values

Our core values are:

- Integrity
- Resourcefulness
- Environmental Action
- Openness & Directness
- Passion & Determination; and
- Love of Travel and Adventure.

These values guide our journey to achieve our core purpose – to inspire adventure in everyone.

At Kathmandu, we passionately believe in operating a responsible and ethical business. We drive constant innovation in sustainable product development, looking for ways to minimise our environmental impact and contribute to the broader community. We align with the values of our customers, employees and broader society, as we live, work and dream to inspire travel and outdoor lifestyles for many generations to come.

Our product teams work hard to promote the environmental, health and safety effects of our products throughout their life cycle, from design, production to final disposal or reuse. This includes minimising the environmental impacts from how we design our stores to how we dispose of waste and transport our products. We work closely with our suppliers to promote and protect workers' rights in our supply chain and make sure our products meet high ethical standards. We engage our customers to contribute to communities through products they buy and create strategic partnerships to inspire adventure and preserve the outdoors for future generations.

### Our stores

Kathmandu's network of stores span across Australia, New Zealand and the United Kingdom, serving our customers who love adventure and the outdoors.

This year, we opened 10 new stores in Australia. As at 31 July 2015, Kathmandu has 160 stores – 110 in Australia, 46 in New Zealand, and 4 in the United Kingdom. Our online shop also ships our products to our adventure loving customers globally.

Our company is publicly listed on both the Australian (ASX) and New Zealand (NZX) stock exchanges. We have a total workforce of 2,097 globally. Our head office is in Christchurch, New Zealand, with approximately 150 staff members. Our sister office in Melbourne has 50 staff members and supports our largest market in Australia.

Over 95% of the products we sell are Kathmandu-branded products, manufactured by third parties using materials and designs sourced or specified by our in-house design team.

### Our leadership

Our Board and management are committed to maintaining the highest ethical standards as they steer growth in our business. The Board guides the overall governance of our organisation, and all supporting policies, procedures and committees. Our Code of Conduct outlines the ethical values and principles essential to our success.

As a listed company in Australia and New Zealand, we adhere to current corporate governance principles and guidelines in both countries.

Our Board has six Directors, five of whom are non-Executive Directors. The Chairman of the Board is David Kirk. Xavier Simonet (Chief Executive Officer and Managing Director) is the only Executive Director on the Board. Mark Todd, our former Chief Operating Officer and Finance Director, resigned from the Board effective 29 August 2015.

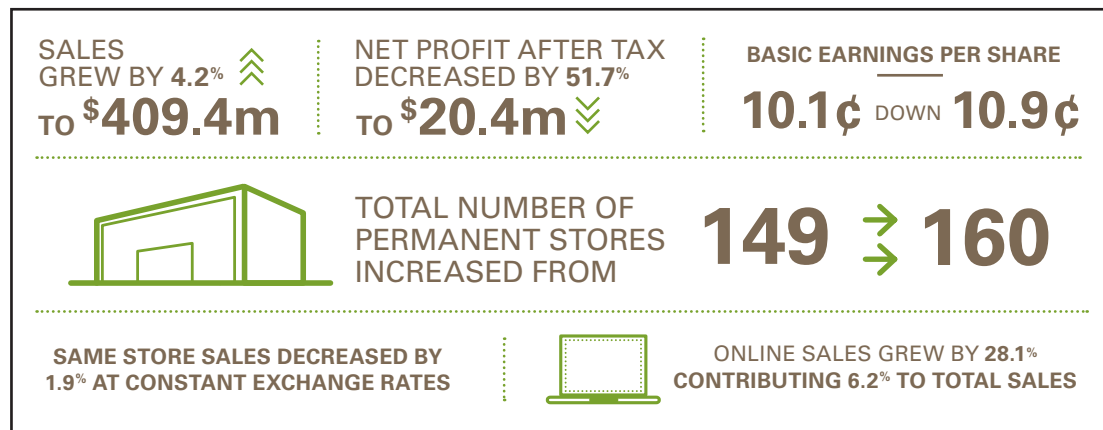
The Kathmandu Board views sustainability, not just as a corporate governance and risk management issue, but also as a way to create value for our customers and broader society. Our CEO has the ultimate responsibility for sustainability at Kathmandu and reports to the Board. All our staff have access to an Executive who reports to the CEO. Shareholders are able to request information at the Annual General Meeting.

For more information on corporate governance and our Board members, please refer to our 2015 Annual Report available on our corporate website [www.kathmanduholdings.com](http://www.kathmanduholdings.com)



# OUR PERFORMANCE

We take a holistic view of performance, which is made up of the three dimensions of sustainability: economic, environmental and social.



Stakeholder feedback is a direct measure of our success. We draw on various sources like customer and employee surveys, as well as financial results to track our progress.

The Australian Council of Superannuation Investors recognised our sustainability disclosure in their annual Corporate Reporting in Australia: Disclosure of sustainability risks among S&P/ASX200 Companies. The research benchmark rated Kathmandu in their highest category as 'Leading' for the 2014 financial reporting cycle.

Our customers are polled quarterly to rate the quality of our people, products and stores. The survey measures satisfaction with our products, prices and in-store experience. The customer satisfaction score remained steady at 7.7/10 this year. This is a slight improvement on last year. Summit Club members were even more satisfied with a score of 7.9. We closely monitor these metrics to drive improvements and lift performance.

Solid economic performance is the foundation of our sustainability approach. Our full financial results are in the Annual Report. Earnings dropped this year due to the cost of quitting excess inventory carried over from FY2014 and poor promotional and pricing decisions. This was exacerbated by increases in operating costs in anticipation of sales growth that did not eventuate.





# SUSTAINABILITY AT KATHMANDU

Sustainability is a core part of our business that integrates into our business strategy and organisation at all levels. We strive to do all we can to protect our environment so future generations can enjoy outdoor adventure. It is our ongoing objective to deliver value to our stakeholders – our customers, shareholders, employees and broader society.



### Sustain the Dream Plan

Our Sustain the Dream Plan lays out how we integrate sustainability into our business.

Our Sustain the Dream Model shows how sustainability goes hand in hand with our core purpose and values. Our approach focuses on product stewardship, reducing our operational footprint, promoting and protecting workers in our supply chain, and creating strategic partnerships to strengthen communities.

In 2015, we made significant progress in achieving the goals set out in our Sustain the Dream Plan. The Plan is divided into five impact areas. We identified these areas through discussions with stakeholders about our most important impacts.

In 2015, we reviewed the Plan and set priorities and goals for next year. Then we developed the Sustain the Dream Plan 2015-16, which builds on our achievements to date.

Our main achievements for the year were:

- Achieving full traceability of our down supply chain so we know that our down is ethically sourced
- Signing up to the Responsible Down Standard which independently certifies our down supply chain

- Mobilising our stores and engaging our customers to respond to the Nepalese earthquake
- Providing Summit Club scholarships so our members and customers can pursue their outdoor adventures
- Integrating our supplier management approach with the Fair Labor Association's method that sets out best practice social compliance
- Building the sustainability skills of our team in our online training program, Kampus
- Piloting our Retail Ready Packaging Initiative that cuts down excess packaging.

### Our stakeholders and material issues

Our key stakeholders are our customers, Kathmandu staff, Summit Club members, investors, suppliers, and local communities surrounding our stores, distribution centres and support offices.

We identify stakeholders based on who is impacted by and has the ability to directly impact our business.

Our sustainability strategy and report tries to address the needs and priorities of our key stakeholders. We engage with our stakeholders in many ways, throughout the year.

We interact with our customers through social media, our website, in stores, feedback surveys and our customer service centre. We keep our shareholders informed at investor briefings and by lodging all financial information, including our Annual Report and published information, on our company website. We engage with our employees through formal and informal meetings, annual performance reviews, our intranet, and the biannual employee engagement survey.

We have also formed partnerships with community groups and industry associations like the Outdoor Industry Association, the Green Building Council of Australia, Fairtrade International and the Fair Labor Association.

STAKEHOLDER GROUP	ENGAGEMENT MECHANISM	FREQUENCY OF ENGAGEMENT	KEY ISSUES RAISED
<b>Customers</b>	<ul style="list-style-type: none"> <li>• In store</li> <li>• Summit Club member communications</li> <li>• Social media</li> <li>• Customer feedback</li> <li>• Website</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>• Product materials stewardship</li> <li>• Supplier management</li> <li>• Product quality and safety</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>• Management committees</li> <li>• Stakeholder engagement committee</li> <li>• Performance reviews</li> </ul>	Annual	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Training</li> <li>• Sustainability issues</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Site visits</li> </ul>	Monthly	<ul style="list-style-type: none"> <li>• Fair and open procurement practices</li> <li>• Fair working conditions</li> <li>• Environmental impacts</li> <li>• Product quality and safety</li> </ul>
<b>Factories</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Site visits</li> <li>• Audits</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>• Fair working conditions</li> <li>• Environmental impacts</li> <li>• Product quality and safety</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• In stores</li> <li>• Community events</li> <li>• Social media</li> <li>• Website</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>• Community impacts</li> <li>• Social investment</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual reporting</li> <li>• Annual General Meeting</li> <li>• ASX announcements</li> <li>• Website</li> <li>• Investor roadshows, briefings and forums</li> </ul>	Quarterly and as required	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Environmental, social and governance (ESG) performance</li> </ul>
<b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Reports</li> <li>• Site visits</li> </ul>	Quarterly	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Product quality and safety</li> <li>• Environmental impacts</li> <li>• Community impacts</li> </ul>
<b>Industry associations</b>	<ul style="list-style-type: none"> <li>• Meetings</li> </ul>	Annually	<ul style="list-style-type: none"> <li>• Environmental impacts</li> <li>• Community impacts</li> <li>• Human rights</li> </ul>
<b>Investment community</b>	<ul style="list-style-type: none"> <li>• ASX announcements</li> <li>• Website</li> <li>• Investor briefings and forums</li> </ul>	Quarterly and as required	<ul style="list-style-type: none"> <li>• ESG performance</li> </ul>
<b>Civil society and community organisations</b>	<ul style="list-style-type: none"> <li>• Website</li> <li>• Social media</li> <li>• Requests for information</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Environmental impacts</li> <li>• Fair working conditions</li> <li>• Product materials stewardship</li> <li>• Supplier management</li> </ul>



### Our material issues

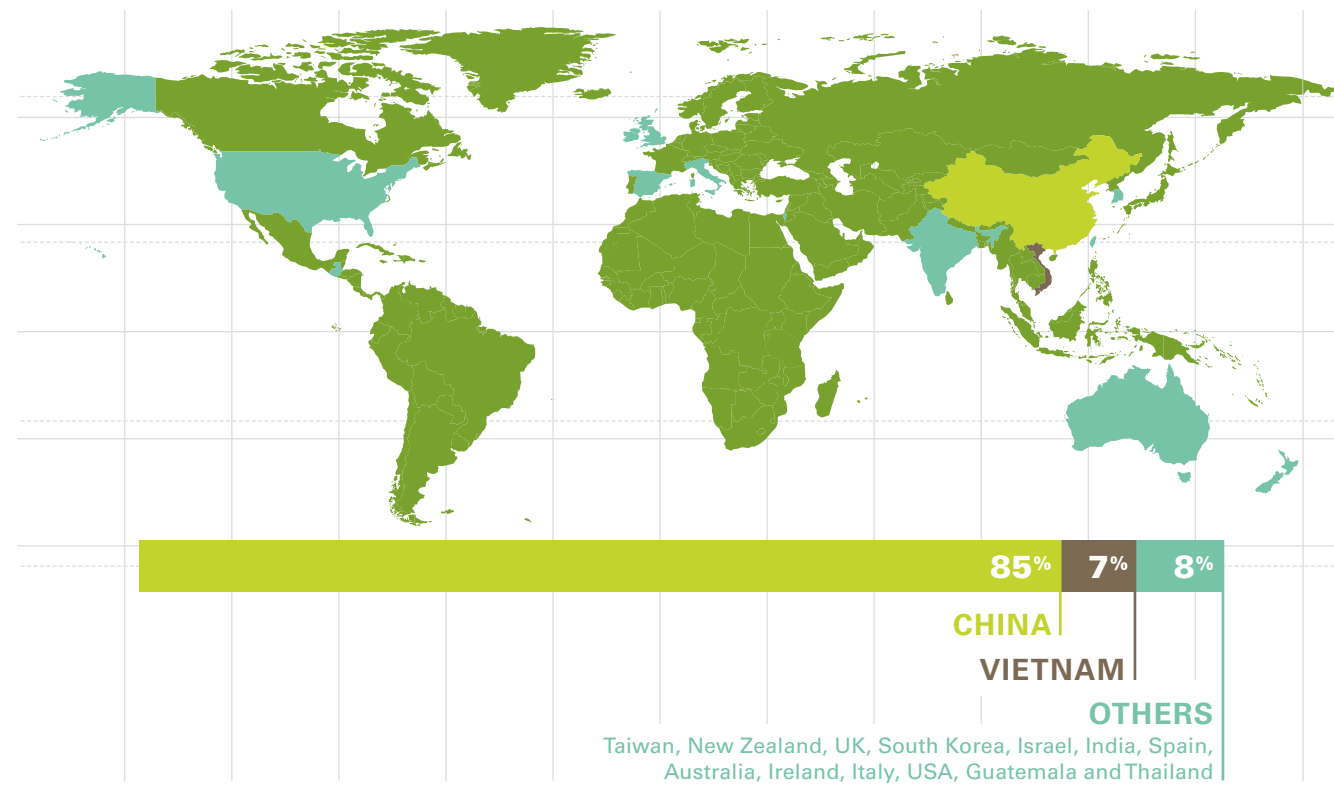
This year, we did an environmental scan of documents to unearth our material issues. We reviewed the latest industry trends, research and reports, as well as our own internal strategies and plans to understand the changing economic and societal landscape. This review identified the important issues and opportunities for our sustainability approach.

This review confirmed that our material issues have not changed. But our stakeholders, particularly investors and customers, called for more transparency on how we monitor and trace our supply chain, how we design and innovate in our products and materials to reduce our impacts and exposure to risks, and how we create long-term value for our communities and the business.

Our materials issues remain:

1. Human rights in our supply chain
2. Product materials stewardship
3. Minimising our environmental footprint
4. Strengthening communities
5. Communication and transparency.

### OUR FACTORIES AND PRODUCTION



### Our supply chain

Kathmandu is a global brand, with a complex global system of suppliers. We work proactively to understand and manage the environmental and social impacts in our supply chain. For us, this is not just about managing risks. It is a part of our commitment to run an ethical business within our value chain.

More than 90% of our suppliers are in Asia, where local laws and standards to protect workers and the environment are not as stringent as our own.

As a result, we take the responsibility to ensure that labour and environmental standards are included in our Terms of Trade and followed by our suppliers.

Over the past three years, we have made significant progress in engaging with our suppliers to achieve full visibility of our manufacturing process. We regularly monitor and measure social and environmental impacts in our supply chain through close collaboration with suppliers and periodic factory audits.

We also focus on continuous improvement in product design and development to reduce the impact of our materials and processes on workers' rights and the environment.

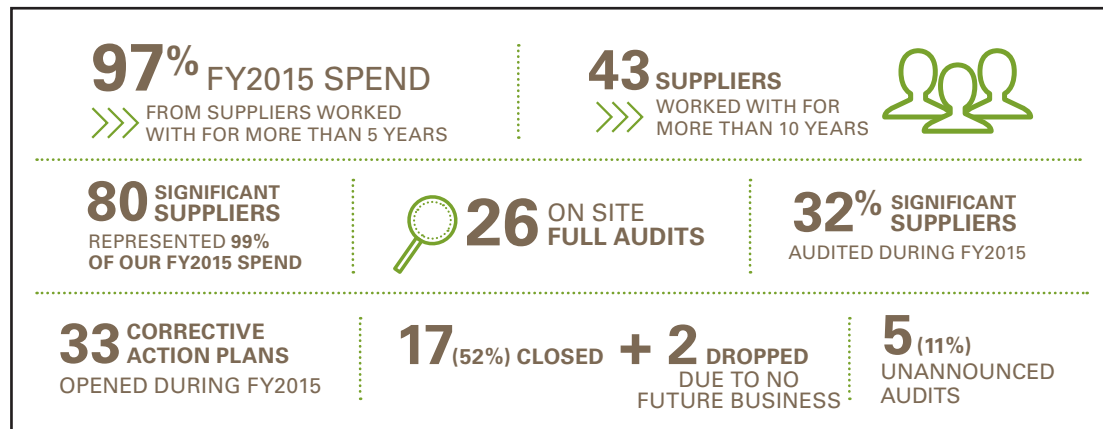


Suzanne Lee  
Fairtrade International



# WORKING WITH OUR SUPPLIERS

Kathmandu strives to establish best practices that respect and ethically treat workers in our supply chain. We promote sustainable conditions where workers earn fair wages in safe and healthy workplaces.



We have continued to collaborate with industry, suppliers and multi-stakeholder initiatives to advance our human rights and fair labour practices. Our Code of Conduct stipulates the social standards that we expect from our suppliers including safe working conditions, working hours and wages paid.

Suppliers must sign up to our Terms of Trade Agreement, which includes our Code, ethical trading and environmental expectations. Our social compliance audit program ensures that these standards are upheld.

We recognise the need to monitor our supply chain, as most of our products are made in Asia. This means that we must have visibility of the risks related to corruption, child or forced labour and mechanisms in place to manage these impacts should they arise.

Key priorities for the year were revising our Code of Conduct to ensure fair working hours and wages for workers. Fair working hours remains a future priority as we look to our suppliers for progress.

We already know that some suppliers engage in excessive overtime. The culture of working long hours to benefit from overtime is the norm in countries like China. As we further develop our auditing processes, we are likely to find more issues to overcome with our suppliers.

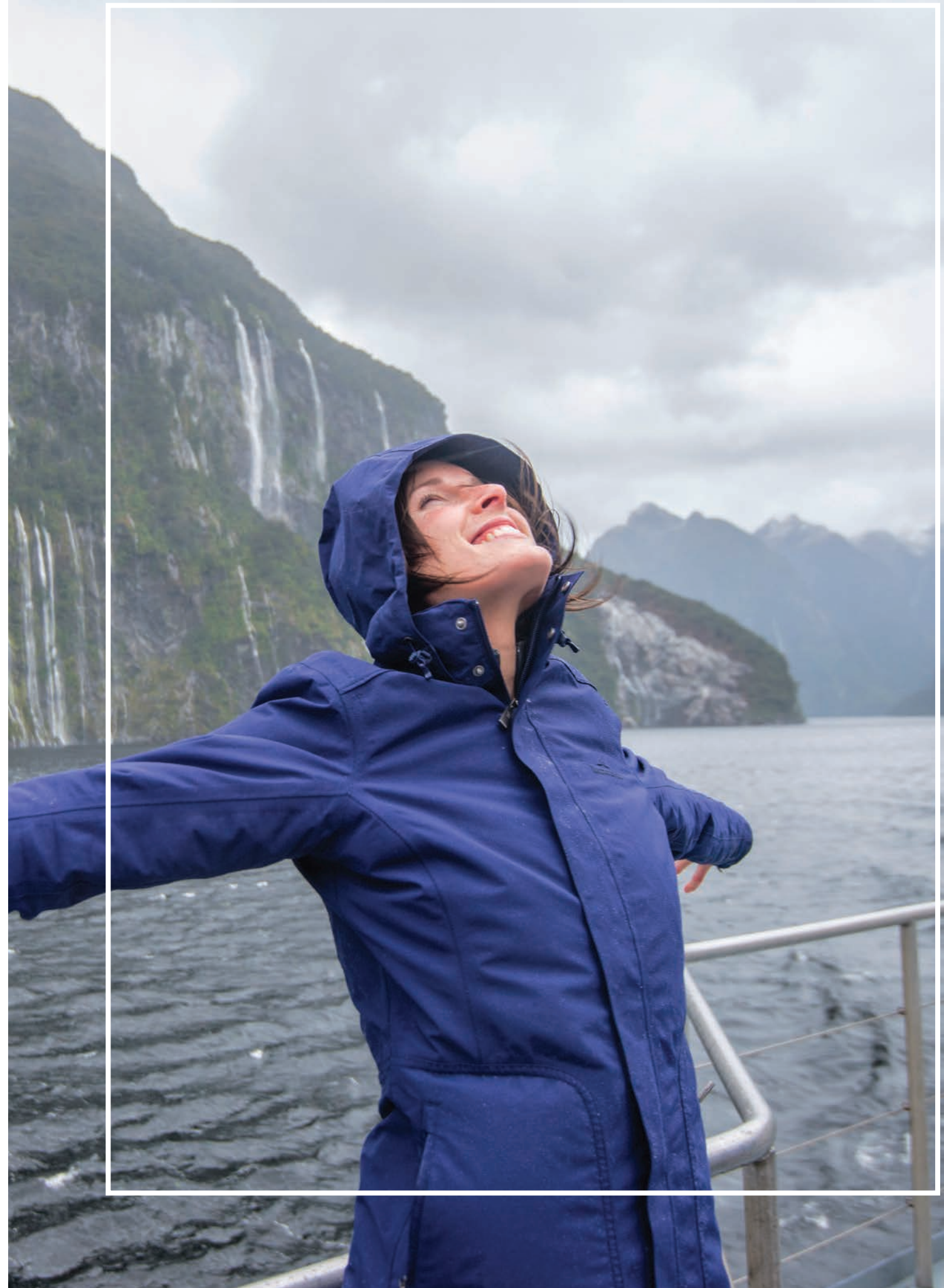
Chinese social insurance is another challenging issue that we will tackle as an industry group with a time-bound plan for remediation. Media has reported cases where factories have shut down leaving workers without fully paid up social insurance. Employers and workers must legally pay social insurance. The Chinese government is stepping up enforcement of social insurance payments so that all benefits are provided ensuring that workers can access pensions in later life. We can also contribute by setting the expectation with our suppliers that social insurance is paid in full.

Approximately 85 percent of our annual spend on products was manufactured in China. Seven percent was produced in Taiwan, New Zealand, United Kingdom, South Korea, Israel, India, Spain, Australia, Ireland, Italy, USA and Guatemala, while the remaining eight percent was made in Vietnam.

We engage suppliers to build their capacity and ensure our standards. During the year, we released a new Code of Conduct. This code specifies the acceptable hours of work, rather than relying on local laws. It also defines our commitment to a living wage where workers are paid wages that meet basic needs and provide discretionary income. We will continue to work with suppliers to ensure they meet the Code. Where suppliers do not currently meet requirements, a time-bound plan must be in place to enable future business.

Our previous Terms of Trade Agreement outlined our social and environmental requirements and while the content has not significantly changed, the new "Supplier (factory) Workplace Code of Conduct" aligns terminology and specific targets with International Labour Organization standards and internationally accepted good labour practices. A key change is defining hours of work and excessive working hours.

The code is available online at [www.kathmandu.co.nz/get-to-know-us/corporate-responsibility](http://www.kathmandu.co.nz/get-to-know-us/corporate-responsibility)

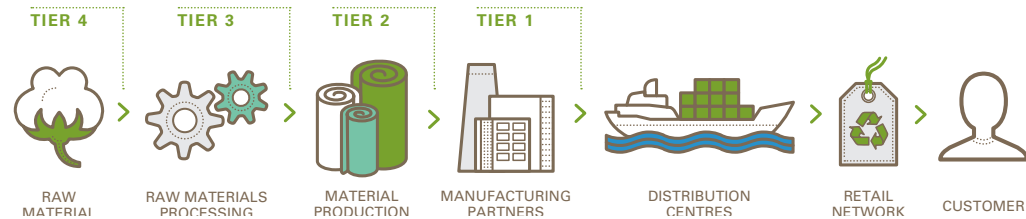




New suppliers are assessed against social and environmental criteria. In 2015 we commenced business with three new suppliers and 25 new factories. One new proposed factory was rejected due to the approval process.

Mapping and managing our second tier suppliers that make materials and components is an ongoing challenge. We have a robust process in place to manage relationships with first tier suppliers with whom we directly

place purchase orders. But tracing the impacts and exerting influence on second tier suppliers remains complex.



### Audits

Our social audit program continued to verify working conditions in factories. Our approach has evolved as we have developed more understanding of the challenges in running audits, engaging suppliers to meet our requirements and supporting them to continuously improve. As we dig deeper in audits, we find more complex issues and build greater understanding of our blind spots. We draw invaluable support from our industry peers through bodies like the Outdoor Industry Association (OIA) and the Fair Labor Association (FLA). These bodies give us a platform to learn what our peers are doing and what best practice looks like.

Our new Code of Conduct sets out more specific criteria where we expect factories to uphold workers' rights.

In FY2015, we conducted 42 on site audits, re-audits and inspections. We had planned three FLA factory audits to verify our approach, however, these were postponed by the FLA to occur in the latter half of 2015 which is outside our reporting period.

We assess the best approach for each audit by evaluating our methodology to make it efficient for both the factory and our audit team. We may decide that a factory with a globally recognised social accountability accreditation like SA8000 only needs an on-site inspection. An inspection puts more focus on visual health and safety issues and less focus on policy and documentation. A re-audit may focus on the issues raised in the previous Corrective Action Plan (CAP).

**OUR NEW HUMAN RIGHTS STANDARD CODE OF CONDUCT ADDRESSES THE FOLLOWING**

✓

- ..... COMPLIANCE WITH THE LAW .....
- ..... EMPLOYMENT RELATIONSHIP .....
- ..... NON-DISCRIMINATION .....
- ..... HARASSMENT OR ABUSE .....
- ..... FORCED LABOUR .....
- ..... CHILD LABOUR .....
- ..... FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING .....
- ..... HEALTH, SAFETY AND WORKPLACE ENVIRONMENT .....
- ..... HOURS OF WORK .....
- ..... COMPENSATION .....
- ..... TRANSPARENCY IN SUPPLY CHAIN .....

Accepting accreditations and other copy audits serves two purposes by reducing the burden of multiple audits on factories and giving focus to key areas.

Building the skills of our internal audit team remains a priority. We carried out a number of exercises to improve our social compliance program.

- We worked with three suppliers to build their own in-house capability and conduct their own audits. We then compared results based on our audits to align expectations and standards of good performance;
- We used third party auditors to verify our audit results and practices. This gave us objective advice on our scoring and method;
- We engaged a third party with expertise in Vietnamese law to accompany our auditor on a visit to a Vietnamese factory;
- We carried out our first unannounced audits (see case study on page 20); and
- We audited a New Zealand factory as an on-site team training exercise.

During the year, half the audited factories passed. Full audits are scored, while re-audits or inspections verify past results. Fully audited factories returned an average of 80%. Those that fail are issued a CAP to lift practices to our expected levels. We do not exit factories that indicate a willingness to improve. During 2015 we issued 33 CAPS. We closed 17 (51%) and dropped two due to no future business.



During the year, 33% (or one of three new factories) underwent pre-screening against our social compliance requirements. Three other inspected factories were approved for future business, which begins in FY2016. In future, we will improve our due diligence with new significant factories. We will perform an appropriate level of auditing before placing orders.

During an inspection of one proposed new factory, our auditor suspected the payroll records indicating hours worked was false. Upon challenging the factory, they admitted this was the case. Presenting false records or having two sets of books is a serious issue. We did not pursue business with this factory.

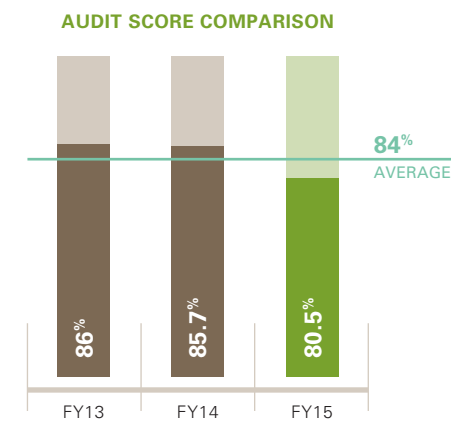
Another similar case was discovered with an existing supplier. We took into account the impact on this small factory if we withdrew our business. So we sought a serious commitment to rectify the issue. When they made this commitment, we agreed to continue to work together while ensuring future compliance.

Our audit program is entering a new stage. Our FLA membership has helped us evolve our approach.

We will continue to use our own audit teams but we will increase the number of audits in partnership with 3rd party experts in local language, law and culture. This is particularly important for un-announced audits or where English speaking is limited.

In the coming year, we will audit or carry out inspections in 32 factories and expect to have the results of 3 FLA SCI assessments. Whilst we anticipate additional inspections, the number of these will depend on new production capacity requirements which are not determined at this time.

The FLA will systematically review our audit program in the year ahead. This will ensure that our audit program methodology can meet FLA benchmarks. They will conduct their first assessments of our factories and publish results online. Where issues are found, we will submit a CAP for approval. The CAP will then be submitted to the supplier as per our normal procedure. This assessment will both validate our current methodology and identify areas we need to improve.



Over the last three years, our average audit score has declined by four percent. We believe this is a direct result of a more mature audit approach and greater knowledge about how to better identify non-compliance.

The drop in scores reflects a lack of documented policy and procedure identified at factories. The two areas where factories scored worst were:

- **Child labour and Young Workers:** This is not because child or young workers are actually being employed, but that documented policies are missing. Engaging with factories gives them a framework to improve their documentation where lack of capability is a barrier.
- **Disciplinary Procedures:** This is also due to a lack of systems, policy and procedure to deal with any instances. Again, we engage with the factories to improve their documentation where required.

**WE ARE COMMITTED TO THE FLA'S SOCIAL COMPLIANCE INITIATIVE, WHICH COMMITS TO:**

✓

- ..... UNCOVERING ROOT CAUSES OF PROBLEMS AND PROVIDING SOLUTIONS .....
- ..... MEASURING AND TRACKING IMPROVEMENTS IN WORKING CONDITIONS TO PROVIDE USEFUL INFORMATION TO BUYERS AND CIVIL SOCIETY .....
- ..... MONITORING AND ASSESSING THROUGH STANDARDISED ASSESSMENTS TO BENCHMARK AND TRACK PROGRESS FOR INDIVIDUAL FACTORIES AND ENTIRE SUPPLY CHAINS .....
- ..... EMPHASISE WORKER FRIENDLY MANAGEMENT SYSTEMS AND GREATER PARTICIPATION OF WORKERS IN THE FORMULATION, IMPLEMENTATION AND REVIEW OF POLICIES .....



## What is a grievance process?

We expect employers to have a robust process in place to receive complaints about working conditions.

Common steps of a grievance process include receiving a grievance, classifying the grievance, investigating the case, handling the complaint,

communicating the outcome to all parties and documenting how the incident was resolved. If the worker is dissatisfied with the outcome, additional channels are required.

### Continuous improvement

Lifting worker conditions in global supply chains is not something we can do alone. We collaborate with our industry peers to improve our own audit program and contribute to addressing broader human rights impacts. We are working with both the FLA and OIA on the following projects to improve our program.

### Grievance mechanisms

Workers need several ways to voice concerns about their safety and wellbeing in factories. Our audit looks to see if an effective grievance mechanism exists in the factory. We are committed to giving workers multiple channels to make complaints so that appropriate action is taken.

This year we created a confidential email channel, [workers.rights@kathmandu.co.nz](mailto:workers.rights@kathmandu.co.nz). This allows workers to contact us directly with any issues, which would prompt further investigation. We have identified on-the-ground partners who can run investigations to assist the worker toward resolution.

A future goal is to engage with appropriate civil society organisations to provide on the ground assistance. Through collaboration with industry peers, we aim to provide factories with a guidance document on grievance mechanisms. This toolkit will help suppliers to set up and run an effective grievance system and benchmark their existing process against a check list of good practices.

### Living wage

Minimum wages are not always enough to meet basic costs of living for workers in some less developed countries. That is why we support paying workers a living wage, which is above the legal minimum wage but allows them to afford food, health care and housing.

However, ensuring that workers are paid a living wage is a hard task. Our audit program checks sample selections of payroll records to verify that the minimum wage and correct overtime rate is paid. But a minimum wage does not necessarily mean a living wage across the globe. Wages, sectors, laws, social norms and the cost of living are ever changing.

This is why we need to work with a multi stakeholder initiatives like the FLA to determine if the minimum wage equates to a living wage. A multi-stakeholder initiative brings together actors from industry, civil society and government to gather data and set benchmarks that meet best practice.

The FLA have committed to a five year plan to ensure a living wage is paid by 2020. But this does not mean that we wait and do nothing. This year, we will contribute to the FLA "Fair Compensation Workplan" and start our own data gathering to contribute to the analysis. At any time during this project, if there are clear findings that the minimum wage is insufficient, we will work with our suppliers on a time-bound plan to improve.

### Purchasing practices

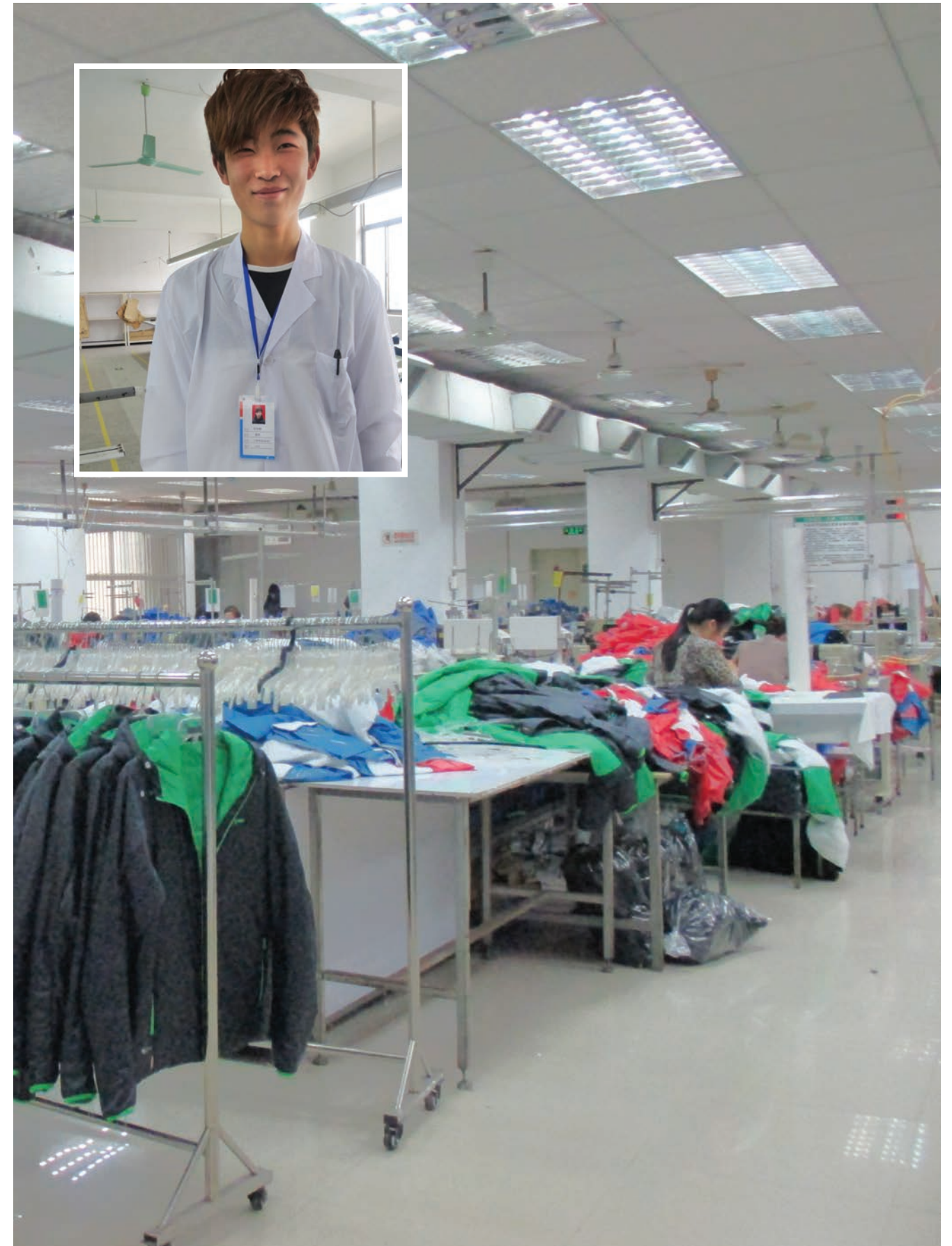
We must ensure that our business practices do not compel our Suppliers to breach our Code of Conduct. There are many ways to combat this. We can provide forecasts to enable production planning, place orders with sufficient lead times, and where possible, be flexible with delivery dates if issues arise.

Later this year the FLA will provide guidance and training that will allow us to reflect on our existing practice, identify any areas of concern and train our staff accordingly. We believe we are fair in our business conduct with Suppliers as it is important to maintain good longstanding relationships.

### Outdoor Industry Association

Outdoor Industry Association (OIA), founded in 1989, is the leading trade association of the outdoor recreation industry serving more than 4,000 businesses. OIA provides support in areas of sustainability, consumer insights and trend forecasting.

Through annual industry leadership forums and sustainability working groups, the OIA facilitates a remarkable level of collaboration across the industry.





CASE STUDY

## One year on: our approach to failed audits

In last year's report, we featured a factory that had failed the audit process with a score of 58%. The factory did not understand basic social and environmental requirements. It was clear it would be overwhelmed with the issues raised so we took a capacity building approach. We continue to work closely with the factory and are pleased with its progress.

A subsequent re-audit reached an improved score of 86%. Although the audit score is an important benchmark, the CAP process found issues that required action.

The supplier embedded new processes and practices to address CAP issues. This was an important indicator of performance and commitment.

We will continue to work with suppliers that show a willingness to improve. In this case, we continue to set targets and provide assistance so we can understand the best outcome for the factory and its workers.

We accept that all factories are different and one approach does not fit all.

CASE STUDY

## Unannounced audits



This year we conducted our first unannounced audits. Unannounced means no prior warning is given to the factory before the auditor arrives on site. An unannounced audit aims to assess factories on a normal working day with no pre-planning. It is designed to validate previous audit findings.

We are aware that this can disrupt suppliers and that key staff may not be available on the day. However, we ask suppliers to accommodate the auditor's requests as much as possible.

If some parts of the audit cannot be conducted because of special circumstances, then consideration is given on a case by case basis. The audit may be suspended if the auditor is obstructed or prevented from carrying out the audit.

Five such audits were conducted with no refusals. The findings were of a similar nature to a normal audit and corrective actions have been raised.

CASE STUDY

## The view from our suppliers: our decade long relationship with NZ Sock



The New Zealand Sock Company Ltd, has been a proud supplier to Kathmandu for many years. We began our long relationship as a small company with big dreams, incredible people with passion and a desire to become a world leader in our industry!

We have grown with Kathmandu over the years which has definitely helped us achieve our initial dreams.

A big change for us was moving to Lean Manufacturing a few years ago. The program is based on reductions in waste, movement, efficiency gains, and sustainability and very importantly to us was the continuous improvement program which encourages staff to be fully inclusive with ideas for change.

Being audited by Kathmandu was a good experience. The final continuous action plan highlighted areas of improvement.

The Kathmandu audit team were helpful and transparent and had the ability to bounce ideas from both sides. This was exceptionally helpful for all parties.

Kathmandu audited both our local factory and our overseas suppliers. Initial audits started in 2012 and we were recent re-audited this year. We have certainly learnt a lot more about social compliance issues and continue to work very closely with our Chinese factories to ensure they meet audit requirements.


The training and development for both our teams from Kathmandu audits also highlighted that from a strategic perspective, both our companies are very much aligned on social compliance, sustainable practices and employment development programs.

**NZsockco**



# OUR PRODUCTS

Sustainability is a source of product innovation. We design, source, make, move and sell our products to have minimal impact on the environment.

BECAME A MEMBER OF <b>BCI</b> Better Cotton Initiative		<b>RECLAIMED &gt; 840K</b>  <b>PLASTIC BOTTLES</b> FROM GOING TO THE LANDFILL WE AIM TO USE 1 MILLION PLASTIC BOTTLES NEXT YEAR
<b>RANKED #7</b> IN RACE TO THE TOP LEAGUE TABLE (TOP 10 USERS BY ORGANIC SHARE) IN TEXTILE EXCHANGE'S 2014 ORGANIC COTTON MARKET REPORT		
SET GOAL OF <b>100%</b> SUSTAINABLE COTTON BY 2020	<b>enact</b> <sup>®</sup> RANGE GREW TO <b>15%</b> OF OUR APPAREL AND EQUIPMENT RANGE	<b>ACHIEVED 100% DOWN TRACEABILITY</b> ADOPTED RESPONSIBLE DOWN STANDARD (RDS)

IN 2015, WE BECAME THE FIRST BRAND MEMBER IN AUSTRALASIA TO JOIN THE BETTER COTTON INITIATIVE (BCI).

We also think about the impacts of how our customers will use and care for our products. Our priorities remain safety, quality, raw materials traceability and chemical management.

Our major focus areas for the year were materials stewardship and sourcing. The raw materials that we specify in our products have animal welfare, human rights and environmental impacts that are often hard to trace.

During the year, we updated our product stewardship plan, which sets out our materials initiatives. We also re-assessed ourselves against a sustainability rating tool to track our progress. Most improvements were in how we track and risk assess suppliers, updating our chemical management framework, tracing and reducing the environmental impacts of materials, materials quality assurance and enhancing the risk analysis in our quality assurance program.

We also overhauled our strategic sourcing approach. This found both business and sustainability risks and opportunities within our supplier base.

We analysed best practices, industry trends, country of manufacture best practice, country wage rates, trade agreements and duty rates, capacity planning and an overview of our current sourcing practices and supplier base.

This strategic review was prompted by higher raw materials and production costs, compliance requirements, supplier sustainability impacts, quality and technical capabilities. As our product designs and demands change, we need to work with suppliers who can meet our sourcing requirements for competitive, reliable, high-quality products.

In 2014, 96% of our product spend was with suppliers that we have worked with for more than seven years. However, some suppliers may be reaching their capacity and may not be able to keep up with the demands of our business.

The review highlighted our growing materials requirements, the need to diversify our supplier base and look to other locations to minimise over-reliance on one supplier.

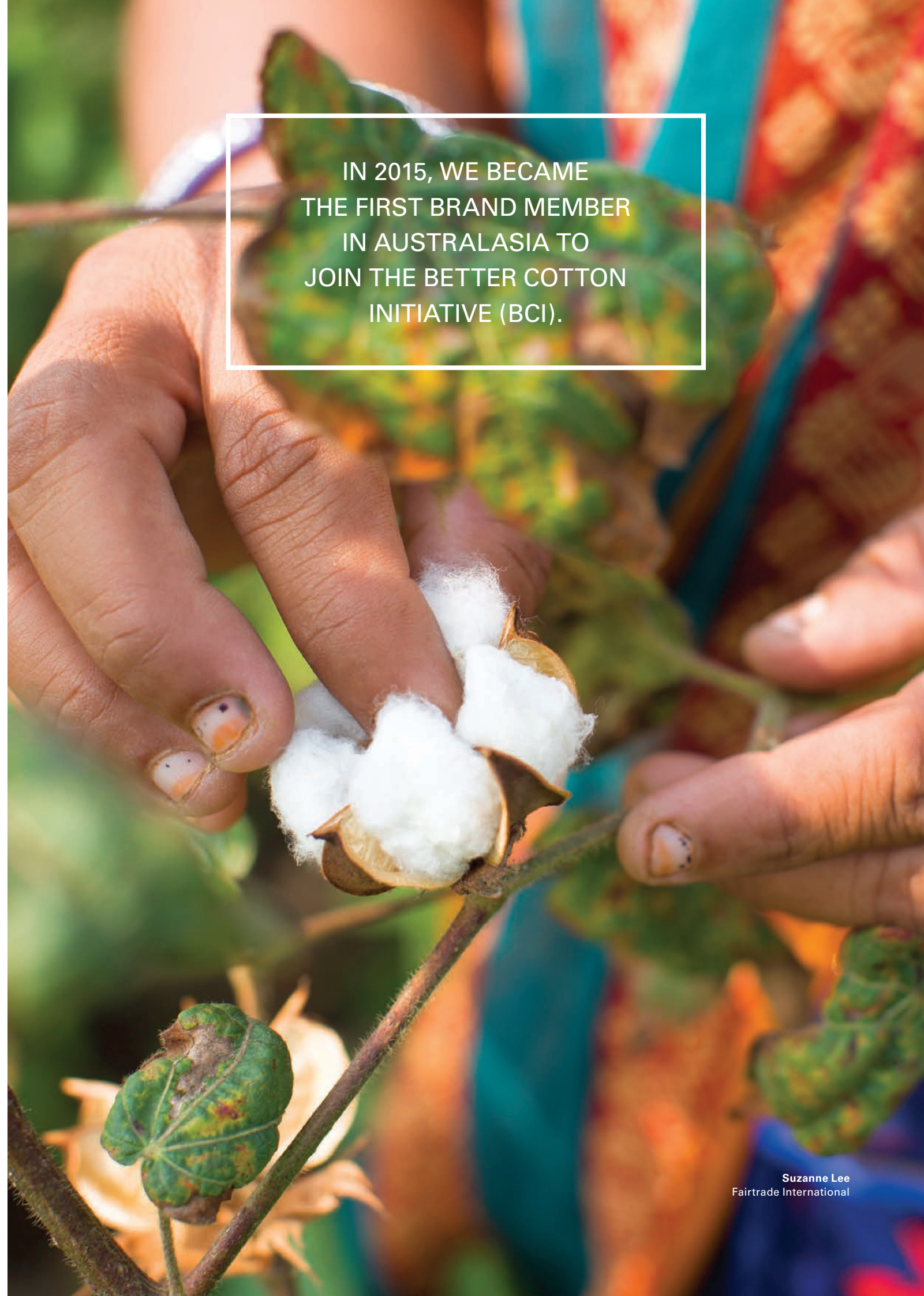
In the year ahead, we will continue to review our sourcing strategy and advance with work on our supplier scorecards. The supplier score card will rate suppliers on quality, delivery, cost, innovation, sustainability, risk and responsiveness.

This will help supplier selection and sourcing decisions for our product team, while clearly communicating ways to improve and measure supplier performance to factories.

### Materials stewardship

We continue to collaborate with industry to address environmental and social impacts in the raw materials supply chain. We have made good progress on having more visibility of these impacts as materials travel through the product life cycle from farms to factories, logistics providers, distribution centres, stores and customers' hands.

All Kathmandu suppliers signed up to our azo dyes, down and feathers, leather and merino wool raw material policies in 2015. All our raw materials policies are available online at [www.kathmandu.co.nz/get-to-know-us/corporate-responsibility](http://www.kathmandu.co.nz/get-to-know-us/corporate-responsibility)





**Sustainable cotton**

We aim to have a balanced portfolio of three sustainable cotton programs – Organic, Fairtrade and Better Cotton Initiative (BCI) within our product mix. Our objective is to completely phase out conventional cotton by 2020. The mix of differing approaches within our portfolio gives us the opportunity to tailor our cotton supply to our needs.

In 2015, we became the first brand member in Australasia to join the Better Cotton Initiative (BCI). We are a proud partner of the BCI working towards a future where all the world's cotton is produced in a better way; socially, economically and environmentally. The BCI is a non-profit organisation that brings together cotton's complex supply chain from frames to retailers. It aims to make global cotton production better for producers and the environment. We currently source BCI cotton through our manufacturing partners in India and China. In 2013, BCI farmers in China used 23% less water than those who did not use BCI techniques. In the same year, Indian BCI farmers used 22% more organic fertiliser than their non-participating counter parts.

Our sustainable cotton approach was recognised in Textile Exchange's 2014 Organic Cotton Market Report. We ranked at #7 in the Race to the Top league table for the Top 10 Users by Organic Share. The Race to the Top global ranking celebrates companies who are converting their ranges to organic cotton, in order of percentage total cotton consumption. This is a great endorsement of our cotton strategy and target to phase out conventional cotton by 2020.

During the year, our share of sustainable cotton actually decreased from 59% to 38%. This was mainly due to an increased buy from our merchandising team buy for our conventional cotton products. Despite this change, we are still on track to meet our 100% sustainable cotton target by 2020 by converting conventional cotton styles to using BCI cotton. We have already increased our share of BCI cotton in the summer range for the first half of next year by 21%.

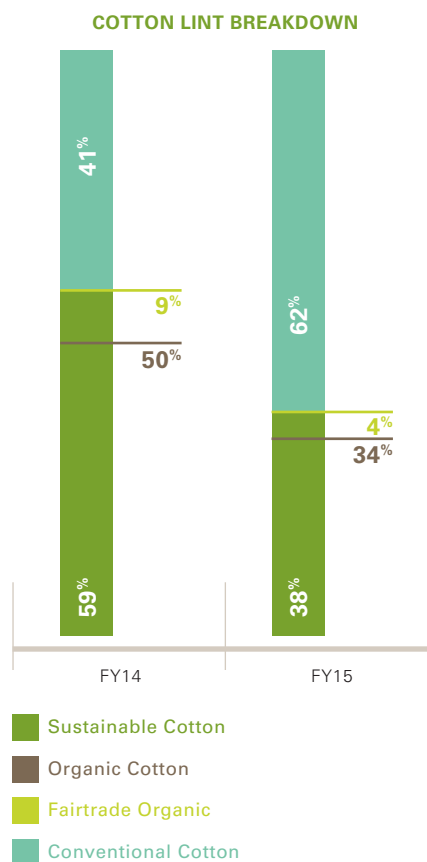
More information on the BCI is at [www.bettercotton.org](http://www.bettercotton.org)

**DIFFERENT COTTON CERTIFICATIONS**

**BETTER COTTON INITIATIVE**  
Aims to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future, by developing Better Cotton as a sustainable mainstream commodity.

**ORGANIC**  
Farming that does not use toxic and persistent pesticides or fertilisers, sewage sludge, irradiation or genetic engineering and are certified by an accredited body.

**FAIRTRADE**  
Certified Fairtrade cotton has been grown and traded to a standard that delivers a fair return (conditions and pricing) to producers.

**Down**

Kathmandu is committed to sourcing down and feathers from birds that are treated ethically and humanely. All our down suppliers must certify that they strictly comply with our down policy. We believe that real and lasting change comes from educating our down suppliers and working with them to engage meaningfully and address supply chain issues.

Last year, our materials team visited all our down processors and established a robust chain of custody. This means that we can now link all our purchase orders from product manufacturers to down processors, slaughterhouses, collectors and farms.

The down supply chain is extremely complex, with the raw material passing through numerous intermediaries before it reaches down processors. A survey of the outdoor sector's use of down conducted by the European Outdoor Group (EOG) last year found that our industry's volume of down use is less than one percent of total production.

Broad, industry wide collaboration is the most effective approach to address these supply chain challenges. One example has been our active participation in the Outdoor Industry Association (OIA) Sustainability Material Traceability Working Groups (MTWG) and the OIA Down Task Force. These groups were created to establish a shared understanding of the traceability challenges in the global down supply chain. The initiatives leverage best practices and common reference points to help establish and promote responsible sourcing practices at scale across the industry. The OIA MTWG group currently includes more than 130 participants from brands, retailers, suppliers, NGOs and other stakeholders.

Standards are an effective tool to drive change. We have committed to the industry leading Responsible Down Standard (RDS). The RDS is the most comprehensive, global, third-party certified animal welfare and traceability standard. It ensures that down and feathers come from ducks and geese that have been treated well. The RDS goes beyond preventing practices such as foie gras (force feeding) and live plucking to also enable them to live healthy lives, express innate behaviours, and not suffer from pain, fear or distress.



The standard also follows the chain of custody from farm to product, so consumers can be confident that the down and feathers in products are truly responsible. We have committed to source RDS certified down from Winter '16 season onwards. As more and more brands adopt the RDS, it will bring improved animal welfare conditions and better traceability in the down supply chain at a much larger scale than any one organisation or one supply chain could accomplish alone. We are extremely proud to be part of this change!

More information about the RDS can be found at [www.responsibledown.org](http://www.responsibledown.org)

**Merino wool**

This year, we became part of a global multi-stakeholder Responsible Wool Standard (RWS) development process led by the Textile Exchange. The RWS is a global standard that will protect animal welfare, influence best practices, ensure traceability, and ultimately give consumers clear and trustworthy information that will allow them to make responsible choices. The task force for this standard development involves actors from the wool supply chain, including animal welfare groups, brands, farmers, supply chain members, industry associations, as well as apparel, home, and carpeting brands. RWS members represent a \$192 billion retail industry.

Find out more about the RWS at [www.responsiblewool.org](http://www.responsiblewool.org)

**WHERE DO OUR FABRICS COME FROM?**


IN 2015 OUR APPAREL AND EQUIPMENT FABRICS (MAIN/LINING/CONTRAST/BACK MESH PANEL/MESH TENT WINDOWS) CAME FROM

 **CHINA**  
**57%**

 **TAIWAN**  
**23%**

 **KOREA**  
**9%**

 **JAPAN**  
**7%**

 **VIETNAM  
INDIA  
NEW ZEALAND**  
**4%**

**Sustainable design**

We strive to be a global industry leader in our responsible product development. We are committed to lowering our overall impact of our products on the environment.

Our enact range of products grew to 15% in 2015. Our enact range is made of more sustainable materials that have more than 50% of either organic or recycled fibres, hemp, tencel or chlorine free wool.

Our approach also featured in Textile Exchange's 2014 Preferred Fibre and Materials Market Report.

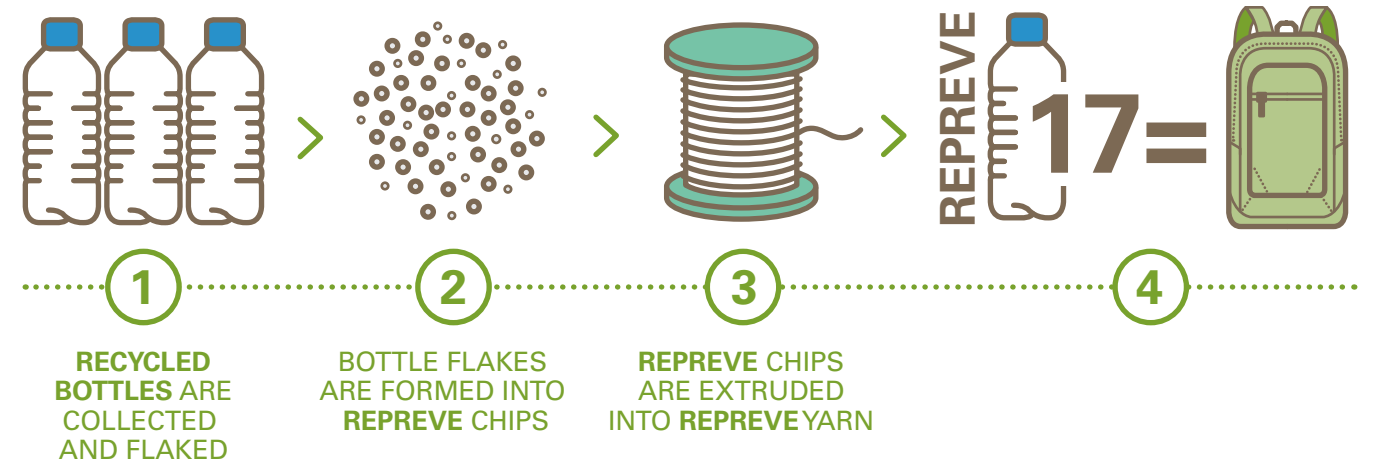
Re-claiming and re-using materials in our products is a key way to conserve natural resources. REPVEVE is a brand of recycled fibre that is made from recycled materials, including used plastic bottles. Apart from diverting millions of plastic bottles that would otherwise be headed to landfill, REPVEVE reduces the need for new crude oil, a resource used in the production of virgin polyester fibres.

We have been increasing the use of recycled polyester both in our apparel and equipment range. As a result, we reclaimed over 840,000 plastic bottles from going to the landfill for the year. We aim to surpass the use of 1 million plastic bottles for the 2016 financial year.






WHAT IS THE REPREVE PROCESS?



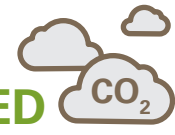
THIS HAS HELPED SAVE

ENERGY<sup>2</sup> EQUIVALENT OF  
**27,300<sup>3</sup> L OF PETROL**




enough to drive a car on every road<sup>4</sup> in New Zealand over 2.7x

AMOUNT OF GREENHOUSE GASES<sup>2</sup> EMITTED



if you drove a car the distance equivalent to 3x the circumference of the earth<sup>5</sup>

AMOUNT OF CARBON sequestered by 26<sup>6</sup> acres of average (US) forest<sup>1</sup>



1. These are conservative estimates for 500ml WATER BOTTLES. Carbonated drink bottles are heavier.  
2. Energy and GHG savings Data provided by Unifi, Inc. from Unifi product-specific LCIs and other published LCI data; Equivalencies are based on US EPA Greenhouse Gas Equivalencies Calculator.  
3. From USA – EPA data based on an average passenger vehicle.  
4. The total length of New Zealand roads is 94,000kms.  
5. The mean equatorial diameter of earth is 12,756kms.  
6. A conversion on the EPA site for CO<sup>2</sup> sequester by pine trees was unavailable. Instead it's based on "US forest".



CASE STUDY

## Engaging with suppliers to reduce their impacts



We continuously work with our suppliers to understand and reduce their environmental impacts. During the year, we worked with one of our key supply chain partners to reduce the energy consumption, air emissions and water use in their fabric mill.

The supplier was asked to self-assess their fabric mill using the Higg Index. The index measures supplier performance on seven different environmental impact areas: environmental management system, energy use and greenhouse gas emissions, water use, waste water, emissions to air, waste management, and hazardous substances. It helps provide suppliers with a clear pathway for continuous improvement for each area.

Based on this self-assessment, we identified opportunities to reduce their energy consumption, air emissions and water use.

The mill then modelled the cash flow opportunity to understand the risk/reward for each of these energy and water efficiency improvements. This then informed decisions about how to invest.

These projects spanned over a year and led to over a million US dollars in costs savings, reduced electricity, natural gas and water consumption. It also helped improve machine efficiency and increase production capacity.

Some of these projects were easy wins like replacing 5,576 ordinary lights with LED lights to save over 640 megawatt-hours of electricity annually. Others were more complex, like the heat-conduction project in the finishing and drying process. The mill changed the heating method to use natural gas instead of conduction oil and better insulate the heating pipelines.

This allowed them to save energy equivalents of 1,945 tonnes of standard coal annually. It also took nine and half months to recover the upfront investment. The mill also saved 30.1 million litres of natural gas annually by using a heat exchanger to recover waste heat and installing a gas purification device.

Another water saving project involved converting high material:liquor ratio (MLR) dyeing machines to low MLR machines.

The mill installed two small capacity low MLR machines for sample dyeing and six big capacity low MLR machines for bulk dyeing. This led to 168 metric tonnes of water savings annually.

Another water and energy saving project installed water controlling machines on shower heads and used carbon dioxide enabled heat pumps instead of steam enabled heat pumps in the staff bathrooms. This saved 21.2 metric tonnes of water and 24.7 million litres of natural gas a year.

To reduce the air emissions and improve the air quality, the supplier also committed to not using coal-fired boilers to reduce air emissions and improve air quality. This will significantly increase steam production costs, but the supplier is still willing to adopt more sustainable practices.

The Higg Index facility module has helped our supplier to identify environmental sustainability hot spots and drive positive improvements. It has also generated significant cost savings and process efficiency improvements. This was a big win-win for both of us!

### Chemistry

We strive to make safe, high quality products that are made with chemical processes that have minimal impact on the environment. During the year, we joined the Chemicals Convergence Initiative, a global multi-stakeholder initiative that is developing a common chemical tool (Higg Index FEM 3.0) for the apparel and footwear industry. This will align chemicals management, monitoring and reporting requirements for suppliers across the industry to create a standard approach. This will be piloted and reviewed next year.

We extended our Phthalate-free initiative from t-shirt prints to PVC coatings on all self-inflating mats. Phthalates are colourless and odourless chemicals added to plastics to make them softer and more flexible. They are also used in some personal care products and in screen printing inks. Phthalates can leach out of products and be absorbed through the skin, inhaled in the air or ingested with food and drink. The main health concern is that phthalates can disrupt hormones and cause cancer.

### Making safe, quality products

Our quality strategy remains central to how we factor sustainability into all stages of the product development process. We continue to enhance our quality assurance program and continue to build tools to assist us to create more durable, safe and functional products that are fit for purpose.

This year the team have added new tools to our product risk management toolbox. We developed a Failure mode and Effects Analysis (FMEA) tool. It involves reviewing products and components as possible to identify failure modes, and their causes and effects. This tool was developed to assess risk at the design and manufacturing stages. The tool has effectively identified potential safety risks during the development process. In one case, we abandoned a design concept at the early stages of the development process because the tool identified customer safety risks. This reduced development sampling and led the design team to develop a safer, simpler and more elegant solution.

Getting the product right first time, on time is a huge challenge. Product design, development and manufacturing is a complex process. The team introduced 'stage gate' meetings to streamline product development. These meetings are a forum for critical decision making about product design and direction. This will enable us to increase team efficiencies and alignment. It may also lead to sample reduction.

We also enhanced product development by using in-house 3D printing to prototype our own component parts. This has reduced prototyping and sample shipping costs, increased speed to market and resulted in better quality products.

This year the Development Team undertook a Fit Alignment Project. The project aimed to create more consistent sizing across the Kathmandu apparel range by identifying process and fit tool inconsistencies.

This enabled us to align the team and improve the process and tools for garment development. The outcome of this project is to deliver a consistent and great fitting product that our customers want to wear more often. This increases the overall garment life cycle. Our teams will work with a greater awareness of fit alignment and new tools to support the process. This will enable the team to make more accurate samples and reduce the time and cost of getting it wrong.

### Maintaining quality standards

We constantly research and refine our testing standards and performance requirements for our products. We create and develop new product standards as new product types are added to our range.

In 2015, we created new or improved quality and compliance standards for nine product groups including tents, sleeping bags, camp furniture, fitness products and others. All of our core quality manuals are annually reviewed to add new compliance or legislative requirements, review existing standards, industry best practice and field testing to validate our test methods.

We listen to customer feedback about our products. As a result, we completed 57 proactive product quality inspections and 29 reactive product quality inspections.





WE GEAR TESTED A  
TOTAL OF 340 PRODUCTS  
IN 2015 – 167 EQUIPMENT  
AND 173 APPAREL  
PRODUCTS. WE ALSO  
REPAIRED 2,262 GARMENTS  
IN NEW ZEALAND AND  
916 IN AUSTRALIA.



### Responsible communications

This year we improved our product instructions so our customers know how to get the best from their Kathmandu products. We overhauled instruction guides for highly technical products and added additional safety warnings, so that our customers use our products in the right and responsible way. We extended our level of due diligence to cover the disposal of waste electrical and electronic equipment in the United Kingdom. We added the new information onto the website and in-store signage to encourage our customers to recycle electrical products through our take back scheme.

### Regulatory compliance and recalls

We are dedicated to the highest levels of customer safety. There were no incidents of non-compliance with our products during the year. There were five reported customer safety incidents that warranted further investigation, but did not result in recalls. One rechargeable hand torch was recalled after unclear labelling exposed the public to risks of fire when the battery was recharging.

### Online privacy

We have a strict policy and supporting processes to protect the privacy of our customers and Summit Club members. In 2015, we received two substantiated customer complaints about breaches of privacy.

One complaint was from an online shopper who could view another customer's contact details and their message submission when using our 'Contact Us' form webpage. This was due to a caching problem, which was immediately identified and fixed. The second complaint was from an employee revealing another customer's personal details while searching for their membership in our point of sale system. Coaching of the correct procedure to be followed and privacy refresher training was given to both the employee concerned and the wider store team for good measure.

We received no complaints from external organisations or regulatory bodies and there were no leaks, thefts or loss of customer data.



### Product care and repair

Our products are rigorously tested in the field to ensure they meet real world conditions. We correlate gear testing feedback against our own material testing performance to ensure that our products are durable and perform as designed. We gear tested a total of 340 products in 2015: 167 Equipment and 173 Apparel products. We also repaired 2,262 garments in New Zealand and 916 in Australia.

Our general testing process and best in field gear testing program is a valuable input into our design process. When testing our products, we ensure that our gear testers record factors like visual appeal, fit, functionality, weight/bulk and negative experiences.

We provide our testers with care instructions and specify how long they should test the gear to monitor performance over time.

Our testers record the hours used, the activities the product was used for, weather conditions, layering system and give us valuable feedback on how we can improve the product.

In the past year two new female BIF testers have joined our team. Lydia and Cherie have tested our products from Antarctica to Everest Base Camp and Kilimanjaro.

Their experience and reliance on top performing gear in harsh conditions means we get unbiased feedback which we use to continually improve our XT (extreme) range.

The XT range incorporates the thoughts and ideas from the Best in Field team so that our products evolve along with our customer's needs.



CASE STUDY

## Testing products in the conditions they're designed for

At Kathmandu, we strive to create quality outdoor clothing and equipment that lasts the distance and supports our customers in whatever adventure they choose to pursue, from climbing Mt Kilimanjaro to running their first 5k race.

To help us make our gear the best it can be, we work with a team of highly skilled alpinists, Search and Rescue team members, guides, mountaineers, adventure travellers and athletes based in Australia and New Zealand. We call them our Best in Field team. Armed with prototypes and a notebook, our gear-testers head off to all corners of the world to put our gear through its paces. When they return, and once we can convince them to come inside and sit down for 10 minutes, we download their feedback, ideas, constructive criticism and stories.

Our Best in Fielders are hand-picked for their outdoor expertise and the amount of time they spend in the field. For example, we work with Lydia Bradey, a New Zealand-based alpinist who was the first woman in the world to summit Mount Everest without oxygen, and she did it solo. Her recent book, *Going Up is Easy*, chronicles her climbing adventures.

"Gear is so critical," Lydia says. "If your gear fits well, works well and you like the colours and fabrics, it will affect your training."

Like all of our Best in Fielders, Lydia provides critical input and feedback throughout the development process, which ultimately shapes the end result and ensures the gear performs as it needs to.

When developing our XT Series Verso Hike Pant, our in-house Product Team convened the Best in Fielders to get their advice on what makes the best hiking pant. Later, they gave some of the Best in Fielders, including Lydia, the prototype to test.

After thrashing the pant in a variety of alpine environments, Lydia reported back, recommending that the thigh pockets needed more volume, and the waist adjustment needed a belt option, as the waist-cord was "useless, [the] waist is too structured to be that flexible and the cord is too slippery and thin." Her advice was taken on board, and the design of the XT Series Verso Hike Pant was changed.

Our Best in Fielders test a variety of products across multiple activities, but their favourites are part of our highly specced XT Series range. Designed for demanding conditions, our XT Series represents our pinnacle of technical performance and every product is refined, tweaked and perfected with the help of our Best in Fielders' expertise and feedback. Some of these products spend more than a year in the field before they find their way into one of our stores.

Cherie Horne is another one of our Best in Fielders who took the XT Series Verso Hike Pant out for a spin. Cherie is an Australia-based high altitude mountaineer, trekking guide and former world-class middle distance runner. She wore the final sample of the Verso on a 34-hour climb up 5,895 metre Mount Kilimanjaro. Her final feedback and Best in Field rating of 4.5/5 meant our design had hit the mark and was ready to go.

At Kathmandu, we're continually challenging ourselves to design and develop quality, adaptive gear. We want our customers to invest more to buy less, to provide them with gear they can take on adventure after adventure. Our Best in Field gear-testing programme is just one of the ways we do this.

CHERIE'S BEST IN FIELD GEAR TESTING CONDITIONS



**ALTITUDE RANGE**  
Sea level -6,000m



**TEMPERATURE RANGE**  
25°C to -18°C



**WEATHER CLIMATE**  
Experienced a myriad of weather conditions on both adventures

**Kilimanjaro**  
Heat, humidity, cold, freezing-cold, rain, wind, snow

**Mount Feathertop**  
Warm, mild, cool, cold, frost, wind, heavy dew, mist

"I tested the XT Verso Hiking Softshell pant for 7 days in a row on my guiding expedition to Mount Kilimanjaro, Tanzania in February and absolutely love them! In fact, the XT Verso is my favourite Kathmandu product at the moment. **OVERALL BIF RATING: 4.5/5**"





# OUR FOOTPRINT

The way we run our operations, design stores, transport products and manage waste all have environmental impacts. Proactively managing our carbon and waste footprint remain our key priorities.

<p>FINAL STAGES OF LAUNCHING OUR FIRST 5 STAR GREEN STAR RATED STORE</p>	<p>ELIMINATED PLASTIC SHRINK WRAP AND DISPLAY STICKERS FROM OUR INFLATABLE MATTRESS RANGE</p> <p>IMPLEMENTED A NEW SOFTWARE SYSTEM TO MONITOR AND MEASURE RESOURCE USE</p>	<p>DELIVERED A WASTE AUDIT FOR 13 OF OUR STORES</p> <p>ADOPTED RETAIL READY PACKAGING TO 5 PRODUCTS</p>
<p>2.6% REDUCTION IN CO<sub>2</sub> EMISSIONS FROM THE PREVIOUS YEAR</p>	<p>CONTINUED PAPER BAG DONATIONS TO THE RED CROSS IN ADDITION TO OUR STRONG PARTNERSHIP</p>	

We continued to work towards our targets to:

- Reduce our carbon emissions by 20% by 2020
- Zero waste-to-landfill by 2018.

Our carbon reduction programme became more efficient as we adopted more sustainable transport and energy use alternatives. We conducted a waste audit to assess our stores recycling capabilities, which led to smarter recycling systems.

Our sustainable building design standard will drive even better resource use outcomes. The standard will soon be launched at our flagship Galleria store in Melbourne's central business district (see case study). The standard focuses on energy and carbon use monitoring, a retrofit lighting system and smart recycling fit-outs.

During the year we enhanced our monitoring and measurement system to manage our environmental impacts. We joined a number of leading businesses through this initiative. It lets us track resource use, performance and progress. The data will allow us to set measure efficiency and guides future planning.

### Building a sustainable store network

Work continued on our Sustainable Store Standard, with the launch of our first five Green Star rated store in its final stages. Our Galleria store in Melbourne's central business district will be the first store to be built using the standard. It will be fit out with an efficient lighting and energy system, smart recycling design and sustainable store interior fit out.

We partnered with the Green Building Council of Australia to produce this industry-first standard, which will be available to other retailers. It allows us to adopt an accredited framework for each store that specifies sustainable materials and design for our network. We can then benchmark and accredit our stores as we roll out the standard to our network.

We have identified opportunities to enhance our sustainability performance as we developed the standard. We are in the process of getting our Distribution Centre in Melbourne and new Support Office in Christchurch accredited to the standard.

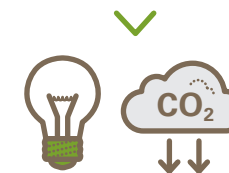
This means that our operations from support office spaces to distribution centres and the store network will all meet sustainable design and performance standards.



## CASE STUDY

# The Galleria Store: our first five star Green Star rated store

THE GALLERIA STORE USES SUSTAINABLE DESIGN PRINCIPLES AND MATERIALS TO BRING OUR SUSTAINABILITY COMMITMENTS TO LIFE



### Energy use and carbon emission reductions

- |   |   |  |
|---|---|--|
| Lighting sensors and dimming control.   | Notifications of unusual energy use are sent to the store manager.              | Introduction of LED lighting have a longer lifespan and electrical efficiency several times better than standard incandescent lamps. |
| Smart energy metering that automatically provides real time data to assess use and reduction. | Master switch turns off all unnecessary energy points when the store is closed. | Energy efficient appliances.   |



### Waste management

Full cardboard and co-mingled recycling system minimises the amount of waste sent to landfill. Construction waste to landfill minimised during store build.



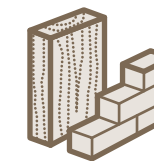
### Water use

Water usage data is automatically to Head Office to be monitored and reduced.



### Enhance the customer experience

The store will use in-store displays to raise customer awareness about its sustainability features. It will also give tips on how to adopt simple sustainability initiatives at home.



### Materials and in-store use

- |   |  |   |
|---|--|---|
| All furniture and equipment is selected from our Kathmandu Sustainable Procurement guideline. | Materials have been selected to minimise indoor pollution. | Minimal PVC materials and where this is used, the PVC materials are manufactured to best practice guidelines. |
|---|--|---|

Our new Galleria store in Melbourne reflects the sustainability innovations that are integrated into our products. The newly built Galleria Store in Melbourne's central business district will be our first five star Green Star rated store. The store represents our longstanding commitment to sustainability.

It is the product of industry first collaboration with the Green Building Council to develop a store standard for retail spaces. The standard will be rolled out across our new stores to lift the resource performance and customer experience in our retail network.



### Carbon emissions and climate change

Climate change is an increasing threat that affects our society and environment. As part of our Sustain the Dream plan, carbon and energy reduction is critical to minimising our environmental footprint throughout our stores, distribution centres and supply chains. The possible risks of climate change for Kathmandu are severe weather patterns that disrupt our material growers, supply chain and the process of transporting our products. Climate change can also affect our seasonal product ranges, which are based on traditional cooler weather.

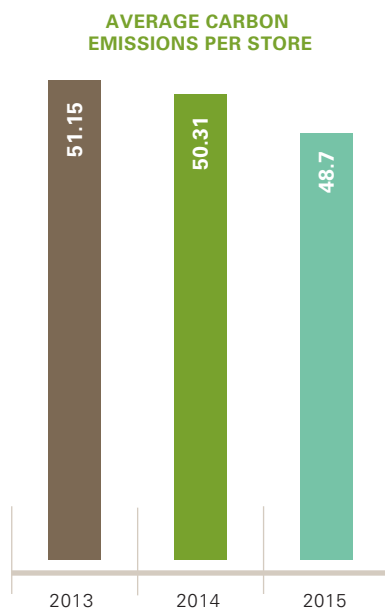
We recognise the opportunities associated with climate change as a global issue. This prompts us to create more resilient operational processes and innovative products that have less impact on the environment.

Our target is to reduce our carbon emissions by 20% by 2020. We have monitored and managed our carbon emissions as signatories to the Carbon Disclosure Project since 2011. Reporting on our carbon emissions enables us to assess areas for improvement and how we can implement our energy efficiency initiatives.

Our carbon emissions mainly come from the electricity use of our stores, distribution centres and support offices. We classify these emissions as indirect scope two emissions, our total emissions were 7,301 t/CO<sup>2</sup>. This is a 2.6% reduction in carbon emissions from the previous year. Our carbon emission reduction was an effect of our store energy audit to ensure store teams were reducing unnecessary energy use.

Our store footprint is going to increase by approximately 5% so we predict our emissions to increase next year. We will introduce new emission reduction programmes which we estimate will continue to reduce our emissions. We have established a target to keep emissions below our 5% growth rate.

\* We account our greenhouse gas emissions in alignment with the GHG Protocol. There are no Scope 1 (direct) emissions within our organisational greenhouse gas emissions profile. Our emissions figures are derived from Scope 2 purchased electricity emission factors. These factors are sourced from government GHG reporting guidance documents published in each jurisdiction that we operate in. For further details and data, please see our publicly available CDP 2014 report.

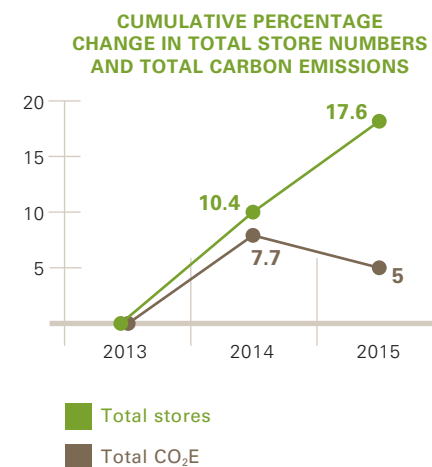


### Waste management

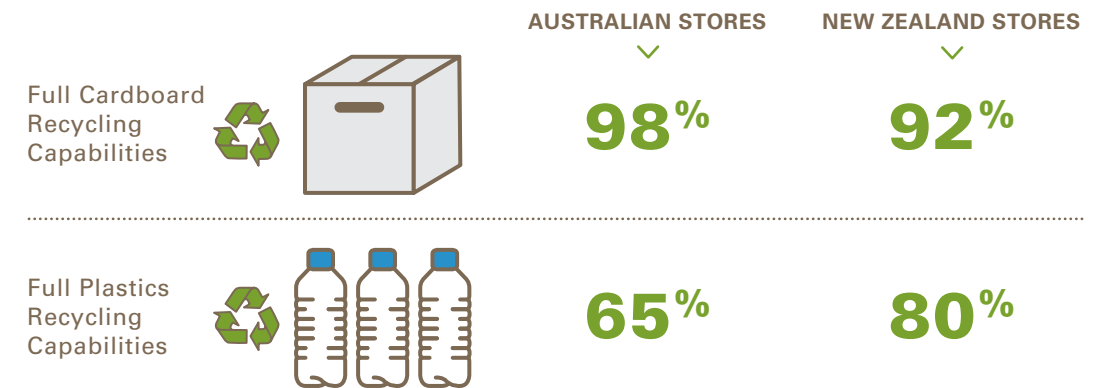
Diverting waste from landfill to more sustainable sources is a priority. Globally each year, 1.3 billion tonnes of waste is dumped straight into landfill. Not only is our reliance on landfill unsustainable, but the chemicals and methane emitted significantly contribute to greenhouse gas emissions. This year we conducted a waste audit to identify areas for improvement and improve our cardboard and plastic recycling capabilities across our stores. We identified the following opportunities to reduce our waste to landfill:

- Our use of #4 poly bags to package our products to stores are currently non-recyclable. We have engaged with Terra Cycle on a poly bag collection system across the network. This will enable the bags to be upcycled into new products. We estimate that this will divert approximately 200 tonnes of soft plastic waste from going to landfill.
- There have been challenges uncovering gaps in our recycling capability across our store network. We also uncovered significant inefficiencies in operations and inconsistencies in collection rates across both countries.

We have set the goal of 0% waste to landfill by 2018.



### CARDBOARD AND PLASTIC RECYCLING CAPABILITIES



### CASE STUDY

## Great Forest waste audit

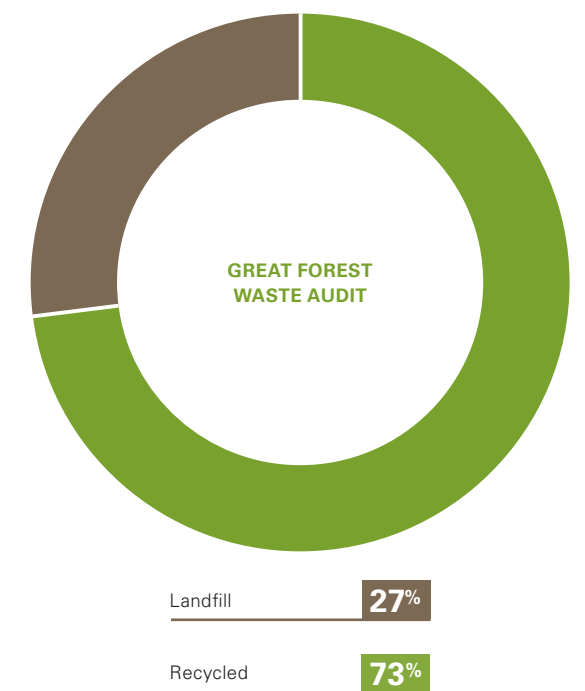
We underwent a waste audit as part of the process to develop our sustainable store standard. We audited thirteen existing Kathmandu stores in Australia. The purpose was to produce a waste management strategy for our Green Star store certification submission.

The audit found that on average, 73% of waste was recycled and 27% was sent to landfill.

The breakdown of waste to landfill was relatively consistent across all stores. The waste profile was: 86% soft plastics, five percent non-recyclable, five percent paper/cardboard, three percent co-mingled recycling and two percent food organics. The Albury store was a standout as it recycled cardboard, paper and soft plastics. This was an exception as their waste service was able to recycle soft plastics and the initiative was mainly driven by store staff.

The audit gave us a set of critical recommendations for how to reduce our waste to landfill and increase efficiencies. These were to:

- Implement soft plastics recycling for each store
- Identify which regions provide soft plastics recycling services and work with industry to provide soft plastics recycling if unavailable
- Reduce the size and collection of bins at all stores. This could potentially save \$15,000
- Benchmark and identify the waste management system and strategy for each store.





### Sustainable packaging

Product packaging is an enduring sustainability challenge. We try to strike a balance between protecting our gear and using fewer, more sustainable materials that can be disposed of responsibly.

Packaging Environmental Responsibility Guidelines outline our approach. This framework sets out how we design, buy and make packaging. It also specifies how we can educate our customers to correctly dispose of it.

Our Packaging Committee runs a biannual on-site review of our packaging practices. We are also a voluntary member of the Australian Packaging Covenant, which we use to annually report on how we reduce and innovate our packaging responsibly.

Our Retail Ready Packaging initiative is a strategy to package a product into one box that can be used for both shipping and merchandising in store, rather than being boxed twice. We ran five products through this process. The initiative removed excess packaging that halved our carton usage.

It also helped improve the visual merchandising of boxes as previous boxes were not as strong and visually attractive. We are aiming to develop this initiative to another three products for the 2015 Summer range of camping gear.

We continued our paper bag Red Cross donation initiative. For every paper bag we sell in store, 5 cents is donated to the Red Cross:

- **Australia** – we sold 634,577 bags donating \$31,728.85
- **New Zealand** – we sold 338,649 donating \$16,932.45.

We have identified four critical areas as future priorities to reduce our environmental impact:

- We are reviewing the removal of metallic ink from our entire product range to alternatively use more sustainably sourced materials. Metallic ink can potentially harm the environment and workers as the metal is extracted, processed then disposed. Early indicators showed we ordered 3,962,000 swing-tags containing silver metallic ink.

- Removing #4 polybags that are used to package our garments from stock to store room level.
- Provide our customers with more information of plastic packaging material and type so it is clear if it is recyclable.
- Effectively implement our Packaging Specification Document. This allows us to monitor our packaging and track the impact of our sustainability initiatives. For example, it will allow us to track the weight, dimension and material type. We will also apply a Product Life cycle Management System for all products to track materials, packaging and resource use.

### Transport use

The way we transport our products impacts the environment, particularly given global supply chains. The different modes of transport we use throughout our supply chain emit fossil fuels that contribute to climate change. We mainly use trucks for our domestic supply chain to deliver our products. We use our supply chain network design strategy to optimise our routes and increase packing volumes to transport products as efficiently as possible.

Our supply chain team strategically assess the speed, distance and movement of products to as many stores in a region. We track the quantity of products loaded into overseas shipping containers using our logistics tracking system. We continually seek opportunities to pack more of our products into shipping containers. This is more sustainable and efficient than transporting half empty containers.

Once products have arrived at our distribution centres in Melbourne and Christchurch, we transport our products via trucks to our stores.

We are currently building a Green Star certified distribution centre in Melbourne as part of our sustainable supply chain operations. The distribution centre will have solar panels to generate electricity, a zero-waste policy and an efficient packaging and boxing system.

In June this year, we exited our Auckland regional third party logistics (3PL) provider to improve the efficiency of our new national distribution centre in Christchurch. This resulted in an increase in our cubic per km measure from our national distribution centre for FY15 and removed all transportation from our Auckland 3PL.

We have recently implemented new processes to manage transportation that increases the volume of our product per kilometer traveled. Our dynamic despatch policies reduce transportation frequency during periods of low demand enabling a transportation distance reduction of 2% in Australia, and 35% in New Zealand. The difference between these two countries is largely due to the difference in network size and service level requirements in Australia compared to New Zealand.

There have been limitations to gathering carbon emission and packaging data due to the complexity of the transport supply chain. We are currently working with our suppliers so that they can provide us with accurate footprint data. We are also implementing monitoring and reporting software that allows us to assess our footprint through monthly measurements.

#### CASE STUDY

## Self-product Packaging



PRINTED OR EMBROIDERED  
PRODUCT INFORMATION  
DIRECTLY ONTO  
THE STUFF SACK

THIS SAVED

**1150m<sup>2</sup>**

OF VIRGIN PLASTIC

**2740.5m<sup>2</sup>**

OF STICKER PAPER

In 2015, we continued our 'self-product packaging' analysis to remove excess packaging. This led us to remove virgin plastic shrink wrap and product information labelling from our self-inflating sleeping mat range.

We also adapted our product design to print or embroider product information directly onto the stuff sack. This initiative proved to be more environmentally sustainable whilst improving the visual aesthetic and quality of the product. This saved 1,150m<sup>2</sup> of virgin plastic and 2,740.5m<sup>2</sup> of sticker paper.






# OUR COMMUNITY

We recognise that thriving communities enjoy healthy outdoor life styles.

That's why it's important to support people to discover the outdoors.

In 2015 we sponsored over 200 Summit Club members to undertake a range of extraordinary outdoor activities. We continued our longstanding community partnerships and engaged our employees to contribute through volunteering.

<p>DEPLOYED <b>\$230K</b> IN GEAR AND DONATIONS TO THE NEPAL EARTHQUAKE APPEAL</p>	<p>SUPPORTED <b>222</b>  SUMMIT CLUB MEMBERS IN THEIR OUTDOOR ADVENTURES</p>
<p><b>392</b> EMPLOYEE VOLUNTEER HOURS ON CONSERVATION WORK</p>	<p>CONTINUED OUR FINANCIAL AND IN-KIND SUPPORT OF OUR SIX CHARITABLE PARTNERS</p>

Our Community investment strategy aims to connect with our community and customers that align with our core values and brand purpose. We harness these connections to create a strong network of like-minded people who are empowered to positively change the world.

We provide opportunities for customers to realise their outdoor adventures through our community partnerships. Our annual Summit Club Trek is a prime example. The trek raises funds for the Australian Himalayan Foundation (AHF) while giving our Summit Club members an adventure travel experience of a lifetime. This targeted community investment lets us fund raise for the AHF and raise awareness about its work. Summit Club members return with memories and photos that will inspire a sense of adventure and community in others.

Another great example of our community partnerships bringing our brand purpose to life is through the Outward Bound Scholarship program. Each year we offer our customers scholarships to attend an Outward Bound program. Outward Bound offers unique ways for our Summit Club members to connect with the outdoors and unleash their personal potential.

We enable great adventures through our Summit Club adventure sponsorship programme. We give our most ambitious Summit Club members a stepping stone toward achieving extraordinary feats through product sponsorship.

This year we have been proud to support our Summit Club members to impact society in a positive way by:

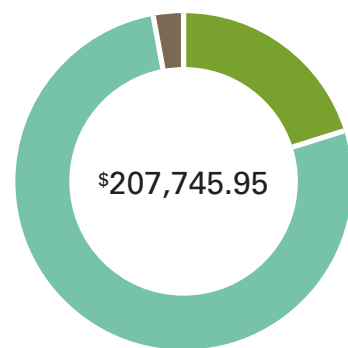
- Walking the length of New Zealand to raise awareness for mental health
- Crossing the Australian desert on foot and unassisted to raise funds for cancer research
- Walking all 1151 kilometres of The Heysen Trail to ensure their children have a strong connection to nature
- Trekking the Great Wall of China and across Europe for charity and
- Volunteering in conservation education in Tanzania.

We believe that strong connections and support among our community stakeholders clears the way for positive global change. Just as having a strong connection with our outdoor environment will foster a sense of stewardship and accountability for sustaining the outdoors for generations to come.

When the tragic Nepalese earthquake struck, we mobilised our team to aid the community which bears our name. We knew that all we could do would never be enough, but we are proud to have sent \$25,000 of gear and clothing, as well as more than \$200,000 in donations to help the nation rebuild.

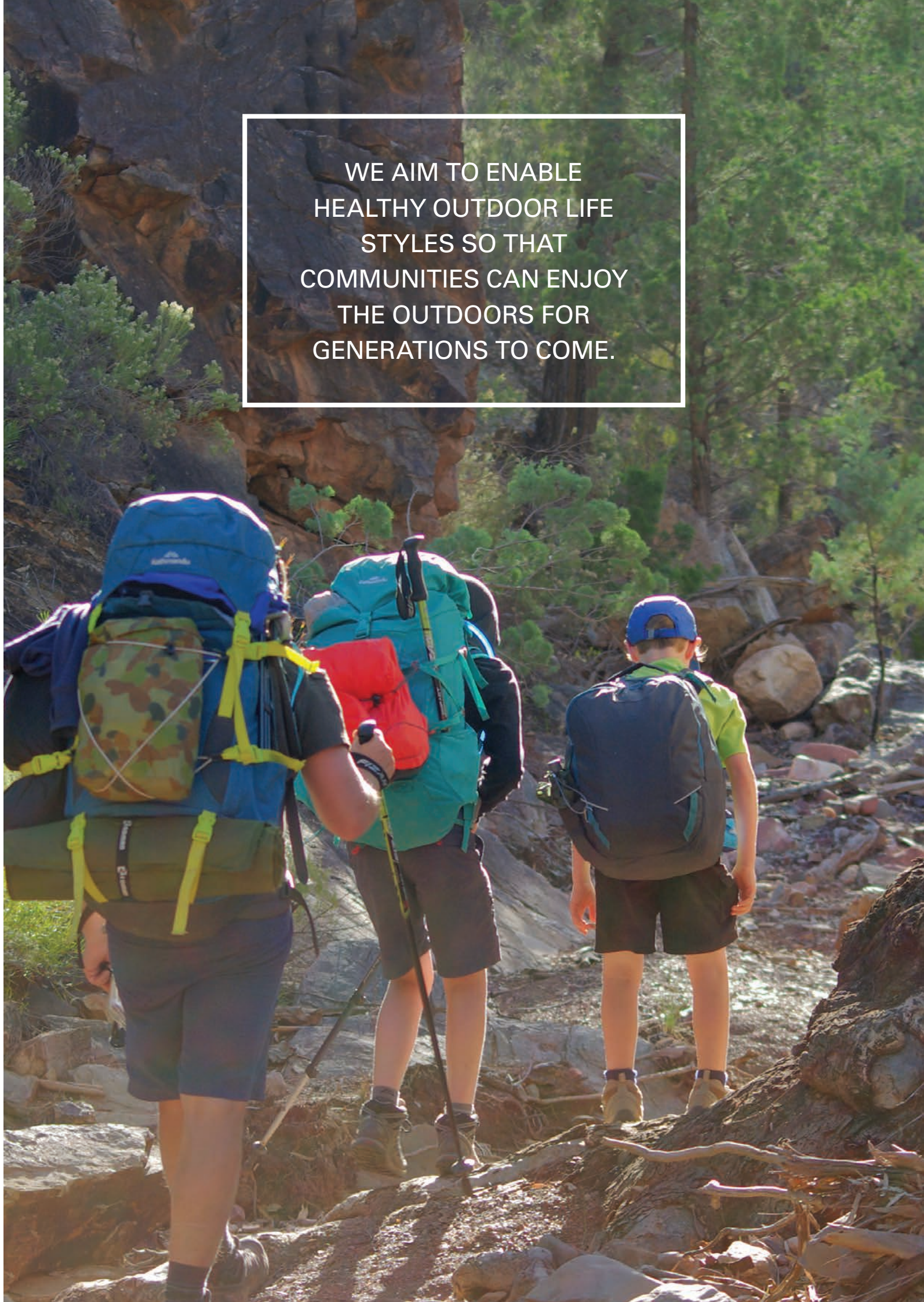
We also support the local communities near our stores. Kathmandu has donated 3,000 drink bottles, 1,970 merino tops and 748 pairs of shoes to New Zealand Red Cross, and 1,172 pairs of shoes to Australian Red Cross. These donations assisted newly settled refugees in New Zealand and beneficiaries in Australia.

TOTAL DONATED TO THE NEPAL EARTHQUAKE APPEAL



<b>\$41,924.80</b> NZD	From Kathmandu to Australian Red Cross and New Zealand Red Cross; in addition to our regular annual contribution
<b>\$160,082.47</b> NZD	From customer donations in our stores toward Australian Red Cross and New Zealand Red Cross
<b>\$5,738.68</b> NZD	Raised through employee-led internal event for New Zealand Red Cross and the Australian Himalayan Foundations

WE AIM TO ENABLE HEALTHY OUTDOOR LIFE STYLES SO THAT COMMUNITIES CAN ENJOY THE OUTDOORS FOR GENERATIONS TO COME.





### Connecting our customers

We aim to enable healthy outdoor life styles so that communities can enjoy the outdoors for generation to come. Our six community partners support people to live the dream and preserve our natural environment. These partners are Australian Red Cross and New Zealand Red Cross, the Department of Conservation in New Zealand, the Australian Wildlife Conservancy, the Australian Himalayan Foundation and Outward Bound New Zealand.

This year we continued to award our 'Live the Dream' scholarships with Outward Bound New Zealand. We reviewed over 300 applications to select four winners.

Sixty scholarships have now been awarded in our ten year partnership with Outward Bound.

The scholarships aim to give New Zealanders the chance to embark on a journey of self-discovery by completing an Outward Bound course.

We ran our fourth annual Summit Club trek to Nepal, with each trekker donating funds to the Australian Himalayan Foundation. This years' group fund raised over \$15,000 for the AHF's Teacher Training and Quality Education Programme.

While trekking through the Solu Khumbu region, these Summit Club members visited schools which directly benefited from their fund raising efforts.

They also delivered the latest donation of 60 LuminAID lanterns.

We donate a LuminAID lantern to the community for every lamp bought by customers. The lanterns are solar-powered, inflatable lights that do not require electricity. We have donated 460 lanterns so far.

The Summit Club treks have proved so popular that we will expand the program to Bhutan. We will also add extra treks to Nepal in 2016. This will enable Summit Club members to directly contribute to Nepal's recovery by working on rebuilding AHF supported schools.



### CASE STUDY

## Innovating products with Outward Bound



Our 10 year partnership with Outward Bound has evolved from corporate sponsorship to a deeper engagement that creates shared value. We work with the community organisation to pilot, test and refine new and existing technical products. Our first collaboration was on the Anakiwa sleeping bag. Our latest innovation is the 75 litre Vardo pack.

"They use a lot of our gear, like the Vardo, which has been in the field for years," says Dustin Cesen, Equipment Designer. "They're constantly feeding back and continuous improvement goes into the design process for the next evolution."

Changes were made to the removable hood (which doubles as a daypack), a grab-handle for people to use to carry the pack, and a new harness which is quick and easy to adjust. The removable hood allows for a usable daypack and a flap was added to the top opening of the main pack so it remains weather tight even with the daypack/hood removed.

Outward Bound had noticed that the packs were taking a lot of wear and tear on the front of the hood because people tended to use it as a handle; adding a grab handle will now reduce damage and extend the life of the pack.

The new harness system will allow Outward Bound to fit the Vardo pack to its students. New students pass through the school at Anakiwa regularly, so being able to quickly and accurately fit a pack is essential. These improvements make our gear fit for purpose for Outward Bound, which in turn passes on the benefits of versatile design and durability to our customers.

"Design is an ongoing, collaborative process," Dustin adds. "We're fortunate in that we have Outward Bound and our Best in Field gear-testers, as well as an active team and great customer feedback, too. It all helps push our designs that little bit further."





### Connecting our team

We are proud that our staff are engaged members of the community. Our teams give back to our community partners through volunteering and fund raising. Our workplace giving program gives them the chance to pledge a nominated amount to one of our community partners each month.

Staff have also run their own fund raising activities like a bake sale, silent auction and BBQ. This year, 392 hours were spent on volunteering projects involving weeding, planting native seedlings, and preparing winter warmer packs with New Zealand Red Cross.



### Join the online conversation

Our social media channels offer us a great way to have open and direct conversations with our customers.

We want to hear about what our customers care about. This sometimes means having tough conversations about how products are made or where materials come from. We then reflect on how we can factor this feedback into our approach so our gear meets customers' needs.

We are committed to being transparent about our progress and actively engaging with our customers.



**Juliet Honey > Kathmandu**

17 July • 🌐

Where does the down for your insulated jackets come from? Are you able to demonstrate that there was no animal cruelty involved in obtaining the down for your products?

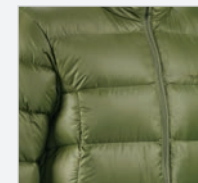
1 Like 1 Comment

👍 Like    💬 Comment    📄 Share

Claire Wrather likes this.



**Kathmandu** Hi Juliet, thank you for taking the time to ask such an important question! Kathmandu is committed to sourcing down and feathers from birds that are treated ethically and humanely. This means that we do not use down provided by harvesting, live pluckin... [See More](#)



#### Down Sourcing

Kathmandu is committed to sourcing down and feathers from birds that are treated ethically and...  
[KATHMANDU.COM.AU](http://KATHMANDU.COM.AU)

## CASE STUDY Learning about the great outdoors



"We didn't want our children to be among those who miss out on experiencing the grandeur of nature, without David Attenborough's voiceover," says Erina.

So with husband Luke and kids, Eli, Emily and Noah, the family decided to walk South Australia's legendary Heysen Trail. All 1,151km of it, in one hit.

"We decided we would forego the comforts of suburban living and clear our schedules to make time to show our children the wonder of the trail – the trail that goes where vehicles can't and most city dwellers won't."

The Sipos family were among 222 Summit Club members who received Summit Club Adventure sponsorships.

Twenty four members worked with our product quality and design team to get the best equipment suited to their needs. The other 198 received vouchers to choose their own gear.

Summit Club members apply to receive product support to realise their intrepid dreams. We believe that people who make connections with their natural environment will be the people who take action to sustain it. It was a learning experience for the Sipos family.

"We are of the opinion that in living life, we learn. Life on the trail is full of education experiences. From the geography of map reading, the biology of identifying snake breeds and the spelling of town names to the mathematics that can answer the 'are we there yet?' question."



CASE STUDY

## Nepalese earthquake response



Within days of the Nepalese earthquake in April 2015, our stores rallied around the Red Cross to collect donations for the appeal. Our response drew on our Core Values to show how we can be adaptable, resourceful and compassionate. Our customers donated over \$150,000 through in-store donations, while we gave an extra \$40,000 to provide emergency relief and recovery assistance like water, sanitation and shelter.

Kathmandu began collecting donations for the Red Cross Nepal earthquake appeal in stores within five days of the earthquake. We had never run this type of initiative before so it required innovative thinking from across the business to make it work.

Resourceful staff from departments as diverse as Product Information, Finance, Systems, Marketing and Visual Merchandising came together to make the donation system work. Our Customer Service and Store Teams quickly implemented the system to give customers detailed information about where donations would go and how they would be used.

We were amazed that within the first 24 hours, 934 of our customers had donated over \$10,000 toward the Red Cross Nepal Earthquake appeal. Over the course of just a few weeks, the total donations grew fifteen fold.

We also turned to our longstanding partners at the Australian Himalayan Foundation and worked with the Himalayan Trust New Zealand to give over \$25,000 worth of essential warm clothing, tents and bedding to displaced people in rural Nepal. Andrew Locke, AHF ambassador and disaster management professional, had just returned from Nepal a month earlier after leading our Summit Club Trek.

He was called upon by the AHF to return to Nepal and respond to the disaster with emergency supplies.

Andrew went into our Canberra Centre store, where the store team helped him pack duffel bags full of warm clothes, sleeping bags, tents, raincoats, hand sanitizer, LuminAID lanterns and emergency radios. Andrew then flew back to Nepal on May 1st and delivered the donated items to people in need in the lower Solu Khumbu region. Our coordination between stakeholders got our first vital donation to AHF supported communities in Nepal within a week of the earthquake.

Most of our product donation was coordinated with the Ministry of Foreign Affairs and Trade (MFAT), who delivered much larger items to Nepal. We collaborated with the AHF, MFAT and the Himalayan Trust of New Zealand to put together a donation of tents, sleeping bags, camp beds, fleece jackets and rain jackets. This donation targeted the areas of greatest need that were identified by our community partners and validated by the Nepali government.

We sent eight of our Retreat 360 tents, which AHF communities use as temporary school rooms. We also included 15 family sized tents for those in need of a temporary home. Our partners deemed these tents, raincoats, warm clothes and bedding as essential and necessary for Nepalis facing the upcoming monsoon season. Our close relationships with our community partners and technical knowledge in our product team enabled us to quickly and efficiently help those Nepalis. Our longstanding relationship with the AHF was instrumental in facilitating our response.

This tragic event showed the power of our stakeholders to have a positive impact on our communities.



### Red Cross Emergency Response Unit

Our partnership with Red Cross enables them to help in times of humanitarian crisis. We are proud of the quality of our gear, but even more proud of the extraordinary ways that it's used.

New Zealand Red Cross hosts an IT and Telecoms Emergency Response Unit that deploys to disaster affected areas to restore vital communications.

"The people I select for the team are intelligent problem solvers with a technical aptitude. Having said all that, it does not matter how clever someone is if they have no place to sleep or are hungry. We equip the teams with well-designed equipment so that their minds are free to concentrate on work and not survival," said Matthew Lloyd – Manager of Emergency Telecommunications and International Disaster Response Capability – New Zealand Red Cross.

"What I find most impressive about the deployed teams is how much they achieve with so little. A standard team is only three people, a team leader with greater experience and better interpersonal skills, and two technicians who have a common training but one will be better at IT and the other at Telecoms. A team is typically in country for four-six weeks and a whole deployment will usually last for four months."





**Bec, Sustainable Volunteer Travel**  
*USA/Central America*  
Started in Wyoming doing wildlife research on sustainability in the fishing industry. Will be volunteering all the way down to Central America.

**Phil, Trail of Poppies**  
*Europe*  
Following the trench lines of WWI, and planting 2015 poppies along the way; Phil cycled, walked and climbed the 3500 miles and fund raise for both the Royal British Legion & the German Volksbund.

**Nathan and Zdeno, Broad Peak 2015**  
*Pakistan*  
Attempted to set a world record for cycling at altitude on Broad Peak.

**Kim, 'Trek4aCure'**  
*China*  
Trekking the Great Wall of China with a group who together raised over \$37000 for The Kids Cancer Project.

**Ian, Walk the Simpson**  
*Simpson Desert, Australia*  
Crossed the Simpson Desert on foot, alone and unassisted, raising funds for the Australian Cancer Research Foundation. Ian raised over \$5000.

**Brian, Walking Wounded**  
*Everest, Across Australia, Kokoda Trail and Mt Kilimanjaro*  
"The Ultimate ANZAC Tribute", taking The Roll of Honour across several continents, spanning seven months on an endurance event of epic proportions. The program will include the following stages; climb Mt Everest, walk across Australia, trek the Kokoda Trail and climb Mt Kilimanjaro. Brian has collected over \$266,000 in donations to date to benefit returned Australian soldiers.

**Matt, Volunteer Tanzania**  
*Tanzania*  
Took on a volunteer expedition in Tanzania to complete a conservation project with the Kilombero Valley Ornithological Centre.

**5 Ordinary People**  
*South Australia*  
A family of five completed all 1,151kms of The Heysen Trail to reconnect with nature and each other. The youngest in the family is the youngest ever to complete the whole trail.

**Rory, GetupNZ**  
*New Zealand*  
Walked the entire length of NZ to raise awareness and funds for the Mental Health Foundation of New Zealand.

# SUMMIT CLUB ADVENTURE SPONSORSHIP

Hundreds of Summit Club members have embarked on meaningful adventures with the support of our sponsorship. Here are just a few examples.

## COMMUNITY PARTNERS



Australian and New Zealand Red Cross have ongoing humanitarian programs in our local communities. This year they have also provided vital emergency response to communities in need, including Vanuatu, Tuvalu, Nepal, South Sudan, Sierra Leone, Myanmar, and Syria.



The Department of Conservation at Momorangi Bay Campground create facilities and opportunities that enhance the awareness and conservation skills of the campers. They are also restoring the scenic and environmental values of Momorangi Bay using input from campers, iwi and local community groups. In November they will celebrate the grand opening of the interpretive walking track, which is the product of three years of work in partnership with Kathmandu.



The Australian Wildlife Conservancy protects 70% of Australia's terrestrial mammal species and are re-introducing "extinct" species back into National Parks under an historic partnership between AWC and the NSW Government.



The Australian Himalayan Foundation is working to help the people of the Himalaya through improvements in health, education and conservation in Nepal, the Indian Himalaya and Bhutan. They are working in partnership with local communities to help the people of the Himalaya in a long term, sustainable way.

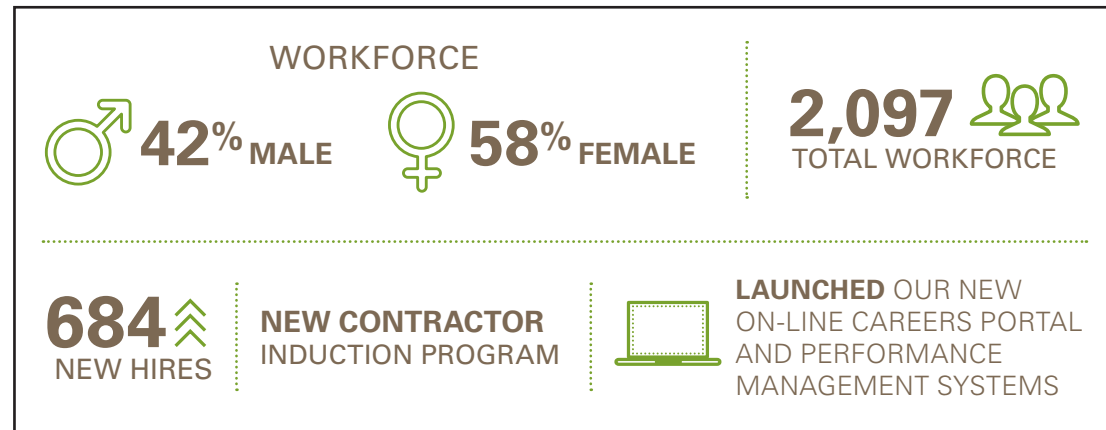


This year 1593 people took on the Outward Bound Challenge at Anakiwa, four of which were there on a Kathmandu 'Live the Dream' scholarship. Outward Bound fosters a sense of resilience, accountability, and confidence in its participants; with an aim to create 'better people, better communities, better world.'



# OUR TEAM

Employees are a critical part of our business and our most important asset. We are always looking for new ways to attract, develop and retain employees who love what they do and who are driven by their passion for travel, adventure and customer service.



As a vertically integrated business, we take pride in the development and delivery of our products to our customers. The key to our success is our fantastic team members working across all functions within our business, so it is essential that we continuously create ways to attract, develop and retain our talent.

This year our people strategy focused on finding robust ways to attract the right talent for our business while nurturing our current talent. We are committed to establishing lean, system supported HR processes to improve employee engagement and achieve workforce efficiencies, whilst continuing to support employees with quality service.

This includes improving and promoting the widespread use of our online HR Self Service tool and our e-learning platform Kampus. This streamlines our processes and supports employee development and career progression.

In today's market it is essential to leverage technology to seek out, develop and retain the best talent. In 2015 Kathmandu has laid the foundation for success by investing in two new systems to better recruit top talent and drive a high performance culture amongst our team members.

### Recruitment and selection system

Launched on 1 July 2015, the new e-recruitment system grows our ability to attract and manage our talent pipeline for both internal and external candidates.

The system provides us with many benefits including:

- Increased candidate care
- Enhanced employment brand image
- Improved ability to select quality talent
- Greater workforce planning.

The recruitment system and online vacancy portal directly links to the external Kathmandu website and careers page, the internal careers page and all other critical sourcing channels. This creates a simpler process for our candidates and hiring managers.

A more efficient hiring process also allows us to focus on value added tasks when selecting our talent, reducing time spent on hiring administration. Candidate care has also improved, building consistent and responsive communications.

Creating a user friendly online application process has helped us raise our profile as an innovative, progressive employer, giving everyone who visits our careers site a positive experience. This supported our employment brand image and enabled greater candidate care.

The system has also allowed us to create talent pools of candidates who have expressed their interest in working for Kathmandu but could not find the right vacancy at the time of applying. It means that we are able to stay in touch with those people who are passionate about joining our team.

Finally, one of the key strategies is providing the highest possible level of customer service. This is a goal that can only be achieved with a well engaged workforce. The recruitment system greatly assists in making workforce management a priority for the business so we have the tools to optimise our team composition.

### Kathmandu Performance Centre (KPC) system

Our priority is driving a high performance culture where team members feel empowered so their individual performance goals are connected to the overall goals of Kathmandu. Implementing an online performance development review system has transformed our previously paper based review process into an ongoing strategic collaboration. This ensures that people are engaging with our vision, values and strategy but also aligning their goals to these key drivers.

It helps our team members to better understand performance expectations and track their progress. This gives them greater visibility about how they contribute to our business goals. Most importantly, it allows our team to be proactive in their career development and track their performance using a live document.

The performance development system assists managers to align and manage team performance by logging into a centralised tool. This helps them to provide more regular and meaningful feedback and coaching. The system supports our managers to foster their team member's development and career progression.

Finally, the system empowers managers and team members to solicit holistic feedback on their performance from a variety of sources including; peers, direct reports, external contacts or even customers. This is a broader and richer feedback mechanism with assurance that they are getting insights into their performance from multiple sources.

### Team composition

During FY2014-15, our retail team and support office employee counts increased by 1.1%. At year end we had a total workforce of 2,097. We successfully increased the number of permanent employees to 82% of the workforce (from 74% in FY2014) and reduced the number of casual and fixed-term contracts reflecting our strengthened efforts towards retaining and developing our office and retail store employees.

### KATHMANDU'S WORKFORCE STATISTICS AS OF 31 JULY 2015

	AU	NZ	UK	GROUP	TOTAL %
<b>BY EMPLOYMENT TYPE</b>					
<b>Full-time employees</b>	410	362	14	786	37%
<b>Part-time employees</b>	602	284	23	909	43%
<b>Casual</b>	281	121	0	402	19%
<b>BY CONTRACT TYPE</b>					
<b>Permanent</b>	1,008	575	27	1,610	77%
<b>Fixed-Term Full Time</b>	0	3	2	5	0%
<b>Fixed-Term Part-Time</b>	4	68	8	80	3.8%
<b>Casual</b>	281	121	0	402	19%
<b>BY GENDER</b>					
<b>Male</b>	580	279	25	884	42%
<b>Female</b>	713	488	12	1,213	58%
<b>BY AGE GROUP</b>					
<b>&lt; 30</b>	798	440	17	1,255	60%
<b>30-50</b>	441	279	20	740	35%
<b>50+</b>	54	48	0	102	5%
<b>BY CATEGORY</b>					
<b>Executive</b>	3	6	0	9	0.4%
<b>Senior management</b>	21	38	1	60	3%
<b>Management</b>	307	159	10	476	23%
<b>Non-management</b>	962	564	26	1,552	74%
<b>Total workforce</b>	<b>1,293</b>	<b>767</b>	<b>37</b>	<b>2,097</b>	<b>100%</b>



### Hiring and turnover

We hired 684 permanent employees and 301 casual employees to our team this year. This reflects the continuous expansion of our business and the opening of 10 new stores.

Our group turnover rate was 41% for permanent employees and 75% for casual/fixed-term employees. We believe the high turnover rates of casual employees is a result of the seasonal nature of the apparel retail sector.

#### KATHMANDU'S NEW HIRES IN FY2015

NEW HIRES	AU	NZ	UK	GROUP	RATE
<b>BY EMPLOYMENT TYPE</b>					
<b>Permanent Total</b>	478	183	23	684	42%
<b>Indefinite Total</b>	131	153	17	301	62%
<b>BY GENDER</b>					
<b>Male</b>	291	145	24	460	52%
<b>Female</b>	318	191	16	525	43%
<b>BY AGE GROUP</b>					
<b>&lt; 30</b>	466	257	26	749	60%
<b>30-50</b>	136	70	14	220	30%
<b>50+</b>	7	9	0	16	16%
<b>Total new hires</b>	<b>609</b>	<b>336</b>	<b>40</b>	<b>985</b>	<b>47%</b>
<b>Rate by region</b>	<b>47%</b>	<b>44%</b>	<b>108%</b>	<b>47%</b>	<b>-</b>

#### KATHMANDU'S TURNOVER IN FY2015

TURNOVER	AU	NZ	UK	GROUP	RATE
<b>BY EMPLOYMENT TYPE</b>					
<b>Permanent Total</b>	421	214	24	659	41%
<b>Indefinite Total</b>	191	161	14	366	75%
<b>BY GENDER</b>					
<b>Male</b>	287	152	23	462	52%
<b>Female</b>	325	223	15	563	46%
<b>BY AGE GROUP</b>					
<b>&lt; 30</b>	448	268	27	743	59%
<b>30-50</b>	150	97	11	258	35%
<b>50+</b>	14	10	0	24	24%
<b>Total new hires</b>	<b>612</b>	<b>375</b>	<b>38</b>	<b>1,025</b>	<b>49%</b>
<b>Rate by region</b>	<b>47%</b>	<b>49%</b>	<b>103%</b>	<b>-</b>	<b>-</b>

We only have four stores operating in the UK, with a higher proportion of part time employees. This is an expected level of turnover for this employment type.

We offer parental leave to eligible employees in accordance with relevant legislation in Australia, New Zealand and the UK. In 2015, 42 employees took parental leave. We saw 100% return to work and retention rates in male employees who took parental leave and three out of every four women returned to work post their parental leave. We support flexible working arrangements for employees in accordance with applicable parental leave and flexible working arrangements legislation where operational needs permit. The retention rate of female employees post parental leave has increased by 7% year-on-year.

### Learning and development

Kampus is our interactive e-learning management tool, which enables employees to complete their inductions and other training programs online. This year we continued to look for ways to improve the platform to deliver training in an easy and engaging manner. This included providing targeted refresher training on important topics and conducting a gap analysis on all current Kampus training modules.

In future, we plan to re-work all our product modules to provide employees with targeted information in accordance with their role and skill set, which will allow for a more streamlined, engaging and time efficient training process.

We also introduced training videos to align with each season's product launch. The videos feature members of our in-house product team briefing their colleagues about our exciting new season products and technologies. This has been a successful way to engage our employees, motivating them to learn about the features and benefits of our products. This equips them with the knowledge to readily assist and inform our customers.

We are now able to create a more intelligent system allowing for in-depth reporting and data analysis. These changes better enable us to identify training progress as well as gaps.

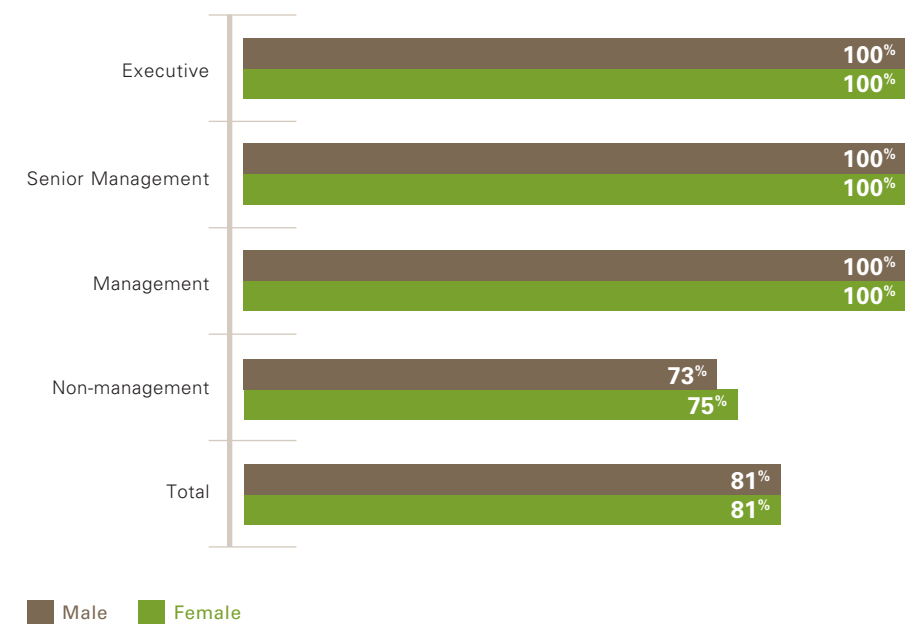
#### PARENTAL LEAVE TAKEN BY KATHMANDU STAFF IN FY2015

	MALE	FEMALE
<b>Employees entitled to parental leave</b>	610	870
<b>Employees that took parental leave</b>	2	40
<b>Employees who returned to work after parental leave</b>	1	20
<b>Employees who returned to work after parental leave and were still employed after 12 months</b>	3	23
<b>Return to work rate</b>	100%	77%
<b>Retention rate</b>	100%	82%

These upgrades also allow us to more readily identify training requirements and pre-requisite training for each position. This helps us to segment and target training pathways by job role or position to better equip our staff with the knowledge that they need for their specific role. In FY2015, 81% of our employees received a formal performance development review, including all permanent employees.

Performance development reviews also include Individual Development plans which are an important tool for succession planning, career progression and helping employees identify and acquire new skills to fulfil their roles and responsibilities. Managers work closely with employees to set the direction for professional development for the year ahead.

#### PERCENTAGE OF EMPLOYEES RECEIVING PERFORMANCE REVIEWS





### Supporting diversity

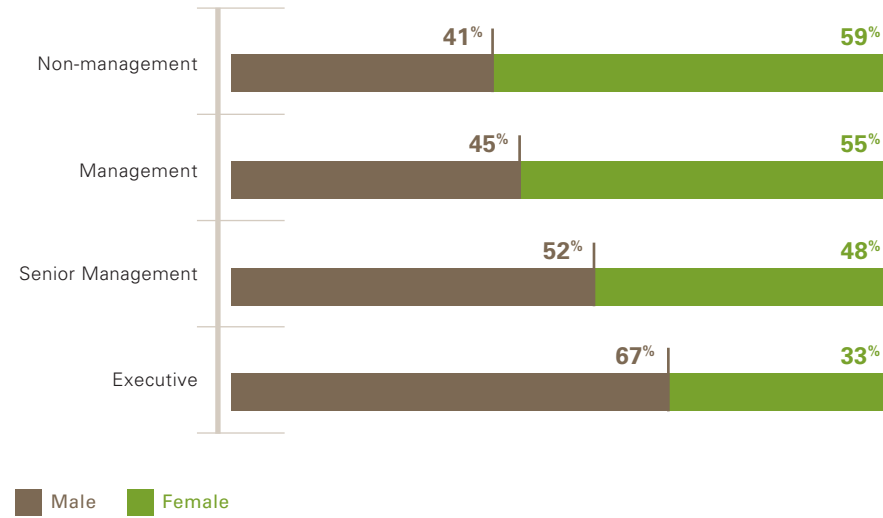
At Kathmandu we celebrate diversity, as our diverse team is a reflection of the communities where we live. By encouraging diversity and inclusion, we unlock different talents to increase creativity, problem solving and adaptability. Workplace diversity is an economic driver of competitiveness that supports our ability to attract, develop and retain the best employees, create an engaged team and deliver innovation.

We do not discriminate against age, gender, ethnicity, cultural background, sexual orientation or religious beliefs. We recruit, develop and promote our staff based on their performance alone. In 2015, we had three incidents of discrimination. Each incident was thoroughly investigated and appropriate remedial actions were taken.

We support gender diversity in our workplace. We support our employees to have a good work-life balance, so they can enjoy outdoor travel and adventure that is such a prominent part of our workplace culture. We also offer flexible work arrangements that cater to family needs and commitments.

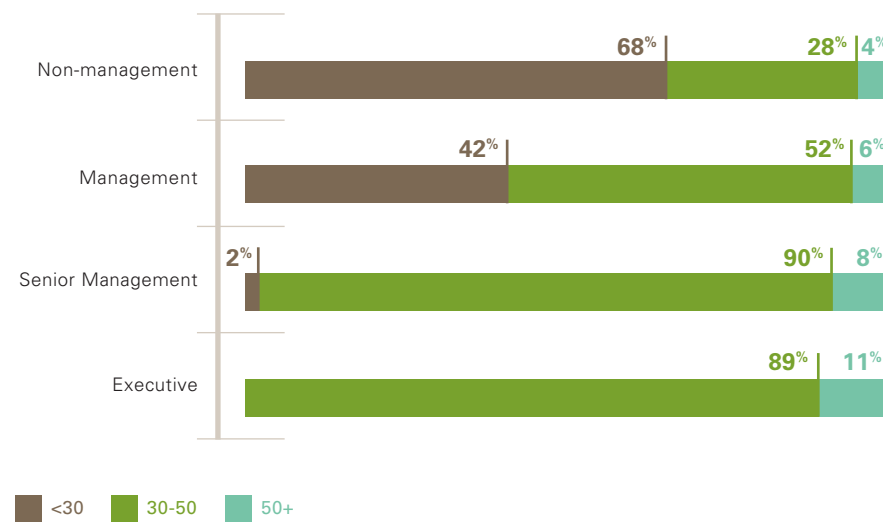
In FY2015, 58% of our team were women, who represent 55% of employees in Australia, 62% in New Zealand, and 37% in the UK. Our Board is comprised of four men and two women. In the senior leadership team (executives and senior management), 48% are female.

#### GENDER DIVERSITY BY EMPLOYEE CATEGORY



All of our executives, a majority of our senior management, and management staff are above the age of 30. About 42% of management employees are under the age of 30. Over 65% of Kathmandu's non-management staff are under the age of 30.

#### AGE DIVERSITY BY EMPLOYEE CATEGORY



### Health and wellbeing and support programs

The safety first culture is reflected in all our retail stores, operations and warehouses. Our SafeTeam program and policies keep our focus on safety and wellbeing. We distribute a monthly report to Regional Managers, which provides insights into safety and injury trends and aims to proactively manage potential workplace safety issues and risks.

Health and safety committees and designated representatives in all locations uphold employee consultation. They are responsible for identifying and discussing potential hazards and other safety issues that affect the workforce. In FY2015, our entire workforce was represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.

A major safety initiative for FY2015 were national safety audits on all sites that focused on three key compliance areas:

- Testing and tagging of electrical devices
- Essential Services (including emergency equipment, signage and lighting) and
- Preventative Maintenance (covering any other plant or equipment).

These audits identified equipment and plants, including electrical devices across our sites that require regular inspections and maintenance. National Maintenance Schedules are being developed by the Store Development team so that the business proactively manages the risks to help reduce any incidents.

Other safety initiatives were the implementation of a rigorous Contractor Induction Program and the development of a Store National Hazard Register to manage hazards more effectively across the store network and to identify any trends.

#### RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES FOR EMPLOYEES AND CONTRACTORS

		AU	NZ	UK	TOTAL
<b>INJURY RATES</b>					
<b>Employees</b>	Male	3.94	2.71	6.77	13.41
	Female	8.93	6.57	-	15.50
<b>Contractors</b>	Male	-	0.02	-	0.13
	Female	0.13	-	-	0.13
<b>Total</b>		<b>13.01</b>	<b>9.29</b>	<b>6.77</b>	<b>29.07</b>
<b>OCCUPATIONAL DISEASE RATE</b>					
<b>Employees</b>	Female	-	0.19	-	0.19
<b>LOST DAY RATE</b>					
<b>Employees</b>	Male	10.53	10.90	-	21.42
	Female	56.02	103.90	-	159.91
<b>Total</b>		<b>66.54</b>	<b>114.79</b>	<b>0.00</b>	<b>181.34</b>
<b>ABSENTEE RATE</b>					
<b>Employees</b>	Male	159.71	159.47	626.90	946.08
	Female	278.29	277.89	192.08	748.27
<b>Total</b>		<b>438.01</b>	<b>437.36</b>	<b>818.99</b>	<b>1694.35</b>

\* In 2014-15, no occupational diseases were recorded for male employees. No occupational diseases, lost days and absentee days were recorded for contractors. There were no work-related fatalities in 2014-15.



# GRI CONTENT INDEX

DESCRIPTION	COVERAGE	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>STRATEGY AND ANALYSIS</b>					
<b>G4-1</b> Senior leader statement.	Full	Chairman and CEO report	4-5		No
<b>ORGANISATIONAL PROFILE</b>					
<b>G4-3</b> Name of the organisation.	Full	Our story	7		No
<b>G4-4</b> Primary brands, products, and/or services.	Full	Our story	7		No
<b>G4-5</b> Location of organisation's headquarters.	Full	Our story	7		No
<b>G4-6</b> Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Full	Our story	7		No
<b>G4-7</b> Nature of ownership and legal form.	Full	Our story	7		No
<b>G4-8</b> Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Full	Our story	7		No
<b>G4-9</b> Scale of the reporting organisation.	Full	Our story, Our performance	7-8		No
<b>G4-10</b> Total workforce by employment type, employment contract, and region.	Full	Our team	51		No
<b>G4-11</b> Percentage of employees covered by collective bargaining agreements.	Full	Our team	51		No
<b>G4-12</b> Describe the organisation's supply chain.	Full	Our supply chain	12		No
<b>G4-13</b> Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Full	Our story, Working with our suppliers	7-14		No
<b>G4-14</b> Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Full	Carbon emissions and climate change		We support the precautionary approach by taking action to reduce our environmental impacts.	No

DESCRIPTION	COVERAGE	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>G4-15</b> Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Full	This index		We support Fairtrade, the Fair Labour Association, the Universal Declaration of Human Rights, the Convention of the Rights of the Child and the ILO Declaration on Fundamental Principles and Rights at Work.	No
<b>G4-16</b> Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation:	Full	Our stakeholders and material issues	10-11		No
		Our footprint – Building a sustainable store network	34		
		Audits	17		
		Carbon emissions and climate change	36		
		Our community	40-42		
<b>G4-17</b> Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Full	Our story	7		No
<b>G4-18</b> Process for defining report content.	Full	Our stakeholders and material issues	10-12		No
<b>G4-19</b> List of material aspects identified in the process of defining the report content.	Full	Our stakeholders and material issues	12		No
<b>G4-20</b> For each material aspect, report the Aspect Boundary within the organisation.	Full	Appendix: Where our impacts occur	62		No
<b>G4-21</b> For each material aspect, report the Aspect Boundary outside the organisation.	Full	Appendix: Where our impacts occur	62		No
<b>G4-22</b> Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (eg, mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Full	This index		No restatements this year.	No
<b>G4-23</b> Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Full	This index		No significant changes from previous year.	No



DESCRIPTION	COVERAGE	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>STAKEHOLDER ENGAGEMENT</b>					
<b>G4-24</b> List of stakeholder groups engaged by the organisation.	Full	Our stakeholders and material issues	10-11		No
<b>G4-25</b> Basis for identification and selection of stakeholders with whom to engage.	Full	Our stakeholders and material issues	10-11		No
<b>G4-26</b> Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Full	Our stakeholders and material issues	11		No
<b>G4-27</b> Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Full	Our stakeholders and material issues	10-12		No
<b>REPORT PROFILE</b>					
<b>G4-28</b> Reporting period (eg, fiscal/calendar year) for information provided.	Full	About this report	1		No
<b>G4-29</b> Date of most recent previous report (if any).	Full	This index		2014 Sustainability Report (1 August 2013 – 31 July 2014)	No
<b>G4-30</b> Reporting cycle (annual, biennial, etc).	Full	This index		Annual	No
<b>G4-31</b> Contact point for questions regarding the report or its contents.	Full	About this report	1		No
<b>G4-32</b> Table identifying the location of the Standard Disclosures in the report.	Full	This index			No
<b>G4-33</b> Policy and current practice with regard to seeking external assurance for the report.	Full	About this report	1		No
<b>GOVERNANCE</b>					
<b>G4-34</b> Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Full	Our leadership	7		No
<b>ETHICS AND INTEGRITY</b>					
<b>G4-56</b> Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Full	Our leadership	7		No

**Specific Standard Disclosures**

GRI G4 ASPECTS	DMA AND INDICATORS	OMISSIONS	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>Economic performance</b>	DMA: Economic		Our performance, Carbon emissions and climate change.	8, 36		No
	G4-EC2		Carbon emissions and climate change.	36		No
<b>Emissions</b>	DMA: Emissions		Sustain the Dream Plan, Our footprint, Building a sustainable store network, Case study: The Galleria Store: our first five star Green Star rated store, Carbon emissions and climate change.	10, 34-36		No
	EN-16		Energ indirect (Scope 2) GHG emissions (from electricity consumption).	36		No
	EN-18		The GHG emissions intensity ratio (average carbon emissions per store).	Not reported	We currently do not have information on this indicator. We will report this next year.	No
<b>Products and services</b>	DMA: Products and services		Our products, Sustainable packaging.	22, 38		No
	G4-EN27		Sustainable Packaging.	38		No
<b>Transport</b>	DMA: Transport		Transport use.	39		No
	G4-EN30	Quantitative data on impacts	Transport use.	39	We have limited hard data on our own operations and suppliers due to a lack of systems.	No
<b>Supplier environmental assessment</b>	DMA: Supplier environmental assessment		Our suppliers, Working with our suppliers, Audits, Continuous improvement, Transport Use.	12, 14-18, 39		No
	G4-EN32		Working with our suppliers.	14-17		No
	G4-EN33		Our suppliers, Audits.	12, 16-17		No
<b>Employment</b>	DMA: Employment		Our team, Our performance, Hiring and turnover.	8,50,52		No
	G4-LA1		Hiring and turnover.	52		No
	G4-LA3		Hiring and turnover.	52		No
<b>Occupational Health &amp; Safety (OHS)</b>	DMA: OHS		Our Team, Health and wellbeing and support programs.	50,55		No
	G4-LA5		Health and wellbeing and support programs.	55		No
	G4-LA6		Health and wellbeing and support programs.	55		No



GRI G4 ASPECTS	DMA AND INDICATORS	OMISSIONS	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>Training and education</b>	DMA: Training and Education		Sustain the Dream plan, Our team, Learning and development.	10, 50-51,53		No
	G4-LA11		Learning and development.	53		No
<b>Diversity and equal opportunity</b>	DMA: Diversity and equal opportunity		Supporting diversity.	50,54		No
	G4-LA12		Supporting diversity.	54		No
<b>Supplier assessment for labour practices</b>	DMA: Supplier assessment for labour practices		Our suppliers, Working with our suppliers, Audits, Continuous improvement.	12, 14-18		No
	G4-LA14		Working with our suppliers.	14-17		No
	G4-LA15		Audits.	16-17		No
<b>Labour practices grievance mechanisms</b>	DMA: Labour practices grievance mechanisms		Working with our suppliers, Audits, Continuous improvement – Grievance mechanisms.	14-18		No
	G4-LA16		Not reported.		We have established a grievance system with FLA, and will report this data next year.	No
<b>Freedom of Association and collective bargaining</b>	DMA: Freedom of Association and collective bargaining		Working with our suppliers, Audits, Continuous improvement.	14-18		No
	G4-HR4		Working with our suppliers, Audits.	14-17		No
<b>Child labour</b>	DMA: Child labour		Working with our suppliers, Audits, Continuous improvement.	14-18		No
	G4-HR5		Working with our suppliers, Audits.	14-17		No
<b>Forced or compulsory labour</b>	DMA: Forced or compulsory labour		Working with our suppliers, Audits, Continuous improvement.	14-18		No
	G4-HR6		Working with our suppliers, Audits.	14-17		No

GRI G4 ASPECTS	DMA AND INDICATORS	OMISSIONS	REFERENCE	PAGE NO.	NOTES	ASSURANCE
<b>Supplier human rights assessment</b>	DMA: Supplier human rights assessment		Working with our suppliers, Audits, Continuous improvement.	14-18		No
	G4-HR10		Audits.	16-17		No
	G4-HR11		Audits.	16-17		No
<b>Human rights grievance mechanisms</b>	DMA: Human rights grievance mechanisms		Working with our suppliers, Audits, Continuous improvement – Grievance mechanisms.	14-18		No
	G4-HR12		Not reported.		We have established a grievance system with FLA, and will report this data next year.	No
<b>Customer health and safety</b>	DMA: Customer health and safety		Our products, Making safe, quality products, Responsible communications, Regulatory compliance and recalls.	22,29,31		No
	G4-PR1		Making safe, quality products – Maintaining quality standards.	29		No
	G4-PR2		Responsible communications – Regulatory compliance and recalls.	31		No
<b>Product and service labelling</b>	DMA: Product and service labelling		Our performance.	8		No
	G4-PR5		Our performance.	8		No
<b>Marketing communications</b>	DMA: Marketing communications		Responsible communications.	31		No
	G4-PR7		Responsible communications.	31		No
<b>Compliance</b>	DMA: Compliance		Responsible communications – Regulatory compliance and recalls.	31		No
	G4-PR9		This index.		No monetary fines were incurred for non-compliance with laws and regulations concerning the provision and use of our products.	No



# APPENDIX: WHERE OUR IMPACTS OCCUR

We identified material topics based on ongoing monitoring of industry issues and through our stakeholder engagement mechanisms described in the Our Material Issues section.

The table below lists which groups are affected by the material issue, where the impact occurs and any limitations on our reporting.

MATERIAL TOPIC	WHO IT APPLIES TO	WHERE IT APPLIES	LIMITATIONS
<b>Economic performance</b>	Kathmandu, investors	Global, our operations	
<b>Materials</b>	Kathmandu, suppliers, consumers	Global, especially Asia	We have limited hard data on our own operations and that of our suppliers but are developing systems to track this.
<b>Energy</b>	Kathmandu	Our operations	
<b>Emissions</b>	Kathmandu	Our operations	
<b>Waste</b>	Kathmandu, consumers	Our operations	
<b>Products and services</b>	Kathmandu, consumers	Our operations	
<b>Transport</b>	Kathmandu, distributors, suppliers	Our operations	We have limited hard data on our own operations and suppliers due to a lack of systems.
<b>Supplier assessment</b>	Kathmandu, suppliers, distributors	Our operations	
<b>Employment</b>	Kathmandu	Our operations	
<b>Occupational health and safety</b>	Kathmandu	Our operations	
<b>Training</b>	Kathmandu	Our operations	
<b>Diversity and equal opportunity</b>	Kathmandu	Our operations	
<b>Supplier assessment for labour</b>	Kathmandu, suppliers	Our operations	
<b>Labour practice grievance mechanisms</b>	Kathmandu, suppliers	Our operations	
<b>Non discrimination</b>	Kathmandu, suppliers, consumers	Our operations	
<b>Freedom of Association and collective bargaining</b>	Kathmandu, suppliers	Our operations	
<b>Child Labour</b>	Kathmandu, suppliers	Global, especially Asia, our operations	
<b>Supplier human rights assessment</b>	Kathmandu, suppliers	Global, especially Asia, our operations	
<b>Human rights grievance mechanisms</b>	Kathmandu, suppliers	Global, especially Asia, our network	
<b>Customer health and safety</b>	Kathmandu, suppliers, consumers	Global, our operations	
<b>Product labelling</b>	Kathmandu, consumers	Our operations	
<b>Marketing</b>	Kathmandu, consumers	Our operations	
<b>Customer privacy</b>	Kathmandu, consumers	Our operations	
<b>Compliance</b>	Kathmandu, consumers	Our operations	

