

better easier more fun

sustainability report 2018



contents

1. foreword
2. 2018 results
3. HEMA in a nutshell
4. value chain
5. sustainability at HEMA
6. in dialogue with the world around us
7. materiality matrix
8. what our products are made from
 - raw materials
 - packaging
9. how our products are made
 - supply chain transparency and working conditions at production locations
 - sustainable design
 - environment
10. our role in society
 - food waste
 - good employment practices
 - The HEMA Foundation



investing in the future

With over 760 stores in ten countries, HEMA is at the heart of society across the world. I see it as our joint responsibility to make a positive difference - both for now and for later. In 2018, we added 'better' to our ambition to make the daily lives of customers and employees easier and more fun. We did this by expanding our range of sustainable, affordable products and creating innovative solutions and partnerships. All to give everyone a better daily life. In this way, HEMA contributes to an inclusive society that everyone can participate in. With the launch of the HEMA Foundation in the presence of independent board member Princess Laurentien, we were proud to draw attention to this ambition.

In addition to the social role that HEMA played in 2018, our new owner, Ramphastos Investments, enabled us to pave the way for further implementation of our growth ambitions and development into an international brand. Together, we are taking the necessary steps to make HEMA stronger, financially healthier and future-proof. Over the coming period, we will be looking into opportunities to expand the number of international partners in order to accelerate growth and create value. This also aligns with the sustainable company HEMA wants to become.

Sustainable entrepreneurship involves transparent targets in order to offer even better products. Our customers are right to expect the same from us as well. It is our ambition to buy 100% more sustainable cotton by 2020 and 100% more

sustainable wood and paper by 2022. We buy an increasing proportion of our meat and dairy products sustainably, recognisable by the Better Life and Meadow Milk marks.

In 2018, we drew up policies on three levels to make a substantial contribution to reducing plastic. We are looking into ways to reduce plastic, and where we still use plastic we are aiming for a higher percentage of recycled content and we try to encourage customers to reuse products.

HEMA is transparent about where and under which conditions our products are made. It is under these conditions that we establish relationships with our suppliers. In 2018, we were also in constant contact with our suppliers in order to stay informed about the conditions in the value chain in question. In 2018, we carried out a total of 629 audits at HEMA factories. This is a great achievement that helps to improve the safety and health of workers across the world. Our sustainability-related priorities always involve finding the right balance between our over 19,000 employees, the environment and the society in which we operate. I realise that the changes initiated in 2018 have demanded a lot from our employees in terms of flexibility. That is why I think it is important that we continue to research employee commitment and the understanding of the talents of individual employees.

There are plenty of questions and challenges that still lie ahead. At the same time, the results in this report show that together with our stakeholders, we are on the right track. It is not a straight path, but one in which we will continuously explore and assess the right collaborations, innovations, working conditions and of course affordability. Because a sustainable HEMA is for everyone.

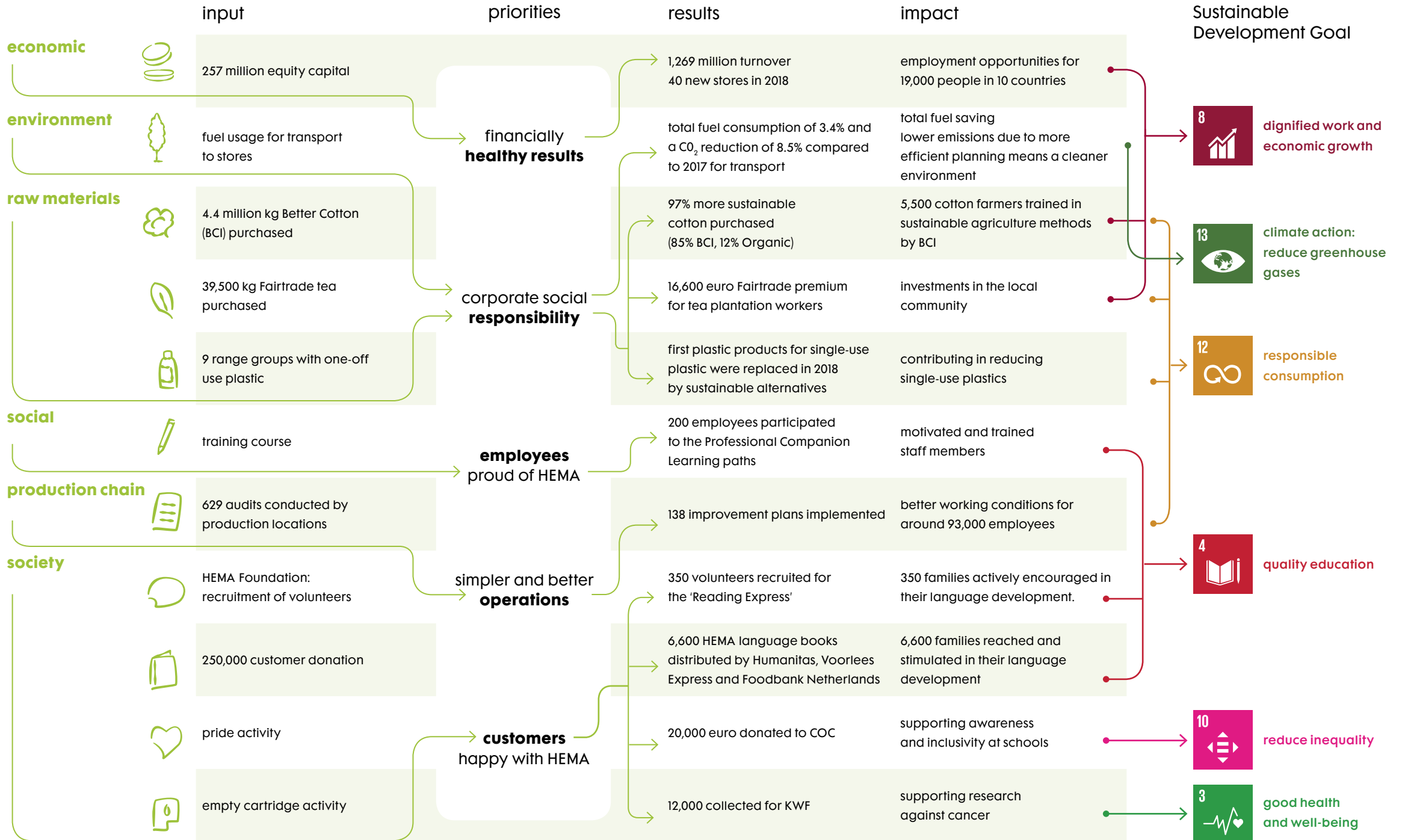


As a learning organisation, we would appreciate your feedback on this report. Please send your comments and suggestions to sustainability@hema.nl.

Tjeerd Jegen, CEO HEMA

2018 results

Our aim is to always find a good balance between social requirements, sustainable business practices and healthy financial results. We do this by setting objectives on various topics that we consider to be important. Within these topics, we work on continuous improvement.



HEMA in a nutshell

The *Hollandsche Eenheidsprijzen Maatschappij Amsterdam* (Hollandic Standard Prices Company Amsterdam), or HEMA for short, opened its first department store on 4 November 1926 on Kalverstraat in Amsterdam.

The founders, Leo Meyer and Arthur Isaac, wanted to open a department store for 'ordinary' people. Previously, department stores had been very much targeted towards wealthy people and most store employees spoke French. HEMA, as it would later become known, was the first department store of its kind in the Netherlands. Products were priced at 10, 25 and 50 cents. From day one, the essence of HEMA was defined as optimistic, unique, clear, reliable, accessible and typically Dutch. In 1927, HEMA opened its first store outside of Amsterdam and only a year later, there were ten HEMA stores in the Netherlands. In the 1950s, HEMA was the first franchising organisation in the Netherlands and we are still the largest franchisee in the Netherlands. From 1958, HEMA accelerated its expansion and quickly opened new stores across the country. HEMA opened its first store in Belgium in 1984.

The number of stores grew rapidly and is still growing. In 2018, HEMA had over 760 stores in ten countries, with 19,000 employees serving over six million customers per week. In 2017, there were 750 stores. In 2018, HEMA opened a store in Abu Dhabi, Qatar and two stores in Austria. At HEMA, we remain true to our history, as expressed perfectly in our brand essence: our products are always of high quality, well designed and sold at affordable prices. That's 'truly HEMA'. All of our articles are developed in-house and vary from food to non-food articles. The range consists of approximately 32,000 of our own products and services, many of which are sustainable. In addition to our stores, HEMA also has an online web shop where customers are served 24/7.

762 stores in ten countries

- 294 own branches in the Netherlands
- 216 own branches abroad
- 250 franchise stores in The Netherlands
- 2 franchise stores abroad



In 2018, we achieved a net turnover of €1,269 million

This turnover can be divided over the main categories:

- 38% hardware products**
- 36% clothing & underwear**
- 24% food & drinks**
- 3% services**



Tjeerd Jegen



Ivo Vliegen



Marcel Boekhoorn



Wilco Jiskoot

HEMA has been part of Ramphastos Investments since 29 November 2018. We will work with our new owner in 2019 to further implement our growth ambitions and develop into an international brand. As a result, the Supervisory Board has been reduced to two members, chairman Wilco Jiskoot and Marcel Boekhoorn.

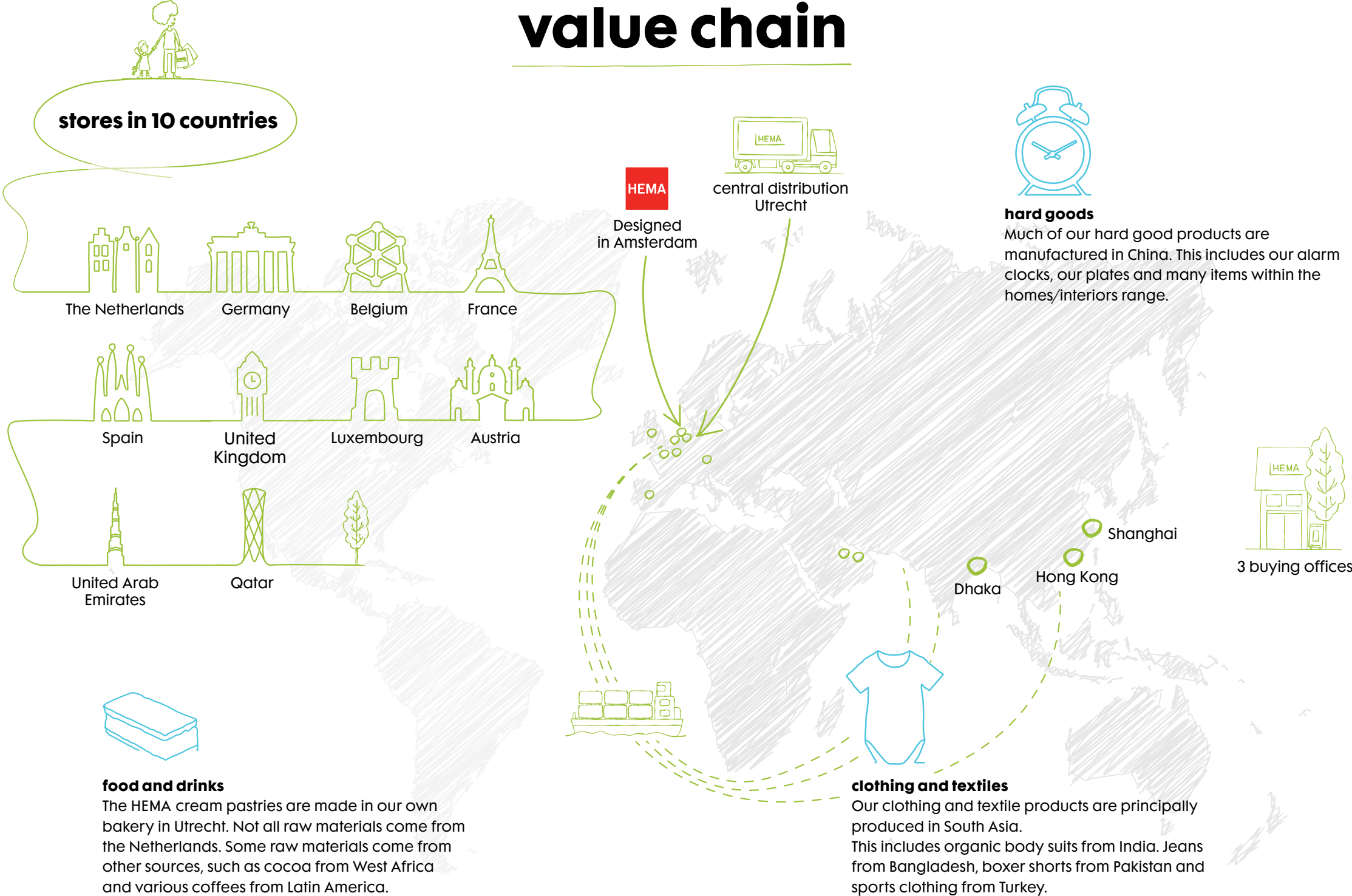
Wilco Jiskoot and Marcel Boekhoorn were both appointed members of the supervisory board for four years on 29 November 2018. Wilco Jiskoot, aged 69, as Supervisory Board chairman and Marcel Boekhoorn, aged 59, as a supervisory director.

The Supervisory Board will eventually consist of five members. The other three members will be selected based on their specific knowledge, experience and background, focusing on their expertise for HEMA. Before HEMA was acquired by Ramphastos Investments and was still part of Lion Capital, the Supervisory Board consisted of Andrew Jennings, Robert Darwent, James Cocker, Anders Moberg and Tanja Dik.

HEMA's Board of Directors consists of Tjeerd Jegen and Ivo Vliegen. Tjeerd Jegen is 48 years old has been the CEO since 2015. Ivo Vliegen is 55 years old and has been the CFO since November 2015. Together, they form the directorate and both have an employment contract with HEMA for an indefinite period of time.



value chain



sustainability at HEMA

At HEMA, we don't just want to make daily life easier and more fun - we also want to make it better. By making sustainable products affordable for everyone.

sustainability is for everyone

Everyone can contribute to making our company more sustainable. It is an integral part of our way of working. The sustainability team draws up the policy for the organisation with the associated targets and ambitions. Together with the various departments within HEMA, we then work on an action plan. The relevant department implements the plan and the sustainability team monitors progress. Solid, continuous collaboration is very important in this. Sustainability is not only for everyone – it also belongs to everyone.

Because sustainability is an essential part of our policy, the sustainability team reports directly to the CEO. With the CEO as the sustainability sponsor, the subject is anchored in the management approach. In the coming years, it will become an even more important part of our strategy. The world around us is changing rapidly. An example is the scarcity of certain raw materials. As a company we feel obliged to minimize our negative impact and maximize our positive impact where we can. . How do we make our designs as sustainable as possible and which are the best materials to use? How can we make it easy for people to maintain a sustainable lifestyle? What does sustainable innovation mean for HEMA? And how do we make steps towards circularity?

These are all important questions when it comes to developing our range and within our broader business strategy.

collaboration

There is no straight road towards a more sustainable future. It is a constant search in which we look into the right working conditions, the availability of sustainable materials, the latest developments and of course affordability, because HEMA is there for everyone. Collaboration with other parties is therefore essential. A good example of a collaboration with a broad group of stakeholders is the circular festival Beyond Next, which took place on 7 and 8 February 2019. It was set up together with the Amsterdam Fashion Institute (AMFI), Circle Economy, ABN AMRO and the municipality of Amsterdam. We showed that collaboration is extremely important in order to take on the challenges of sustainability and circularity.

always one step ahead

In 2017, we made a major effort to make sustainable purchases of cotton, wood and paper. In 2018, we purchased even more sustainable materials and we started drawing up our policy on plastic. Together with suppliers and knowledge institutes, we explored in detail which targets are feasible for us as well as ambitious. One of our ambitions is to use more recycled plastic. With this in mind, in 2018 we started exploring how we can turn plastic household waste into new products. We expect to introduce the first circular plastic products in early 2020.

social role

2018 was a very special year for us in terms of our social role - it was the year in which we launched our HEMA Foundation. We believe that inclusiveness contributes to a more diverse and creative society, in which everyone can participate in daily life. It is only by empowering everyone and using people's talents that we can come up with



"Making sustainability accessible to everyone, that is our ambition. It is great, how we, as a team, can contribute to this. An increasing number of customers opt for sustainable alternatives and HEMA would like to be a part of this.

innovative solutions together for a better daily life for everyone. More information about the HEMA Foundation can be found on page 28 of this report.

Eva Ronhaar,
Director of Innovation & Sustainability
and Director HEMA Foundation

in dialogue with the world around us

For HEMA, it is important to maintain a dialogue with customers, social organisations, suppliers, the industry and other stakeholders. They influence our operations, including (sustainable) activities, and provide input for our vision. We also work with them to make a positive impact, because it is not something we can do alone. This is why we actively engage in discussions with various parties several times a year through joint ventures, one-to-one conversations and customer panels.

social organisations

Since we are aiming for long-term impact, we work together with a number of regular partners. We have been working with the Dutch Cancer Society (DCS) since 2006. When a customer returns an old cartridge to us, the customer donates an amount to the DCS. As in 2017, we collected and donated €12,000 to the DCS.

We have been supporting the COC since Amsterdam Pride in 2016. In recent years, we have conducted a specific Pride HEMA Campaign and sold matching products such as t-shirts and tompouces. The profits from these products benefit the COC's GSAs. A GSA is a group of students who strive to make their school safe for everyone. HEMA also believes that a secondary school should be a safe place for everyone, which is why we are doing our bit. In 2018 we donated €20,000 to the COC.



During the Pride week in August, HEMA organised the HEMA wedding. At HEMA's invitation, three European couples who were unable to marry in their own country joined the HEMA wedding boat. By making this marriage possible, HEMA and these couples wanted to show that celebrating and sealing love should be possible for everyone.

We have also been working with the LINDA Foundation for a number of years. In 2018, we contributed through various donations and sponsorship campaigns, including sponsoring clothing for the December issue, in which fathers were photographed.

stakeholder discussions

During the last stakeholder meeting in 2017, we, the employees of the sustainability team and members of the board of directors held talks with NGOs, the government, suppliers, certification marks and retailers about sustainable materials, value chain transparency and our contribution to society.

An outcome of the meeting was that we, together with the Netherlands Institute for Sustainable Packaging, formulated our sustainable packaging policy in 2018. Throughout the year, we talked to various sustainable labelling initiatives about making our range more sustainable.

In 2019, we are planning a suppliers' day, during which we will challenge suppliers to help come up with sustainable solutions for HEMA.





our customers

Over the past year, we have received many questions, reactions and valuable ideas from our customers. We have noticed that sustainability is becoming increasingly important to our customers and that they are playing a more active role. Customers can send questions and suggestions to sustainability@hema.nl, our HEMA social media or our general helpdesk. We receive questions on various topics including the materials we use for our packaging, the origin of our products, to the working conditions of production staff. Last year, we also received many questions and suggestions about the use of plastic in our packaging and products. We take our customers seriously and any useful feedback is taken into account.. In part due to suggestions from customers, the plastic confetti in our confetti popper has been changed to paper confetti.

To monitor whether we are on the right track, we conduct a weekly survey in which we ask 200 consumers whether they think that HEMA is a sustainable and socially responsible organisation and whether our sustainable products are easy to find in our web shop and stores.



trade associations and multi-stakeholder initiatives

HEMA continuously explores how we can implement positive changes within the sector. For this reason, we are members of various initiatives.

We are affiliated with national and international multi-stakeholder initiatives such as the IMVO Dutch Agreement on Sustainable Garments and Textile, the BSCI and the Bangladesh Accord. We are also members of national trade associations such as the Association of Large Multiples in Textiles' and Modint. In order to gain a better understanding, support and knowledge for the approach of the IMVO Dutch Agreement on Sustainable Garments and Textile, we hosted a working visit in June 2018 for the members of the Lower House of Parliament of the Parliamentary Standing Committee on Foreign Trade and Development Collaboration.

Together with other companies, we explained the value chain and which processes contribute to making it more sustainable.

round table

In 2018 the VNO-NCW organised a round table dinner in which HEMA CEO, Tjeerd Jegen, also participated. The issue of circularity in the sector was on the agenda. The aim is to encourage and facilitate collaboration between companies on the road to circularity. Knowledge sharing ensures that a circular economy starts up and goes beyond a few circular projects and initiatives.

plastic packaging waste as a raw material

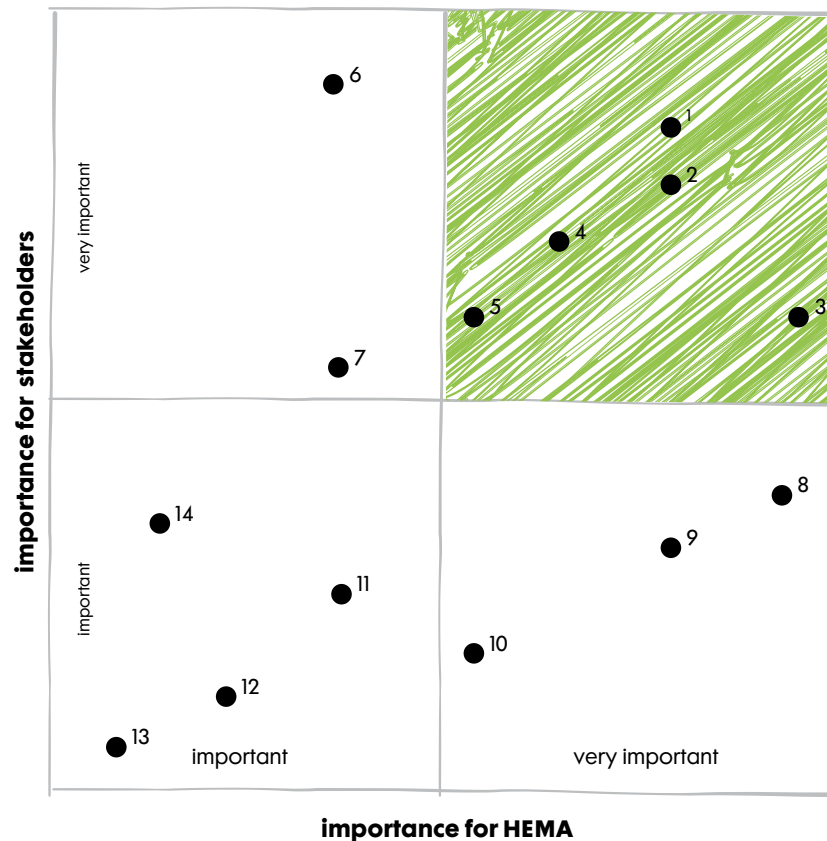
HEMA aims to become more circular in the future. We have the ambition to use as much as possible renewable resources and recycled materials. Because of this ambition we started last year by participating in the "Plastic packaging waste as a raw material." We have researched how we can make toys from household waste.



materiality matrix

In 2017, we conducted a materiality analysis for the second time to determine the priorities for our sustainability policy. We asked various external stakeholders, customers, employees, management and board members of HEMA which subjects they considered important for HEMA.

The most relevant topics are: raw materials, packaging, the environment, sustainable design and food waste. In addition, we have been focusing for years on topics such as value chain transparency, working conditions for workers and good employment practices. These are important themes for HEMA, that we are constantly working on.



1. environment

Our products require fuel to transport them, and in the process we emit greenhouse gases that are harmful to the environment. It is our ambition to continue to reduce transport emissions.

2. food waste

In addition to products with a long shelflife we also sell fresh products that may exceed their expiry date. We therefore work with several initiatives to combat food waste.

3. packaging

We use packaging to protect and transport our products. We use various packaging materials for this purpose, and our ambition is to use less, more sustainable and more recyclable packaging material.

4. sustainable design

Sustainability, design, customer solutions and quality play a central role in product development. We strive for better products in three areas: better for the environment, better for people and better for consumers.

5. raw materials

Our ambition is to make the raw materials we use for our products more sustainable. Our focus is on the raw materials that are used most in our products, and therefore can make the greatest impact. These raw materials include plastic, cotton, wood and paper, dairy, meats, coffee, tea, cocoa and palm oil.

6. working conditions at manufacturers' facilities

7. waste and recycling

8. being a good employer

9. supply chain transparency

10. commitment to the community

11. healthy products

12. involving customers with sustainability policy

13. supporting community initiatives

14. animal welfare

what our products are made of

raw materials

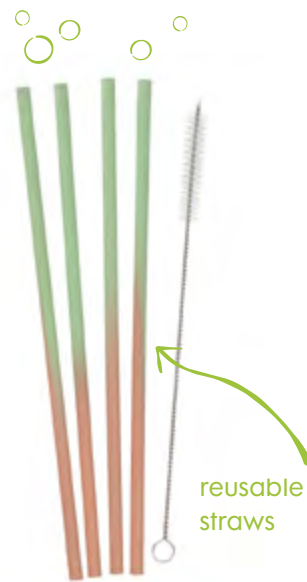
plastic

Nowadays, it is difficult to imagine a plastic-free society. Since the mid-twentieth century, the use of plastic has grown enormously. Plastic has many good properties, which explains why it is so widely used. Unfortunately, plastic has a downside: it is not naturally degradable and can cause damage to the environment. In addition, most plastic is made from crude oil, a non-renewable source.

With a growing world population, the consumption of plastic will increase over the coming decades. Because we use plastic and there is no good alternative yet we as a retailer have to start using it more responsibly. To ensure that we take our responsibility, we have drawn up a plastic policy and set targets for the plastic we use in our products and packaging.

You can find plastic in our hard goods and as polyester in clothing. We also make a distinction between single-use products such as straws, stirrers, cotton buds and confetti and longer use products such as toys and storage boxes. For single-use plastic products, we have set ourselves the goal to find more sustainable alternatives where possible by 2020, to prevent single-use plastic from ending up in the environment as litter. We are taking action earlier and with more ambition than the European regulation on single-use plastic that is expected to come into force in 2021. In 2018, we had nine product ranges of single-use plastic products.

For all other plastic or polyester products such as hard goods and clothing, we have set a target of using only recycled or renewable alternatives by 2025.



For our consumer packaging, we have set a target of reducing plastic by 25% by 2025 compared to 2018. We also want all our consumer packaging to be 100% recyclable by 2025. In 2019, we will carry out a baseline measurement to make progress towards these targets measurable.

Nine product ranges for single use plastic

baseline in 2019

1.450.752 kg plastic for consumer packaging

targets

In 2020, a more sustainable alternative to single-use plastic products

In 2025, 100% recycled or renewable material for plastic and polyester products

In 2025, 25% reduction of plastic consumer packaging compared to 2018

By setting out a clear policy and associated ambitions on three levels (single-use products, longer use and packaging), we expect to make a substantial contribution to reducing plastic and making plastic more suitable for recycling.

To underline our policy, in February 2019 we signed the Plastic Pact; an initiative of the Ministry of Infrastructure and Water Management. By signing, we want to work with other companies in the Netherlands to find universal solutions for specific plastic challenges.

An example of how we want to reduce single-use plastic use is by encouraging reuse. In December 2018, HEMA customers could save up for a reusable coffee cup. With the reusable coffee cup or your own cup, customers could get a 25 cent discount on hot drinks at all HEMA take away locations.



cotton

It is our ambition to buy all the cotton we use more sustainably by 2020.

We are well on our way to achieving this target. In 2018 we purchased over 97% of the cotton we use more sustainably according to one of the three sustainability standards: the Better Cotton Initiative (BCI), organic certified cotton through the Organic Content Standard (OCS) and the Global Organic Textile Standard (GOTS).

	2017	2018
Better Cotton Initiative	70%	85%
Organic (Organic Content Standard of Global Organic Textile Standard)	10%	12%
total	80%	97%

target 2020
100% sustainable cotton

Through our commitment to more sustainable cotton, we contribute to more efficient water use, a higher yield per hectare and a better income for small-scale cotton farmers. By purchasing through the BCI, we enable them to reach 5,500 farmers and train them in sustainable farming methods. The organic cotton we use in our collections focuses on sustainable agriculture, without the use of chemical pesticides. In 2018, we travelled to India to follow our organic baby bodysuits from cotton field to baby bodysuit.

 [Watch the journey of the organic bodysuit.](#)

Supporting Better Cotton Farmers	2017	2018
Number of farmers reached through HEMA contribution	3000	5500

wood and paper

In 2018, over half of all our wood and paper products were FSC® certified. The FSC label guarantees that our products are made of wood from responsibly managed forests.



Our ambition is to have all our wood and paper products FSC® certified by 2022. Last year, we added FSC® wooden toys to our range.

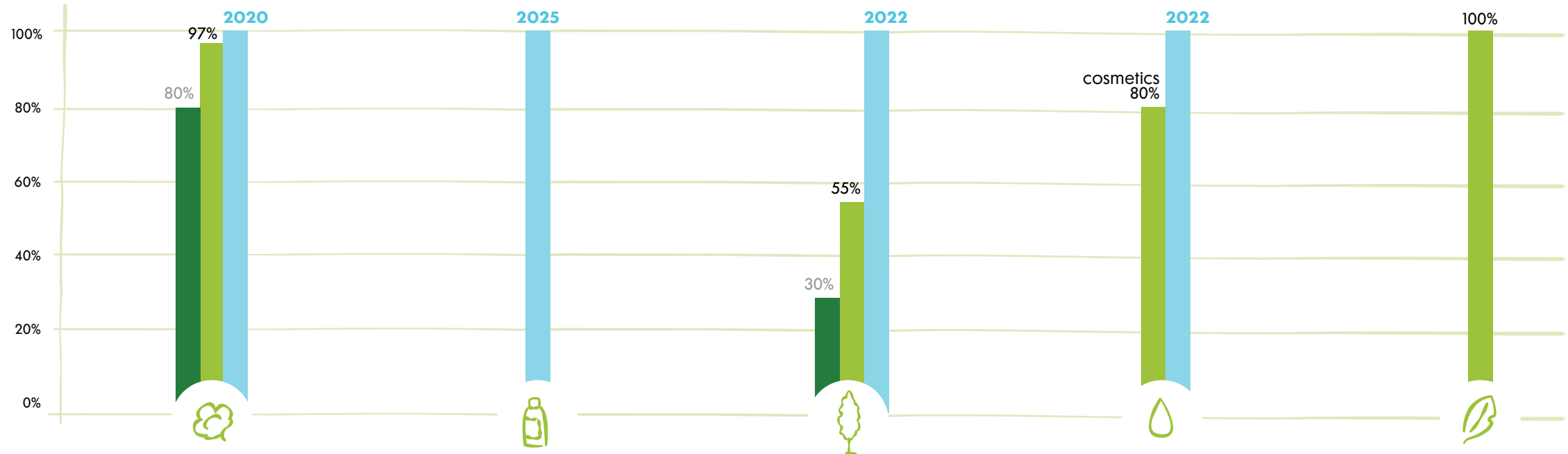
	2017	2018	target 2022
Share of FSC wood and paper	30%	55%	100%



development 2017 - 2018

non-food

2017 2018 target



cotton
aim to use
100% sustainable
cotton in 2020
 We use
 three standards:
 BCI, OCS and GOTS.
 You can recognise
 the products by
 these logos:



plastic and polyester
doelstelling:
objective:
100% recycled or
renewable as of 2025
 baseline measurement
 in 2019



wood and paper
objective:
100% sustainable
forest management
by 2022



palm oil
objective:
100% responsible
palm oil by 2022



down
 We use the standards:
 Downpass and RDS
 You can recognise
 the products by
 this logo:



animal welfare

It is our ambition to buy all our meat products in a more animal-friendly way. To do so, we joined the Better Life foundation in 2017 and as a first step, all our Dutch hams are 1 star Better Life certified. In 2018 we decided to have our bakery certified. In our bakery, fresh savoury products such as sausage rolls are made.



In 2019, we expect to be able to offer them with 1 star Better Life certification to our customers. We will also explore the possibilities to more sustainably source some of our iconic products such as our hot dog and smoked sausage with 1 star Better Life certification.

	2017	2018	target 2019
Share of Better Life certified products (at least 1 star)	21%	23%	Extension to bakery products, hot dogs and smoked sausage with 1-star Better Life certification

In addition, it was our ambition to convert all fresh dairy products into meadow milk or organic by 2018.



This target has not yet been achieved for all fresh products. The target is to achieve this for all products by 2020.

	2017	2018	target 2020
Share of meadow milk or organic dairy products	61%	58%*	100%

*The percentage is slightly lower in 2018 due to the discontinuation of products with a label.

coffee, tea and cocoa

Our cocoa has been certified since 2014, and our tea and coffee have been certified since 2015. All our products are certified by one of the well-known labels: UTZ, Rainforest Alliance and Fairtrade. In 2018, we sold more Fairtrade tea than the prior year, resulting in a higher Fairtrade premium for the tea plantation workers.



By choosing Fairtrade tea, we were able to pay a total Fairtrade Premium of €16,600. The local community invested the money in social projects such as educational grants for children.

	2017	2018	growth
Fairtrade Premium paid	€ 12.500	€ 16.600	33%
Kg of Fairtrade tea	25.000	39.500	58%

palm oil

Our policy for all our food products containing palm oil is that they must be certified according to the Roundtable on Sustainable Palm Oil standard (RSPO).



Last year we achieved this ambition for all our food products.

One of the most important points of the standard is that there may be no deforestation. Deforestation occurs in countries such as Indonesia and Malaysia. To prevent it, it is vital that companies that purchase palm oil continue to comply with standards such as the RSPO.

vegan

There is an increasing demand from our customers to incorporate vegan products into our range. In response to this, we developed several vegan products in 2018. The vegan products will be introduced in our food and beauty range in 2019.

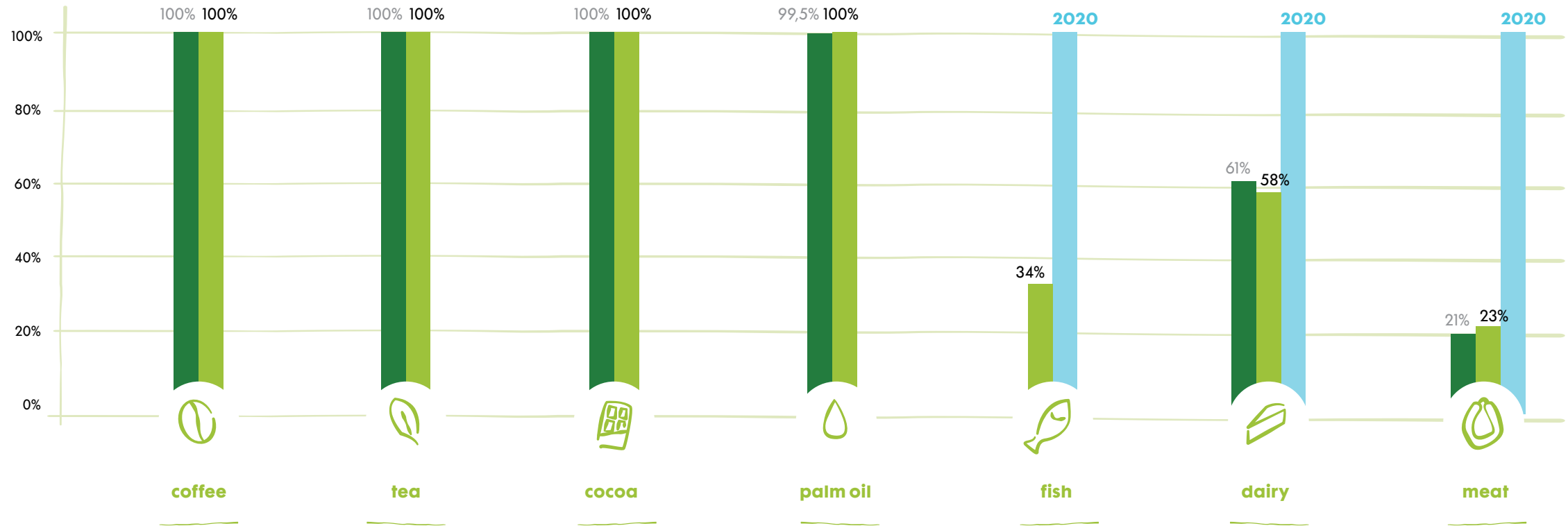


For example, we will introduce a vegan apple pie and an entire range of vegan beauty products, recognisable by this logo.

development 2017 - 2018

food

2017 2018 target



packaging

In 2018, we set targets for making our consumer packaging more sustainable. The guiding principles are: less, more sustainable and recyclable.

2018

baseline 2018*:
2.431.890 kg paper/cardboard
1.450.752 kg plastic
331.096 kg glass
77.508 kg aluminium
23.907 kg steel

baseline in 2019

baseline in 2019

target

25% less packaging in 2025 compared to 2018

100% recycled or bio-based plastic packaging in 2025

100% recyclable packaging in 2025

* These results apply to product packages sold in the Netherlands, Belgium, Luxembourg, Germany, Austria, France, Spain and England



In 2019, we will perform a baseline measurement for the other two targets so that we can monitor progress annually.

On a product level, we started to make our packaging more sustainable in 2018. We started with a test, replacing the black plastic trays used for meat products with transparent recycled PET trays. The new trays are recyclable and made of recycled materials. We are also testing a “pick and mix” concept, where the fruit is no longer packed in plastic. This gives consumers more freedom of choice, reduces food waste and reduces the total weight of plastic packaging.

For secondary and tertiary packaging such as transport to the stores or shipments through the web shop, we have an agreement with our suppliers that the packaging must be recyclable. For example, cardboard must not contain any coating or heavy metals, and all films must be transparent and made exclusively from LDPE plastic (Low Density Polyethylene). These requirements ensure that the packaging materials are easy to recycle. In stores and distribution centres, we separate paper and plastic for recycling.

One of our challenges in 2018 was to add universal recycling labels to our consumer packaging. Because separating and recycling packaging is not organised in the same way in the countries we operate in, it is not yet possible for us to develop universal recycling labels to better inform consumers on how to dispose of our packaging.

how our products are made

supply chain transparency and working conditions at production locations

Supply chain transparency is one of the basic principles of HEMA's sustainability policy. Openness about where and under which circumstances products are made are conditions we establish when we enter into relationships with our suppliers. China, Bangladesh and Turkey are the main countries where HEMA textiles and hard goods products are produced. Food products mainly come from Europe.

With a range of approximately 32,000 products, which are produced all over the world, we have a large number of supply chains. That is why it is important that we stay in constant contact with our suppliers to stay up to date with the circumstances in our supply chains..

We have noticed that more and more stakeholders want to know how HEMA monitors its supply chains. In our sustainability report and on our website hema.nl/sustainability, we explain our approach and the requirements we set for suppliers. We are also working to include the origin in our communication about the product. We therefore also indicate the country of production on the packaging of many of our fashion and make-up items. We have also updated our production locationlist, which is aggregated and communicated by the IMVO Agreement on Sustainable Garments and Textile.

 [See the list of these production locations here.](#)



international guidelines

Our business code has been drafted on the basis of guidelines from multiple international organisations. The guidelines from ILO conventions, OECD, the Universal Declaration of Human Rights, the Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination Against Women are integrated into our business code.

understanding the supply chain

Every year, HEMA continues to take steps to increase its understanding of our various supply chains. One of our ambitions for 2018 was to make our various supply chains even more transparent. To achieve this, we reviewed our internal work processes and created a more efficient way of working, with the road to transparency at number one. In addition, HEMA and an external party conducted factory inspections (our preferred term is 'audits') at our production sites.

In 2018, a total of 629 audits were carried out among our various production locations for textiles and hard goods products. Of these, 290 audits were conducted by our own social compliance auditors.

7 aspects which we audit:

- chain transparency
- preventing child labour
- preventing forced labour
- safe and healthy working environment
- realistic and accurate wages and working time registration
- employee insurance
- preventing environmental pollution

the most common findings from our audits

The 7 aspects are prioritised on the basis of severity and frequency. We conduct our own audits before orders are placed. We generate findings from 82% of our audits. If findings are very serious, orders may not be placed and the factory cannot fulfil the primary criteria for starting a collaboration. In other cases, concrete improvement plans with deadlines will be set out in consultation with the factory. Of the audits conducted by HEMA, 239 have resulted in improvement plans being drafted.

China, Bangladesh and Turkey are the most important countries in terms of production. These three countries are characterised as risk-countries. In order to determine whether a country is a risk-country, we look at the effectiveness of the country's government in relation to various factors. Are there, for example, laws that guarantee decent employment conditions and to what extent are they implemented, applied and monitored?

In these three countries, most of the findings relate to improvements in terms of a safe and healthy working environment. Certificates for fire and/or building safety inspections are often out of date, the regular fire and safety training is not carried out on time or evacuation plans have not been updated after expansions.

We also regularly see findings regarding environmental pollution.

These usually relate to the expiry of the environmental report.

The last aspect in the top 3 findings, is insurance for workers. HEMA's requirement is that 100% of the employees must have accident insurance; this covers temporary (agency) workers, workers in their trial period and all permanent employees. If this is not the case, we set a short deadline for this improvement point and it will often have been resolved before HEMA starts production. Once it has been set up, if the factory decides it cannot or will not implement the improvements within the plan within the agreed time span, we will make no further orders with the factory and terminate our collaboration.



external audits

Up to one year after our own audit, the BSCI carries out an audit at the factory. The BSCI is an initiative of companies of which HEMA has been a member of since 2003. The initiative is designed to improve working conditions and environmental standards on a global level by conducting independent audits at production sites. The BSCI audit includes additional aspects such as discrimination and freedom to join a union and collective negotiations. These aspects are also included in our business code. In 2018, 254 BSCI audits were conducted in relation to HEMA production locations.

If necessary, we will also set up an improvement plan with the factory after a BSCI audit. If multiple BSCI members produce goods at the relevant production location, one business will take the lead in terms of planning the audit and drafting the improvement plan, if required.

Thanks to the implementation of these improvement plans, we have been part of creating better working conditions for around 93,000 employees at our production locations.

	2018
total audits conducted	629
audits we have conducted	290
external audits (e.g. BSCI)	339
number of improvement plans	239
number of improvements implemented	138



one step further back in the supply chain

During our own audits, we check whether the factory has all of the relevant production processes required to make HEMA products or whether other production locations will have to be involved. We can then be sure that we have a good overview of all of the so-called Tier 1 subcontractors. Our suppliers may not outsource any of their processes without our consent. We also agree with our suppliers that our code of conduct must be applied by their subcontractor.. This allows us to maintain an insight into the entire supply chain and work alongside our suppliers on the environmental and working conditions in relation to subcontractors.

The factories which make our products also buy their materials and accessories from various secondary suppliers. These suppliers are called Tier 2. Gaining a transparent view of Tier 2 poses a challenge, as we have no direct relationship with them. HEMA's range comprises of many different types of articles, making it complex and time-consuming to get a transparent view of these entire production processes. At the moment, we are creating an overview of the Tier 2 suppliers, starting within our top 3 purchasing countries, with Turkey and Bangladesh. In Bangladesh, we have our own purchasing office and in Turkey, we have been working with our agent for many years and this enables us to take this step with confidence. After Turkey and Bangladesh, in 2019, we will gain a further overview of the Tier 2 secondary suppliers in China.



collaboration for better working conditions

In order to improve working conditions in Bangladesh, HEMA joined the Bangladesh Accord in 2013, also known as the Accord on Fire and Building Safety in Bangladesh. We also signed the 2018 Transition Accord: a multi-stakeholder initiative that focuses on structural improvement in the field of fire and construction safety in Bangladesh.

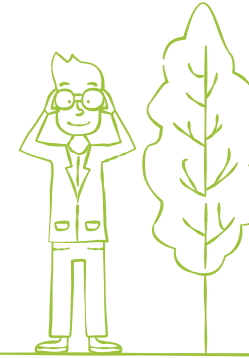
By the end of 2018, our production sites had implemented 95% of the first improvement plans that had arisen from the inspections conducted under both agreements. This has been verified by independent inspectors.

A training programme focusing on the health and safety of workers who manufacture clothing forms part of the Bangladesh Accord. An important topic in the training programme is enabling employees to identify risks and report complaints. This is an important factor for the structural improvement of working conditions.

Local trade unions are used to conduct the training courses. Up to the end of 2018, 74,820 clothing workers attended 169 training programmes in Bangladesh.

Through the IMVO Dutch Agreement on Sustainable Garments and Textile, where we form part of the steering committee, we work together with many other companies, the government, trade unions, NGOs and trade associations to promote a sustainable clothing and textiles industry. A living wage and hazardous working conditions are one of the most important themes within the Agreement. By sharing knowledge, we can tackle common challenges together. In this way, we are able to support improvements in and the sustainability of the entire clothing and textile industry, which reach further than just our own production chain.

In addition, each year we submit an action plan to the IMVO regarding improvements in working conditions at our production sites and preventing environmental pollution. The action plan is assessed and subsequently discussed with HEMA's management and sustainability department. Below, we present the steps that have been taken with regard to the two topics. In addition, each year we provide a list of the amount of textiles we use, in order to assess our environmental impact. The Agreement also has a complaints and disputes mechanism. Complaints can be submitted about possible violations at production locations. If complaints are linked to production locations where HEMA is active, we are then notified so that we can immediately take the appropriate action.



Our ambition is to make a positive impact within our entire supply chain. We will do so by continuing to carry out audits and actively following up on all improvement points. Collaboration is the best way to tackle problems related to working conditions. For this reason, in addition to implementing the points for improvement arising from our audits, we want to explore in more detail how, in collaboration with our suppliers, local experts and other stakeholders, we can provide factories with knowledge, resources and support in order to continue to make a structural impact.

sustainable design

At HEMA, we want to make the daily lives of our customers better, easier and more fun. Affordability and quality play an important role in this, so we can make these articles available to everyone.

The word 'better' can be split into three components:

- **better for the environment:**
reducing the negative impact on the environment as much as possible.
- **better for people:**
increasing the social impact of our product development.
- **better for consumers:**
a sustainable product is easy to use and designed to last.

Sustainability, design, customer solutions and quality play a central role in product development. Our ambition is for our products to meet these three points, making the products available at an affordable price. When developing new products and services, we always look at whether the design can be made more sustainable.

Our target was to increase the share of innovative sustainable articles for each purchasing department by 2018. In 2018, we added various articles to our range that meet our three sustainable points. For each point, we looked into whether we could further research and develop this for 2019.

In 2018, we developed sustainable products by selecting a different raw material, such as recycled polyester, organic cotton, FSC paper and FSC bamboo.

We are also developing more circular products. An example is turning old candles into new ones. Because some candles are shown less love in their first life, we like to give them a second chance. We do this in collaboration with Stichting Amerpoort. They offer people with disabilities work. For HEMA they have turned our old candles into new ones.

recycled
candles



Since our target for 2018 was to introduce more sustainable products per product group, we investigated whether circular principles could be better applied in terms of the design of HEMA products.

Another focal point is education. Various articles are going to be developed that will contribute to the education of children.

targets for 2019:

- **Increase the share of renewable raw materials and other materials (see p.13).**
- **Include education as a component of the sustainable toys and children's fashion articles. An example is the development of toys and children's fashion with an informative message, such as the topic of "forgotten animals". In this topic, a child can learn various fun facts about animals that may not be obvious.**

our role in society

food waste

HEMA works to combat food waste. Our ambition is to reduce food waste by 15% in 2020 (sales value of fresh products) compared to 2017. In 2018, we started to put together clearer information for our store managers. With these insights they can better cater to our customers.. We also notice that the needs of our customers vary between the different regions of the Netherlands. By giving stores more space for entrepreneurship, they will be able to respond better to the local needs of our customers and contribute to reducing the amount of food waste.

food waste

fresh products

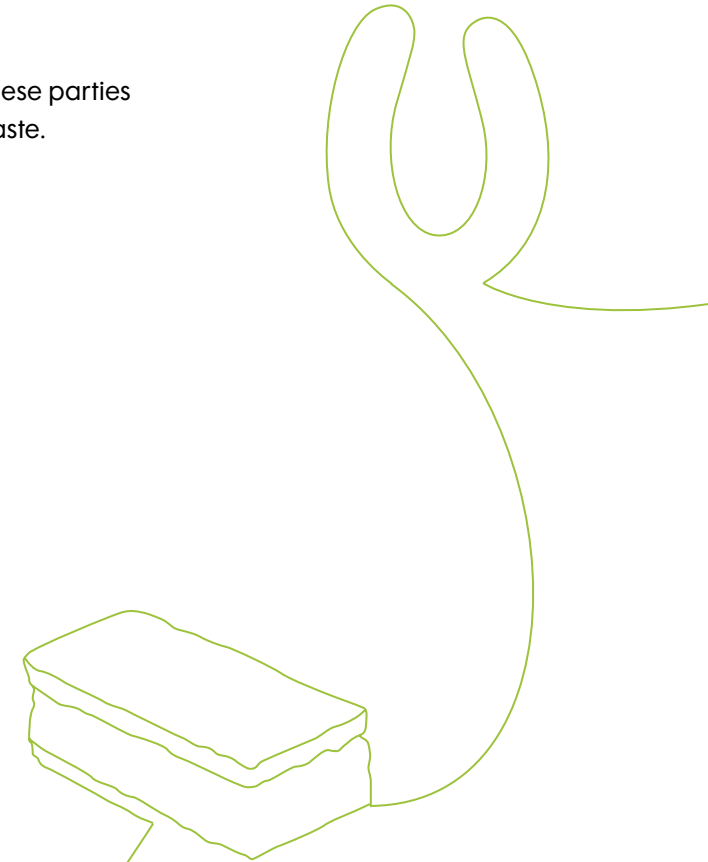
target 2022

15% reduction in sales value compared 2017

For 2018, we want to continue our collaboration with the Food Bank in Amsterdam and select two new regions for further expansion. The regions in which we want to expand are Utrecht and Overijssel.

A new development is the collaboration with the app Too Good To Go. In October 2018, we launched a trial with five HEMA stores in Amsterdam to combat food waste through this platform. The concept is to collect products with a short shelf life in a magic box. The box, the content of which differs each time, is offered at a reduced rate and can be ordered and collected just before closing. The first results are positive: in the first ten weeks, 85% of the boxes offered were sold.

In 2019, we intend to continue our collaboration with both of these parties and continue working towards our target of reducing food waste.



good employment practices

HEMA makes daily life better, easier and more fun for both our customers and our employees. The world around us is changing increasingly rapidly, and customers are becoming more critical. This requires a flexible organisation with flexible employees. Employees who respond flexibly to change and take care of their own sustainable employability by implementing this in their own work or, for example, by supporting the HEMA Foundation.

We highlight the importance of this to our employees and offer them various facilities to start working on it. In this context, we put sustainable deployment at HEMA on the agenda in 2018, paying particular attention to coaching and training, employee commitment, talent development and employee health. Together with the Works Council, we will roll this out to an even larger group of employees in 2019.

coaching and training

We have rolled out TipTrack to 450 HEMA employees. This online tool provides employees with information about their sustainable employability. They receive tips upon request and can purchase training courses and coaching in the areas of work, development, finance and health. At the end of 2018, 27% of this group of employees actively used TipTrack. Our target for 2019 is 50%. To this end, we will raise awareness about sustainable employability in various ways and make TipTrack more widely known.

Being able to develop is essential for sustainably deployable personnel. HEMA has invested in various initiatives in this area. Around 250 employees have received coaching and supervision at the Support Office in the areas of process improvements, collaboration and personal leadership. 255 managers at the support office and in the stores, bakeries and distribution centre completed a training course in conducting good assessment interviews.

An onboarding passport has been developed for HEMA stores in all countries to ensure a quick, easy and sustainable intake of colleagues. In addition, 145 new colleagues attended an inspiring introduction day at the support office.



committed employees

We also paid a great deal of attention to employee commitment in 2018. An internal survey showed that HEMA stores with highly committed employees also have less staff turnover and fewer absences. We discussed this with all store managers and they drew up action plans to further increase commitment. This should result in a decrease in staff turnover over the coming years. This decrease was not yet apparent in 2018, but the trend has remained stable compared to 2017. The target for 2019 is to reduce total staff turnover in stores by 10%.

talent development

Our employees in the stores and the distribution centre who have an MBO or HBO level of education have better opportunities on the labour market. To this end, HEMA offers Beroeps Begeleidende Leerwegen (BBLs, vocational learning pathways) on various levels. In 2018, over 200 employees participated in these learning pathways. In addition to the BBLs, in 2018 we also offered a HBO Associate degree for the first time for 17 employees from stores (own branches and affiliated companies). The target for 2019 is to have at least 250 BBL students follow an MBO course.



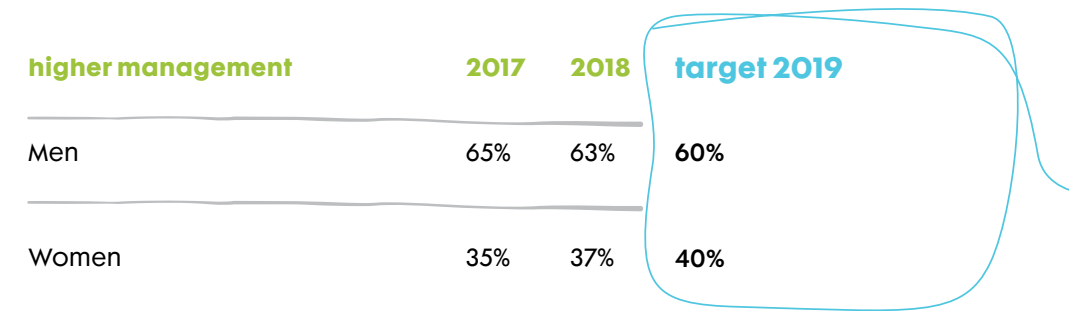
Gaining an understanding of individual employees' talents as well as the top talents within the organisation was an important target for 2018. To this end, we started working with online assessments, which give employees insight into their own talents. Of course, we select the best people to fill our vacancies. We do this in all business units and in all countries in which HEMA has stores.

Within the higher management, we identified talents with a 360 degree feedback survey. The target for 2019 is to begin a broader roll-out of this development tool in the rest of the organisation, since information about your own qualities provides more development opportunities and chances to develop.

We also identified the potential of managers and professionals within HEMA using the 9-box grid method. With this information, individual development plans have been drawn up and we can more effectively facilitate internal growth. We did this at the support office, in stores, at the distribution centre and in the bakeries. The target for internal growth to senior management positions is 30%. In 2018, this was 22%.

diversity

Diversity is an important topic for HEMA. After all, HEMA is there for everyone. Within the higher management, we have seen a slight improvement in the male-female ratio. The target for 2019 is 60% men, 40% women. For 2019, a policy will be drawn up for this and will be actively managed. In addition to gender, we have also seen an increase in the diversity of nationalities within the senior management. In 2017, we saw seven non-Dutch managers in senior managerial positions compared to ten in 2018.



healthy employees

Finally, the health of our employees is a top priority. Relaxation and exercise are extremely important in order to maintain a balance for our hard-working employees. To this end, in 2018 we entered into a partnership with Gympass. With a subscription you can discover and try out all kinds of activities, from yoga and swimming to boxing and sauna sessions. 25% of employees who signed up actively use their membership.

HEMA in employment contract *

• The Netherlands

294 branches
3,728 permanent contracts (89% women/11% men)
4,179 temporary contracts (86% women/14% men)
100% CLA

• Germany

20 branches
52 permanent contracts (87% women/13% men)
221 temporary contracts (89% women/11% men)
No CLAs

• Belgium

97 branches
830 permanent contracts (92% women/8% men)
74 temporary contracts (85% women/15% men)
100% CLA

• France

77 branches
659 permanent contracts (64% women/36% men)
174 temporary contracts (64% women/36% men)
100% CLA

• Spain

9 branches
76 permanent contracts (63% women/37% men)
55 temporary contracts (65% women/35% men)
100% CLA

• United Kingdom

89 permanent contracts (52% women/48% men)
1 temporary contract (100% women)
100% CLA

• Luxembourg

4 branches
30 permanent contracts (94% women/6% men)
2 temporary contracts (100% women)
100% CLA

• Austria

2 branches
29 permanent contracts (90% women/10% men)
5 temporary contracts (100% women)
100% CLA



Amsterdam support office

443 permanent contracts (65% women/35% men)
229 temporary contracts (69% women/31% men)
93% CLA

distribution centre

486 permanent contracts (21% women/79% men)
38 temporary contracts (28% women/72% men)
99% CLA

bakeries

185 permanent contracts (19% women/81% men)
51 temporary contracts (30% women/70% men)
99% CLA

purchasing offices

• Dhaka

4 permanent contracts (50% women/50% men)
14 temporary contracts (7% women/93% men)

• Hong Kong

0 permanent contracts
10 temporary contracts (70% women/30% men)

• Shanghai

3 permanent contracts (33% women/67% men)
31 temporary contracts (81% women/19% men)
No CLAs

* Numbers exclude franchised stores and are an average across the financial year 2018 (February 2018 to January 2019 inclusive), with the exception of foreign countries (reference date 31/12/2018).

The HEMA Foundation

HEMA is at the heart of society and we see it as our duty to make a positive difference. That is why we launched the HEMA Foundation in 2018. The HEMA Foundation is committed to an inclusive society in which everyone can participate in daily life. In concrete terms, this means that every three to four years the foundation promotes a theme that is related to the Sustainable Development Goals adopted by the United Nations and contributes to inclusiveness. Until 2022, the foundation is committed to the theme of language skills.



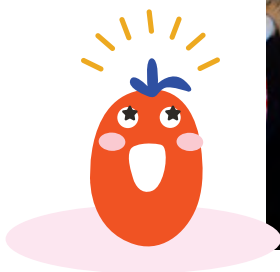
no four-year-olds with a language gap

Each year, 170,000 children are born in the Netherlands. Nearly 25% of these children begin primary school with a language gap. Illiteracy is often passed on from generation to generation. Growing up in a family with low literacy levels in which there is little stimulus in terms of talking and reading aloud considerably increases the risk of illiteracy. The HEMA Foundation is committed to ensuring that no four-year-olds have a language gap:

- The HEMA Foundation supports initiatives that connect crucial players, bring innovation or develop innovative concepts. The foundation also supports (language) organisations by calling on HEMA customers to become volunteers. In 2018, for example, approximately 350 additional volunteers were recruited for the Reading Express through the HEMA Foundation.
- The HEMA Foundation also organises awareness campaigns and activities such as reading afternoons to draw parents' and professionals' attention to the importance of language development among young children.
- The HEMA Foundation also organises an annual accelerator programme; a training programme for young designers who want to make a positive impact on the world. During the course, the participants learn to use their design skills to come up with innovative products, services and concepts that contribute to language skills among children aged 0-4 years. The designers are also coached in how to move from a good idea to an impactful concept. In addition, participants learn entrepreneurial skills that they can combine with their creativity. At the end of the accelerator programme, the best concepts receive financial and other forms of support to realise their ideas.

Finally, HEMA employees throughout the Netherlands contribute to the HEMA Foundation's ambition by volunteering (reading aloud or being a language buddy) and/or by donating to the Foundation.

More information about the HEMA Foundation is available at www.hema-foundation.org.



about this report

HEMA wants to make sustainability accessible and understandable to a wide audience. We hope that this report has contributed in this way. If you have an idea, tip, question or comment, please contact us by sending a message to sustainability@hema.nl.

Follow HEMA at:

If you would like to know more about HEMA's sustainability, please go to hema.nl/sustainability.

This report was drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI) and is in line with the core level GRI Standards. The report relates to the period from 1 January 2018 to 31 December 2018. During this period, Ramphastos Investments took over HEMA B.V. in its entirety. This was not accompanied by significant acquisitions and disinvestments. Unless otherwise stated, the results relate to the international and other activities of HEMA within its own organisation. The scope and division of the content are based on the material subjects and on the information needs of stakeholders. HEMA reports annually on the progress of the material subjects presented in this report. This report has not been externally verified. Relevant departments are approached for data collection, with the sustainability department guaranteeing quality. The results for 2017 are available in the Sustainability Report 2017, which was published on 23 May 2018. No calculations or dates included in that report have been changed.

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