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About this report

This is our third annual sustainability report. It covers the period 1 August 2013 – 31 July 2014. The report is a core report, prepared in accordance with the Global Reporting Initiative (GRI) G4 reporting framework. It accompanies our 2014 Company Annual Report which is available online at kathmanduholdings.com and includes our full financial results.

In general, data covers our operations in New Zealand, Australia and the United Kingdom. It includes our stores, distribution centres and support offices. Where material issues have impacts beyond these boundaries, we have reported on the issue and our approach to management, but may not have fully complete data available. Financial figures are quoted 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



Highlights

- Joined Fair Labor Association
- Joined Green Buildings Council of Australia
- Won the Australian Packaging Covenant sustainable packaging Award
- Developed sustainable retail store design standard with Green Building Council
- 3.35 million litres of water saved in garment wash process
- 3014 garments repaired and returned to customers
- Increased our enact (environmental action) clothing range by 6% to 110 styles
- Eliminated use of 260,000 paper swing tags from water bottle range
- Donated and delivered 400 LuminAID light sources to rural Nepal
- 15 new stores, 11 refurbished stores
- Committed to zero waste-to-landfill target for 2018
- Committed to 20% carbon reduction target for 2020
- Finalist for Carbon Disclosure Project awards for 'Best year on year change in climate disclosure' and 'best year on year change in climate performance'



Chairman's report



As Kathmandu's new Chairman, I am pleased to present our third sustainability report using the Global Reporting Initiative guidelines. It signals our continued leadership of the outdoor, travel and adventure categories in Australia and New Zealand.

Sustainability is an important part of how we do business. It directly informs our growth strategy.

Premium products made ethically will set us apart as an innovative, vertically integrated retailer. As we move to develop an even stronger product offering, we want to give our customers more sustainable choices. We seek to make high quality, fit-for-purpose gear that is made ethically with less environmental impact.

Our collaboration with industry peers and industry groups such as the Fair Labor Association keep us at the leading-edge of global best practice.

Our environmental and community efforts continually support our brand reputation as a trusted member of the community.

On behalf of the Board, I would like to pay tribute to our outgoing Chief Executive, Peter Halkett. Over the past eight years, Peter has led Kathmandu through periods of considerable expansion in store numbers, sales and profits.

His personal commitment to sustainability will be reflected in the soon to be constructed new Christchurch support office, which is being designed and built to a 5 Green Star rating in accordance with the New Zealand Green Building Council standards.

He has also had significant input into applying the sustainability principles of smarter resource use, leaner operations and increased efficiency, as we drive the optimisation of our store network and review ranges, merchandising, service and fit outs.

The future success of the Kathmandu brand in global markets is significantly influenced by our commitment to sustainability in all we do. The Kathmandu leadership team will continue to build on our work to date in this area.

David Kirk
Chairman

COO's report



We are pleased to release our third sustainability report, detailing our ongoing commitment to sustainable business practices.

Kathmandu's annual sustainability report, documents our ongoing commitment to sustainable business practices. As a Kathmandu core value, sustainability is an integral part of our business strategy along with our ongoing objective of delivering value to our stakeholders. We strive to be a global industry leader in responsible product development and sourcing and we are committed to lowering the overall impact of our business operations on the environment.

In 2014, Kathmandu joined the Fair Labor Association as a significant step forward in advancing our well established social compliance program. We will be working closely with the Fair Labor Association toward full accreditation and we are pleased to be joining global industry peers in proactively promoting and protecting workers' rights in our supply chain.

This year we have also partnered with the Green Building Council of Australia in the development of a sustainable design standard for a typical small format Kathmandu store. A pioneering initiative for Australian retail, this standard will allow us to significantly improve energy efficiency and waste management in our store network. We have set targets to cut our emissions and waste in the years ahead as we continue to grow our business. In addition, we have committed to developing a 5-Green Star support office in the Christchurch CBD to open in early 2016.

Our business success is testament to the hard work and passion of our Kathmandu team members. Our increasing investment in team training and development this year included the launch of our Retail Leadership Programme, which focuses over a 12 month cycle on leadership and management skills for participants from our store management teams. We had very high levels of employee participation and above average levels of overall satisfaction in our bi-annual employee engagement survey, where highlighted positive feedback areas included team and individual accountability and leadership. I thank the Kathmandu team for their continuing commitment.

Finally, I would like to recognise the contribution of Peter Halkett, our outgoing Chief Executive and his leadership over the past eight years. Over that time he steered Kathmandu from a privately owned Australasian focused retailer to a publicly-listed, vertically integrated brand with global growth opportunities. Peter's personal commitment to sustainability has been critical to the achievements and strategies outlined in this report. We wish him well for the future and thank him for setting us on the right track for continued sustainable and responsible growth and success.

Mark Todd
Chief Operations Officer

Our core values

Integrity

Resourcefulness

Environmental Action

Openness & Directness

Passion & Determination

Love of Travel & Adventure

Our story

At Kathmandu, we share a passion for travel and adventure with our customers and communities. As a leading retailer of outdoor clothing and equipment, we offer a huge range of high quality and reliable products to make your travel experience comfortable, safe and enjoyable.

15 NEW STORES
OPENED THIS YEAR

As of July 2014,
Kathmandu has **150** stores
→ **100** in Australia
46 in New Zealand
4 in the UK



We also have **online stores** and **ship our products globally**



Our core values

Our core purpose at Kathmandu is to inspire adventure in everyone. Our journey is guided by our values: Integrity, Resourcefulness, Environmental Action, Openness & Directness, Passion & Determination, Love of Travel and Adventure.

We passionately believe in the importance of sustainable product development and operating an ethical business. We strive to minimise our environmental impact and look for ways to contribute to the broader community, aligning our values with those of our customers, team members and society. With a holistic outlook, we live, work and dream to inspire adventure and enable an outdoor lifestyle for generations to come.

Our Core Values include “Environmental Action”, a call to action to make progressive steps in limiting the environmental footprint of our products and our operations. This value is most tangibly expressed in our enact apparel range (short for Environmental Action), which is made from innovative, sustainable fabrics. Our team members bring this value to life by actively adopting recycling practices in the work place, and getting out into the outdoors to volunteer their time.

Our stores

Our network of stores are spread across Australia, New Zealand and the United Kingdom to serve our customers who love the outdoors, whether it's right in their own backyard or halfway around the world.

We opened 15 new stores this year. As of 31 July 2014, Kathmandu has 150 stores – 100 in Australia, 46 in New Zealand, and 4 in the UK. We also have an online store and ship our products globally.

We are a publicly listed company on both the Australian (ASX) and New Zealand (NZX) stock exchanges. Globally, we have a total workforce of 2074. Our largest support office is in Christchurch, New Zealand, with approximately 150 staff members. Our sister office is based in Melbourne, with 50 staff members who support our growing operations.

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 aim to maintain the highest ethical standards when making decisions. It drives our corporate governance, and forms policies, procedures and committees for our business. Our Code of Conduct outlines the ethical values and principles essential to our success, and reflects the approach we take in running our business.

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

Our Board has seven Directors, five of whom are non-Executive Directors. Peter Halkett (Managing Director and Chief Executive Officer) and Mark Todd (Finance Director and Chief Operating Officer) are the only Executive Directors on the Board. This year we welcomed a new Chairman of the Board, David Kirk.

The Chief Executive Officer (CEO) 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.

Our Board sees sustainability as an important corporate governance and risk management issue. Our Sustainability Manager is responsible for our sustainability initiatives and reports directly to the General Manager for Business Development and Sustainability, who in turn reports to the CEO. The CEO has ultimate responsibility for sustainability at Kathmandu.

For more information on corporate governance and our Board members, please refer to our Company Annual Report (2014) available on our corporate website www.kathmanduholdings.com



Our performance

At Kathmandu, we track our performance in many ways. While economic performance is an important way to measure our success, we ask our stakeholders about how well we’re doing at ensuring we fulfill our purpose of inspiring adventures in everyone.

Customer feedback is key to making sure that we design our products to meet their needs. We survey about 6,000 customers a year to understand what’s important to them and how we can improve. Every quarter we ask customers how satisfied they are with our products, prices and in-store experience. This year, our customers gave us 7.6/10 as a satisfaction score. Satisfaction was even higher for our Summit Club members. Our survey found that 89% of our Australian members and 91% of New Zealand members are “Extremely Satisfied” or “Satisfied” with our Summit Club.

Another way we check that we’re on the right track is our bi-annual Employee Engagement Survey. The survey measures satisfaction and gets feedback on a number of operational areas, including our sustainability performance. Our team gave us a high rating in employee alignment and engagement, scoring us in the top 50% of more than 200 companies in Australia, New Zealand and the UK. And 60% of staff who participated in the survey scored us highly in the areas of individual engagement, standard setting, accountability and team leadership.

Our economic results remain a critical way to track our growth and performance. Our Board manages our economic performance. Stakeholders are kept informed about financial results in our Annual Report and regularly on our website.

- Here is a summary of key highlights in our economic performance in 2014:
- Sales grew by 2.3% to \$392.9 million
 - Net Profit After Tax decreased by 4.5% to \$42.2 million
 - Basic earnings per share was 21 cents, down 1.1 cents
 - Total number of permanent stores increased from 136 to 149
 - Same store sales grew by 4.2% at constant exchange rates
 - Online sales grew by 35% at constant exchange rates, contributing 5.1% to total sales

Growth strategy



For more detailed information on our growth strategy, please refer to our FY 14 Final Results presentation on our investor website.

Sustainability at Kathmandu

Core to our business, sustainability is an integral part of our business strategy. We believe in protecting the environment for the outdoor adventures of future generations. Our ongoing objective is to deliver value to our stakeholders and to continually and proactively lead in this area.



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.

Sustain the Dream Model

In 2014, we made significant strides in achieving the goals set out in our Sustain the Dream Plan. The Plan is divided into five impact areas. These areas were identified through discussions with stakeholders about our most important impacts. At the end of 2013, we reviewed the Plan and set priorities and goals for next year. The result was our Sustain the Dream Plan 2014-15, which builds on previous achievements.

This year our most significant efforts were focused on:

- Understanding and proactively managing human rights, sustainable sourcing, traceability, raw material policies and chemicals management framework in our supply chain
- Finding new ways to design and source sustainable packaging and reduce packaging overall
- Developing a sustainable store development standard for our retail network
- Developing a waste management plan for our store network
- Further developing our strategic community partnerships and investments
- Building the skills of our team members
- Engaging our customers and employees in our sustainability journey

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 have designed our sustainability strategy to directly address our stakeholders' priorities and inputs.

We engage with our stakeholders in many ways. We communicate with our employees through formal and informal meetings, annual performance reviews, our intranet, and the bi-annual employee engagement survey. We identify stakeholders based on who is impacted by and has the ability to directly impact our business.

We regularly interact with our customers through social media, on our website, in stores and through feedback surveys and our customer service centre.

Shareholders and investors are kept informed at investor briefings and by lodging all financial information, including our Annual Report and published information, on our company website.

We are also involved in 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.

In 2013, we did a wide-ranging materiality review that included interviews with 30 staff, 10 external stakeholders and two focus groups with store managers and customers.

This review identified our top five material issues as:

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

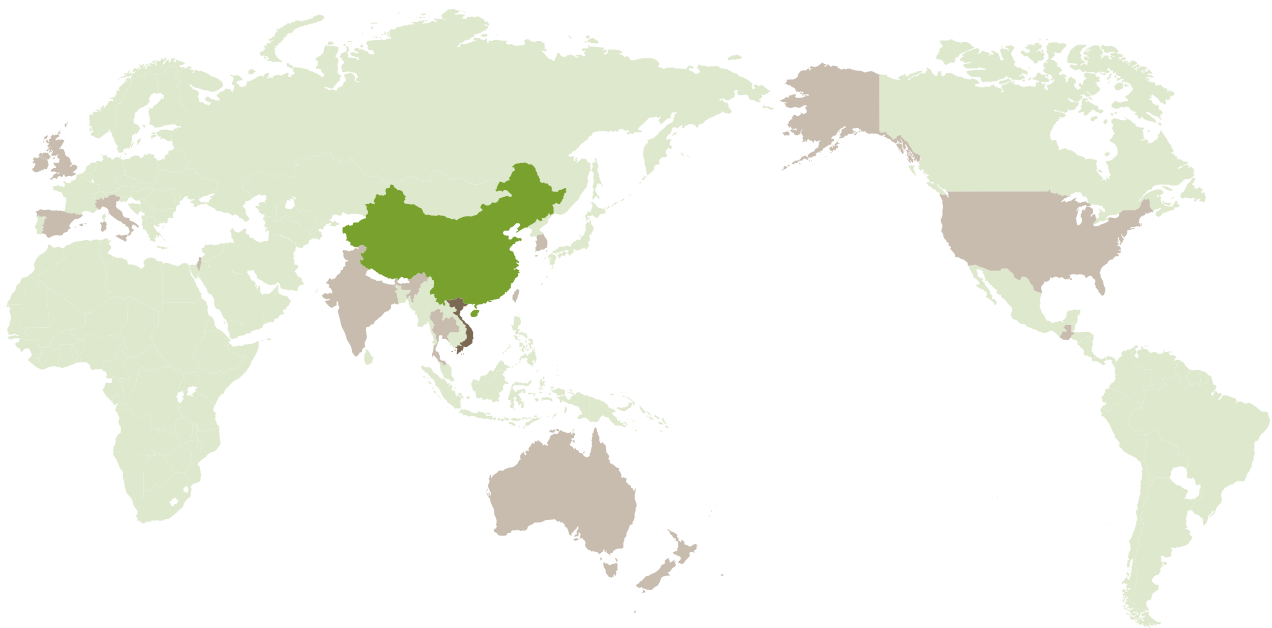
In 2014, we built on this review by looking at customer feedback and complaints, queries raised on social media, results of customer and employee surveys, supplier audits and corrective action plans, investor queries and reports, the latest industry research and media reports.

This confirmed that our material issues have not changed, with even more attention from our stakeholders, particularly investors, customers and staff on how we monitor workers' rights and the impact of producing specific materials.

This has led to more work on engaging our suppliers, strengthening our audit approach and releasing raw materials policies. More detail about this work can be found in the "Our Suppliers" section of this report.



Our factories and production



Our supply chain

As a global brand, we have a global supply chain. We strive to proactively monitor the environmental and social impacts in our supply chain so we can manage opportunities and risks.

More than 90% of our suppliers are in Asia, where local laws and labour standards differ to our own. This calls for more focus on ensuring that labour and environmental practices meet the requirements in our Terms of Trade.

We are constantly working on improving our monitoring and measuring of social and environmental impacts in our supply chain. Our key focus areas include sustainable design choices and close engagement with our suppliers to achieve full visibility of our manufacturing process.



Our suppliers

During the year we did an in-depth review of our supplier management process, audit approach and the overall capacity of our team to improve working conditions in our supply chain.



53%

significant suppliers audited during FY2014

83

SIGNIFICANT SUPPLIERS represented 99% of our 2014 spend

85%

of our products were manufactured in China

Identified significant 2nd tier suppliers of raw materials focusing on apparel

We commissioned an independent evaluation of our approach with a set of recommendations for how to meet global best practice. This identified gaps in our current audit approach and has set our strategic priorities.

In 2014, we joined the Fair Labor Association to enhance our long-standing social compliance program, and to improve working conditions throughout our supplier network. This membership will give us critical guidance to address unresolved corrective action plans, setting up grievance mechanisms with regional partners, and providing us with a distinct road map toward global best practice.

Fair Labor Association

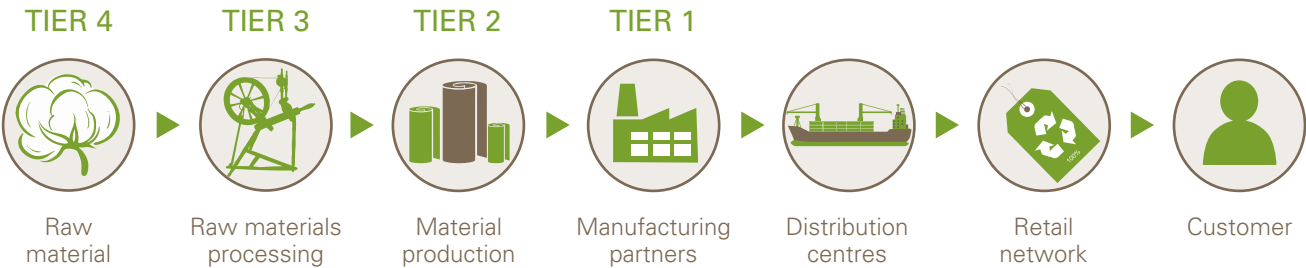
Fair Labor Association (FLA) is a multi-stakeholder initiative formed in 1999 with a focus on improving worker’s right and working conditions around the world. FLA creates lasting solutions by offering tolls and resources to companies, training for factory workers, and independent assessments of supply chain auditing.



Fair working conditions and human rights are challenges facing the global manufacturing industry. We work closely with our suppliers to make sure that our product materials and the facilities in which our products are manufactured meet high ethical standards. Our Terms of Trade supplier agreement outlines the social and environmental standards that we expect from our suppliers in terms of ethical trading, safe working conditions and environmental practices. All new suppliers are screened against these areas and our ongoing audit program ensures that these standards are upheld.

We are committed to monitoring our supply chain to uphold environmental, health and safety, anti-corruption, fair labour practices, freedom of association, anti-discrimination standards and freedom from child and forced labour. Approximately 85% of our products were manufactured in China and sourced from 67 suppliers. Approximately seven percent of our products were manufactured in Vietnam. The remaining eight percent were produced in Taiwan, New Zealand, United Kingdom, South Korea, Israel, India, Spain, Australia, Ireland, Italy, USA, Guatemala and Thailand.

Our supply chain



Our suppliers are long term business partners, and we are committed to creating shared value across our supplier base. Our supplier management approach includes:

- The Kathmandu service level agreement
- Terms of Trade
- Audit process

New suppliers must go through a rigorous approval process. In 2014, we commenced business with three new suppliers. No new suppliers were rejected as a result of the approval process.

Our suppliers are categorised as first or second tier suppliers. We directly place purchase orders with first tier suppliers, while second tier suppliers are manufacturers of materials and components. While complete traceability throughout all tiers of the supply chain is an ongoing challenge, we are committed to understanding our significant second tier suppliers to help ensure our standards are met. The table below shows how we further breakdown our first tier Suppliers. Of our Suppliers, 82% are “Direct off-shore”, representing approximately 63% of our annual spend.

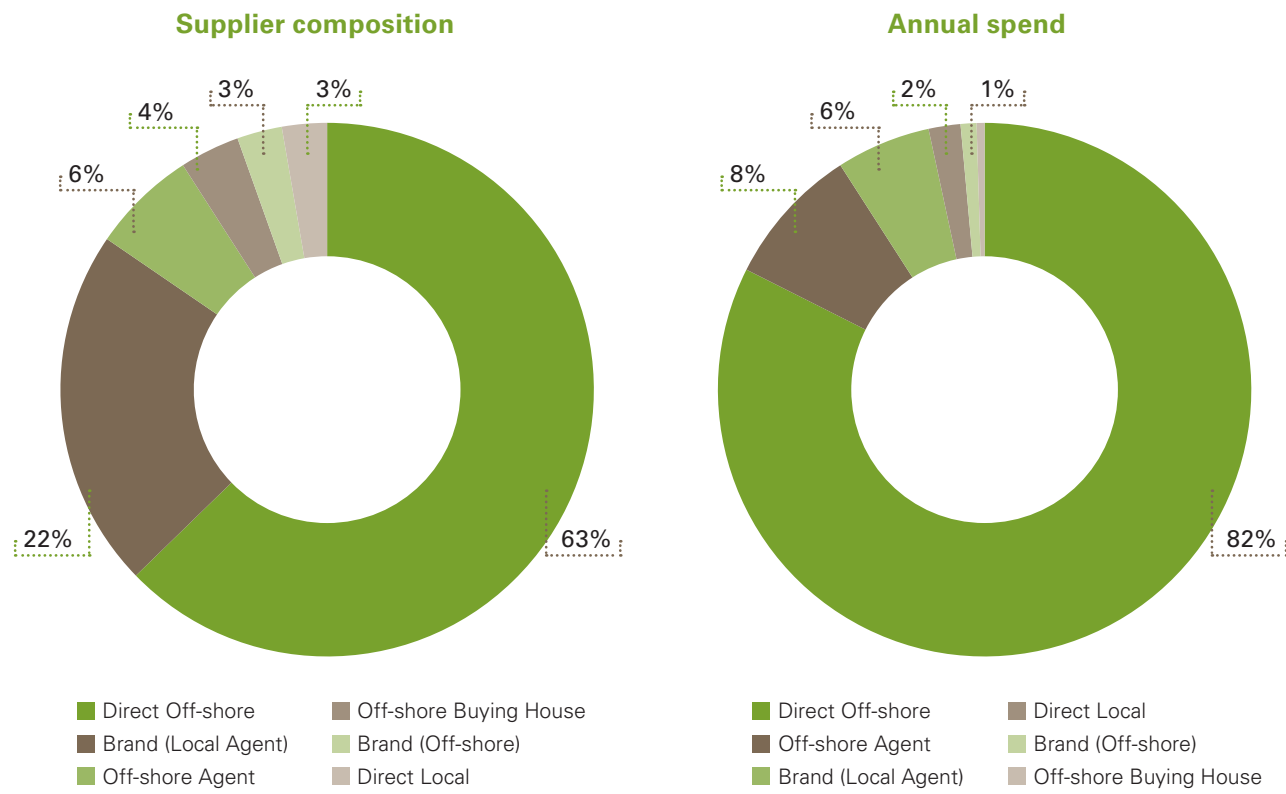
Our suppliers approval process.



3 NEW SUPPLIERS APPROVED IN 2014



First tier Suppliers are those with whom we place purchase orders directly	
Direct Off-shore	Supplier will be a direct factory owned relationships or a Supplier who is contracting to a known and approved factory
Direct local	Supplier is a based in NZ/AU/EU
Brand (off-shore)	Supplier is a non-Kathmandu brand representing an off-shore factory
Brand (local agent)	Supplier is a non-Kathmandu brand based in NZ/AU/EU and is representing manufacturing located in NZ/AU/EU
Off-shore Agent	Supplier is an agent representing a particular factory
Off-shore Buying house	Supplier is a buying house representing multiple factories



Supplier composition and annual spend

Engaging with significant suppliers

Our largest supplier represents a significant percentage of our annual spend. This critical supplier relationship has exceeded our social and environmental expectations by adopting many best practices throughout their factory base. By working closely together, their business has improved by:

- Standardising policies and procedure with both their own factories and contracted factories
- Performing environmental assessments using a self-rating tool in selected factories that will be extended to other operations

This supplier has also shared many document templates with Kathmandu which has added to our 'Audit learning centre'. This resource holds documents and images that our Supplier Management team can use to assist other factories to improve their own standards.

At the other end of the spectrum, we acknowledge that we have suppliers who are not achieving high standards and we are striving to increase awareness and assist them to build capacity.

Audits

Factory audits are a complex challenge. Evaluating overseas factory conditions and working with suppliers takes significant time, resources and cultural competence. What happens in factories is hard to monitor from afar so we rely on site visits to verify practices. In 2014, we conducted 48 on site audits, with a 70% pass rate and average score of 86%.

Audits and inspections check for compliance with:

- Working hours and compensation
- Freedom of association
- Child and young workers
- Forced labour
- Health and safety
- Corruption
- Environmental impacts
- Security practices
- Discrimination

We use an internal audit team to check compliance, so building the skills of this internal audit team is a priority to achieve industry best practice. This year we used an external third party to verify our process and double check the audit scores. This 'audit the auditor' exercise indicated 75% of questions were scored the same, validating our audit approach. A key insight from this process was the need for auditor consistency.

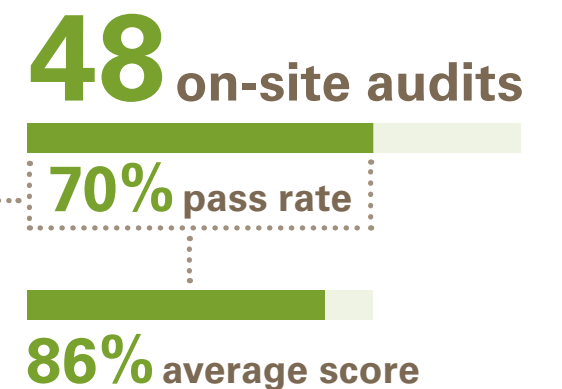
During 2014, 13 (32%) out of 48 factories failed audits to varying degrees. Where issues arise we issue a corrective action plan that sets out a time-bound pathway for improvement. We do not exit factories that demonstrate a significant willingness to improve.

One supplier relationship was terminated as a result of a failed factory audit. The factory did not have adequate process and procedures related to health and safety and record keeping which we found unacceptable.

We continue to review our audit questions and scoring. In the year ahead, we will perform approximately 40 audits/re-audits/on-site inspections. We will also strengthen our audit approach and work on achieving more consistent results from our auditor team.

Audit inspections check on compliance with our policies

- Working hours and compensation
- Freedom of association
- Child and young workers
- Forced labour
- Health and safety
- Corruption
- Environmental impacts
- Security practices
- Discrimination





How do our suppliers stack up?

- Employee accommodation was the area where standards dropped the most year on year from 89% to 71%.
- In three of the 16 factories that provided accommodation, standards were poor. This lowered the average results significantly. Two factories have since made improvements and will be re-audited, while we discontinued business with the final factory.
- The three lowest scoring areas in the audit related to lack of environmental management systems, not referencing chemicals lists and therefore being unaware of disposal requirements and not appropriately managing food health and safety when meals are provided on-site.
- The three areas with the highest critical incident rate that led to an automatic fail were incomplete payroll records for workers for at least a year, an up to date list of employees in event of an evacuation and inadequate fire exits on each factory floor.
- Labour and working hours remain a challenge where labour laws are not upheld and some workers do excessive unmonitored overtime. This is a concern as just half of the factories audited received a full score in this area. Where the factory shares complete and accurate working hours and payroll records, we will first learn to appreciate the workers requirements whilst seeking compliance in this regard. We acknowledge there is a preference from workers to request overtime.

Continuous improvement

We have made great headway on our supplier management in recent years and constantly look at how we can improve. This year we released our Supplier Handbook, which defines our guidelines for social and environmental responsibility. We hope this will assist our suppliers and factories to better meet our Terms of Trade Agreement which all suppliers are required to sign up to before we start work.

In 2014 we created policies for key areas of our Terms of Trade. These policies and requirements are set out in our Supplier Handbook, however we acknowledge there is a significant amount of work ahead to ensure these policies are well understood and implemented. We look to our collaboration with the Fair Labor Association to provide guidance in this area.

Our audits raise issues that require action and these are recorded and tracked within our Corrective Action Plan (CAP) process.

CASE STUDY: Auditing outcomes

No child or coerced worker should ever be involved in making our products. While local laws for minimum wage vary from country to country, our suppliers must comply with our Terms of Trade Agreement stipulating that no person under the age of 16 may be employed. If any factories are found with child or forced labour we end the business relationship or implement a corrective action plan.

During the year we uncovered an instance of suspected child labour related to the inspection of a new factory. This factory was proposed by an existing supplier, so no business had yet commenced. Although an inspection is not intended to be a full audit, we still report any issues identified. During the factory tour, the auditor identified a young looking worker and asked the factory to provide the worker's employee file. The auditor suspected the identification in the employee file was not the same person. The factory then launched an investigation

The investigation found that the young worker had deceived the factory to obtain work. An older relative had attended the interview and provided identification. The girl was aged 15 at the time of discovery. As an outcome of the investigation the factory dismissed the young woman.

We accept that this is a bad outcome for this young worker and are seeking assistance on how we can remedy any proven instances of child or forced labour. We have joined the Fair Labor Association for this reason and will engage a local NGO to put remediation plans in place so we can be sure that we have done as much as possible to support young workers.

The factory was later given corrective action to put tighter processes in place to verify the identity of young looking workers. The supplier took this failure very seriously and worked to improve factory procedures. The supplier has since implemented an 18 year old age minimum in their factories. They also later performed a full audit to identify any other failings and are addressing issues found.

In the event that we suspect a violation of the minimum worker's age policy, our standard response would be for the auditor to immediately notify our supplier management team at our support office in New Zealand. This notification would be followed by a formal request of the factory to obtain and present evidence of the young worker's identification.

WHAT IS A CORRECTIVE ACTION PLAN?

A CAP document is issued to the factory after an audit. A CAP lists the issues to be addressed categorising them as recommended, minor, moderate, major or critical with corresponding deadlines.

A CAP includes:

- Details about the non-compliant issue raised in the audit report
- A rating of the seriousness of the issue (recommended-minor-moderate-major-critical)
- The corrective action that is to be taken
- The date the action is to be taken by

- Dialogue for tracking completion and/or amendments

In 2014, 42 CAPS were issued as a result of 48 audits. Thirteen remained open at the end of the year. We aim to take a reasonable approach when agreeing on action dates since it can involve more resources and costs for factories. We always prefer to engage the factory about how to improve. We will schedule a re-audit of the factory if needed but we will cease to work with a factory that is not willing to improve.

CASE STUDY: Our approach to corrective action

During the year we audited a factory that received a score of 58%. A score of 60% or below fails the audit. The factory lacked an overall understanding of our social and environmental requirements and how to meet them.

We sought to plug this gap. While we issued a CAP with 37 actions, it was clear the factory would be overwhelmed. So we took a capacity building approach and remained in constant contact with the factory to give guidance on what actions to take.

While we appreciated that action was being taken, we were concerned about the factory's limited understanding, so we offered to provide external third party training to key staff. This initiative was a first for us. Both parties agreed this training was useful so we will continue to look at training options for the future.

We will continue working with this supplier though we must see higher re-audit results to maintain the relationship.

There are a number of non-negotiable areas where factories must comply, otherwise they will automatically fail the audit. Once these critical fail issues are found, the corrective action plan puts in place the remedial actions that must occur.

Examples of critical fail issues are:

Compensation

Our audit may find either specific inconsistencies or overall poor payroll record keeping. Inconsistent payroll records is a serious issue as we can't verify if workers are paid correctly. Our CAP will then stipulate that records are complete and a re-audit will ensure that improvements and accuracy have been achieved.

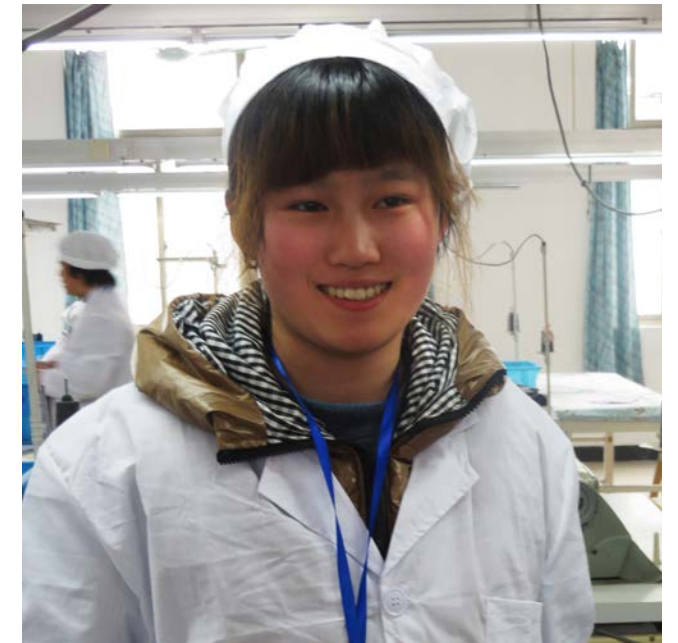
Health & Safety

We recommend that at least 5% of factory staff hold first aid certificates. Our CAP requests the factory certify more staff and we have found that most are willing to take this action. Copies of training certificates are then kept as evidence.

Working Hours

We have a few CAPs which remain 'open' due to the grey area of working hours within China law. In China, the normal working week is 40 hours and overtime by law is not to exceed 36 hours per month. It is fairly common in China to exceed these working hours with local government authorisation.

This makes it hard to ensure that our audits uphold labour laws as these tend to shift. Our aim is to look at this issue from multiple perspectives including annual average working week; overtime peaks and lows; if one day off in seven is being upheld; if overtime is limited to just one or two hours per day; establishing the rate of pay for both normal and overtime. In future and to better understand the situation from the worker's point of view, we propose to liaise with union or local industry groups before setting our requirements.



Our products

Most of our environmental impacts relate to our products. The materials we use, how products are made and moved to stores and finally how well they perform with customers all make up our environmental footprint.

20 new product quality and compliance standards

REPAIRS DEPARTMENT REPAIRED **3014** GARMENTS FOR OUR CUSTOMERS

19 product quality inspections on over 23 core suppliers

COMPLETED TRACEABILITY STRATEGIES FOR CHEMICAL MANAGEMENT AND MATERIALS

SAVED 3.3 MILLION LITRES OF WATER IN GARMENT WASH

enact® enact range increased by 6% to 110 styles

The key areas we look at when developing our products are safety, traceability, chemical management and quality. We use a variety of materials and processes in our products and these pose a number of challenges such as protecting human rights, animal welfare and responsible sourcing. We lean on our peers for guidance on these matters, taking a collaborative approach to sustainability problems facing the whole industry.

Outdoor Industry Association

Outdoor Industry Association (OIA), founded in 1989, is the leading trade association of the outdoor recreation industry serving more than 4000 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.



In 2014, we mapped out a Continuum of Performance for the traceability and chemicals management of our products. Our mission is to drive improvements in our supply chain towards sustainable chemistry and reduce or eliminate hazardous chemicals and emissions from our products.

This action plan is a pathway to lift our performance from foundation, to progressive and finally aspirational stage. In putting together the plan, we aimed to learn and share. We wanted to learn from other brands, associations and industry groups with similar goals so we adopt industry best practice.

Each stage has a planned set of actions based on defining our supply chain, linking sites to products, communicating with suppliers and going from compliance to innovation in our management approach. Lastly, we wanted to share our progress with peers, customers, suppliers and others to build awareness and lift industry standards as a whole.

We work to ensure our quality management, compliance, social responsibility and chemicals management requirements are met throughout our supply chain.

What's in our products: materials

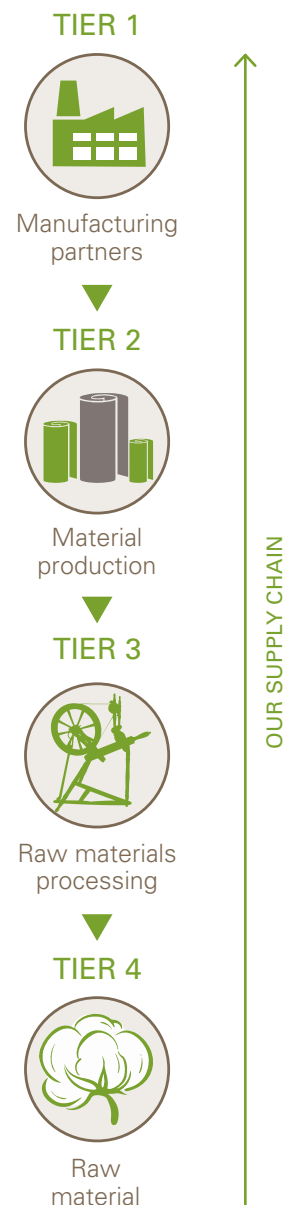
Material Traceability

Traceability is the ability to identify and trace the history, distribution, location and application of products, parts and materials. It means that we know how materials impact the areas of human rights, labour and the environment as they are made into our products.

Strong competencies in traceability are essential to verify that our sustainability commitments are being met throughout our supply chain. We are building these skills to:

- Ensure chain of custody from raw material through to finished product, allowing us to fully understand the materials used and how they are sourced
- Develop transparent verification of our sustainability credentials
- Ensure ethical treatment of animals
- Improve efficiencies and shared learnings with suppliers.

As product development is our largest environmental impact area, we are working to secure full materials traceability in our supply chain. We try to fully understand all inputs in the product development phase to ensure sustainability credentials in all impact areas.



In 2014, we mapped out our Tier 2, indirect suppliers, including mill partners and our key materials suppliers. We developed a materials traceability road map which defines all our direct and indirect supplier sites.

Our next step was asking these suppliers to provide evidence of meeting our detailed requirements around product quality, chemistry management, and impacts of production.

Our product guidelines and sustainability plan cement our approach to traceability. Our product guidelines are based on the results of an internal index tool that tracks all the materials that go into a product and all the related environmental impacts in the process.

Understanding how materials perform in different phases of the design, production, transport and customer use gives us insights into our sustainability impacts across the product life cycle.

This year we focused our traceability efforts on organic cotton and recycled polyester through our supply chain. In 2014, we introduced a mechanism for ensuring a chain of custody for organic and recycled materials. The chain of custody is a system to track the path of a raw material as it moves through the stages of production to the final product.



Sustainable design

Our enact (environmental action) range of products are made of more sustainable materials with less environmental impacts. We define these as fabrics with at least 50% of the following:

- Organic fibres
- Recycled fibres
- Hemp
- Tencel
- Chlorine free wool

In 2014, our enact range increased by six percent to 110 styles. During the year we audited the volume of enact options in our designed apparel and equipment ranges. We found that on average, 6% of apparel and equipment included an enact style. We focused on recycled fibres as this is particularly relevant to equipment. On average, two percent or 25 styles in our equipment and apparel had enact options. We aim to increase this each year as an interim measure.

In last year's report we said we would review enact and set new targets for sustainable materials. This was an ambitious goal. As we want to be very confident in the new fabrics we add under the enact umbrella, we have pushed back this goal to allow ourselves more time for due diligence.

How to measure "more sustainable materials" is hotly contested. Our other sustainability plan actions from 2014 now provide more information to guide the enact material selection process – like piloting apparel products using a sustainability rating tool and industry collaboration on sustainable materials use.

Now that we have a baseline of enact options and more data to feed into the materials selection process, we are confident we will be able to redefine the range and set realistic targets in the year ahead.



CASE STUDY: Sustainable cotton

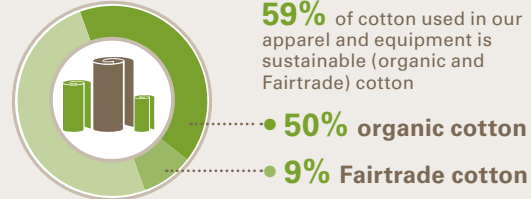
Cotton is one of agriculture's most water-intensive and pest-sensitive crops, often grown in semi-arid and water scarce areas. Cotton has been estimated to consume 11% of the world's agricultural pesticides and is related to significant labour challenges in developing nations where it is grown.

It is for these reasons that we specifically targeted cotton as an action item for 2014. Our extensive analysis has given us a good indication of where we are and where we need to go with our cotton supply.

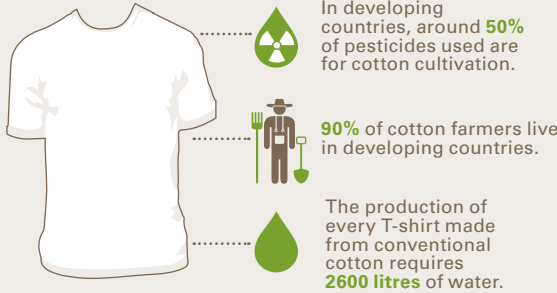
Currently, 59% of cotton used in our apparel and equipment is sustainable cotton – consisting of 50% organic cotton and 9% Fairtrade cotton. Our largest supplier of cotton fabrics accounts for over 46% of our cotton consumption.

It uses 40% organic cotton in its products, while others use relatively smaller proportions. We continue to directly engage with our suppliers and Fairtrade to expand our sustainable cotton clothing range.

We are committed to using sustainable cotton. Conventional cotton uses **11%** of the world's agricultural pesticides and vast amounts of water and exploits cotton farmers.



We are working towards **100%** sustainable cotton.



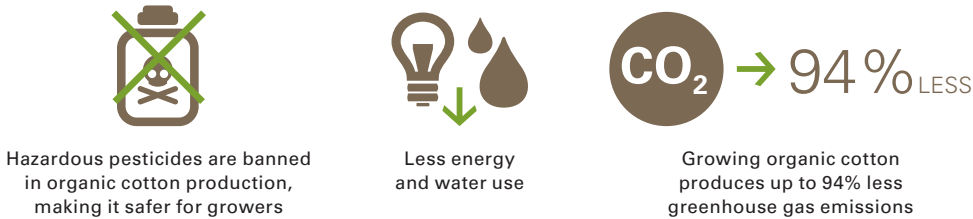
Certified Fairtrade cotton

Certified Fairtrade cotton is cotton that has been grown and traded to a standard that focuses on delivering a fair return (fair conditions and fair pricing) to those involved in its production.



Organic Cotton

According to the Textile Exchange, the term organic describes a method of farming without the use of toxic and persistent pesticides or fertilisers, sewage sludge, irradiation or genetic engineering, and are certified by an accredited independent organisation.



Down sourcing

Animal welfare is a high priority for us and our customers, in particular related to the down that we use in our jackets and sleeping bags. The outdoor industry is a minor participant in the global down market, which makes it tough to influence suppliers. The supply chain itself is complex, with many players involved in farming and sourcing down which makes it hard to trace. Before down reaches our suppliers, it passes through multiple hands, including medium/large organised farms, slaughter houses, local collectors and agents.

Despite these challenges, we stand firm in our objective that the duck and goose down in our jackets comes from birds treated ethically and humanely. Our policy is that we will only use down from birds that are killed for the meat industry, where down and feathers are by-products. Our policy also outlines that our down will not come from live plucking or foie gras operations.

During the year we investigated the practices of our tier 2 suppliers as part of our programme to continuously test that our down is supplied in accordance with our policy standard. We visited our key down suppliers in Taiwan to better understand their production process and traceability practices. The visit allowed us to see the down processing plant and testing facilities firsthand. We were able to discuss the challenges with down procurement, animal welfare issues, and industry best practices. It also provided us with confidence that our Tier 1 and Tier 2 down suppliers share our sustainability commitment.

We believe that industry-wide collaboration is needed to get full visibility and ensure animal welfare in the down supply chain. So we have partnered with our industry-peers at the Outdoor Industry Association (OIA) to build a shared understanding of traceability issues and develop a robust standard for ethically harvested down.



Chemistry

We aim to identify and drive improvements within Kathmandu and our supply chain towards sustainable chemistry. Our ultimate goal is to reduce or eliminate hazardous chemicals and emissions from our products.

Our key objectives in formulating the chemical management plan is to:

- **LEARN**
 - Engage proactively with other related groups, organisations, associations, and brands with similar desired outcomes for learning and adopting industry best practices on chemicals management.
- **PLAN**
 - Create a roadmap for integrating a chemicals management framework into the Kathmandu business.
 - Create a comprehensive tiered chemicals action plan for FY2014 – FY2019 across Kathmandu's continuum of performance levels:
 - **Phase I:** Foundation
 - **Phase II:** Progressive
 - **Phase III:** Aspirational.
 - The above Foundation, Progressive and Aspirational phases form our "continuum of performance."
- **SHARE**
 - Collaborate on like-minded efforts with other brands/retailers/suppliers in order to accelerate progress toward shared mission/goals.
 - Share the journey with our customers, suppliers and other external stakeholders.

Currently our work in chemicals management is at a foundation level. Our first step in executing our chemical management plan was to draft our Restricted Substance List (RSL). Our RSL specifies the limits for chemical substances and defines usage bans for chemical substances in the manufacturing process. The management of chemicals used in the development of our products is important to protect our consumers and the employees working in our supply chain. In addition to the RSL, we also drafted a 'substances of concern list' (SoCL). The SoCL identifies specific substances that we have flagged for further analysis and review because of incomplete information about impacts.

We are working closely with our industry colleagues in the Outdoor Industry Association and other collaborative entities to gain a better understanding of the chemistry used in our supply chains. Our research to date has allowed us to publish a number of position statements about perfluorinated compounds (PFC), BPA, nano silver and other materials. These policies are available to review on our website, and we will be adding to this as we progress.

INCREASING EFFICIENCIES AND REDUCING WASTE

In 2014, our team began to explore specific opportunities to increase efficiencies and cut waste as part of the product development process. Rethinking the resources used in our production processes and applying smart design not only helps save money and improve efficiencies but also helps reduce environmental impact without compromising product performance or customer experience.

By removing an unnecessary garment wash from our manufacturing process, we save a lot of water.



Making safe, quality products

Product quality and innovation drives us. Designing products that perform better with minimal environmental impacts is our goal. Our products are designed with sustainability issues in mind, such as using materials sourced with minimal environmental impacts, ensuring that they meet safety requirements and educating our customers about how to care for them so they last.

Our quality strategy is central to our sustainability efforts during the product development process. **It is built on three pillars: quality assurance, quality control and continuous improvement.** Our quality assurance program focuses on getting the product right the first time and ensuring that all of our products meet or exceed customer expectations. Some of these initiatives include our quality manuals and standards, raw material testing, product testing, proof points, care instructions, training modules, store training, risk analysis, and care instructions. Quality control looks at products after they have been made and includes product inspections at our distribution centres prior to being sent to stores, faulty goods returns analysis, product and warranty assessments and store comments and feedback.

In 2014, we wrote 20 new product quality and compliance standards and reviewed our processes related to electrical and cosmetic products, writing new guidelines to meet legislative changes. We also completed 19 product quality inspections (known as acceptable quality limits or AQLs) on 23 suppliers which represent 83% of our core suppliers. Within these core supplier inspections, we performed 41 AQLs out of 48 core supplier factories.

Quality Manuals and Standards

We are constantly researching and refining our testing requirements and performance standards for products. We develop new product standards for all new products introduced into our range and update our current standards as we seek to constantly prove and validate their content. We follow a formulaic approach to developing new test methods by researching compliance requirements, existing Industry standards and best practices, and field testing products to validate our test methods. We also use customer gear testing feedback.

CASE STUDY: Best in Field gear testers

Kathmandu is committed to continuous improvement of our products, and our Best-in-Field gear-testing team are an important part of this process.

Our Best-in-Field testers are a team of highly skilled alpinists, Search and Rescue team members, guides, mountaineers, adventure travellers and athletes based in Australia and New Zealand.

Hand-picked for both their outdoor expertise and the amount of time they spend in challenging conditions, our gear testers provide critical input

and feedback throughout the product development process, ultimately shaping the end result to ensure the product performs.

The team tests a range of our products across multiple activities; armed with prototypes and a notebook they travel to all corners of the world to put our gear through its paces. We catch up with them when they return for feedback, ideas, constructive criticism and stories. The design team then incorporate this into the next prototype and we repeat the process until we get it just right.



Responsible communications

Product labelling

Our product manuals define our product labelling procedures. As a publicly listed company, we are bound by strict marketing, disclosure and product labelling laws in both Australia and New Zealand. We upheld all these laws and voluntary codes during the year.

We attach safety and warning information, instructions, and other labels to our products to make sure our customers get all the right information about safe and proper use.

We also put information on our website, including size guides, care instructions, video demonstrations, technical information, expert advice and warranties.

We want our customers to know exactly what they're getting with our products and how to make them last. Our products' labels include information about where the product is made, what it's made from, care instructions and safety warnings. All our products upheld laws related to product information labelling in 2014.

Regulatory Compliance

In 2014, there was one instance of non-compliance to legislative requirements in the UK. This instance was related to non-compliance with respect to minimising the disposal of Waste Electrical and Electronic Equipment (WEEE). The team at Kathmandu acted quickly to address this issue and we are now fully compliant with these legislative requirements.

Recalls

At Kathmandu, customer safety is paramount. We initiated two voluntary product recalls in 2014. As with all instances of product safety, the team have either corrected the safety issue through design amendments or dropped the product from the range.

In both instances we were notified by our own staff members who bought the products and noted an issue. Neither product caused serious harm however the Mandatory Product Safety Reporting procedure was followed in both incidences; the quality manager was notified immediately and we initiated the Product Recall Process. Regulators were notified of the intended recall strategy within 24 hours of the decision to recall and it was released publicly within 48 hours. Due to the quick action of the Kathmandu team, the item was available for only 10 days limiting sales to 131 units.

After these recalls, we reviewed our inbound inspection process and added a top line risk assessment for all products that may have potential hazard. We now require all products from new suppliers to be checked by our quality control team before they are sent to stores. The recalled products were not checked by our usual process because they did not represent significant revenue or cost and were not supplied by core suppliers. We continue to formalise our risk management practices to ensure that we consider all potential risks during the product development process.

Online privacy

We put in place strict processes to protect the privacy of our customers and Summit Club members. In 2014, we received six customer complaints about privacy. We took disciplinary action on one complaint where an employee contacted a customer about non-business matters.

We received five complaints from online customers who collided with other browsers while viewing our website, revealing their personal details. Our team immediately identified the root cause and deployed a solution. As a result, we enhanced our assessment of website security. We also continue to verify this approach with independent infrastructure vulnerability audits.

In 2014, our Repairs Department repaired 3014 garments for our customers. 40% were covered under warranty while 60% were by request so we could keep our customers' favourite Kathmandu products in use.



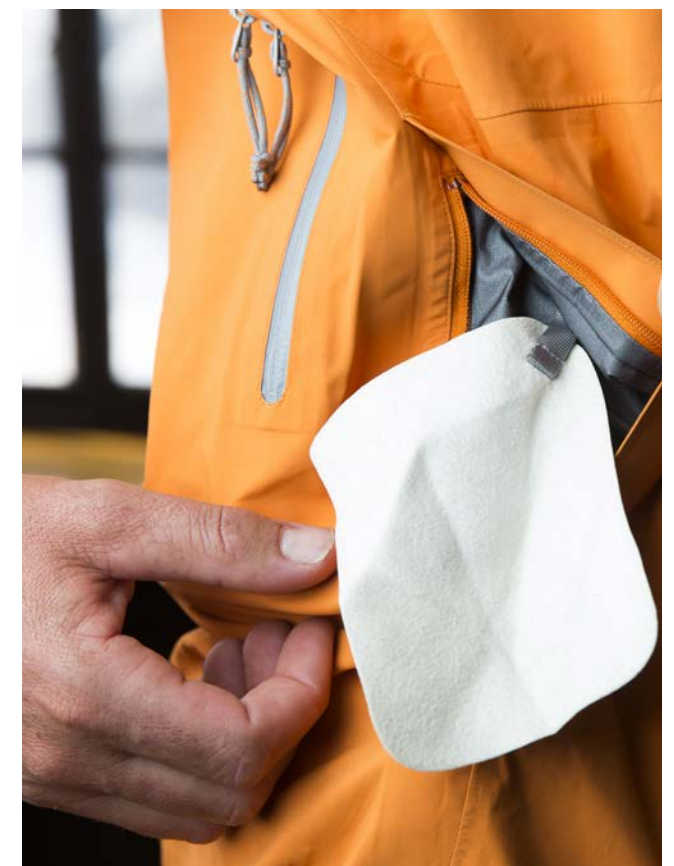
Product care and repair

Letting our customers know how to correctly care for products improves and extends performance. That's why we made a video with Goretex about how to wash a GORE-TEX® jacket. It's also why we trained our store staff on how to educate customers about caring for waterproof clothing and extending the life of the durable water repellent finish.

We have also commenced a project to assess the impact level of product care instructions so we can minimise the sustainability footprint of products. The impact is based on the washing temperature, cleaning agents, method, such as dry clean or hand wash only as specified in product

care instructions. We will continue this work in the year ahead so we can share with customers about how to care for products with minimal environmental impact.

Ensuring the longevity of our products is paramount to the team at Kathmandu. We repair products under warranty and charge a fair price for repairs due to normal wear and tear. In 2014, our Repairs Department repaired 3014 garments for our customers. Of these, 40% were covered under warranty while 60% were by request so we could keep their favourite Kathmandu products in use. We also consider product repair as part of our Design proof points.



Our footprint

There are a range of environmental impacts from our store network. The way we design our stores, use energy, dispose of waste and transport products all rely on natural resources. In 2014, we identified the areas of carbon and waste management as our strategic priorities.



During the year we continued to measure and manage our greenhouse gas emissions, reduce our waste-to-landfill from operations, and implement sustainable design specifications for our stores. We conducted an audit to understand our resource use and set targets for improvements.

Our key footprint targets are:

- Zero waste-to-landfill by 2018
- 20% reduction in carbon emissions by 2020

We will achieve this by applying more sustainable design standards to our stores, our offices and our distribution centres, retrofitting lighting, monitoring energy use and carbon and using smarter in-store recycling systems.

Green Building Council of Australia

Green Building Council of Australia (GBCA), established in 2002, is a not-for-profit industry association that promotes sustainability in the built environment. The GBCA is best known for developing the Green Star rating system for buildings and communities. GBCA was one of eight national councils which helped to found the World Green Building Council.



Innovating building design and retail fit outs

A key project in 2014 was developing our Sustainable Store Standard. The standard applies to how we design and fit out our stores. It outlines how we can use environmentally efficient fixtures, lighting and other industrial design techniques so our stores use fewer resources. This standard will allow us to reduce the resources used in developing new stores and will allow us to prioritise efficiency when refurbishing older stores in our network.

We are working with the Green Building Council of Australia to further develop our standard into a volume certification model for the Green Star rating. This will be the first significant commitment to green-store design in the retail industry in Australia. This project will extend the popular Green Star Rating for office buildings to retail spaces and provide the industry with a benchmark for developing efficient store fit outs.

CASE STUDY:

Green Building Council of Australia – Green Star

Green Star is Australia's trusted mark of quality for the design and construction of sustainable buildings, fitouts, and communities.



Until recently, the green star has been mainly applied to residential and office developments. Working closely with the Green Building Council of Australia we have committed to introducing and expanding the Green Star presence in the retail industry.

Our Sustainable Store Standard project will use sustainable materials and smart design technologies to make our stores more efficient. The idea for this project first came from our interest in building a green-rated store.

Since then our Store Development team worked to expand this idea to a broader program that will apply to all new stores in our network so we scale up our positive environmental impacts and increased efficiencies in our operations.

The tool itself is an updated Green Star Interiors rating tool. The purpose of the tool is to create sustainable fit outs, with credits including management, indoor environment quality, energy, transport, water, materials, land use and ecology, emissions and innovation.

GBCA's chief executive Romilly Madew states that the retail industry lags behind the commercial sector when it comes to sustainability.

"Commercial businesses that have taken sustainability seriously are reaping the rewards. The same will be true for those in the retail space," she said.

We've partnered with the Green Building Council of Australia to create 5-star green-rated building designs that improve efficiency.



A NEW HOME IN CHRISTCHURCH CBD

We will open a new office in a state of the art development in the heart of the Christchurch central business district.

The purpose-built three storey building will be a five-green star rated building and will open in 2016. This move supports our sustainable store development standard which aims to lift the sustainable performance of our network.

The building will give our team a healthy, efficient and sustainable work place. As part of a \$20 million development in the new Innovation Precinct, our office is also an important investment in the re-build of Christchurch city.

The site will also include a Kathmandu concept store, showcasing our newest product designs and acting as a training ground for other business areas like visual merchandising, fixture layout and design.



Energy and climate change

Climate change is a threat to the natural environments that we love to explore. That's why we want to reduce our carbon footprint as much as possible. Long term risks include changes in weather patterns affecting our seasonal product ranges, new laws and more investment needed to address emissions, and potential supply chain shocks from extreme weather events that interrupt the manufacture and transport of our products.

But like many challenges it offers opportunities. By dealing with climate change, we can make our operations leaner and design innovative products with less impact on the environment.

Tackling our carbon emissions is built into our Sustain the Dream Plan. This year we set the target to cut our carbon emissions by 20% by 2020. As members of the Carbon Disclosure Project, we continued to report on how we manage climate change. We are committed to measuring, reporting and reducing our energy and emissions. We want to deal with climate change so that we can improve our performance, publicly report our progress, and monitor this during the roll out our energy efficiency programs and green building standard development.

Our carbon emissions mainly come from our electricity use in stores, support offices and distribution centres. These emissions are defined as scope two indirect emissions. Our total emissions were 7493 t/Co2.

We aim to grow our store numbers by approximately 10% so we expect our emissions to increase next year. Our average carbon emissions per store has reduced over time and we will introduce energy efficiency and emissions reduction programs which should continue this trend. We have set the target to keep emissions below our 10% store growth rate.

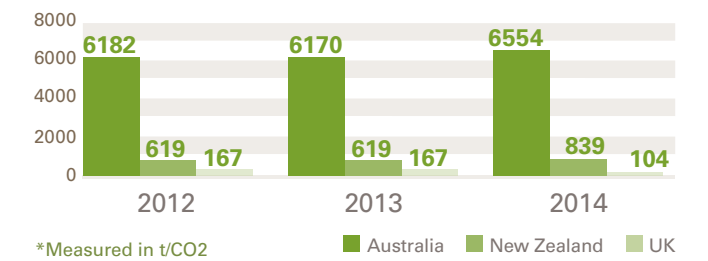
Since 2011 we have been submitting annual climate change disclosures to CDP – formerly the Carbon Disclosure Project. CDP is an international, not-for-profit organisation that provides the only global system for companies and cities to measure, disclose, manage and share vital environmental information. CDP works with market forces to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them.

Carbon Disclosure Project (CDP)

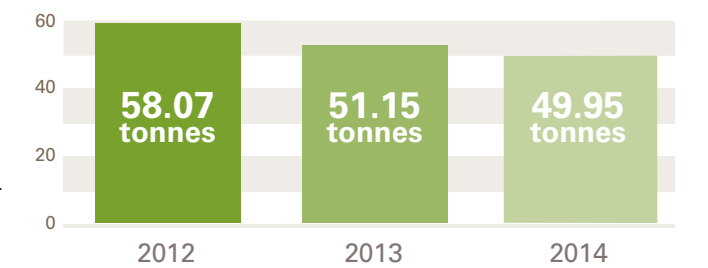
An international, not-for-profit organisation that works with shareholders and corporations to proactively disclose greenhouse gas emissions. The CDP provides the only global system for companies and cities to measure, disclose, manage and share vital environmental information.



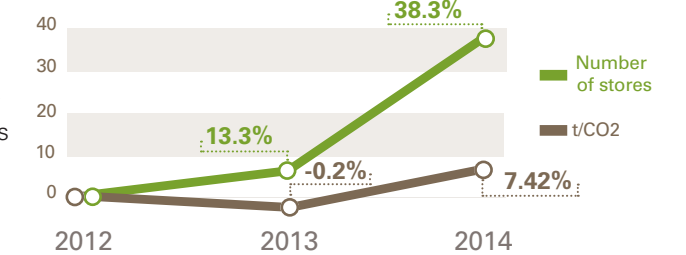
Indirect (Scope 2) Emissions



Average carbon emissions per store



Percentage change in store numbers and carbon emissions



↓20% carbon by 2020

Our annual CDP climate change disclosure provides us with the framework from which we strategically develop our climate strategy and embed the measurement and management of carbon emissions into our overall business strategy. Kathmandu was a finalist for two awards in the CDP 2014 ASX200 Climate Leadership Awards:

- Best year on year change in climate disclosure
- Best year on year change in climate performance

Waste management

Getting a grip on how much waste is generated at our stores is the first step in cutting our resource use. That's why we conducted a waste management and recycling audit of our entire retail store network in 2014¹. This set a baseline for tracking our network wide recycling system. We found that in our 88 Australian retail stores:

- 98% have full cardboard and paper recycling capability
- 63% have Plastics recycling capability

In our 45 New Zealand retail stores:

- 84% have full cardboard and paper recycling capability
- 73% have plastics recycling capability



98% of stores
FULL CARDBOARD AND
PAPER RECYCLING CAPACITY

63% of stores
PLASTICS
RECYCLING CAPACITY



84% of stores
FULL CARDBOARD AND
PAPER RECYCLING CAPACITY

73% of stores
PLASTICS
RECYCLING CAPACITY



This audit uncovered gaps in our recycling systems across our store network. We also found important areas for improvement and inconsistent collection rates in both countries. This gave us a good picture about how we manage waste, but not about how much we produce and where it goes.

So we decided to dig deeper and look at exactly what waste was generated at different sites. This audit looked at our practices at 15 sites (13 stores, our Distribution Centre and Melbourne support office). It found that about 73% of our waste is recycled and 27% is sent to landfill. The majority of our waste sent to landfill was soft plastics – plastic or poly bags and pallet wrap. The breakdown of the type of waste across the stores was similar but the Distribution Centre used more pallet wrap as a proportion of overall waste.

Key action items that have come from the audit include:

- Finding a sustained recycling option for soft plastics from the store network
- Implement a disposal system at the Distribution Centre for cardboard and soft plastics
- Reduce collections of landfill waste bins, or reduce the size of these bins at each store, based on recycling more soft plastics
- Where possible, negotiate with local waste/recycling contractors to service multiple stores in the same area to reduce collection costs

We estimate that by putting these measures in place, we will not only save significant quantities of waste from going to landfill, we will also find significant cost savings in added efficiencies



Sustainable packaging

Sustainable packaging is one of the top five priorities in our sustainability strategy. We want to make smarter packaging with less environmental impact.

Our Packaging Environmental Responsibility Guidelines and Packaging Specification Guidelines set out how we design, buy and use packaging to minimise our own waste, but also our customer's waste too. We are signed up to the Australian Packaging Covenant, a voluntary initiative that requires us to report on how we minimise packaging waste.

In 2014, we formed a packaging group with representatives from our product design, development, supply chain and sustainability teams. This group rolled out our Packaging Environmental Guidelines to all our packaging and identified opportunities to improve our current practices. (See case study on following page.)

We also did a bi-annual review of all packaging used in our store to get rid of any unnecessary packaging and identify improvements.

While we have put sustainability into our product packaging and design functions, we have lacked the information to measure any improvements in our product range. This has been our biggest challenge.

We are introducing a new system that will let us track the packaging materials we use, reduce and save. This will help us make choices about what packaging to buy and where we can reduce it based on smarter design.

1. Waste Assessment Report.

CASE STUDY:
Decreasing levels of packaging

Our cross-functional packaging work group collaborates to turn little packaging improvements into big sustainability outcomes.



Our team works hard to reduce product packaging, and where possible, remove it all together.

In 2014, these efforts were recognised by the Australian Packaging Covenant who awarded Kathmandu with the high performer award for large clothing, footwear and fashion company.

A great example of our efforts is the elimination of swing tags from our drink bottle range. We provide customers with over 40 styles of drink bottles to choose from, which were using over 260,000 swing tags annually, just to host a printed bar code. By adding a bar code to the bottom of the bottles as a part of the design, we were able to eliminate swing tags across the entire range. Although a seemingly simple change, we saw a big outcome.

We are also rethinking the use of unnecessary boxes for larger items like camp furniture. We're currently developing a Retail Ready Packaging strategy, to package the product in one box that will be used for both shipping and merchandising at the store.

Our footwear boxes were redesigned so they used nearly 20% less packaging materials and a staggering 97.5% less ink made from harmful products. For products like thermals which do need lots of packaging, we successfully worked with our suppliers to obtain the FSC label, certifying that that raw wood materials come from responsibly managed forests.

We think that small initiatives can make a difference in the bigger picture. Recently, we decided to remove plastic tags containing duck/goose down from our jacket range. The tags aim to inform our customers about the fill. But when we spoke with our customers, we discovered that most of them did not even notice the tag! By removing this tag, we will be able to re-invest our resources where it really matters.

These are just some of the packaging innovations that we have adopted by thinking about how to make sustainable products. Our sustainable packaging work has significant room for improvement and expansion and our team is committed to this work.



Gavin Tait, Senior Graphic Designer

Transport

We are focused on finding the best route to transport our products so we reduce negative effects on the environment. Our products are transported by ship, trucks and planes. The main environmental impact is the carbon emissions because of burning fossil fuels. Trucks are the main mode of transport for our domestic supply chain which delivers our products from distributions to stores and to online customers.

The main ways we reduce our environmental impacts is by:

- Packing more into overseas shipping containers
- Improving domestic delivery and freight routes
- Reviewing the supply chain network design

Our supply chain strategy takes into account speed, distance and moving as much possible to as many nearby stores in a region. We closely watch our overseas container rates using our logistics tracking system to ensure we load them with as much product as possible. Our supply chain network is designed around our national distribution centres in Christchurch and Melbourne. We are also supported by regional third party logistics providers in Auckland and Sydney. By placing bulky products closer to cities, we cut travel times and distances which saves cost and environmental harm.

During the year, Courier Post, the carrier for our domestic online orders in New Zealand, has started to provide monthly carbon data. This is a positive step forward for us to quantify the environmental impact of the transportation of its products. Our other providers have limited carbon data and as a relatively small customer our influence is limited, but we will continue to work with them to share this more widely.

In Australia, there has been an overall 2% increase in road kilometres travelled per cubic metre of product since last year. This is due to our overall growth strategy in Australia. This includes increasing stores in regional New South Wales and Queensland.

In New Zealand, we were able to achieve a four percent decrease in road kilometres per cubic metres of product. This is largely due to an increase in product ranges at our Auckland 3PL and a stable store network. More high volumetric products are now located closer to demand centres and we have been able to improve our network efficiency in New Zealand and maintain service levels to our store network. We recently completed the expansion of the National Distribution Centre in Christchurch. This has enabled us to cease using a 3PL facility in Christchurch for overflow. This will improve the transportation efficiency from our national DC as we consolidate deliveries to stores that were previously sent from two sites, resulting in lower freight utilisation rates.

FY2014				
	STORES	%STORE CHANGE ON FY2012	AVERAGE M ³ /KM	%KM CHANGE ON FY2012
AU	100	15%	1018	2%
NZ	45	2%	523	-4%

FY2013				
	STORES	%STORE CHANGE ON FY2012	AVERAGE M ³ /KM	%KM CHANGE ON FY2012
AU	87	21%	1000	4%
NZ	44	5%	545	-6%

Kathmandu's average change in kilometres per cubic meter moved.



Our community

One of our core sustainability goals is to actively strengthen the communities where we operate. We do this by partnering with community organisations, giving targeted sponsorship grants to local groups and individual adventurers and offering our team the chance to volunteer and donate to charities.

Formalise our PRODUCTS WITH PURPOSE program	Redefined how we directly support our members to live the dream through the Member Adventures program	
 Donated 400 LuminAID lights to remote communities of the Solu Khumbu region	DIRECTLY SUPPORTED 268 INDIVIDUAL ADVENTURERS AND LOCAL COMMUNITY GROUPS	Renewed support of our 6 corporate community partners

In 2014 we reviewed our community investment strategy so it identifies and targets measurable outcomes. A significant part of this work was assessing all the ways that we contribute to community across the business. We were pleased to find so many impactful stories and touch points. With a full picture of all our work, we aligned these projects to take a more strategic approach and scale up impact.

The model below is a realignment of our community investments:

The three focus areas summarise our approach to community investment and engagement. Our Corporate Partnerships allow us to support organisations that align with our core values and our brand purpose. Our Member Adventures program gives our loyal customers the opportunity to receive product support for their efforts to 'live the dream'. Our Product with Purpose initiative gives our customers the chance to contribute to a cause through their purchases. Through these focus areas we are able to direct our support to meaningful outcomes for our communities.



Corporate partnerships

Our Corporate Partnerships are strategic relationships that directly support initiatives that align with our core values. We have six strategic community partners who work in the areas of outdoor adventure, environmental conservation and emergency relief. Our support spans volunteering, product and financial donations for our long standing partners in both Australia and New Zealand.

Australia					100 YEARS PEOPLE HELPING PEOPLE 1914-2014
New Zealand					

Connecting our Customers
Our partnerships have been established to align with our company's core values, broadening the reach of our commitments and our purpose. Our Annual Summit Club Trek is a great example of how our partnerships make our core purpose come to life. In 2014 we hosted our 3rd Annual Trek in which Summit Club members were invited to spend three weeks on a guided trek in Nepal while learning about and fundraising for the Australian Himalayan Foundation (AHF).

We offer this annual trip in collaboration with our partners, AHF. The AHF's vision is to work with the people of the Himalaya to help them achieve their goals, through improvements in education, health and medical services, environment and conservation.

The popularity of the Annual Summit Club Trek continues to grow, selling out all spots in a matter of days. We are thrilled to see our members "live the dream" and be a part of this remarkable trip. Over 30 trekkers, on two separate departures, experienced the awe-inspiring Himalayan peaks, while visiting the remote villages and schools supported by the AHF/Kathmandu partnership.



Our ongoing support of the Australian Red Cross and the New Zealand Red Cross effectively supports natural disaster relief. Our partnership is beneficial to the Red Cross response efforts because many of our products are in high demand as part of these relief efforts.

In October 2013 we responded to the Australian Red Cross requests to help bushfire recovery in New South Wales. We donated over 1000 products, including first aid kits, torches and radios, as an important addition to the Red Cross activation kits used by emergency response relief workers.

While these product donations are important to the disaster response, we can also help with community education and communication. In 2014, we began to use our social media channels as a strategic communication platform to assist our partners to get the word out about their mission and their important contributions.

In 2014 we directly supported 268 individual adventurers and community groups that applied.



Example Facebook post

Kathmandu

We're assisting the Red Cross with the New South Wales bushfire appeal. You can too! We've donated over 1,000 Kathmandu products, including First Aid Kits, Emergency Blankets, Torches and Radios as part of the RediPlan response packs.

For more information on the Red Cross' disaster relief and recovery work or to make a donation, visit; <http://redcross.org.au/nsw-bushfires-oct-2013.aspx> (maybe include hashtag link #NSWfires, (geotarget to AUS)



Friday, 1 November 2013 at 16:00 UTC+11



Connecting our Team
In addition to corporate level, annual financial support of these great organisations, we are also committed to encouraging our team to roll up their sleeves and contribute to the causes. A great example was a group of team members from our Christchurch office who took the initiative to coordinate an outing on their own time, braving the cold conditions to help the Quail Island Ecological Restoration Trust with their conservation efforts. We applaud our team members commitment to environmental action, which is one of our core values.



Summit Club Member Adventures Program

Our core purpose is to “inspire adventure in everyone”. As a part of our commitment to enable our Summit Club members to ‘live the dream’ of travel and adventure, we provide product support to community groups and individual adventurers. Our Summit Club Member Adventures Program is designed to directly support our loyal customers and their ambitions to ‘live the dream’ of travel, adventure and supporting community organisations. The objective of this program is to provide product support that will directly assist our customer’s adventures and/or service projects that are aligned with our purpose and core values.

We are continually inspired by the amazing adventures and achievements of our Summit Club members. We will keep supporting and sharing these stories to help inspire others to get out there and ‘live the dream’ of travel and adventure.

We receive many support requests throughout the year. Our Member Adventures Program ensures that we target specific community impacts. In 2014 we directly supported 268 individual adventurers and community groups that applied.

We support:

- Adventures that inspire and enable people to be active in the outdoors
- Impactful, culturally engaging projects related to travel and adventure
- Outcome-oriented environmental conservation projects

Applications for the Member Adventures Program are assessed by the Kathmandu Community Committee on a quarterly basis. Product support recipients are awarded on a seasonal basis (Spring, Summer, Autumn and Winter). Please visit our website to learn more about how to apply.



CASE STUDY:
Chris Byrnes
“Live the Dream” Nepal



“It’s my dream that this trip will not only be a great adventure in another and very different part of the world, but also allow me to help people less fortunate than me” – Chris Byrnes

Fifteen-year-old Chris was embarking on a fantastic adventure to trek Nepal and help build a school, as organised by his college Brighton Secondary. In his application, he wrote: “It’s my dream that this trip will not only be a great adventure in another and very different part of the world, but also allow me to help people less fortunate than me”.

We were excited to contribute to Chris’ dream by providing him with essential trekking clothing and equipment suited to the extreme conditions. Chris would be hiking in conditions as low as -15°C in Nepal’s Langtang region, reaching heights of 4800m.

“On our project, we helped a school by painting two buildings and assisting with the construction of a new toilet block,” says Chris following his trip. This effort was on top of raising funds to continue building the school and sponsor local children to attend school.

Thanks for giving us the opportunity to be part of your experience Chris.



Products with Purpose

Products with Purpose is a new focus area for our community investment strategy. It aims to empower customers to directly support the community with their purchases.

Our most significant commitment to this initiative to date has been our shopping bag program. In 2011 we committed to eliminating plastic bags from our stores, replacing them with recycled paper bags. These paper bags are sold for 20 cents with a portion of this sale supporting the Red Cross in New Zealand and Australia. While this was a successful program, we wanted our customers to play an even more proactive role in our community investments.

With over a decade of working together, our “Products with Purpose” project with “From The Mayan People To You”, a producer and global exporter of Mayan and Guatemalan handicrafts located in San Juan del Obispo (near La Antigua Guatemala). The organisation began producing high quality crafts with high ethical standards, exporting these beautiful products around the world since 1991. The “From The Mayan People To You” group are immensely proud to assist thousands of indigenous Guatemalan Mayas in supplementing their agricultural income with the sale and export of hand-made crafts.

Another great example of a “Products with Purpose” project is our partnership with Oboz shoes. Oboz shoes partners with Trees for the Future to plant a tree for every pair of shoes sold.

When you buy a pair of Oboz at Kathmandu, Oboz and Trees for the Future plant a tree with a direct sustainability outcome. This strategic initiative plants trees that create sustainable sources of crop shade, soil rehabilitation, food, windbreaks, medicine, mudslide control, etc, for communities in Africa, Asia and Latin America, in addition to limiting carbon emissions around the globe. Since our partnership began, Kathmandu customers have planted **over 100,000 trees** with Oboz and Trees for the Future.

In 2014, we launched a new project with LuminAID and our corporate partner, the Australian Himalayan Foundation. LuminAID is a solar powered inflatable light that packs flat and inflates to create a reusable waterproof lantern. First designed to help victims of the Haitian Earthquake, the LuminAID provides up to 12 hours of light, with a recharge period of seven hours in direct sunlight. Naturally, a product like this is very appealing to outdoor enthusiasts as an addition to first aid kits or as a lightweight lantern for outdoor pursuits.

LuminAid also has a role to play in less developed countries where energy is scarce. We are excited to exclusively be offering the LuminAID product in our stores, and to be participating in the LuminAID Give Light Get Light initiative. This program connects us with our partners, the Australian Himalayan Foundation, in donating over 400 lights to the Khumbu region of Nepal, where residents do not have access to electricity. The initiative not only provides a reliable, safe and renewable form of light, but also enables children to study at night, supporting the community’s long-term development.



CASE STUDY:

LuminAID® distributed by Summit Club members

Our Third Annual Kathmandu Summit Club Trek in March 2014 gave Summit Club members the chance to directly contribute to the Australian Himalayan Foundation (AHF) while experiencing the unmatched beauty of the Himalayan region and its people. The trek was extra special this year, as our members hand delivered our donated lanterns to remote communities.

“Many of the remote communities we support are several days walk from the nearest village, and in many cases these communities do not have access to reliable power,” says Carolyn Hamer-Smith, the AHF General Manager.

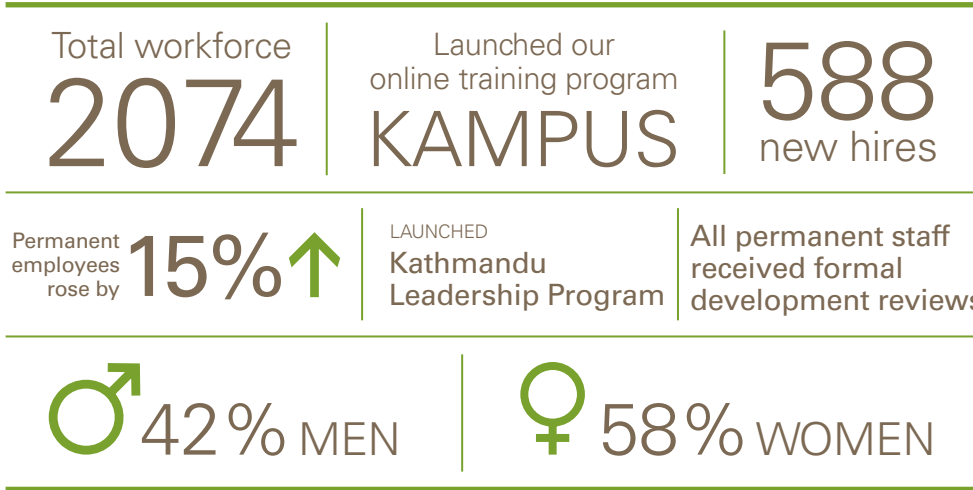
“For many families, the only form of light is a wood-burning fire. LuminAID will make an enormous difference in providing these families with their first reliable form of light, enabling students to do their homework in the evenings. Ultimately, this product will support the long-term development of these communities.”

The 2014 Kathmandu Summit Club Trek visited the schools we support through the partnership and distributed up to 400 donated LuminAID lights to the communities of the Solu Khumbu region.



Our team

Our employees are the engine of our business. We always look for new ways to attract, develop and retain smart working team members who are passionate, innovative, driven and love retail, travel and adventure.



This year, we focused the direction of our people strategy in four areas; Recruitment and attraction, engagement and retention, learning and development and safety and wellbeing. We launched two online employee tools; Kampus and HR Self Service, to further support learning & development and employee engagement.

HR Self Service (HRSS) is a virtual human resources office. It provides managers and employees with secure access to their own information, so they can make changes, apply for leave and vacancies.

Kampus is a learning management tool which allows employees to complete inductions and other training online in an interactive and engaged way. It can be utilised as a training suite for targeted refresher training as part of an individual development plan. The training suite includes; health and safety, recruitment and selection tools for retail hiring managers, technical product training, product launch training, company policies and our core purpose and values.

We will continue to support employee engagement and workflow efficiencies by implementing further tools that provide our team with the resources to complete people based tasks in a more effective and engaging way. This will include an online recruitment and selection management system and online performance appraisal and salary review system.

Other focus areas for the year have included continuous improvement reviews and training with targeted teams in core categories such as; in-store theft and conflict response/prevention, manual handling, managing performance and contractor site safe processes.

As a result of our growth strategy, we increased our retail team and support office employee count. By the end of 2014, we had a total workforce of 2074. This is an increase of eight percent on last year. Permanent employees increased 15.4% and make up 74% of the workforce.

Kathmandu's workforce statistics as of 31 July 2014.

	AU	NZ	UK	GROUP	TOTAL %
BY EMPLOYMENT TYPE					
FT employees	386	317	18	721	35%
PT employees	516	350	15	881	42%
Casual	379	93	0	472	23%
BY CONTRACT TYPE					
Permanent	898	600	33	1531	74%
Fixed-Term FT	3	6	0	9	0%
Fixed-Term PT	1	61	0	62	3%
Casual	379	93	0	472	23%
BY GENDER					
Male	570	279	21	870	42%
Female	711	481	12	1204	58%
BY AGE GROUP					
< 30	809	426	18	1253	60%
30-50	417	291	15	723	35%
50+	55	43	0	98	5%
BY CATEGORY					
Executive	4	7	0	11	1%
Senior Management (Wider Leadership Team)	16	33	0	49	2%
Management	293	174	15	482	23%
Non-management	968	546	18	1532	74%
Total Employees	1281	760	33	2074	100%

In 2014, we have focused on recruiting permanent part-time positions instead of casual positions in Australia. This approach will provide more job security to support employee retention, and work towards reducing our casual labour costs.



Hiring and turnover

Reflecting the growth in our business and opening of new stores, we hired 588 permanent employees to our team in this year. Our group turnover rate for permanent employees was 32.7%. The turnover rate for permanent full time staff was 24% and 40% for permanent part time staff.

Due to the limited retail network in the UK of four stores and the ratio of part time employees, this is an expected level of turnover for the scope of employment type.

Kathmandu's new hires in FY2014.

New Hires	AU	NZ	UK	GROUP
BY GENDER				
Male	167	72	14	253
Female	206	119	10	335
BY AGE GROUP				
< 30	267	129	18	414
30-50	96	59	6	161
50+	10	3	0	13
Total New Hires	373	191	24	588

Kathmandu's new hires in FY2014.

Employee Turnover	AU	NZ	UK	GROUP
BY GENDER				
Male	148	86	20	254
Female	118	115	14	247
BY AGE GROUP				
< 30	170	131	31	332
30-50	86	64	3	153
50+	10	6	0	16
Total Turnover	266	201	34	501
TURNOVER RATE	29.6%	33.5%	103%	32.7%

Learning and Development

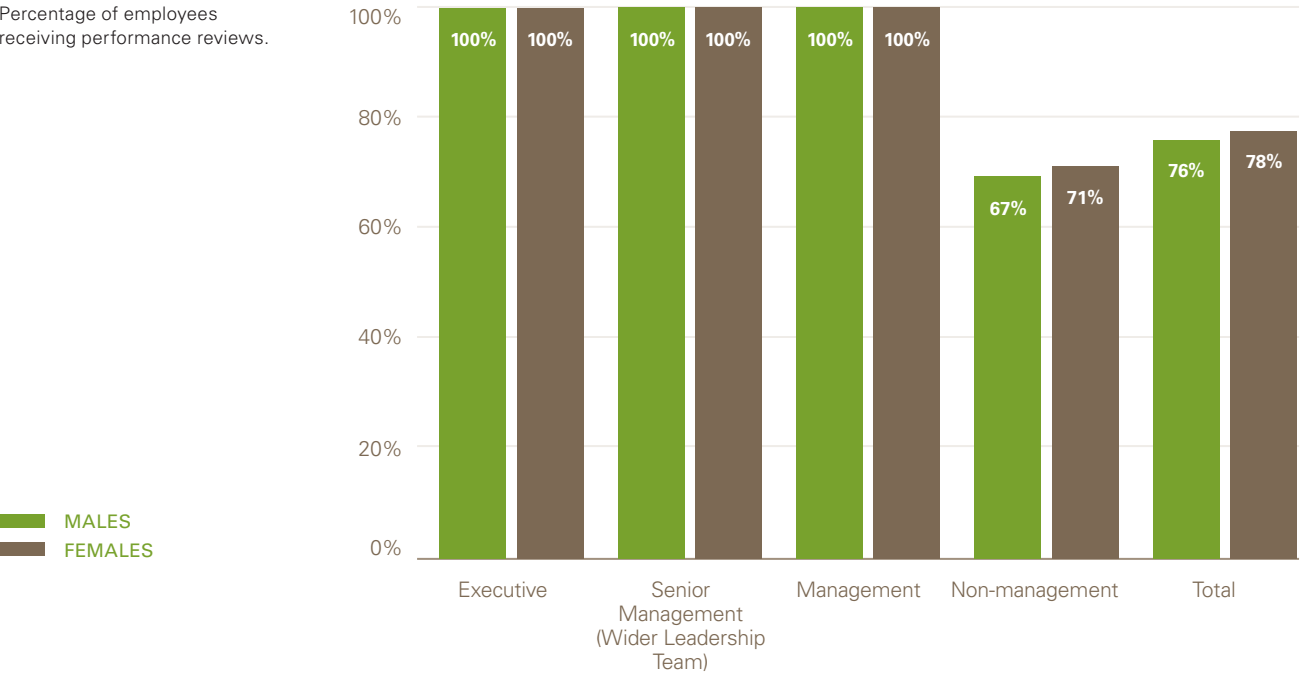
This year we introduced a Retail Leadership program as part of our retention and employee development strategies. This Leadership program targets our high performance Retail Managers and focuses on core management and leadership skills. It provides participants with an opportunity to contribute to wider business growth strategies, leading a project as part of their development during the 12 month program. This program gives employees a recognised certification in management training at completion.

Designated retail trainers were also implemented this year. The purpose of a retail trainer, which is a portfolio responsibility of successfully selected retail managers, is to provide consistent training and on-boarding of new and existing retail employees. Retail trainers use Kampus as a resource to confirm new and existing employee knowledge and understanding of learning.

Individual Development Plans are used as a tool for succession planning and to further develop the skills required to grow our team members. We work with individual employees to identify the direction of their development in the coming year and work together towards achieving future career pathways.

In 2014, 77% of the total employee group received formal performance reviews. All permanent employees received formal performance appraisals. It is not practical for us to report on formal performance reviews for casual employees due to the nature of their employment being irregular and temporary; however the option to use this resource is available to managers. It is more practical for Managers to assess performance continually and provide informal feedback.

Percentage of employees receiving performance reviews.



CASE STUDY:
Leadership program



Rachel is a Kathmandu cluster manager of the Southern New South Wales region, overseeing 16 stores and 176 team members. Rachel helped enhance the community engagement strategy for the business in 2014.

This year’s leadership development program identified the company’s emerging retail leaders and provided a combination of formalised leadership training and hand-on development. The leadership program targets the career development of high performance retail managers.

Rachel was attracted to the leadership program as she sees it as being about her career development with Kathmandu. During the program she has built relationships with the wider leadership team across multiple support office departments and been exposed to learning about many facets of the business.

Program participants lead a series of business projects under the program. These included implementing a retail-based waste management system, sharpening the company’s core values and internal communication, developing a retail store fit-out input process and developing a more engaging community outreach strategy.

Rachel was selected to lead the redesign of the community outreach strategy as she is

passionate about community involvement and saw the benefits from a team engagement perspective, creating a sense of satisfaction by giving back to the local community.

“Community involvement is something I’m passionate about,” she says. “I see positive benefits from a team engagement perspective creating a sense of satisfaction by giving back and contributing to the wider community.”

Kathmandu currently provides support to various local community groups and individual adventurers, and our goals is to increase the value of the program to local communities. There is also commercial value in having close relationships with customers and the community. Rachel says there is a great opportunity for our store teams to proactively build relationships in their communities, further enhancing our existing program.

The leadership program offered in 2014 gave Rachel and her peers the opportunity to further develop their skills and contribute to their career development at Kathmandu.

Supporting diversity

We embrace diversity because we want our team to reflect our community. We do not tolerate any form of discrimination and recruit, develop and promote our staff based on their performance alone.

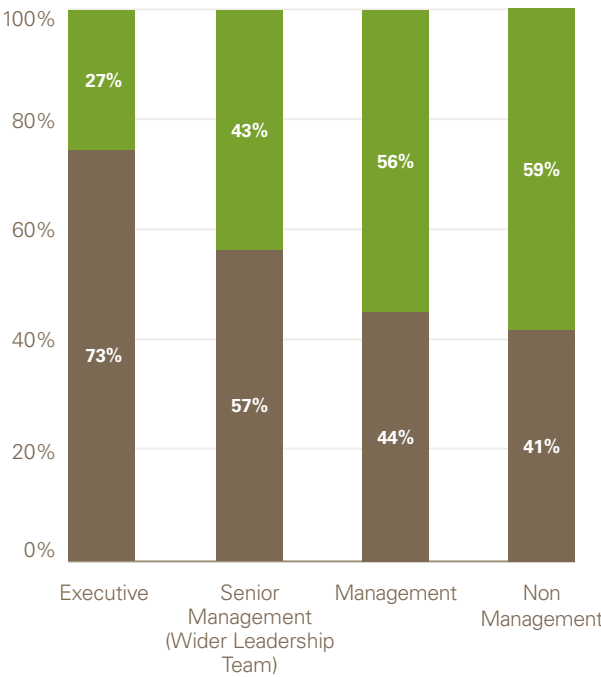
In 2014, there were no incidents of discrimination.

We are proud of our diverse and balanced workforce. In 2014 58% of our team were female. The gender breakdown was 63% female in New Zealand, 56% in Australia, and 36% in the UK. Our Board is 40% female, comprised of two females and five males.

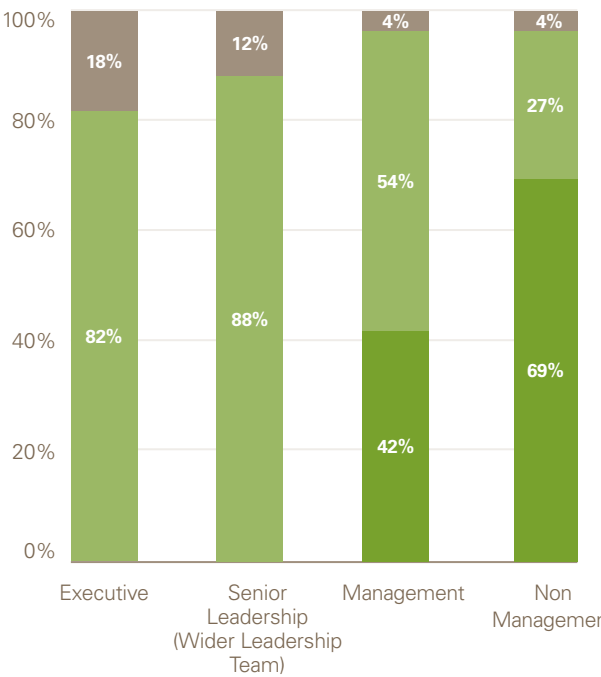
All of our executives and senior management are above the age of 30. Most (nearly 70%) of Kathmandu’s non-management staff are under the age of 30.

We support gender diversity in our workplace. We want our employees to have a work-life balance so they can enjoy their outdoor adventures. We also offer flexible work arrangements that cater to family commitments.

Supporting diversity



Gender diversity by employee category.



Age diversity by employee category.

Parental leave is offered to eligible employees in accordance with relevant legislation in Australia, New Zealand and the UK K. In 2014, 40 employees took parental leave. We support flexible working arrangements for employees in accordance with applicable parental leave and flexible working arrangements legislation where operational needs permit.

	Male	Female
Employees entitled to parental leave	545	771
Employees that took parental leave	2	38
Employees who returned to work after parental leave	2	19
Return to work rate	0%	95%
Employees who returned to work after parental leave and were still employed after 12 months	2	12
Retention Rate	100%	75%

Parental leave taken by Kathmandu staff in 2014.

Health and Wellbeing Support Programs

We work hard to keep a focus on safety and wellbeing and build a strong safety first culture through our SafeTeam program and policies. A quarterly safety newsletter aims to raise awareness about workplace safety issues and to inform our employees about ways to manage potential risks.

Each location in our network has a health and safety committee and designated safety representatives. This forum is used to identify and discuss hazards or other safety matters. In 2014, 100% of our total workforce were represented in formal health and safety committees to monitor and advise on OHS issues (classifying us in the “75% and over” category of employees represented in formal joint management-worker health and safety committees to monitor and advise on OHS issues).

Other safety initiatives this year included the implementation of an asbestos and other hazardous substances policy and the implementation of our distribution centre traffic management plans.

GRI content index

We identified material topics based on ongoing monitoring of industry issues through our stakeholder engagement mechanisms described in the Sustainability at Kathmandu section.

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

Description		Coverage	Reference	Page	Notes
STRATEGY & ANALYSIS					
G4-1	Senior leader statement.	Full	Chairman & COO report	10,11	
ORGANISATIONAL PROFILE					
G4-3	Name of the organisation.	Full	Our story	13	
G4-4	Primary brands, products, and/or services.	Full	Our story	13	
G4-5	Location of organisation's headquarters.	Full	Our story	13	
G4-6	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	13	
G4-7	Nature of ownership and legal form.	Full	Our story	13	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Full	Our story	13	
G4-9	Scale of the reporting organisation.	Full	Our story, Our performance	13,16	
G4-10	Total workforce by employment type, employment contract, and region.	Full	Our team	P55	
G4-11	Percentage of employees covered by collective bargaining agreements.	Full	Our team	P54	
G4-12	Describe the organisation's supply chain.	Full	Our supply chain	18	
G4-13	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Full	Our story, our suppliers	13,20	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Full	Energy and climate change	41	We support the precautionary approach by taking action to reduce our environmental impacts.

Description		Coverage	Reference	Page	Notes
G4-15	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.
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Full	Our stakeholders and material issues, Energy and climate change, GBCA – Green star and Our community	17, 39, 41, 46	
G4-17	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Full	Our story	13	
G4-18	Process for defining report content.	Full	Our stakeholders and material issues	17	
G4-19	List of material aspects identified in the process of defining the report content.	Full	Our stakeholders and material issues	17	
G4-20	For each material aspect, report the Aspect Boundary within the organisation.	Full	Appendix: Where our impacts occur	62	
G4-21	For each material aspect, report the Aspect Boundary outside the organisation.	Full	Appendix: Where our impacts occur	63	
G4-22	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.
G4-23	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.
G4-24	List of stakeholder groups engaged by the organisation.	Full	Our stakeholders and material issues	17	
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Full	Our stakeholders and material issues	17	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Full	Our stakeholders and material issues	17	

Description		Coverage	Reference	Page	Notes
G4-27	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	17	
REPORT PROFILE					
G4-28	Reporting period (e.g., fiscal/calendar year) for information provided.	Full	About this report	1	
G4-29	Date of most recent previous report (if any).	Full	This index		2013 Sustainability Report (1 August 2012 – 31 July 2013).
G4-30	Reporting cycle (annual, biennial, etc.).	Full	This index		Annual
G4-31	Contact point for questions regarding the report or its contents.	Full	About this report	1	
G4-32	Table identifying the location of the Standard Disclosures in the report.	Full	This index		
G4-33	Policy and current practice with regard to seeking external assurance for the report.	Full	About this report	1	
GOVERNANCE					
G4-34	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	14	
ETHICS AND INTEGRITY					
G4-56	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.				

Specific standard disclosures

GRI G4 Aspects	DMA and Indicators	Omissions	Reference	Page	Notes
Economic performance	DMA: Economic		Our performance, Energy and climate change	15, 41	
	G4-EC2		Energy and climate change	41	
Energy	DMA: Energy		Sustain the Dream plan, Energy and climate change	14, 41	
	G4-EN3		Energy and climate change	41	
Products and services	DMA: Products and services		Our products	28	
	G4-EN27		Case study: Increasing efficiencies and cutting waste, What's in our products: materials, Case study: Decreasing levels of packaging	29, 33, 43	
Transport	DMA: Transport		Transport	44	
	G4-EN30	Quantitative data on impacts	Transport	44	We have limited hard data on our own operations and suppliers due to a lack of systems.
Supplier environmental assessment	DMA: Supplier environmental assessment		Our suppliers	20	
	G4-EN32		Our suppliers	20	
	G4-EN33		Our suppliers, Audits, Transport	20, 23, 44	
Employment	DMA: Employment		Our team, Our performance	15, 54	
	G4-LA1		Hiring and turnover	56	
	G4-LA3		Supporting diversity	59, 60	
Training and education	DMA: Training and Education		Sustain the Dream plan, Learning and development	14, 57	
	G4-LA11		Learning and development	57	
Diversity and equal opportunity	DMA: Diversity and equal opportunity		Supporting diversity	59	
	G4-LA12		Supporting diversity	59	
Supplier assessment for labour practices	DMA: Supplier assessment for labour practices		Our suppliers	20,21	
	G4-LA14		Our suppliers	20,21	
	G4-LA15		Audits, What is a CAP?	23, 26	

GRI G4 Aspects	DMA and Indicators	Omissions	Reference	Page	Notes
Labour practices grievance mechanisms	DMA: Labour practices grievance mechanisms		Our suppliers, Audits, What is a CAP?	20, 23, 26	
	G4-LA16		Child and forced labour	25	
Freedom of Association and collective bargaining	DMA: Freedom of Association and collective bargaining		Our suppliers, Audits, What is a CAP?	20, 23, 26	
	G4-HR4		Audits	23	
Child labour	DMA: Child labour		Our suppliers	20	
	G4-HR12		Our suppliers, Child and forced labour	20, 25	
Forced or compulsory labour	DMA: Forced or compulsory labour		Our suppliers	20	
	G4-HR6		Our suppliers, Child and forced labour	20, 25	
Supplier human rights assessment	DMA: Supplier human rights assessment		Our suppliers	20	
	G4-HR10		Our suppliers	20, 21	
	G4-HR11		Our suppliers, Audits, What is a CAP?	20, 23, 26	
Human rights grievance mechanisms	DMA: Human rights grievance mechanisms		Our suppliers, Audits, What is a CAP?	20, 23, 26	
	G4-HR12		Child and forced labour	25	
Customer health and safety	DMA: Customer health and safety		Making safe, quality products	33	
	G4-PR1		Making safe, quality products	33	
	G4-PR2		Regulatory compliance	35	
Product and service labeling	DMA: Product and service labeling		Our performance	15	
	G4-PR5		Our performance	15	
Marketing communications	DMA: Marketing communications		Responsible communications	35	
	G4-PR7		Responsible communications	35	
Compliance	DMA: Compliance		Making safe, quality products	33	
	G4-PR9		This index		No monetary fines were incurred for non-compliance with laws and regulations concerning the provision and use of our products.



Appendix: Where our impacts occur

Material topic	Who it applies to	Where it applies	Limitations
Economic performance	Kathmandu, investors	Global, our operations	
Materials	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.
Energy	Kathmandu	Our operations	
Emissions	Kathmandu	Our operations	
Waste	Kathmandu, consumers	Our operations	Data systems are not yet in place but will be set up in 2015.
Products and services	Kathmandu, consumers	Our operations	
Transport	Kathmandu, distributors, suppliers	Our operations	We have limited hard data on our own operations and suppliers due to a lack of systems.
Supplier assessment	Kathmandu, suppliers, distributors	Our operations	
Employment	Kathmandu	Our operations	
Occupational health and safety	Kathmandu	Our operations	
Training	Kathmandu	Our operations	
Diversity and equal opportunity	Kathmandu	Our operations	

Material topic	Who it applies to	Where it applies	Limitations
Supplier assessment for labour	Kathmandu, suppliers	Our operations	
Labour practice grievance mechanisms	Kathmandu, suppliers	Our operations	We will be working with the FLA to set these up in 2015.
Non discrimination	Kathmandu, suppliers, consumers	Our operations	
Freedom of Association and collective bargaining	Kathmandu, suppliers	Our operations	
Child Labour	Kathmandu, suppliers	Global, especially Asia, our operations	
Supplier human rights assessment	Kathmandu, suppliers	Global, especially Asia, our operations	
Human rights grievance mechanisms	Kathmandu, suppliers	Global, especially Asia, our network	We will be working with the FLA to set these up in 2015.
Customer health and safety	Kathmandu, suppliers, consumers	Global, our operations	
Product labelling	Kathmandu, consumers	Our operations	
Marketing	Kathmandu, consumers	Our operations	
Customer privacy	Kathmandu, consumers	Our operations	
Compliance	Kathmandu, consumers	Our operations	