

2016 SUSTAINABILITY REPORT

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Kathmandu[®]

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About this report
This is our fifth annual sustainability report. It covers the period from 1 August 2015 to 31 July 2016. The report is prepared in accordance with the core requirements of the Global Reporting Initiative (GRI) G4 reporting framework. It accompanies our Kathmandu Annual Report 2016, available online at kathmanduholdings.com, which includes our full financial results. Data in this report covers Kathmandu's operations, including our stores, distribution centres and support offices in New Zealand, Australia and the United Kingdom. If any issues are material beyond these boundaries, we have reported on these issues and our approach to managing them, but we may not have complete data available. Financial figures are expressed in New Zealand dollars unless otherwise specified. We'd love to hear your feedback on the report. Feel free to send comments and questions to our team at sustainability@kathmandu.com.au

We believe in the power of travel and adventure to change the world.



HIGHLIGHTS 2016



**ACHIEVED 100%
RDS CERTIFICATION**
across our entire
insulation range
from Winter 2016



**RANKED
#4**

in the Textile Exchange Report's
top global users of certified down

**WON AN
AWARD WITH
THE AUSTRALIAN
PACKAGING COVENANT**



Moved into our new
5 Green Star rated
office in Christchurch



ADVISORY MEMBER
for the new RWS

**UPCYCLED 1.2 MILLION PLASTIC
BOTTLES TO THE REPREVE RANGE**



**SUPPORTED OUR FIRST
CARBON OFFSET
PROJECT**



**IMPLEMENTED OUR
GARMENT REUSE
PROGRAMME**

#tradeformnew

INCREASED USE OF SUSTAINABLE COTTON
FROM **38% TO 59%** across our cotton range



COMMITTED TO USING THE HIGG INDEX

THE CHAIRMAN



‘It’s exciting to be in this part of our sustainability journey, where being an industry leader is not about winning, but about finding a better path.’

Each year, sustainability becomes more engrained within our business. We’ve made progress this year. We achieved 100% Responsible Down Standard (RDS) certification for all our down products. We opened a 5 Green Star Rated support office in Christchurch and helped develop a Green Star rating tool specific for retailers.

But our biggest impacts will be in the opportunities we’ve helped create for our whole industry – using collaboration to have a multiplier effect.

By collaborating with the Green Building Council of Australia, we’ve helped develop a retail-specific Green Star Rating system. This will make it easier for retailers to adopt green building standards, which in turn puts pressure on the building industry to develop less wasteful systems and show more transparency in the products they source. The built environment contributes more than a third of all greenhouse gas emissions, so even small steps here can make a big difference at scale.

Scale is a key factor for meaningful change. The Better Cotton Initiative now accounts for almost 12% of global cotton production. That means 1.6 million cotton farmers around the world are using less pesticides and getting better yields. Kathmandu became the first Australasian member of this initiative in 2015 and it will be a big part of achieving our goal of 100% sustainable cotton by 2020.

The Higg Index is another great example of industry collaboration. This sustainability self-assessment tool helps brands track their progress and benchmark themselves against industry standards. It helps us ask the right questions so we can focus on the biggest problems.

By thinking beyond our doors and working together with our industry, we have a chance to solve problems that extend right through our supply chains. It’s exciting to be in this part of our sustainability journey, where being an industry leader is not about winning, but about finding a better path.

David Kirk
Chairman

THE CEO



‘As a design-led business, designing great, innovative, distinctive and sustainable quality products and solutions remains our core strategy.’

The Kathmandu brand exists to inspire travel and adventure. Our business is about creating value for our customers, our shareholders and our team members. We create value by operating a responsible business with sustainability at the core of our business strategy and embedded into our core values.

Looking back on a year of solid financial performance, we recognise that our sustainability commitments have also helped drive operational efficiency.

This year, I was pleased to be directly involved in our materiality assessment, which gave me greater insight into the business’s social and environmental impacts.

Our stakeholders’ feedback outlined human rights as our number one material issue, and materials stewardship and waste management were also top priority material issues.

This feedback informs our sustainability strategy. This year, we continued to integrate the use of the Higg Index, which is an industry based, best practice framework for assessing our work in this area.

Completing the Higg Index modules for each area of our business gives us a score that we can benchmark against an industry standard, helping us to understand where we are and how we can improve. We are committed to collaborating across industry to drive sustainability outcomes.

As a design-led business, designing great, innovative, distinctive and sustainable quality products and solutions remains our core strategy.

Sustainability informs how we design, make and innovate our products, so that our customers realise their full potential in the great outdoors.

More than a retail business, Kathmandu is a great brand. We will continue to strengthen our engagement with customers, particularly with our 1.6 million Summit Club members. Sustainability is a key part of this conversation.

In the year ahead, we will celebrate our 30th year of designing great outdoor equipment. I look forward to delivering further value to our stakeholders in this area.

Xavier Simonet
Chief Executive Officer

INTEGRITY

We are ethical, honest and always strive to do right by our customers and each other.

RESOURCEFULNESS

We celebrate ingenuity and inventiveness with a 'hands-on' approach to get the job done.

LOVE OF TRAVEL AND ADVENTURE

This is our unique and addictive passion. It's our business, our life and is the heart and soul of Kathmandu.

ENVIRONMENTAL ACTION

We not only believe in protecting the outdoors, we act. Together, customers and team members are a force committed to minimising our environmental footprint.

OPENNESS AND DIRECTNESS

We act with transparency to create a productive, naturally efficient working life, with no time for bureaucracy.

PASSION AND DETERMINATION

We love what we do, we believe in what we create, and we go the extra mile for our customers and our people.

OUR CORE VALUES

OUR STORY



We were born in New Zealand – a breathtaking country where isolation breeds innovation and the hunger to explore.

For 30 years, we have designed our gear to endure the rugged landscapes of our homeland and to outfit the adventurous spirit of our people.

With Kiwi ingenuity, and an open mind, we continuously adapt our gear to endure different weather conditions, diverse terrains, and the ever-changing needs of travellers.

We act with people and the planet in mind – from the creative minds of our designers, to the careful hands of our suppliers, to the backs of our customers all around the world.

We believe that adventure begins when you pack your bag.

We are Kathmandu.



161 TOTAL STORES



47 NEW ZEALAND STORES



114 AUSTRALIAN STORES

TOTAL SALES: **\$425.5m** (+4.0%)
PROFIT: **\$33.5m**

KMD.NZ
KMD.AX

Kathmandu is listed on both the Australian (ASX) and New Zealand (NZX) stock exchanges. More information about our performance and governance structure is available in our company annual report.

OUR JOURNEY



Sustainability is in our DNA

AT KATHMANDU, SUSTAINABILITY IS NOT A DEPARTMENT – IT'S A WAY OF DOING THINGS

FOUR GOALS WE HAVE SET



FOR 2017

Use 2.5 million plastic bottles for our Reprave range



BY 2018

Zero waste to landfill



BY 2020

100% sustainable cotton



BY 2020

20% reduction of carbon emission

It's built into our stores, designed into our products, lived by our staff and worn proudly on the backs of our customers.

We're driven by a love of the outdoors and an awareness that our exquisite world is finite. True sustainability puts back as much as it takes out. We know we're a long way from that, but at least we're not in it alone. Global problems need global solutions and our industry is coming together in exciting new ways. We've found a place at the table.

Sustain the Dream

Our Sustain the Dream Plan drives how we integrate sustainability across the business. At Kathmandu, sustainability is not a department – it's a way of doing things. And it only works when every department is busy making a difference every day. This year, we updated our Sustain the Dream Plan for financial years 2016–2018.

We set new strategies for addressing human rights in our supply chain, product stewardship, minimising our environmental footprint, community engagement on a local and global scale, developing our team and growing our brand. Our sustainability governance team called the Dream Team drives the sustainability plan and reports to our executives.

Informing our plan

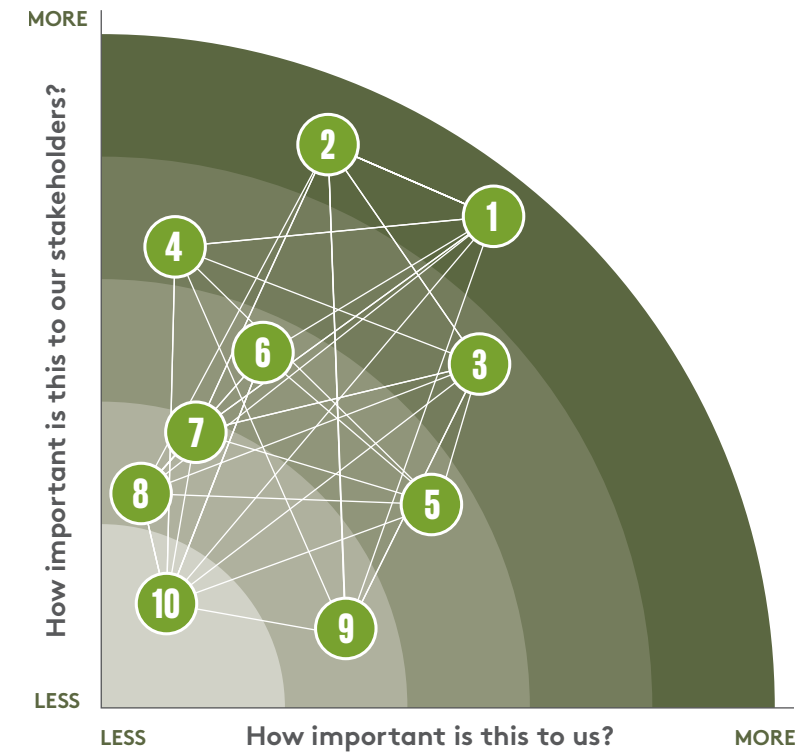
To find out where we need to act, we talk to the people who our brand touches – customers, suppliers, partners, our team and investors. Since 2011, we have consulted those people to find out what they care about most. This is called a materiality assessment and it helps us to refine our priorities.

We have ongoing conversations with our customers in-store, online and through social media. We use regular surveys to talk to our customers and our team. Our conversations with suppliers happen throughout the year. We are in contact with shareholders via investor briefings. In addition to this regular communication, we sat down this year with 17 internal and 18 external stakeholders.

We asked them how important certain issues were to them and asked them for feedback about how we're doing overall.

From these interviews, we developed a list of our top 10 most 'material' issues. Human rights was number one, which reminds us that sustainability is as much about people as it is the planet. Of course, the two are intrinsically connected. When we mapped all the issues according to how they link in the minds of stakeholders, they formed an interconnected web. This tells us that these issues need to be managed together, rather than in isolation.

OUR ENVIRONMENTAL & SOCIAL IMPACTS



1. Human rights

2. Materials stewardship

3. Packaging, waste and recycling

4. Sustainability leadership

5. Employee engagement

6. Industry collaboration

7. Supply chain transparency

8. Carbon footprint

9. Community engagement

10. Product quality and safety

Interconnectedness is also a mark of how complex these issues have become. To help break down these complexities, we have committed to using the self-assessment tool, the Higg Index, to map out our environmental and social impacts in greater detail.

Overlapping our materiality assessment and our Higg Index scores give us a clear picture of what we need to improve on.

See page 62 and 63 for more information on where our impacts occur and how we engage with our stakeholders.

HIGG INDEX

WHAT IS THE HIGG INDEX?

The Higg Index is a ground-breaking self-assessment tool designed by the Sustainable Apparel Coalition in collaboration with the Outdoor Industry Association. It empowers brands to measure their environmental and social impacts and identify areas for improvement.

The Higg Index is made up of several online tools or 'modules'. By entering data about their business impact areas, members generate performance scores. The SAC, which represent nearly 40 per cent of the global apparel and footwear supply chain, aggregates anonymous scores to create an industry benchmark – an incentive for brands to continue to raise the sustainability bar.

As a member of the OIA, we have committed to using the Higg Index and to helping collectively revise and improve our score. By working as an industry, the SAC's aim is to make the Higg Index the most comprehensive and robust sustainability assessment tool possible – one that propels users beyond compliance and towards innovation and impact.

Higg touches on every aspect of our business and the scores show us clearly the areas where we need improvement. But it's not about scores as much as it is about making steady improvement.

This tool is core to our strategy, and in the future will drive our policies, plans and our materiality assessments.

OUR SUPPLIERS



Many hands of the supply chain

OUR CODE OF CONDUCT DEFINES HOW WE EXPECT OUR MANUFACTURERS TO LOOK AFTER THEIR STAFF TO EARN A FAIR WAGE IN HEALTHY WORKPLACES

Our products go through many hands on the way to our customers. It's important to us that all of these people are treated well. That means they earn a fair wage and work in safe and healthy workplaces.

Around 240 million workers rely on the garment industry for employment. Factories are a valuable source of jobs and can help improve livelihoods of workers and their families, but poor working conditions remain a problem across the sector. The industry's challenges are vast and complex. Some workers don't even know their rights or how to achieve them.

In an ideal world, governments would take the responsibility to protect their citizens, but the reality of our global supply chain is that sometimes these laws are not adequate or not enforced. This is why we have a responsibility to make sure we're clear about the standards we expect and we have a system in place to make sure that standard is met.

Code of Conduct

We've developed a Workplace Code of Conduct, which is based on the International Labour Organisation's standards and on internationally accepted good labour practices. The code spells out what we expect from our suppliers. It defines working hours, safe working conditions and explains what sufficient compensation looks like. It also includes environmental standards we expect suppliers to meet. All of our manufacturing partners must sign up to our Code of Conduct before we'll do business with them.

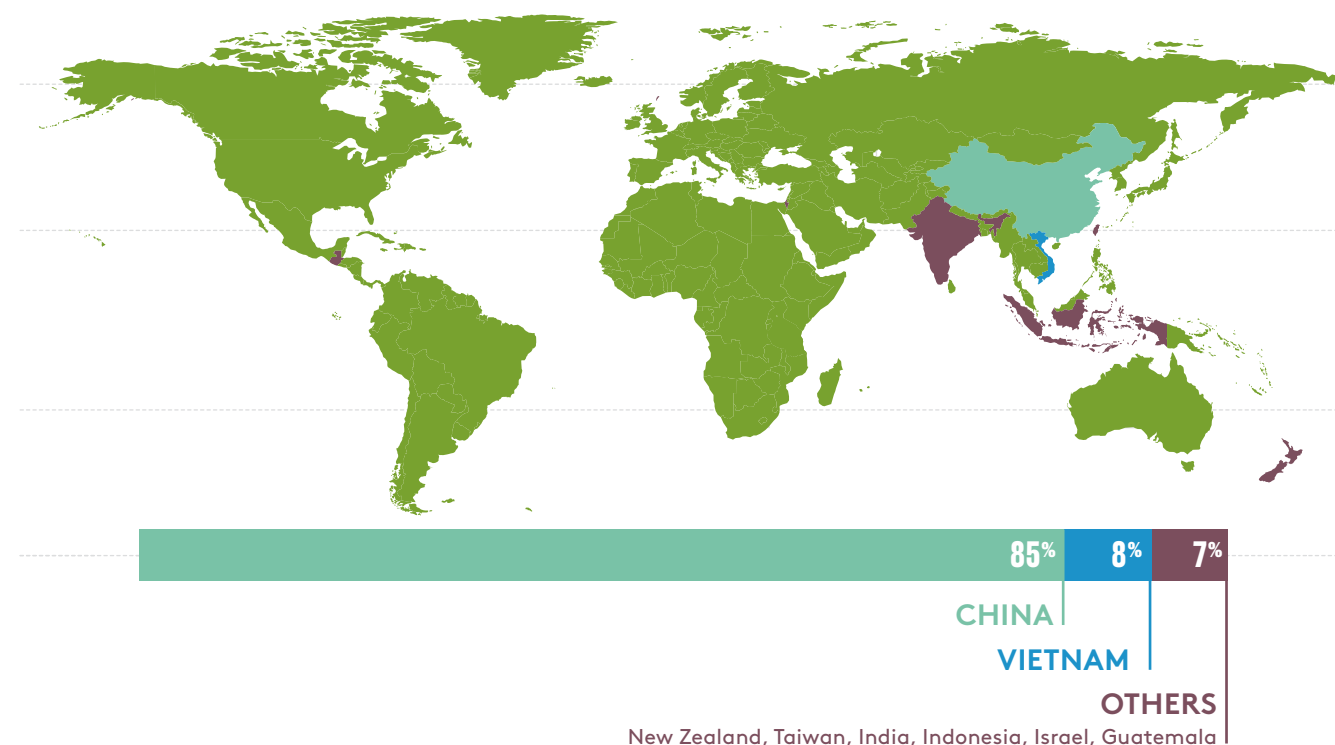
Our Code of Conduct addresses the potential operational risks for suppliers involving child labour, collective bargaining, freedom of association and forced or compulsory labour.

Our social compliance programme audits aim to make sure these standards are upheld. This programme so far has focused physical audits on manufacturers of Kathmandu branded product with whom we spend more than US\$50,000 each year with. All of these suppliers are audited at least once over a three year cycle. In 2016, we audited 28 factories and completed four unannounced audits. Suppliers with whom we spend less are reviewed with a 'desktop audit'. We recognise that in the future, we must find a solution to make sure all workers in our supply chain are protected – regardless of the value of our spend.

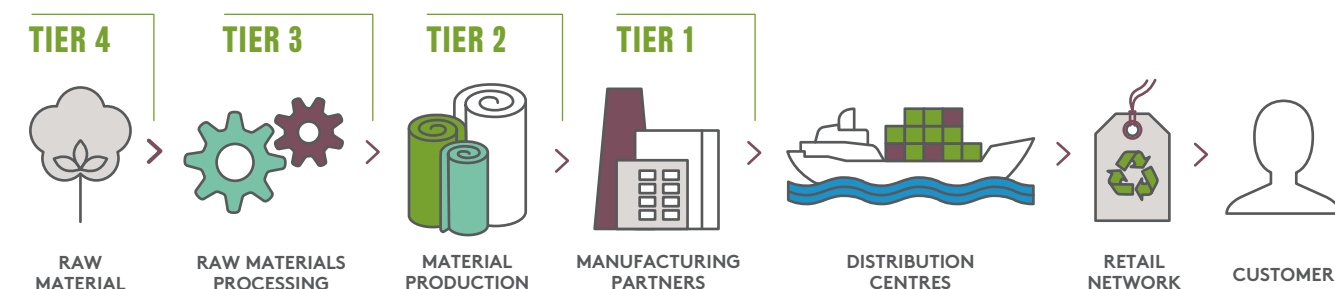
We do our best to audit the companies that fall under the US\$50,000 spend threshold when our own auditors are in the vicinity. We also continued a project looking for ways for our agents or buying houses to provide input. And we perform desktop assessments of suppliers who do not receive full audits. All of our new suppliers are required to follow our social and environmental criteria – this year, eight new suppliers and 32 new factories were briefed into our Code of Conduct.

Our programme continues to evolve as we navigate our way through best practice and methodologies. It remains a fine balance – asking suppliers to improve working conditions but also trying to understand the complex regulations and cultures they operate in.

WHERE OUR GEAR IS MADE



OUR SUPPLY CHAIN



Global challenges

Our most common findings continue to be excessive working hours in Asia and payment of social benefits in China. These are global challenges.

In China, employers are required to contribute to six categories of social benefits. These help pay for things like pensions, medical care and maternity leave. It's a complex system that is not particularly well enforced and is made more difficult by large numbers of migrant workers coming in from rural areas.

We have found some employers don't enforce workers to pay what they should. And workers often avoid paying their contribution in order to have more money in hand.

These practices don't comply with the law and they don't comply with the compensation requirements in our code.

Our approach is to engage in continuous improvement. To reduce excessive working hours, we propose prioritised steps to our suppliers. This stepped methodology is intended to minimise negative impact on workers who, in most cases, actually want the extra wages that comes with overtime.

Living wage

We have followed the guidance of the Fair Labor Association (FLA) to better understand how a living wage can be achieved. We look forward to continued participation in the Fair Compensation Work Plan, a project which aims to address this issue.

We believe progress in this area will only be made through multi-stakeholder initiatives and industry collaboration.

One opportunity for collaboration last year was the Australian Fashion Forum, which was first held in November 2015 to promote dialogue on traceability within the fashion supply chain. This forum highlighted the living wage and other topics, and we were pleased to be invited to be part of a panel to open discussion.

The full Kathmandu Supplier Factory Workplace Code of Conduct is available online at: www.kathmandu.co.nz/get-to-know-us/corporate-responsibility

Working together

Industry partners are helping to evolve our social compliance programme.

We are working with industry partners to identify gaps in our social compliance programme. Using feedback from the Fair Labor Association (FLA), Baptist World Aid and the Higg Index will give us confidence that we're focusing on the right areas as we prioritise our next steps. In the short term, we're using this feedback to improve. For example, we'll be looking at our internal policy and process to formally document who takes responsibility for social compliance within our business – from the supplier management officer and right up to the CFO, CEO and the Board of Directors. In the long term, we'll be focusing on making sure everyone in our supply chain is paid a living wage.



FAIR LABOR
ASSOCIATION

Working towards FLA accreditation

We are working toward FLA accreditation of our social compliance programme. This will give us confidence that our programme is robust.

In 2014, Kathmandu became the first Australasian company to join the FLA. We completed a self-assessment in 2015 and the feedback from that helped us identify areas to focus on. In late 2015, the FLA undertook Social Compliance Initiatives at three of our factories. These assessments go much deeper than a standard audit and typically involve two auditors up to three days. The results help us to assess our programme. For example, we realised that subtle language in our corrective action plans could do more to encourage suppliers to find their own solutions to problems. We hope that these factory-led solutions will do more to address the root problems and will be more earnestly adopted.

'We applaud the progress that has been made. We hope this report will help the fashion industry contribute to a world free from poverty and exploitation.'

Australian Fashion Report 2016

In April 2015, the FLA shadowed a Kathmandu staff auditor in our first FLA field observation. The observer was looking at the effectiveness of our programme across many areas including content, knowledge and ability. Overall, we were found to be 'satisfactory' which means assessors are doing a good job and fulfilling requirements. Some areas came back 'average' or 'insufficient', which shows we still have a lot to learn.

The field observation highlighted our dependency on translators when using our own auditors. Our own Kathmandu staff auditors are valuable because they give us more than a black and white report, but not speaking the local language can be a barrier, especially when conducting staff interviews. We're trying to balance these factors by looking at options – either finding staff auditors who speak the local language or using a mix of staff and third-party audit services.

Kathmandu reports can be read on the FLA Site at www.fairlabor.org/affiliate/kathmandu



BAPTIST
WORLD AID
AUSTRALIA
Be love. End poverty.

Baptist World Aid

Kathmandu participated in the Australian Fashion Report for the third year. The report is researched and written by international aid and development organisation, Baptist World Aid.

It scored 87 apparel companies on their labour rights management system. The average score was C+. Six companies received an A grade and nine companies received an F grade. Kathmandu was graded B-. In real terms, this was the same as the previous year's score but because a new grading tool was adopted, it made it more difficult to achieve higher grades.

'We value this assessment of ourselves and other brands, and the opportunity it provides to examine where our programme falls short to identify areas of improvement – namely auditing and worker empowerment,' says Kathmandu Supplier Management Officer, Donna Didham.



HIGG Index

Our business is now committed to using the ground-breaking self-assessment tool, the HIGG Index, to measure our performance on human rights in the supply chain. We've assessed our work using the detailed questionnaire in the HIGG's 'Social/Labor Management Performance' module. This scoring criteria will reinforce the most important areas for us to focus on in the 2017 financial year.

HELPING FACTORIES TO FOCUS MORE ON IMPROVEMENT AND LESS ON PAPERWORK

Fighting audit fatigue

Factory audits are the tool we use to make sure suppliers are meeting our Code of Conduct to provide safe working conditions and fair pay to workers. But when every company sends auditors, it puts strain on the factories and actually begins to hamper progress. To address this, the Sustainable Apparel Coalition announced the Social and Labour Convergence Project in 2015, calling for collaboration to create a standard assessment tool.

We'll be watching this project with interest. Our own work to help ease audit fatigue includes occasionally accepting paper audits when they meet our criteria. Last year, we reviewed 21 audit documents and 15 of them met our criteria, which relieved 10 physical audits during the year.

Better Work Programme

Last year, we also replaced one audit with a Better Work Programme assessment report for a factory in Vietnam. The Better Work Programme requires commitment from the factory and from the company. If all the factory's customers accept the Better Work report, they will have one consistent and continuous improvement plan as opposed to multiple versions. This will help them to focus more on improving standards and less on completing multiple reports.



'We recognise that the proliferation of differing codes, audits, protocols and approaches are hampering the improvement of social and labour performance within global supply chains. We believe that there is both a need and an opportunity for collaboration.'

Sustainable Apparel Coalition statement
21 October 2015

OUR AUDIT PROGRAMME



Our audit programme includes inspections and staff interviews.

IT AIMS TO:

- 1 Pre-audit and inspect all new potentially significant Tier 1 Suppliers' factories before placing orders.
- 2 Perform a full audit then subsequently a re-audit on a three year cycle of existing significant Tier 1 Suppliers' factories unless an acceptable accreditation or copy audit is provided.
- 3 Focus re-audits on verifying remediation has taken place.
- 4 Focus inspections on visual health and safety.



Re-audits and inspections

We've designed our audit programme to be flexible. We commit to one full-audit or one re-audit of all 'significant' suppliers in each three year cycle. If the full audit shows no problems in the documentation, we might concentrate the re-audit on worker interviews to make sure the workers' comments back up this great on-paper performance.

We terminated our relationship with one supplier as they had subsequently failed their 2015 and 2016 audits. We had put in place a remediation plan for them since 2013, therefore the latest critical failures were not acceptable. The supplier received social compliance training in 2014, in place of a re-audit to enable improvement. Whilst the supplier had remained willing to improve, their audit history was poor.

Their critical failures included: working hours, non-payment of minimum wage, insufficient overtime wage, attempts to hide the kitchen and a blocked emergency exit.

A flexible programme also allows us to be alert for changes, like new management or new legislation, and adjust our audit focus accordingly.

Our re-audit is mainly a review of previous audit findings and aims to validate evidence which has been provided through photos or documentation. Last year, we used more third-party services so that we could interview workers directly in their own language, rather than with translators.

Worker interviews are important for validating what is reported in the documentation. We ask specifically about how workers are involved in decision making and if there are effective grievance procedures in place.

Pre-assessment for new factories

This year, we developed a process to pre-assess potential new significant suppliers' factories. The aim was to flag any concerns about workers' rights before placing any orders. Our auditor's feedback on this pre-assessment process has said that this should not be done in place of a full audit. So we are looking at how we can improve by performing full audits on all new suppliers up-front.

This range of audit activity means we do not always 'score' our audits. Instead, we focus on improvement by issuing corrective action plans and following these up. We identified 13 'failed' assessments (37%) as having actual and potential negative human rights impacts. One supplier was dropped as a result.

CASE STUDY

FAILED: CORRECTIVE ACTION PLAN FOCUSES ON SOLUTIONS

An un-announced audit of one of our suppliers this year found non-compliance across most sections of the audit report.

The 'failed' count was high and included incomplete working hour records, fire drills not performed frequently enough, emergency exit routes not clearly marked, first aid kits not fully stocked, collective bargaining agreement not clearly documented and a lack of procedure for chemical storage. The factory didn't seem to have a good grasp of the requirements, so the first step was to find someone to take responsibility for educating and training the team. The factory nominated a senior manager to take action.

One corrective action plan addressed the issue of incomplete working hours records.

The factory used a fingerprint system to record working hours, but with a high turnover of new workers, they were not keeping up with adding new workers into the system. Understanding this difficulty, we agreed the factory should have a three day grace period where new workers' hours would be recorded manually. We worked with them to make their manual recording system more robust. This solved the problem for us and for them. A re-audit will validate the effectiveness of the improved manual system.

Because the factory was willing to improve and agreed to reasonable timeframes, we will continue to work with them.

CASE STUDY

GOOD ON PAPER: THE VALUE OF BEING THERE

In 2015, we implemented a procedure for pre-assessing new factories prior to commencing business.

We start with documentation and then follow up with an inspection. This has been invaluable. In our 2016 financial year, we visited 14 factories and found six of them did not meet our Code of Social Responsibility requirements. We proceeded to do business with two of the remaining factories. The others were not used for other reasons.

One factory that did not meet our requirements was a manufacturer in China. Even though it was classed as 'insignificant', with annual orders expected to be worth only US\$10,000, we took the opportunity to inspect when we were in the area visiting other factories.

The factory looked good on paper. Our desktop audit and a copy of an audit gave us confidence. However, on-site, it was a different story. It didn't take long for our auditor to establish that the factory would not meet many of our standards. We did not proceed with an order.

We learned from this process that copy audits are not always reliable – and we need to bear this in mind as we look for solutions to audit fatigue.

CORRECTIVE ACTION PLANS



OPENED 27

CLOSED 16

We aim to make sure all our Corrective Action Plans are:

- SPECIFIC
- MEASURABLE
- ATTAINABLE
- RELEVANT
- TIME BOUND

EXCESSIVE WORKING HOURS

Limiting excessive working hours is one of the biggest challenges for suppliers. When we find breaches here, we always try to understand the root cause and work together for improvement.

HERE'S WHAT WE EXPECT FACTORIES TO PROVIDE FOR EMPLOYEES:

- 1 One day off in seven consecutive working days is upheld.
- 2 Overtime will not exceed three hours after an eight hour working day.
- 3 Overtime of one to two hours is maximised after an eight hour working day.
- 4 A 60 hour week is not the norm.
- 5 A working week shall not exceed 48 hours.
- 6 Full compliance with country law.

In order to focus on those factories where this is the biggest problem, we classify our findings as minor, major, or critical. A critical classification will be assigned where (1)(2)(4) are found.

OUR PRODUCTS



Towards a resilient textile industry

IF YOU DON'T KNOW
WHERE YOU'RE GOING,
YOU WON'T KNOW WHEN
YOU GET THERE

Whether the raw materials are farmed or extracted, textile production depends on natural resources – and these are limited. Textile production also has socio-economic impacts on the people and communities where they are sourced and processed. To be truly sustainable, the textile industry needs to move to a circular model that rebuilds the earth's natural capital and recognises how all these things are connected.

Kathmandu Textile R&D and Responsible Materials Manager Manu Rastogi says, 'Population growth, competition for land and limited water and fossil fuel resources demands a new way of looking at fibres. If we don't make changes, we will not have enough resources on earth for both food and clothing in the future.'

'We will not have enough resources for both food and clothing.'

Manu Rastogi,
Textile R&D and Responsible
Materials Manager

When we look at our products across their entire lifecycle, up to 85% of the impact comes from what they're made of, so materials are an important part of our sustainability strategy.

We're working to use more and more fabrics that are recycled or sustainably produced, and reducing our use of resource-heavy materials like conventional cotton and virgin polyester.

We've made a list of our preferred fibres and materials and ranked them in order of priority.

'It's a fluid list,' says Manu. 'It changes as global trends and organisational priorities change, and as our business evolves. By diversifying into a portfolio of preferred fibres and materials, we minimise our risk and align our materials strategy to global trends.'

OUR PRIORITY OF PREFERRED MATERIALS

1. RESPONSIBLE DOWN

2. RECYCLED POLYESTER

3. SUSTAINABLE COTTON

4. BLUESIGN APPROVED FABRICS/TRIMS

5. RESPONSIBLE WOOL

PRIORITIES

Rising to the challenge

BIG STRIDES IN RESPONSIBLE DOWN SOURCING HAVE EARNED US GLOBAL RECOGNITION



Down jackets are a big part of our business. So making sure the down and feathers in them come from well-treated animals is important to us – and to our customers.

With the release of our Winter 2016 range, we used 100% RDS certified down across our entire insulation range. We can trace the origin of our down from purchase order to sewing factory and right through to the farm level.

There are lots of links in the supply chain – down processors, agents, slaughterhouses, down farms. For one organisation to monitor all of these is a huge task. That's where the Responsible Down Standard comes in. Set up by global non-profit, the Textile Exchange, RDS is part of their vision to create a global textile industry that protects and restores the environment and enhances lives.

RDS makes sure that the down in a product does not come from birds that have been live-plucked or force-fed, and that their welfare has been protected from the time they were hatchlings to when they are slaughtered. Independent, professional certification bodies inspect each part of the supply chain: farms, agents, slaughterhouses, down processors, and sewing factories.

Every time a product with RDS down changes ownership, a certificate (called a transaction certificate) is required, to track the material from the source to the final product. More than 150 million birds are now under farm certification to the RDS.

Four Paws, an international animal welfare advocate, launched the Cruelty Free Down Challenge in 2014. Four Paws developed a series of steps, represented by five levels that manufacturers could take to make sure there is no live-plucking or force-feeding in their supply chain. Plotting these levels on a mountain, Four Paws challenged outdoor manufacturers in a 'race to the top'.

In 2015, Kathmandu took up the challenge. We started climbing the mountain but Four Paws ranked us almost at the bottom. In 2016, we have reached the highest level and are ranked number four, behind Fjällräven, Patagonia and Mountain Equipment.

The Textile Exchange has also ranked Kathmandu at number four of 89 participants among its Top 5 Users of Certified Down in its latest 2016 Preferred Fiber and Materials Market Report.

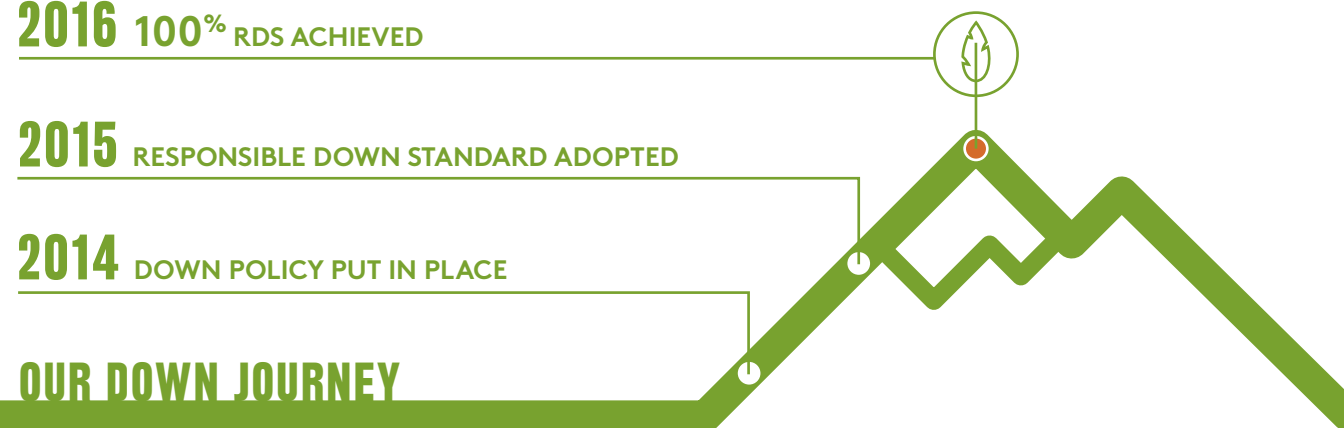
Kathmandu Textile R&D and Responsible Materials Manager Manu Rastogi says, 'We're incredibly proud of what we've achieved in just two years. Other brands at this level have been on the journey for seven or eight years.'

2016 100% RDS ACHIEVED

2015 RESPONSIBLE DOWN STANDARD ADOPTED

2014 DOWN POLICY PUT IN PLACE

OUR DOWN JOURNEY



CASE STUDY

A LOOK DOWN THE SUPPLY CHAIN



Responsible Down Standard certification is an important part of our work towards making sure animals are treated ethically. But we also want to connect directly with the farms. We've visited and talked about animal welfare with every one of our down processors in China and Taiwan.

In October 2015, Textile R&D and Responsible Materials Manager Manu Rastogi travelled to Lu'an, China to investigate the supply chain of our high-end 800 fill power goose down. He visited farms, slaughterhouses, agents and processors to better understand the real-life challenges they face.

I took a train from Shanghai to Lu'an, Anhui, China to visit our white geese farms, where the 800 fill power white goose down used in the XT Ultralight Down Jacket and Vest comes from.

In this region, the birds are mostly owned by families and sold to many different small slaughterhouses in the region.

In most villages, the birds spend their days roaming around. They spend most of their time near the waterways that often run through the middle of the village.

The animals had free access to food and water, lots of space to move around and a sheltered barn or enclosure to spend the night in.

After the farm visit, we went to the slaughterhouse that these geese are normally transported to. These slaughterhouses slaughter the birds and deliver the meat to local markets, while the down and feather material is usually dried in the sun and then packed into bags for sale.

As a vegetarian, this was a difficult part of the trip for me, but goose is a very common meal in this part of the world. In fact, close to 90% of the value of a bird is in the meat, and, at best, 10% of the bird's value is in the feather and down. This means there is not a lot of financial motivation for many of the farmers and slaughterhouses to do the extra work required for a down standard certification.



I think we need more pressure and involvement from the meat industry and other major users of down – from the bedding, furniture and hospitality industries.

This was a very insightful journey that highlighted some of the challenges that Kathmandu and the wider outdoor industry are also facing.

At the farm level, the highest grade of education was just 6th grade while at the slaughterhouses, it was 12th grade. They don't possess any computer skills whatsoever. Excel and other spreadsheet tools are completely foreign to them.

It is difficult to explain to the farmers and slaughterhouses the importance of animal welfare and the need for higher levels of record keeping.

It's not that these farms or slaughterhouses are live-plucking or force-feeding. The challenge is to convince them that the extra work and record keeping is necessary.

Heading towards 100%

A MIX OF SUSTAINABLE COTTON SOURCES WILL REPLACE CONVENTIONAL COTTON BY 2020



Cotton is a renewable natural resource, but only if we manage it responsibly.

We're on a path to a more circular materials system – one that replaces the natural capital it removes. This path is not paved with conventional cotton, which takes out huge amounts of water and puts back huge amounts of chemicals.

Our goal is to phase out conventional cotton completely by 2020. Despite a dip last year, we're firmly on track to get there.'

'We care about promoting and protecting workers' rights throughout our supply chain, and improving working conditions,' says Textile R&D and Responsible Materials Manager Manu Rastogi.

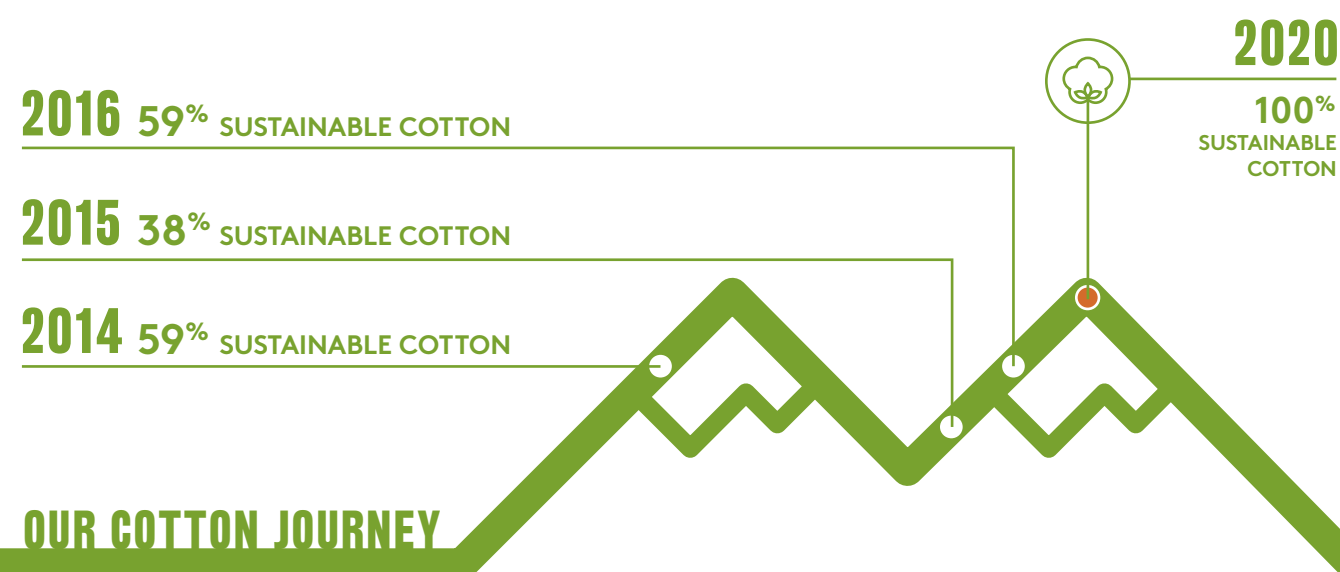
'We also care about sustainability and protecting the outdoor environment we love to play in. As we use cotton in a range of our products, it's important the cotton we use is environmentally-friendly and ethically produced.'

The textile industry is undergoing a major reform this decade. This is good news. The race is on for different systems to meet consumers' and manufacturers' desires to have more ecologically and socially sustainable management systems in place.

We've decided to combine three sustainable cotton initiatives – BCI (Better Cotton Initiative), organic and Fairtrade – to build a flexible fabric sourcing strategy that moves us away from conventional cotton.

This strategy makes good sense. Not only does it secure for us a long-term supply of sustainable raw material, it also allows us to become a market leader in Australasia.

'The mix of BCI, organic and Fairtrade cotton in our portfolio gives us the opportunity to create an organic, Fairtrade product range for our highly responsible consumers, who are willing to pay a higher price, and also take responsibility for bulk cotton production via the Better Cotton Initiative. This means Kathmandu can improve its social and environmental performance and can still meet the demands and expectations of its customers,' Manu says.



'We used to spray with pesticides that killed even the snakes. We reduced our pesticide use, increased our profits and improved our health.'

Drissa Coulibaly,
BCI Farmer, Mali

THE BETTER COTTON
INITIATIVE IS SCALING
UP TO MAKE A BIG
DIFFERENCE FOR PEOPLE
AND THE PLANET



A better way

There are lots of sustainable cotton standards out there. And they're all aiming to shift cotton production to be more environmentally and socially responsible.

Kathmandu chose to work with the Better Cotton Initiative because it's the fastest growing standard by far. It might not be as rigorous as organic and Fairtrade standards, but it is a very realistic first step for farmers to take towards a more sustainable cotton production.

The Better Cotton Initiative came out of a 'round table' led by the World Wildlife Foundation back in 2005. The goal was to find more sustainable solutions for farmers, for the environment and for the future of the sector.

The programme began implementation in 2010. By 2015, BCI had reached 1.6 million cotton farmers across 21 countries in five continents. BCI cotton was grown on 3.4 million hectares of land.

BCI's reports show farmers in India have raised their yields by 11% while cutting synthetic pesticides by 20%. These results really are better – better for farmers, better for the environment.

The initiative aims to have 5 million farmers producing 8.2 million metric tonnes of Better Cotton by 2020. That's around 30% of global cotton production. Organic cotton, by comparison, makes up around 1% of global cotton production.

For some farmers, BCI is just the first step towards achieving organic or Fairtrade certification. The system has also been designed to work the other way – so that organic or Fairtrade farmers can also qualify as Better Cotton farmers.

Kathmandu became the first Australasian member of the Better Cotton Initiative in March 2015. BCI will be an important part of our plan to have 100% sustainable cotton by 2020.

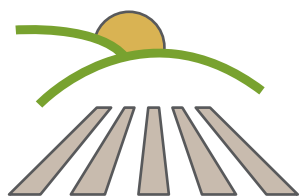
'We are building the momentum we need to transform the market.'

Alan McClay,
BCI Chief Executive Officer

BCI BY THE NUMBERS 2015

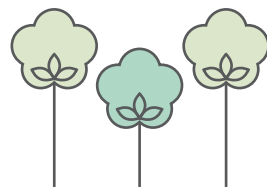
1.6 MILLION FARMERS

23% increase



3.4 MILLION HECTARES

11.9%
of global cotton production



FARMERS' YIELDS UP

PESTICIDE USE DOWN

CASE STUDY

THE POWER OF A SINGLE T-SHIRT

Summit Club member Tricia Cutforth was named 2015 Fairtrade Supporter of the Year for her moves to make Whangarei a Fairtrade District. Tricia travelled to India to see Fairtrade cotton supply chains in action.

Tricia took with her several Kathmandu Fairtrade certified cotton T-shirts, which are supplied by the Pratibha-Vasudha cotton project in the Madhya Pradesh region of central India. Pratibha supplies all of Kathmandu's Fairtrade tees.

'My journey involved tracing the T-shirt back to its source and witnessing the processes that go into making each garment,' Tricia explains. 'Ultimately, it was the people I met along the cotton supply chain that will resonate in my memory.'

These people include Rakesh Agrahai, general manager of Pratibha-Vasudha, who explained how farmers are encouraged to use natural waste products, like cow dung and compost to feed cotton crops. Pratibha-Vasudha trains farmers on organic practices.

Tricia also visited the local school and a sewing project aimed at empowering women in self-employment, both of which are supported by Fairtrade Premium investments.

'Every time I pull on my Kathmandu Fairtrade certified organic cotton T-shirt, I think of the farmers who tended the crops, the women who harvested the cotton, and the workers who sorted the cotton to be milled before it was processed and sewn to become the garments we wear today in New Zealand,' Tricia says.

'Through Fairtrade, consumers can support these farmers and workers to become more valued members of the supply chain. It just shows how powerful a single Fairtrade certified cotton T-shirt can be.'



'My visit unquestionably deepened my commitment to the cause and opened my eyes to the power of buying a single T-shirt.'

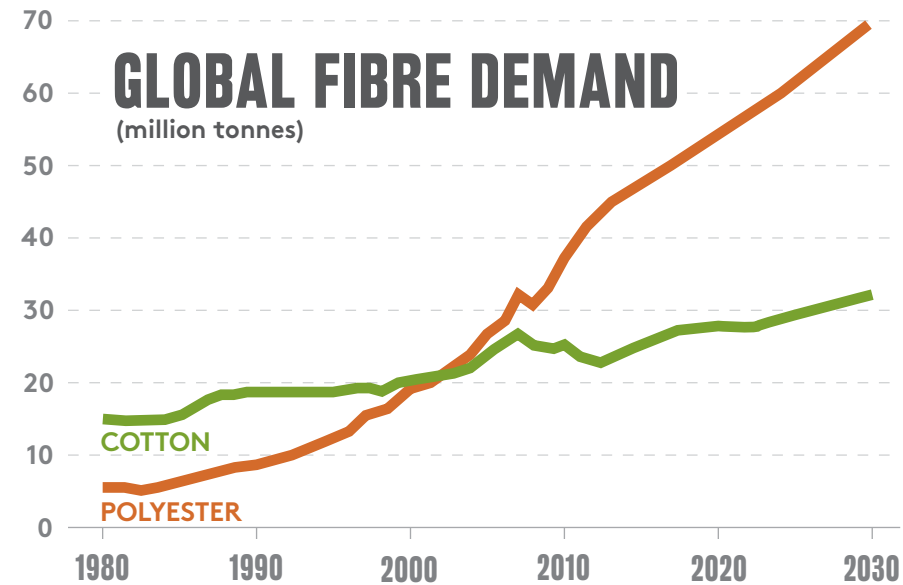
Tricia Cutforth,
2015 Fairtrade Supporter of the Year



Solving two problems in one

HOW RECYCLED FABRIC CAN MEET THE WORLD'S GROWING DEMAND FOR POLYESTER

Global demand for polyester outstripped cotton to become the number one fibre in the early 2000s and continues to rise. There is now twice as much demand for polyester compared with cotton.



With limited fossil fuels available to feed this demand, and a mounting mountain of post-consumer plastic waste, recycling is the obvious answer.

Polyester is Kathmandu's number one fibre in terms of use and so we are working to shift our supply from virgin polyester to recycled solutions.

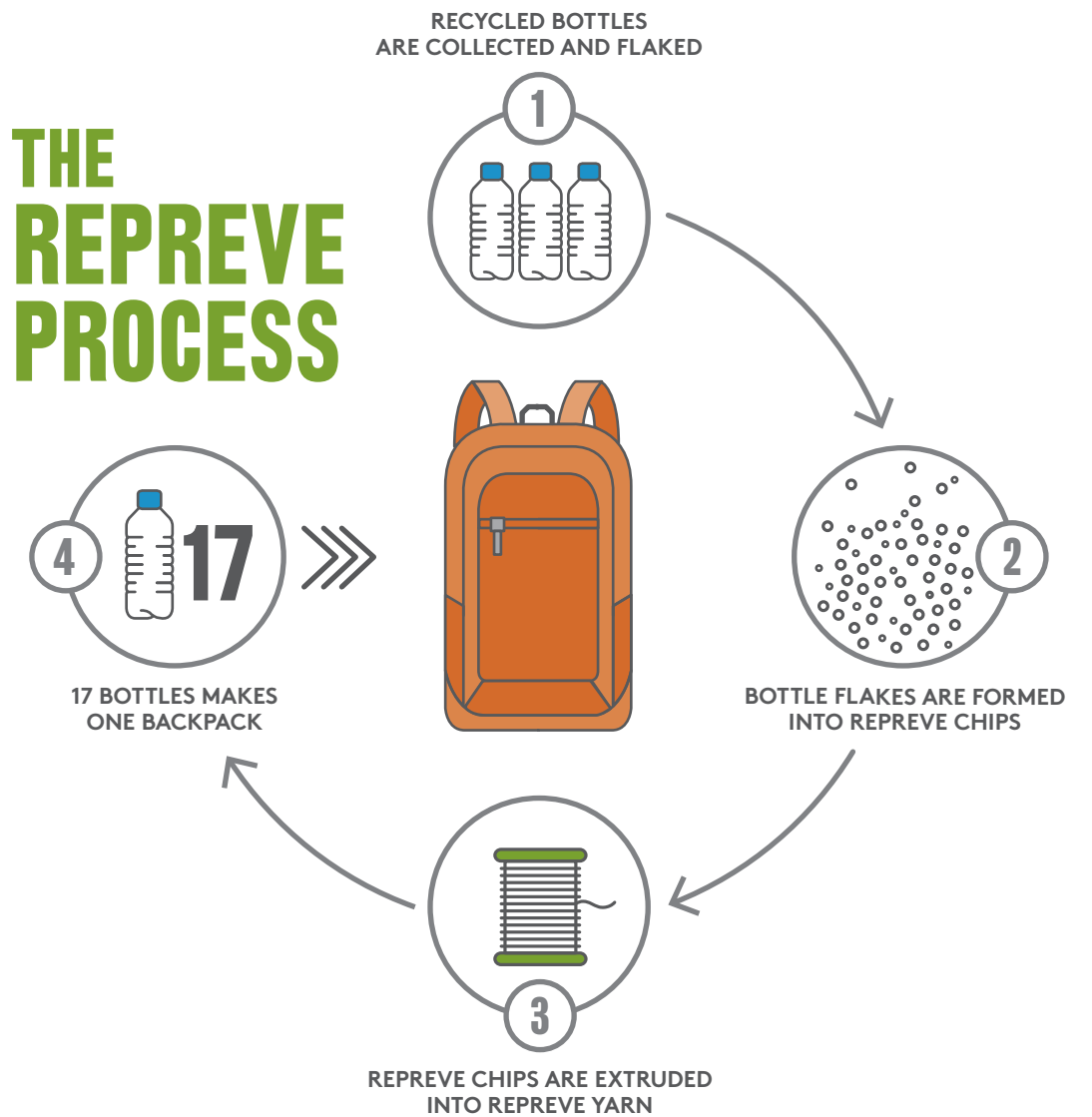
Repreve is a recycled polyester that not only meets demand – it also fixes a problem. Polyethylene terephthalate (PET) plastic (marked with a #1 on plastic bottles) is the same material as polyester. Unifi, the makers of Repreve, have developed a process to turn bottle flakes into fibres, which can be made into everything from backpacks (approximately 17 bottles) to fleece jackets (15 bottles) to T-shirts (6 bottles).

Last year, we set a goal to recycle one million bottles. We beat our target by 20%. That means 42,000 litres of oil didn't go into our garments. The amount of greenhouse gases saved was about the same as what you'd release if you drove a family sedan around the earth five times.

Next year, our goal is more than double – we're aiming to re-use 2.5 million plastic bottles in our 2017 financial year.

We can help to grow the raw resource by encouraging more recycling. Right now, only 32% of plastic bottles are recycled in the US (48% in Western Europe and 83% in China).

THE REPREVE PROCESS



NUMBER OF PLASTIC BOTTLES RECYCLED

2016 target: 1 million

2016 ACTUAL
1.2M
PLASTIC BOTTLES RECYCLED¹

2017 target: 2.5 million

THIS HAS HELPED SAVE

Energy² equivalent of
42,000L³ of petrol
enough to drive a car on every road⁴ in New Zealand over four times

Equivalent
Greenhouse gases²
emitted from driving around the earth⁵ five times

As much
Carbon
as sequestered by 41⁶ acres of forest

1. These are conservative estimates for 500ml water bottles. Carbonated drink bottles are heavier. 2. Energy and GHG savings data provided by Unifi, Inc. from Unifi product-specific LCIs and other published LCI data; equivalencies are based on US EPA Greenhouse Gas Equivalencies Calculator. 3. From USA – EPA data based on an average passenger vehicle. 4. The total length of New Zealand roads is 94,000km. 5. The mean equatorial diameter of earth is 12,756km. 6. A conversion on the EPA site for CO₂ sequester by pine trees was unavailable. Instead, it's based on 'US forest'.



Responsible wool means looking after the animals and the land

Wool is a fantastic renewable material. It naturally resists smelly microbes and regulates temperature. It's repeating renewable, but like any natural resource, it's only sustainable if it's managed in a way that looks after the animals and the land.

Kathmandu is part of the collaborative industry group developing the Responsible Wool Standard. RWS is a voluntary global standard that addresses the welfare of sheep and of the land they graze on. The international working group includes farmers, scientists, animal welfare groups and brands like H&M, Patagonia and The North Face.

The working group spent time researching existing animal welfare and land management standards for sheep farms to come up with a standard for best practice for the industry. The standard has two key areas. Protecting animal welfare means that the Five Freedoms of sheep are protected at all times.

Preserving land health means using progressive land management methods to protect soil health, biodiversity and native species.

The RWS specifically prohibits the practice of mulesing, which involves removing strips of skin from a sheep's rear. Mulesing has been a common practice in Australia but has been phased out in New Zealand.

The Responsible Wool Standard launched in June 2016 as an independent, voluntary standard. From farm and right through production, certification ensures that wool for certified farms is properly identified and tracked.

The standard will create an industry benchmark to drive improvements in animal care and land management and provide traceability from farm to final product so that consumers can be confident that the wool in the products they choose is truly responsible.

Last year, Kathmandu initiated a pilot RWS programme. We visited suppliers and began working with our supply chain to get them ready for the launch of a RWS certified merino range in 2018.

Kathmandu Textile R&D and Responsible Materials Manager Manu Rastogi says the big gains come from working together. 'It's about combining quantities so it becomes economical for the whole supply chain. That opens up opportunities for other brands to be a part of it. We are leading the way in bringing this standard to the market.'

'For me, it's not just about looking at standards and adopting them, it's about working to develop them for the whole industry,' Rastogi says.

FIVE FREEDOMS OF ANIMAL WELFARE

1

Freedom from hunger and thirst by ready access to fresh water and a diet to maintain full health and vigour.

2

Freedom from discomfort by providing an appropriate environment including shelter and a comfortable resting area.

3

Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment.

4

Freedom to express normal behaviour by providing sufficient space, proper facilities and company of the animal's own kind.

5

Freedom from fear and distress by ensuring conditions and treatment which avoid mental suffering.

CASE STUDY

PUT TO THE TEST

Ultralight waterproof fabrics hold great promise for sports where weight matters – like hiking or trail running – but are they tough enough?

This is what Technical Development Manager Anneliese Carlson wanted to know. She asked Outward Bound instructor Dave Ryan to put it to the test.

'On first glance I would not buy this jacket for tramping,' Dave reported. 'It appeared to me to be too light to do a good enough job.'

For six weeks, Dave carried his two lightweight test jackets on adventures, from a seven-day alpine tramp to a three-day adventure race to a month instructing at Outward Bound's Anakiwa school.

'Both these jackets have challenged my belief that a waterproof jacket must be thick and robust in order to keep the elements out,' Dave says.

'Their tiny packed size and weight mean that I almost always have had one on me, for those just-in-case times while instructing or missioning.'

Dave sometimes carried the packable jacket in his pocket: 'In the past I would have carried a daypack around with a heavier jacket in it.' At one point, one of Dave's tramping companions realised that he would be less wet by exposing himself to a warm drizzle than sweating away in a heavy three-layer jacket.

'I was at the perfect temperature and my moisture was managed well,' says Dave.

As for durability, Dave put this to the test by purposefully dragging the sleeves across a thorny bush.

'I was expecting the sleeves to become ribbons but they were surprisingly robust with no ripping, and after a few goes, only a couple of pin-prick holes that didn't spread at all.'

With such rave reviews, Anneliese was more confident to recommend these types of fabric for Kathmandu's new Zeolite trail running range.

'That's what I love about this job,' she says. 'I get to connect with the customer and challenge their expectations and follow it right through from concept to development.'



CHILDREN'S PRODUCTS WERE ONE AREA WE FOCUSED ON IMPROVING THIS YEAR

Keeping kids safe

We have a responsibility to make sure that all products we sell are well-made and safe to use. There are standards to meet in every country we sell products in. And we have our own standards, too. Both of these are documented in our Quality Manuals and Standards, which we continually review and update. Our core manuals are reviewed annually to add new legislative requirements. Last year, we created new and improved manuals for product inspection as well as for tents, hand luggage and children's products.

The Kathmandu Children's Product Safety Standard, published in June 2016, helps our designers, product technicians and suppliers to develop safe products for infants and children up to 14 years of age.

We looked at regulations in the countries where we sell products, but we also took time to think about what might happen when our products were used as expected and when they were misused.

We built in a risk assessment process to guide product designers and technicians through a series of steps to make sure safety is built into new products right from the early stages of development.

The first step is to identify the conditions of use. Kathmandu's children's products are designed for outdoor activities. We also have to acknowledge that children are more vulnerable than adults.

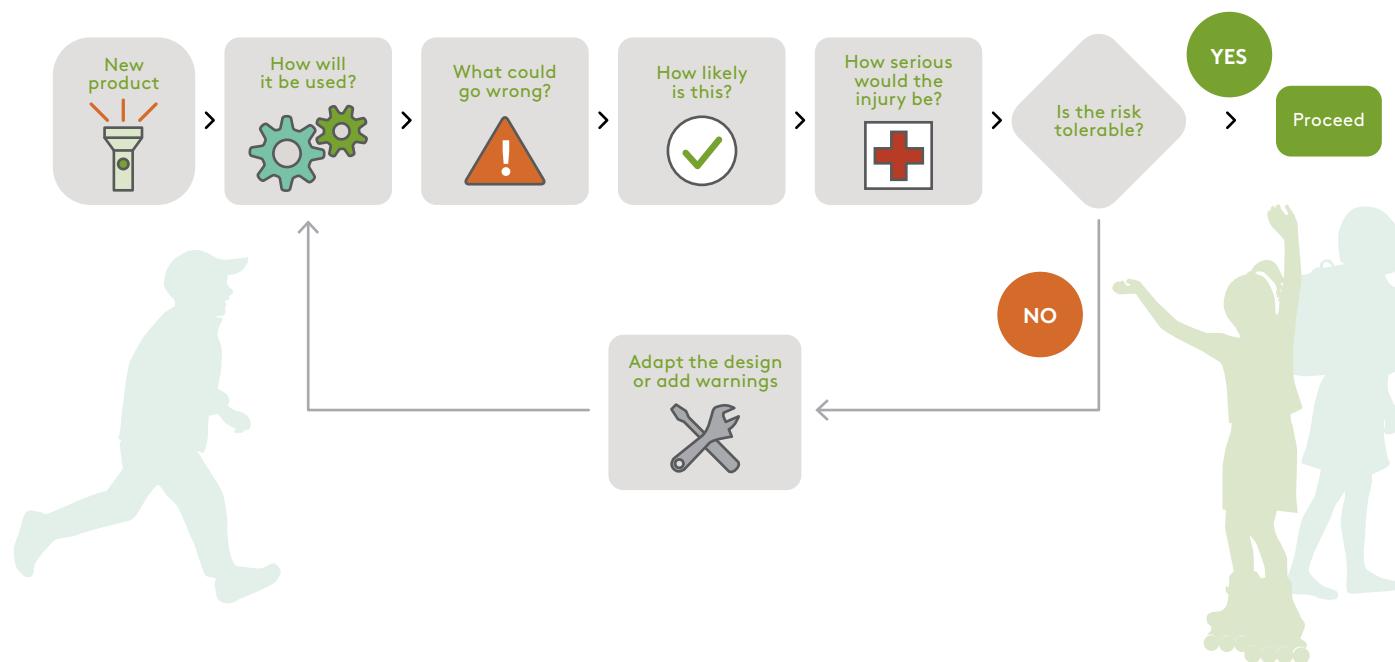
Our risk assessment involves:

1. Asking what could go wrong?
2. How likely is this to happen?
3. How bad would it be?

If the answers to these questions reveal an unacceptably high risk, then we go back through our design to look for ways to make the product safer or include warnings.

Our suppliers are responsible for making sure the children's products they produce are safe in their design, materials and componentry used. They make sure the labelling and packaging meets requirements. And they make sure the entire production meets the same standards that we have signed off in the product development and sampling process.

RISK ASSESSMENT PROCESS



CASE STUDY

FOCUS ON BUTTON BATTERIES

Coin lithium button batteries can cause severe injuries when swallowed.



Electronic devices are getting smaller, slimmer and sleeker. But inside mini remote controls, flameless candles, singing greeting cards and other electronics, may be a very powerful coin-sized button battery. When a coin-sized lithium button battery gets stuck in a child's throat, the saliva triggers an electrical current. This causes a chemical reaction that can severely burn the oesophagus in as little as two hours.

Repairing the damage is painful and can require feeding tubes, breathing tubes and multiple surgeries.

Small children often have easy access to these devices, and many parents do not know there is a risk. At greatest risk are children under three years of age, who may not be able to explain that they have swallowed a battery.

According to the Australian awareness group, The Battery Controlled, around 3,500 button battery swallowing cases are reported to US poison control centres each year. The number of cases where children have been seriously hurt or have died in the US more than quadrupled over the last decade. Dr Ruth Barker, from the Queensland Injury Surveillance Unit, estimates that at least four children per week present to an emergency department in Australia with an injury related to a button battery.

'Many of these incidents could be prevented through better education and warnings on packaging.'

Robyn Mapp,
Kathmandu Senior Product Technician

Kathmandu Senior Product Technician Robyn Mapp joined an industry working group on button battery safety last year, after a passionate customer and doctor contacted us to participate.

The group worked to develop a voluntary industry code for consumer goods that contain button batteries that will be released this year.

'I have seen how button batteries are easily accessible to small children and the damage that they can do,' says Robyn. 'I really believe that it is important for us to inform our customers of the risks associated with these batteries and I think many of these incidents could be prevented through better consumer education and through warnings on packaging.'

'Working on an industry group to create change is one of the best ways that we as a brand can address big safety issues like this,' Robyn says.

Kathmandu has used the code to develop a plan for adopting its recommendations. For products and packaging, we have already started taking on some of the requirements, but these will need to be refined and improved. Another step in our plan this year will be to audit existing products to see where improvements can be made.

QUALITY INSPECTIONS

INSPECTIONS DOUBLE CHECK QUALITY

We inspect products in our Australian and New Zealand distribution centres to make sure they meet our quality standards. We identify products to inspect based on an internal risk matrix. It might be because it's been produced by a new supplier. Or maybe there were quality concerns in the prototype and development stage. These are what we call pro-active quality inspections. Reactive quality inspections happen when a shop or a customer raises a quality concern.

CARE AND REPAIR



NZ	1751 garments repaired	AU	908 garments repaired
0 recalls		192 products tested	
26 planned inspections		30 reactive inspections	

PRIVACY

TWO CUSTOMER COMPLAINTS

We have a stringent policy and supporting process in place to protect the privacy of our Summit Club members and online account customers. In 2016, we received two substantiated customer complaints regarding breaches of privacy.

While searching for member accounts in our Point of Sale system, employees from two stores revealed personal customer information. Store managers provided coaching to both employees and delivered refresher training to all their staff. As a further precaution, a mandatory communication bulletin with revised guidelines was distributed to every store.

We received no complaints from external organisations or any regulatory body regarding privacy, and no leak, theft or loss of customer data was identified.

OUR FOOTPRINT



Setting goals to reduce our impact

AN ECOLOGICAL
FOOTPRINT IS
A MEASURE OF
OUR IMPACT

The more we measure, the more we can reduce. Setting goals – like zero waste to landfill and a 20% reduction on our 2012 carbon emissions – help guide us towards a smaller footprint.

Green Star buildings like our new Christchurch Support Office and Melbourne CBD retail store are new ways we've reduced our footprint this year. Unavoidable air travel has been offset with our first carbon offsetting programme.

We love the positive environmental impacts of these initiatives, but they're also good for our bottom line – the less we use, the less we spend.

Green Star buildings

Buildings have big footprints. They emit more than a third of all global greenhouse gas emissions. Buildings also consume 40% of global energy, 25% of global water, and 60% of global electricity.

But the building sector is also full of opportunity – a sector where the world can make quick and cost-effective gains on emissions reduction.

The green building movement is leading this change. Green building is both a structure and a process. It's about being environmentally responsible and resource-efficient throughout a building's life-cycle.

Kathmandu has adopted the green building ethos. Not only is it a great way to walk the talk of our core values, it also makes financial sense. Using less energy and providing healthier workplaces for our staff are good for business.

'Sustainability really is at the core of the Kathmandu brand. Green Star is a perfect fit for that because it really shows a public commitment to sustainability.'

Alex Cutler,
Chief Executive Officer of the New Zealand Green Building Council



Christchurch support office achieves a 5 Green Star Design rating

In April 2016, the Christchurch support office moved into a brand new building, called Papa Kainga, in the city's innovation precinct. The building achieved a 5 Green Star Design rating for its efficiency and sustainability.

'It's a great commitment to Christchurch as our home but also a commitment to its reconstruction,' says Kathmandu Chief Executive Officer Xavier Simonet.

The high performance double-glazed windows have automated blinds that track the sun and adjust their position to maximise daylight and balance heat levels.

To provide a healthier environment for staff, the highly efficient ventilation system brings in outdoor air at a rate that is 50% above what's required by the building code. The floor coverings and ceiling tiles are low-VOC (volatile organic compounds), so they don't release large amounts of them.

'In the end, it's all about people using those environments,' says store design and development manager Gabriele Accadia. 'We want our people to come to work in great environments. We wanted to make a place that inspired people to create and innovate.'

The bathrooms and kitchens are equipped with low-flow water fittings and the LED lights switch off when there's no movement detected.

The construction process was also designed to be sustainable, with 90% of construction waste diverted from landfill. Forest Council Certified timber (and recycled timber from buildings destroyed in the quakes) was used in the construction.

[Watch the video here.](#)

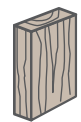
Shifting building culture

KATHMANDU LEADS THE DEVELOPMENT OF A NEW GREEN STAR BUILDING STANDARD FOR RETAIL

MELBOURNE CBD STORE



☆☆☆☆☆
Targeting a 5 star Green Star rating



95%
of timber was either reused or FSC certified



94%
of waste was recycled during construction



100% GREEN POWER

A Green Star office is one thing. A Green Star retail store is quite another. Store Design and Development Manager Gabriele Accadia explains. 'By their nature, they are completely different. Offices are designed with a 10–20 year lifetime. Retail is constantly changing. When you rate a retail space against an office rating tool, you don't get a clear rating. It's apples against oranges.'

This didn't put us off. We talked to the Green Building Council of Australia and together, we embarked on a pilot programme to develop a Green Star rating tool that all retailers could use.

'Retailers don't build one-off stores, they build and roll-out multiple stores. The process for office accreditation takes months. If you are opening many stores in one year, you can't wait that long,' Gabriele says.

The materials are different too. Office ratings require ergonomic desk systems, which aren't relevant for retail.

'The principles of the retail standard remain the same,' Gabriele says. 'But it's been altered to suit retail fixtures, air-conditioning systems and the different materials used in retail.'

The retail system includes volume certification – so one design can be pre-accredited and rolled out across multiple stores without additional accreditation costs.

In May, Kathmandu became the first pre-accredited retailer in Australia with a 4 Green Star rating.

The Melbourne CBD flagship store was the first to open. It uses 100% green power and has eco-friendly paints. During construction, 94% of waste was recycled and 95% of timber was re-used or FSC certified.

It is never easy being first. 'It challenged the supply chain in the building industry,' says Gabriele, who has 31 years' experience in retail design and development. 'It's a very wasteful industry. Builders are not used to thinking about where stuff comes from, or checking the suppliers to make sure it's not made in sweatshops where people are being held by their feet over chroming baths.'

'I'm really passionate about this element – about the sourcing of materials, because I started to understand that sustainability is not just about materials – it is about treating people respectfully. That's the cultural change we want to start driving in the industry.'

Trudy-Ann King, Green Building Council of Australia praised Kathmandu for its leadership. 'For Kathmandu, it's all about sustaining the places and spaces that their customers care about. If you overlay the impact that this will have on retail nationally, they have been true leaders and have shown the way forward for the rest of retail in this country.'

'What we're trying to do is actually shift the culture in how people build buildings,' says Gabriele.

'I started to understand that sustainability is not just about materials – it's about treating people respectfully.'

Gabriele Accadia,
Store Design and Development Manager

YOU CAN'T CHANGE WHAT YOU DON'T MEASURE



60% | CARDBOARD/PAPER

30% | LDPE PLASTIC POLY BAGS/SHRINK WRAP

5% | CO-MINGLED MATERIAL

5% | NON-RECYCLABLE MATERIAL

Waste survey

Continually piling waste into landfills is clearly not sustainable. We have to find a solution. Our goal is to send zero waste to landfill by 2018.

The first step is to figure out where we are now.

This year, we surveyed all of our stores to find out what they do with their waste. We asked specific questions about what they do and don't recycle and asked if they had suggestions on how to improve.

All of our stores deal with the same kinds of waste. By weight, cardboard is the largest, and we were pleased to find that 99% of our stores are already recycling cardboard and paper. Soft plastic (low density polyethylene – LDPE) makes up 30% of store waste. Every single shirt and backpack is shipped from the supplier in a plastic bag. Approximately only 59% of our stores are currently recycling this.

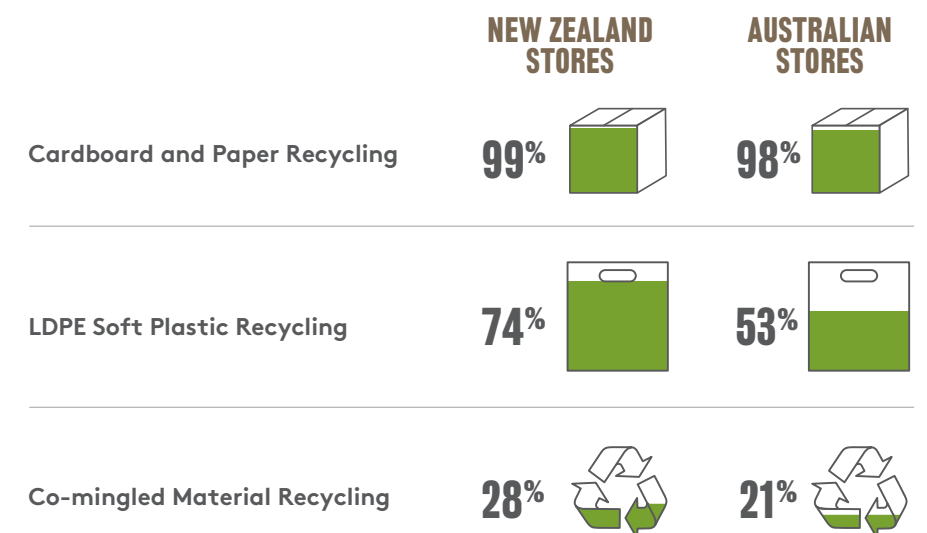
The other 10% is either mixed waste (like staff lunches) and hard-to-recycle stuff like silica gel pouches, shelving and ink cartridges.

To achieve our target, we will have plastic and mixed waste recycling into every one of our stores by 2018. We're working on finding re-use programmes for the hard-to-recycle stuff. A big part of the programme is bringing all our stores along on the journey – to give them the power and incentives to find their own solutions.

Last year, we put soft plastic recycling bins into the Dunedin store, the Melbourne CBD store and the Melbourne Distribution Centre. For the distribution centre, this brought the percentage of plastic recycling up from approximately 65% to 91%.

Waste strategy is now built into our store development programme so that recycling is considered when each new store is being planned.

RECYCLING CAPABILITIES



Stores & customers contribute through re-use

OUR NEW END-OF-LIFE RECYCLING PROGRAMME IS CREATING CONNECTIONS AND SUPPORTING RED CROSS

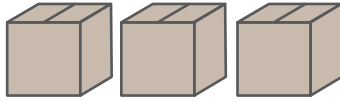
We launched our clothing donation programme in September 2015 in collaboration with Australian Red Cross and New Zealand Red Cross with a Trade for New campaign. Customers used our in-store donation boxes to drop off quality used clothing and were rewarded with a discount voucher.

We pass these donations to local Red Cross shops to be on-sold. The programme helps keep our gear out of landfill, provides quality used clothing and gear at second hand prices, and gives Red Cross a source of revenue which is essential to enabling their local and international humanitarian work.

It's great for our stores and customers to have a more direct connection with Red Cross. And our team members are driving donations and encouraging customers to support the cause. We have all been reminded to think again about the products we use and how they can be re-used.

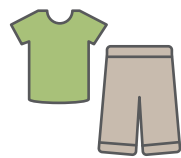
In the last financial year we collected more than 300kg of clothing in our stores across Australia and New Zealand. Next year, our goal is to bring in at least 500kg of clothing donations for Red Cross.

CLOTHING RE-USE BY THE NUMBERS

161 COLLECTION BOXES 

2017 GOAL
500KG

4% of landfill
is textile waste
AU 800,000 tonnes per year
NZ 100,000 tonnes per year



317KG
OF CLOTHES DONATED



CASE STUDY

DAMAGED AND RETURNED GOODS

Managing difficult waste streams.

In May 2016, a journalism student reported our Takapuna store staff were throwing away damaged or faulty Kathmandu products. This story created a larger scale conversation with our customers about our waste reduction commitments and helped raise awareness of industry-wide waste management challenges.

More than 150 of our customers commented on this issue across our social media channels, illustrating that our work on waste management innovation is highly relevant and interesting to our customers.

In addition to raising the waste management discussion with our customers, this Takapuna press coverage helped us increase our focus on improving our existing policies and procedures at stores.

When we have usable factory errors, or seconds (wrong colour, or sizing, for example) our existing process is to donate these goods, usually to our partners at Red Cross for distribution outside of Australia and New Zealand.

When products are returned to stores and are considered damaged beyond use, we have three options – repair, recycle or repurpose. Recycling some of these products is complex because of the multiple materials that cannot traditionally be recycled.

In FY16 we repaired over 2600 goods, and we are continuously looking to improve our repairing capabilities. Hard goods and camping equipment are the most common products that get damaged and are the most difficult and expensive to repair.

Since committing to our waste-to-landfill goals in FY14, we have been researching a variety of solutions to these complex problems, and have been working with specialist textile recycling companies to repurpose fabrics.

Our commitments and aggressive targets are designed to help drive innovation in our processes and in the waste management industry. We remain committed and we encourage our customers to stay engaged with this topic.

CASE STUDY

A GLOBAL ISSUE

The plastic bag problem that no one talks about.

Plastic bags have become public enemy number one for consumers, with more and more people using re-usable shopping bags and many towns and cities around the world becoming plastic-bag free. (Our in-store consumer bags are paper, by the way.) But there is a mountain of plastic behind the scenes that gets much less attention. Nearly every consumer product on the globe is packed in a polybag before it leaves the manufacturer. These are loaded into boxes, placed on pallets and then each pallet is shrink wrapped in more plastic.

Plastic bags keep products safe and dry during transport and handling, but they result in millions of tonnes of waste each year.

Recycling is our only solution at the moment, but this is not without challenges. Some less populated areas still don't recycle this kind of plastic and areas that do collect soft plastic for recycling usually have to send it to China or India for repurposing. Some of our stores are located in shopping centres, where we have to work through the bureaucracy of the shopping centre if they don't already have recycling facilities. And globally, as the price of oil drops, so does the value of recycled plastic, so incentives for recycling decrease.



Industry recognition

Our sustainable packaging, waste management and recycling work earned us an award this year from the Australian Packaging Covenant. We report annually to the APC using their report framework and recently won the Medium Clothing, Fashion and Footwear award.

This year, we achieved our highest score – 4.5 out of 5. The average score for our category was 3.2. The APC scored us high on our waste management survey and implementation of recycling system in our bricks and mortar stores.

Measuring carbon

REDUCING OUR
FOOTPRINT AND
OFFSETTING WILL BRING
OUR EMISSIONS DOWN

Carbon accounting

Climate change is the globe's number one threat, according to the United Nations. As a business, climate change risks impact on our direct operations, and are increasingly threatening our supply chain. Our Fairtrade supplier tells us that decreased rainfall is reducing cotton yields.

Our organisational carbon footprint in Australia is much higher than in New Zealand. This is a reflection of our larger Australian operational footprint and Australia's predominantly coal-based energy supply compared to New Zealand, where approximately 80% is renewable.

Our goal is to reduce our organisational carbon footprint by 2020 to 20% below 2012 levels.

How will we get there?

Our Green Star buildings are equipped with energy-efficient systems like on-demand LED lighting. Simple things like asking staff to switch off electrical appliances and lights also make a big difference.

Greenhouse gas emissions are grouped and measured according to scope 1, scope 2 and scope 3, with scope 1 being emissions directly emitted from an organisation's operations. Since we don't directly emit any greenhouse gases, we don't have any scope 1 emissions to report.

Scope 2 is all about the indirect energy emissions – like the electricity we purchase from power companies.

Scope 3 is defined as emissions that are a consequence of our operation but which occur in our supply chain, beyond our organisational boundary. This could include emissions from employees driving to and from work, or from shipping our goods from the factories to the stores, through to embedded emissions in the products that we create.

We've begun to measure the carbon footprint of our scope 3 emissions. One of our most material impacts here is moving our products around, so we've started with a measurement of all our shipments from port to port. Tracking this data will help us to streamline our operations. Reducing our carbon footprint also reduces our cost.

We completed our first carbon offset project this year – offsetting air travel by supporting the Hinewai Reserve Project on the Banks Peninsula (80km south of our Christchurch office).

We account our greenhouse gas emissions in alignment with the Greenhouse Gas (GHG) Protocol. Our emission figures are derived from scope 2 purchased electricity usage across our stores, distribution centres and support offices. Our emissions factors are sourced from government GHG reporting guidance documents published in each jurisdiction that we operate in. We have aligned our scope 3 emissions quantification with the Higg Index scoring requirements. For further details, please see our publically available [CDP 2015 report](#).

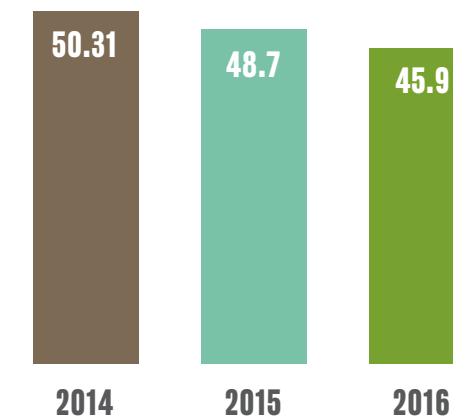
EMISSION FROM ENERGY USE

(in our stores, offices and distribution centres)

Our scope 2 emissions totalled 7387 tonnes, an increase from last year by 86 tonnes.

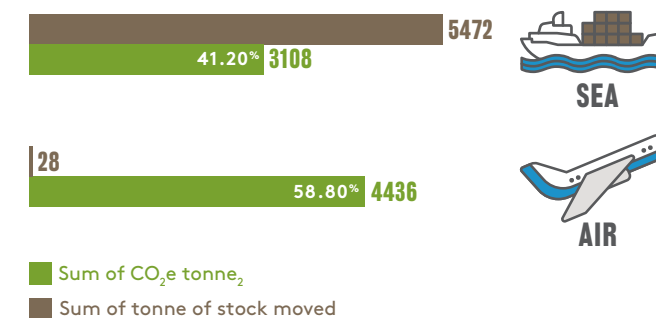


AVERAGE CARBON EMISSIONS PER STORE



TRANSPORT EMISSIONS

We measured the carbon footprint for the transportation of our products via sea and air freight. Even though only a small percentage of our products were sent by air, the emissions are more than half of the total.



WIN/WIN

CARBON OFFSETTING THROUGH HABITAT REGENERATION

With two support offices, two distribution centres and 161 stores across Australia and New Zealand, travel is part of our business. Video links help us reduce our air travel. We offset the rest.

In 2016, we started a programme to offset all of our business air travel emissions through the Hinewai Reserve on New Zealand's Banks Peninsula. The Hinewai project focuses on the regeneration of native vegetation and habitat for wildlife.

Enviro-Mark Solutions conducted an independent assessment of our emissions. They measured and offset 772 tonnes of CO₂ for FY15 and 724 tonnes for FY16.

Kathmandu Sustainability Coordinator Oliver Milliner, explains why we chose the Hinewai Reserve. 'We chose this particular project because it's close to our Christchurch Support Office, where staff can visit the stunning scenery and enjoy the reserve's 20 walking tracks. We were impressed with the reserve's commitment to the rehabilitation of native vegetation and wildlife.'

Purchased by the Maurice White Native Forest Trust in 1987, Hinewai Reserve has grown from a 109 hectare block of farmland to 1230 hectares of regenerating native bush. Renowned botanist and Hinewai Reserve manager Hugh Wilson was initially referred to as a 'gorse farmer' by locals, but over the years, he's successfully used the invasive plant to shelter young natives. This forest regeneration, along with predator control, has helped many bird species thrive in the reserve. Bellbirds, grey warblers, tomtits and pigeons are now regularly sighted. Tui, re-introduced in 2009, are also settling in.



Image courtesy of Christine Evans-Millar



OUR COMMUNITY



Investing in people

OUR COMMUNITY STRATEGY SUPPORTS GLOBAL CHANGE THROUGH INDIVIDUAL ACTIONS

We believe in the power of travel and adventure to change the world.

Our mission is to make great gear that opens up travel and adventure to everyone.

We know that we need to put people first, and that human rights is our number one material issue.

For these reasons we invest in our communities.

Kathmandu's Community Investment Strategy aims to improve people's lives by focusing on three areas:

1. empowering our customers,
2. supporting projects that have positive impacts on our local communities, and;
3. contributing to measurable social improvements in Nepal, the region that inspires our brand.



OUR COMMUNITY INVESTMENT STRATEGY



GLOBAL

We support impactful projects and organisations that contribute to improving the lives of people in Nepal.



CUSTOMER

We empower and equip our customers to be the change they want to see in the world.



LOCAL

We foster store-led engagement which supports people and projects that will have positive impacts on local communities.

Our mission is to open up travel and adventure to everyone.



GEAR FOR GOOD

Since 2011, we've been supporting Australian Red Cross and New Zealand Red Cross with product and financial contributions.

Here's a few of the different ways these partnerships have helped support Red Cross' work this year.



AUSTRALIAN RED CROSS

Adaptive gear supports diverse work

OUR PARTNERSHIP WITH RED CROSS MEANS WE CAN USE OUR ADAPTIVE TRAVEL GEAR TO MEET GLOBAL NEEDS IN DEVELOPMENT AND DISASTER PREPAREDNESS

ReBoot for at-risk youth

We equipped at-risk youth to take on life-changing outdoor adventures in the Flinders mountain ranges as part of Australian Red Cross' ReBoot Program.

Disaster response – a regional approach

When disaster strikes, Red Cross responds. We kitted out the Pacific Disaster Response team (Pacific RDRT). The Pacific RDRTs are made up of Pacific Island Red Cross staff who are trained to deploy and help out when a disaster affects a neighbouring Pacific Island. The RDRT model is really useful for disaster response efforts because they often come from similar cultures as affected communities. But they also learn from helping a neighbouring country and when they return home they improve systems, process and preparedness arrangements for their own country as well.

Often the RDRT team members don't have all the equipment needed to be self sustained when they deploy after a disaster. Six disaster response field equipment kits were donated to make sure team members had tents, sleeping mats, sleeping bags, rain jackets and other essentials.

These kits are now kept in the Red Cross's regional office in Suva so that team members can fly in and pick up equipment whenever disaster strikes around the Pacific.

Helping homeless youth in Brisbane

Kathmandu sleeping bags, mats, packs and personal items were used by Red Cross this year to provide important crisis relief and support to an early intervention programme with youth in Brisbane facing homelessness.

Red Cross in Brisbane runs The Young Centre and a Night Café in Brisbane. The Night Café runs two nights a week and provides a safe space away from the streets for around 40 young people aged 12 to 25 years in Brisbane. The Night Café provides free hot meals, showers, first aid, information and support many of the city's most vulnerable young people.

Travel gear for delegates

Gear donations are also used to support Australian Red Cross aid workers so that they have essential travel items on hand to keep them safe, comfortable and healthy when deployed overseas.

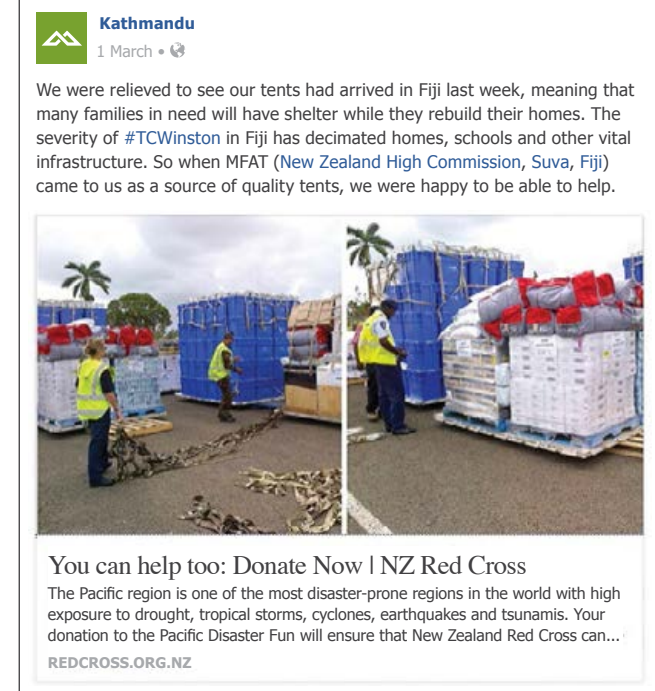


NEW ZEALAND RED CROSS

Harnessing the power of social media

WE ASKED OUR 200K FACEBOOK FOLLOWERS TO HELP RED CROSS BY CONTRIBUTING TO THE NEW ZEALAND RED CROSS PACIFIC DISASTER FUND

Over 1000 clicked through to the donation page and the post was shared 52 times, multiplying the reach.



Grab and go

We donated 521 Cotinga backpacks that would be available for emergency response volunteers to 'grab and go' when responding urgently to crises.



Pictured above: the Emergency Response Unit regularly deploys overseas with Kathmandu gear on hand.



**OUTWARD BOUND
SCHOLARSHIPS HELP
CUSTOMERS FIND
A NEW DIRECTION**

Living the dream

'I am truly grateful for this sponsorship – creating an opportunity for an ordinary guy like me to participate in something very special.'

Chris Powley

Since 2005 Kathmandu and outdoor education centre Outward Bound have been working together to help people to unlock their potential through challenge in the outdoors. We donate gear to the centre so that students can just show up and get into it. Our product donation also helps Outward Bound, a non-profit charity, by reducing their overheads.

The courses have a big effect on people's lives – 96% of alumni said Outward Bound had a positive impact on their lives. And one in three have gone on to volunteer or participate in community activities as a result.

Each year Kathmandu offers four Live the Dream Outward Bound Scholarships to New Zealand residents. Sixty-nine-year-old Chris Powley was one of the recipients this year.

Chris's goals were to participate in a rewarding group experience and to determine that age should not be a barrier to accepting new challenges.

Despite being 40 years older than the average of his group, he completed all the challenges and was humbled when recognised as 'most inspirational' by other members of the group.

'Our group was diverse in outdoor experience, nationality, age and life stage,' Chris says. 'Despite our differences, we melded together as a true team, free of the individual need to be the fastest or the strongest. I have never observed or been in a group that cared, shared, affirmed and supported one another so fully.'

The activities were a showcase of the New Zealand outdoors: tramping, running, kayaking, rock climbing, swimming and sailing.

Chris completed the course without injury but tells of one incident that resulted in an insurance claim. Traversing a rocky coastline they alternated between swimming and clambering over rocks. Sometimes, they would jump from the rocks into the sea.

'I launched into a nice tuck completing not just one somersault but 1.5 (I was a bit of a gymnast, after all, 50 years ago) beautifully face-planting into the hard water.'

When his eyes readjusted from the impact and he swam back to the rock, he realised his top denture plate was gone. 'Despite our best efforts, it was bye-bye teeth. I was awarded 9.9 for my dive.'

With no distraction from devices like mobile phones, Chris enjoyed the intensity and satisfaction of living in the moment.

'While the activities were physically demanding, for me they really provided a platform for the more important challenges of exploring our inner person and our values, and assess how we should focus our time and energy once we leave Outward Bound.'



Department of
Conservation
Te Papa Atawhai

**GIVING BACK
TO ONE OF OUR
FAVOURITE CAMPING
DESTINATIONS**

Family camping enhancement

In 2013, Kathmandu partnered with New Zealand's Department of Conservation (DOC) to enhance a popular holiday camping spot in the Queen Charlotte Sound. The Momorangi Bay campground, nestled between the bush and the beach, is one of the busiest in New Zealand – around 23,500 people stay there each year. It's a popular stopping off point for people walking or biking the nearby Queen Charlotte Track.

Working with DOC and the Marlborough Sounds Restoration Trust, the Momorangi project is an exciting model for conservation, engaging the community and visitors to learn about the area's special environment and what they can do to protect and restore it for the future.

Kathmandu donated \$75,000 over three years to develop the campsite – including interpretive materials, an activities kit, and supporting volunteer efforts. A bird listening station offers calls from nine native birds using a hand crank to power itself in a sustainable way. Other interpretive panels explain how the project incorporates the Maori values of stewardship (or kaitiakitanga) and the local iwi's tikanga (or way of doing things). Little wooden 'weta motels' provide safe hideaways for these native insects.

Kathmandu employees contributed \$619.80 to this project through our Share the Dream donations, which assisted in the eradication of wilding pines from the bay.



CASE STUDY

IN THE FIELD WITH AWC

Two Kathmandu Summit Club members got a chance to muck in with Australian Wildlife Conservancy's ecologists on a visit to Wongalara Wildlife Sanctuary in August 2015.



The sanctuary is one of 25 managed by AWC. Their work there includes field surveys, weed management and work to keep out feral animals.

Sanctuary manager Chris Whatley says they are trying to get rid of large herbivores and keep them out. 'Because they target the grasses, they're opening country up and small mammals don't have protection.'

Wongalara now has the largest feral herbivore-free area on mainland Australia.

Feral cats are another threat to small native mammals. 'At Wongalara we've built the first feral cat exclusion fence in northern Australia,' says Andrew Morton, AWC Senior Ecologist. 'Cats are very effective predators. They kill up to 75 million animals across Australia every night.'

'Australian Wildlife Conservancy's purpose is to provide effective conservation for all Australian native animals and plants across Australia,' Chris Whatley says.

Summit Club members Jesse and Fran pitched in to repair a section of fence designed to keep out feral cattle. They also accompanied ecologists on their survey. 'They've been catching reptiles and we've had a chance to handle them. I was a little nervous at first but I think I'm becoming a reptile person.'

The survey also found a tiny Lakeland Downs mouse, a species found only in Australia.

'Small mammals have been in decline across the north so getting small animals here is a really good sign of ecosystem recovery,' Andrew Morton says.

'Australian Wildlife Conservancy's purpose is to provide effective conservation for all Australian native animals and plants across Australia.'

Chris Whatley,
Wongalara Wildlife Sanctuary Manager



'Planting days are full of creativity and a feeling of restoration for the planet!'

Rick Asensio,
Summit Club volunteer

**CUSTOMERS AND STAFF
COME TOGETHER FOR
CONSERVATION EVENTS**

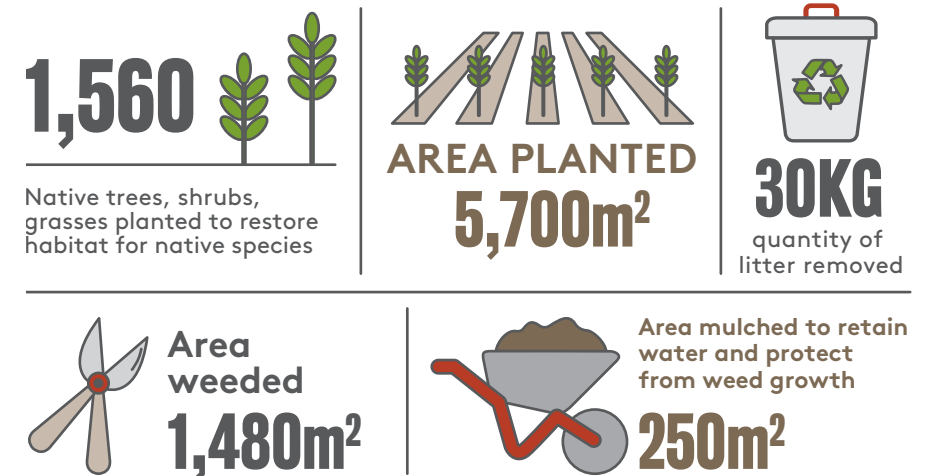
Getting dirty

In September and October 2015 we hosted seven conservation events near four major cities – Sydney, Melbourne, Auckland and Christchurch. Together with our Summit Club members we planted 1560 seedlings, cleared 1480m² of invasive weeds, maintained 40m of hiking track and cleaned up 2.5km of beach.

Leadership team gives half day to maintaining seedlings

When our leadership team got together in Christchurch this year, we jumped at the chance to spend a half day outside volunteering. We asked our partner, the Department of Conservation what they needed to get done in our local area and they put us to work on the nearby Port Hills. About 65 people got to work maintaining seedlings atop Mount Cavendish.

CONSERVATION BY NUMBERS



Enabling adventure

HELPING OUR CUSTOMERS TO BE CHANGE THEY WANT TO SEE

Our customers to tell us how to invest in our communities.

Our Summit Club Adventure Sponsorship programme is all about enabling adventure. It's also a chance for our customers to tell us how to invest in our communities.

We help our most ambitious Summit Club members achieve extraordinary feats through product sponsorship. Last year, 496 members wrote to tell us about the adventures they were planning and how they would change the world.

Some, like Danielle, are using outdoor challenges to raise funds and awareness for local charities. Danielle is a teacher who completed the Port to Port Charity walk and inspired her students with every step. Others, like Angelica, are connecting with our global communities to make positive change all over the world. Angelica is a nurse who volunteers her time aboard a medical ship that provides medical and dental services for people in Papua New Guinea.

Then there's Steve, a paramedic who uses his annual leave to work in rural areas of Nepal, delivering medical assistance in remote places where people are isolated from basic services.

We use our core values and the goals in our sustainability plan to work out which adventures to sponsor. We aim to support inspirational adventures that enable people to be active in the outdoors. We look for impactful, culturally engaging projects related to travel and adventure and those that contribute to environmental conservation or community development.

Last year, Summit Club Adventure Sponsorship recipients ran, walked, trekked, climbed, cycled, paddled and volunteered in over a dozen countries. They supported dozens of local and international charities, made meaningful connections and lasting impacts in the communities they served and reached tens of thousands of people with their stories of inspiration and positive change.

BY THE NUMBERS 2015

496 APPLICATIONS

259 SUMMIT CLUB MEMBERS ASSISTED

16 received free clothing and equipment

243 assisted with discounted gear



Angelica, nurse volunteer in Papua New Guinea



Steve, a paramedic bringing his services to rural Nepal

CASE STUDY

ADVENTURE ON THE SIDE

Summit Club member Gavin Marshall calls himself a 'wannabe adventurer'. In fact, the Sydney-based New Zealander has climbed the highest peaks on four continents and volunteered as a paramedic for Search and Rescue. An accountant and project manager by day, Gavin took 10 months off in 2014 to chase his goal of scaling the seven summits.

In March 2016, Gavin embarked on his latest adventure, joining a 14-person expedition to sail to the remote Antarctic outpost of Heard Island to collect rock samples, photograph shrinking glaciers and conduct a beach debris survey.

Where is Heard Island?

Heard Island is one of the most remote places on earth. It's an Australian Territory located deep in the Southern Ocean, 3,500km to the south-west of Australia.

The island is one of the most biologically pristine areas in the world; home to a significant population of penguins, giant petrel, seals, and elephant seals. It's also home to Australia's only two active volcanoes and the slopes of Big Ben peak are covered in no less than 12 glaciers.

A journey into the unknown

When we set sail from Cape Town, I quickly realised that I wasn't mentally prepared for 12 days of travel by boat to Heard Island. It took me two days to get over the motion sickness, but then the boredom had set in. Breakfast, lunch, dinner. Those were the landmark times during the day and in between I was either asleep or lying in my bunk reading. It was a challenge to stay engaged mentally, and I found myself thinking about the people who regularly make this journey into this frozen wilderness. We arrived at our destination after a little over 12 days at sea.

I had entirely underestimated Heard Island. My first glimpse of the island was the cliff line silhouette of Laurens Peninsula, poking through the mist and cloud. Below, the waves crashed onto rocks. We had a near complete view of Big Ben as we anchored in Atlas Cove on the first night and it was enormous. The crevasse slots of the glaciers cut up to the summit from the lower slopes between ribs of exposed rock. It was rugged beyond expectation. Sensory overload was an ongoing issue.

An unpleasant surprise

One of the most startling things we noticed was the amount of plastic debris on the western beaches, especially around Erratic Point.



We were dismayed at the level and type of waste that was washing up on the island. One of our commitments from the trip was to conduct a survey in conjunction with Australia's Tangaroa Blue Foundation, to determine the scope of marine debris and pollution on the shores of Heard Island. Tangaroa Blue estimate that there are 18 pieces of plastic per square metre of ocean. Being south of the major Southern Ocean currents, Heard Island should be free from plastic debris. Sadly, we found that this was not the case.

Moved to action

I was stunned by my first glimpses of the cliff lines of Lauren's Peninsula, but the most vivid picture I now have in my mind is of all the plastic drink bottles floating in the water at Erratic Point. I did not expect this simple data collection activity to have the emotional impact on me that it had. I felt sick. It reminded me of a rubbish dump. I now understand the Tangaroa Blue message: 'If all we do is clean-up, that is all we will ever do'. We have to do more.

To solve the problem of pollution caused by marine debris, we need to look at how we can stop the flow of litter at source, and help support local communities to tackle this problem. I feel fortunate to have had the opportunity to see this amazing place. But, I also feel moved to take action, otherwise future generations may not be so fortunate.

Are you inspired to make a difference in the world? If you have a plan to travel with purpose, then we're inviting you to apply for Summit Club Adventure Sponsorship.

'I did not expect this simple data collection activity to have the emotional impact on me that it had.'

Gavin Marshall

It's heartening to see that our customers share our passion.

Investing in the region that inspired our brand

Our name is a tribute to one of the world's most iconic outdoor travel destinations. Ever since Tenzing Norgay and Sir Edmund Hillary set foot atop the world's highest peak together, Nepal and New Zealand have been linked by travel and adventure. Following the example they have set, we are committed to investing in the communities of the Himalayas and to contribute to improvements in the region that inspired our brand.

It's heartening to see that our customers share our passion. Last year, we donated \$42,000 to the Australian Himalayan Foundation (AHF). Our customers donated even more – bringing the total contribution to \$104,844 for the AHF and Himalayan Trust New Zealand. In addition to that our team members pitched in with \$2,220 through our Share the Dream workplace giving programme.



A better future through education

AUSTRALIAN
HIMALAYAN
FOUNDATION

Kathmandu partnered with the Australian Himalayan Foundation (AHF) in 2011

The bulk of our support goes toward their flagship Teacher Training and Quality Education (TTQE) programme in the Everest region (lower Solukhumbu). Nepal has large disparity in literacy rates between urban and rural areas. Teachers in rural Nepal have traditionally received little or no training and resort to basic rote-learning methods. As a result, attendance by both teacher and students have been poor. There is still much work to be done to lift the average literacy rate in these rural areas from 43%. The AHF's TTQE programme now operates in all five districts of the lower Solukhumbu region. By the end of 2017, teachers will have been trained from 307 schools to provide education for more than 40,000 students.

The programme is making steady progress. AHF reports that educational outcomes in the lower Solukhumbu region have improved by 4.46% in 2015. Enrollment of girls increased and dropout rates reduced.

Following the earthquakes in April 2015, more than 200 of the 300-plus schools the AHF supports were assessed as being in urgent need of rebuilding or repair. Many families lost their homes and livelihoods.

In addition to delivering critical supplies, over the last year AHF has delivered post-trauma counselling for 1600 teachers and students, delivered training for teachers in emergency response, built temporary learning centres, rebuilt classrooms and designed earthquake resilient schools for the future.

Education will be critical to the country's recovery. It improves health and grows local economies, giving kids and their entire families a better future.

Enrollment of girls increased and dropout rates reduced





**WE BELIEVE
TRUE PARTNERSHIP
REQUIRES MORE THAN
JUST A DONATION –
IT REQUIRES
PARTICIPATION**

Lasting impacts

**WE INVITE OUR
SUMMIT CLUB MEMBERS
ON UNFORGETTABLE
TREKS THROUGH
THE HIMALAYAS –
THE PLACE THAT
INSPIRED OUR BRAND**

Trekking the Himalaya is a life changing experience for many. Our Summit Club treks are unique because the trekkers also get the opportunity to meet the real people of the Himalaya, who benefit from their fundraising efforts.

Each trek participant is encouraged to raise at least a \$1,000 donation for the Australian Himalayan Foundation. Last year, our treks to Nepal and Bhutan brought in \$25,074 in donations. Combined with our partnership donation, this is enough to rebuild four schools, or enough to send more than 300 girls to school on full scholarships that include tuition, uniforms and stationery.

Visits to AHF funded schools are part of the trekking route

In April 2016, our trekking group included two teachers from Australia, Chrissy and Prue. In addition to raising funds for a cash donation to the AHF, Chrissy and Prue also prepared a few science lessons for kids in the rural villages along the trek.

Materials like balloons, string, candles and food dye are not common in Nepali classrooms. Although they study science (sometimes at levels exceeding the Australian curriculum according to Prue's assessment), students rarely engage in hands-on experiments.

Chrissy and Prue's lessons brought learning to life in an exciting way they had rarely been seen before, attracting huge crowds and enthusiastic applause.

Generous giving will make more hands-on lessons and child-friendly teaching methods available to these kids.

Travel brings people together – from all ages and opposite sides of the earth. Our treks in the Himalayas are building bridges between cultures and creating positive impacts that will last a lifetime.

Participation – a step beyond donation

In addition to financial support, we worked alongside the AHF and Himalayan Trust New Zealand this year to help raise money and support through a socially impactful film.

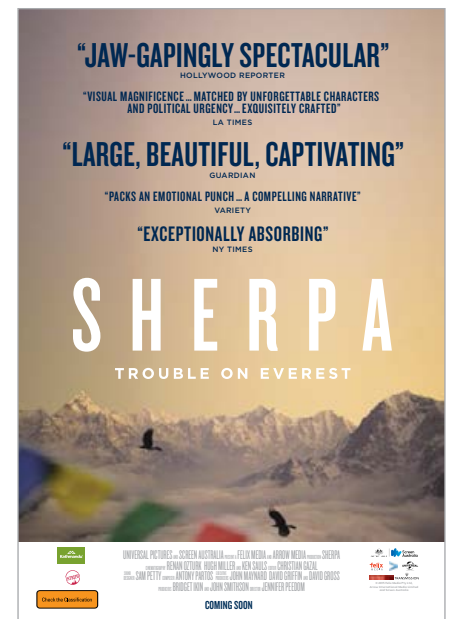
SHERPA is an award-winning documentary that started as a film looking at the 2014 Everest climbing season from the Sherpas' point of view. Instead, the filmmakers captured the worst tragedy in the history of Everest – one that would change it forever.

When a 14 million tonne block of ice crashed down onto the climbing route through the Khumbu ice fall in April 2014, 16 Sherpas were killed. The disaster provoked a drastic reappraisal about the role of the Sherpas in the Everest industry.

SHERPA tells the story of how, in the face of fierce opposition, the Sherpas united in grief and anger to reclaim the mountain they call Chomolungma.

Kathmandu partnered with the AHF and Himalayan Trust New Zealand to host a series of fundraising screenings across Australia and New Zealand, raising more than \$32,000.

'We love that 1,598 people have had their eyes and minds opened to the harsh working conditions on Everest and they also contributed money to fund improvements in well-being in the Everest region,' says Kathmandu Community Coordinator Lindsay Tallott.



'We jumped at the opportunity to bring SHERPA to our Summit Club.'

Lindsay Tallott,
Kathmandu Community Coordinator

OUR TEAM



People and passion

HOW WE'RE
MAKING KATHMANDU
A MORE ENGAGING
WORKPLACE

The key to our success is our people – who bring their passion and love for travel and adventure to our workplace every day. We strive to make Kathmandu an engaging place to work where team members can grow their career and enhance their skills.

This year we expanded our people strategy in the areas of learning and development, safety and wellbeing, change management and employee engagement.

To help attract, motivate and retain our talent, we started work on designing and delivering a more robust remuneration and reward strategy. Job families and career pathways are being created via a job evaluation process which connects jobs, people, pay and performance. Our goal is to create a fair and competitive remuneration framework. This framework will be structured to reward people for their individual and collective contribution to our success, for demonstrating our values in their actions and for creating value for each other and our customers.

Striving wherever possible to create paperless and streamlined approaches to our tasks has seen both our termination forms and exit interviews getting a revamp this year.

The new online termination form creates payroll processing efficiencies, eliminates paper and simplifies communication. Our new electronic exit interview stores all exit interview data centrally, allowing for more in-depth analysis of the reasons why people leave. From that, we can create initiatives to reduce employee turnover.

Our recent employee engagement survey showed that overall our teams are highly engaged. Honest and clear team feedback assists us to create initiatives that improve and value team engagement.

Team composition

This year our workforce reduced by 9.63%. This was due to the closure of our UK based stores and also due to a 42% reduction of casual labour year-on-year. In 2015, permanent part-timers increased by 4.6% in line with our efforts to support job security and retention. Kathmandu has also embarked on a number of strategic initiatives and projects this year, which has in turn seen an increase in the number of fixed-term employees associated with these projects.

See appendix for more information on our team composition.

BY THE NUMBERS 2015

TOTAL WORKFORCE: 1895

562 NEW
permanent hires

42% MALE

58% FEMALE



Supporting diversity

At Kathmandu we pride ourselves on creating a workplace culture that builds respect, promotes inclusiveness and collaboration, supports diversity, and embraces the unique skills and qualities of all our team members.

We do not discriminate against age, gender, ethnicity, cultural background, sexual orientation or religious beliefs but rather we embrace the diversity within ourselves and our customers. We are a team of individuals who are proud of what makes each of us unique. There are more than 47 nationalities represented within our team.

Hiring and turnover

Over the past year, we opened four new stores. This year we welcomed to our team 841 new team members. Our group turnover rate for permanent employees was 45%. Turnover included a 10% reduction in team support office team members as part of a company restructure, and also reflects the diversity of our team with part-time and full-time team members who join our team whilst completing tertiary studies.

See appendix for more details on hiring and turnover.

Parental leave

We support our team and their family commitments by offering parental leave to eligible employees in accordance with relevant legislation in Australia, New Zealand and the United Kingdom. In 2016, 54 team members accessed their parental leave, with a 7% increase in the return-to-work rate.

GENDER DIVERSITY

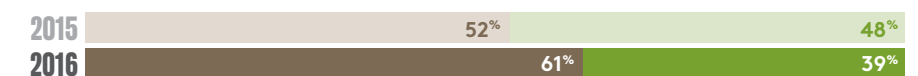
BOARD



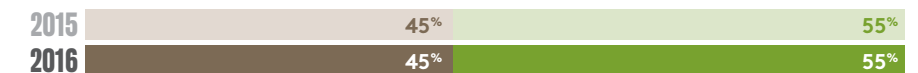
EXECUTIVE



SENIOR MANAGEMENT



MANAGEMENT



NON-MANAGEMENT



Male Female

AGE DIVERSITY

EXECUTIVE



SENIOR MANAGEMENT



MANAGEMENT



NON-MANAGEMENT



<30 30-50 50+

Learning and development

Online learning

Kampus is our online learning platform, where employees can complete induction training. This year, we added a new module on sustainability, core values and community. Kampus also offers refresher courses on important topics. This year we developed blended content where Kampus modules are accompanied by offline assignments and assessments to be completed by team members and managers together.

In 2016, 88% of our employees received a formal performance review, which includes individual development plans to help employees progress their careers, and identify and acquire new skills.

The Kathmandu Performance Centre (KPC) is an online performance development tool that tracks these individual development plans, as well as employees' key performance indicators and alignment with core values.

This year, all support office team members received training in KPC and completed performance reviews using the system.

Offline learning

In-house and external training opportunities are part of our professional development programme. Based on the needs identified in individual development plans, training included technical courses, leadership and communication skills and other industry-specific courses.

We are currently supporting three team members in their pursuit of formal professional qualifications including post-graduate diplomas.

TrekBud

In 2016, we piloted an internal mentor programme that developed into TrekBud, a programme where team members are paired up to learn new skills from each other.

First, team members identify areas for development and agree on an Individual Development Plan (IDP) with their managers. The team member is then paired with someone who has skills, knowledge and experience to share. Both team members benefit. The programme has been an effective way to build leadership capability. We will be extending this programme to more team members in the future.

CLIMB

Customer service training

In 2016, the Retail Operations and Learning and Development teams partnered to develop CLIMB, our customer service philosophy, and to deliver training to all retail team members. This included Train The Trainer sessions for store managers and other key team members and a dedicated three-hour workshop for all team members to discuss and practice customer service and learn the five CLIMB steps.

Train The Trainer was also delivered to key members of the new Australian distribution centre team, to support them in developing and delivering training on the new processes and workflows.



We will continue to develop skills within our wider team to create a pool of skilled, effective trainers and coaches.

Wider Leadership Team leadership commitment

Our Wider Leadership Team (WLT) comes together to collaborate twice a year. Our WLT gathered most recently in April in this year for a two day session to inspire and share cross functionally on innovation and strategy.

During the session, the team workshopped and created an aspirational leadership commitment statement, demonstrating our commitment to developing and engaging our teams to reach their full potential:

As inspiring leaders we act with authenticity, creativity, passion and humility to create a shared vision. We challenge and empower our teams to take the journey with confidence, celebrate their growth and achievements and enable them to reach their full potential. #opentheworld

Health and wellbeing

This year we created and communicated our three-year Safety and Wellbeing Strategy. We believe in an integrated approach that recognises the relationship between workplace safety, physical health and mental health. There are five main objectives for the strategy: improving safety culture, improving safety metrics, promoting team health and wellbeing, improving and standardising workplace safety management systems and a targeted reduction of injuries. Safety and Wellbeing Vision and Values were also created to complement our Safety and Wellbeing Policy.

Cultivating a strong safety culture and awareness is key to our success in reducing hazards and injuries. We launched an internal safety awareness campaign that used our team members and their families to create a video and a poster that focuses on 'The most important reason for staying safe', which is not at work at all – it is our loved ones.

Our highest cause of injury is from manual handling. We addressed this with a blended approach to training. Risk assessments help tailor site specific course content and address relevant hazards. The training course includes online modules and face-to-face demonstrations and assessments.

A company Governance Plan was also formalised to include store handover, plant and asset management, fixtures and fittings compliance and an audit programme.



Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities for employees and contractors

		AUSTRALIA	NEW ZEALAND	UNITED KINGDOM	TOTAL
INJURY RATES					
Permanent	Male	4.23	3.19	0.00	7.42
	Female	8.46	4.88	4.75	18.09
Fixed term or temporary	Male	0.14	0.19	0.00	0.32
	Female	0.68	0.75	0.00	1.43
Independent contractors	Male	0.27	0.38	0.00	0.65
	Female	0.27	0.19	0.00	0.46
	Total	14.05	9.58	4.75	28.38
OCCUPATIONAL DISEASE RATE					
Permanent	Male	0.14	0.19	0.00	0.32
	Female	0.41	0.19	0.00	0.60
	Total	0.55	0.38	0.00	0.92
LOST DAY RATE					
Permanent	Male	66.84	0.38	0.00	67.22
	Female	63.70	1.50	0.00	65.21
	Total	130.54	1.88	0.00	132.42
ABSENTEE RATE					
Permanent	Male	1554.37	1039.91	635.06	3229.34
	Female	2664.46	2059.80	2562.30	7286.56
Fixed term or temporary	Male	43.26	38.26	0.00	81.52
	Female	50.46	68.08	0.00	118.53
	Total	4312.56	3206.04	3197.36	10715.96

Values in action

OUTWARD BOUND COURSES INSPIRE LEADERSHIP

Kathmandu's six core values guide our decision making and our daily work. Over the past year we have been focusing on how to keep these core values alive through our actions. We want to reward and encourage the up-and-coming leaders who live our core values every day.

Working with our long-time partner, Outward Bound, we invited all our team members across Australia and New Zealand to apply for an Outward Bound course. We asked them to explain how they are already living our core values and to tell us how an Outward Bound course would unleash their potential – personally and professionally.

We received ten applications, all of which were inspiring. Four were selected to attend an Outward Bound Compass course, designed to build leadership skills in people who are at the beginning of their careers. By challenging them physically, mentally and emotionally, the course aims to ignite a passion for continual learning and boost motivation to achieve within a team. For one week, participants go off-track tramping, camping, white-water and surf kayaking, running, sailing, swimming, rock-climbing and high-roping.

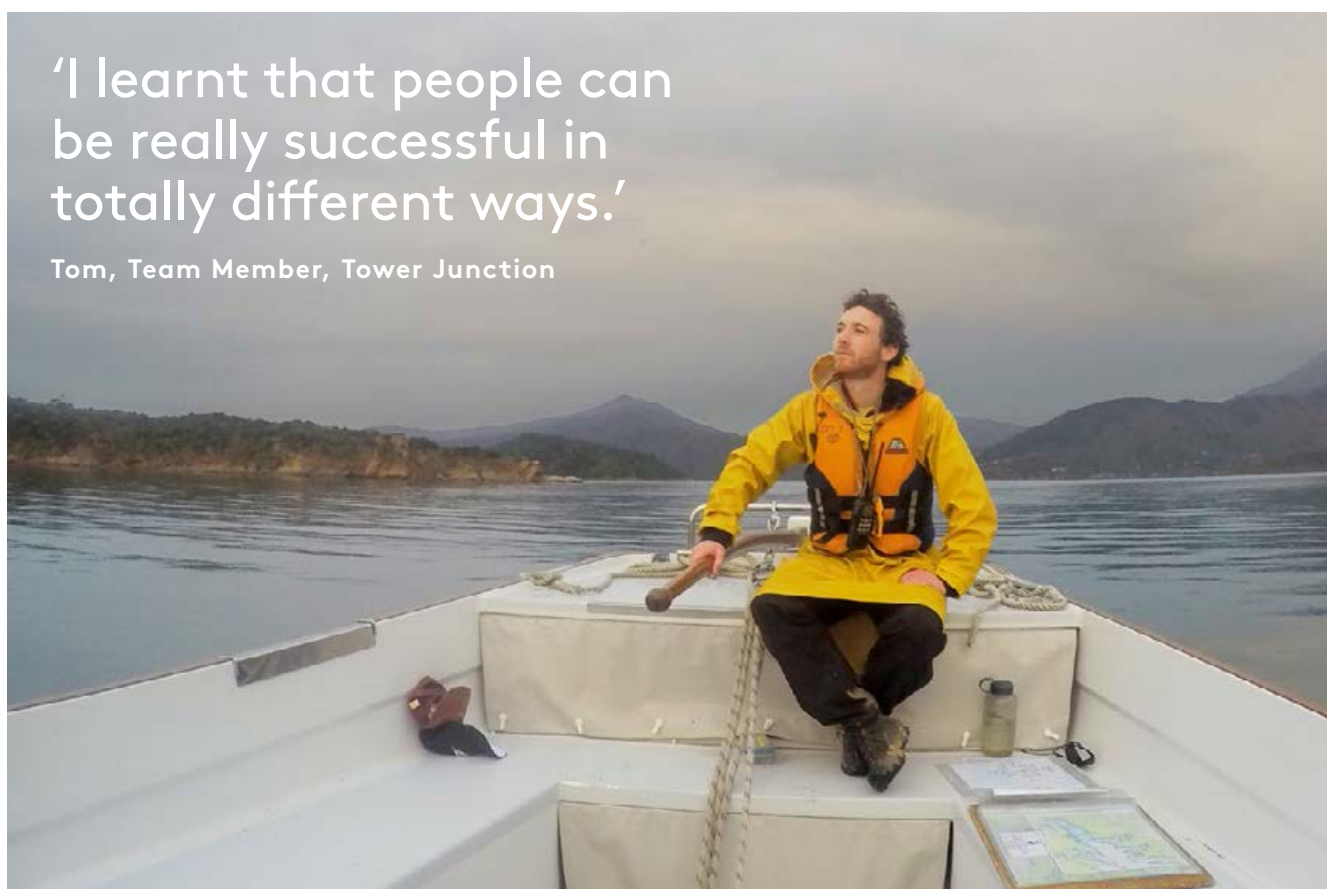
By investing in individuals, we also benefit when they bring back valuable lessons and skills.

'Outward Bound really teaches you to live in the moment.'

Emily,
Store Manager, Towoomba

'I learnt that people can be really successful in totally different ways.'

Tom, Team Member, Tower Junction



'You really understand where your strengths and weaknesses lie in how you operate and communicate to other people.'

Maddie, Equipment Product Manager, Christchurch Support Office

GRI Index

INDICATOR	DESCRIPTION	REFERENCE	PAGE NO.	NOTES
STRATEGY AND ANALYSIS				
G4 – 1	Senior leader statement.	Chairman and CEO report	4–5	
ORGANISATIONAL PROFILE				
G4 – 3	Name of the organisation.	Our Story	7	
G4 – 4	Primary brands, products, and/or services.	Our Story	7	
G4 – 5	Location of organisations headquarters.	Contents	1	
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.	Contents	1	
G4 – 7	Nature of ownership and legal form.	Our Story	7	
G4 – 8	Markets serviced (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Contents	1	
G4 – 9	Scale of the reporting organisation.	About this report, Our Story	7	
G4 – 10	Total workforce by employment type, employment contract, and region.	Our Team	52	
G4 – 11	Percentage of employees covered by collective bargaining agreements.	Our Team	52	
G4 – 12	Describe the organisation’s supply chain.	Our Suppliers	11	
G4 – 13	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Our Story, Our Journey	7, 8–9	
G4 – 14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Carbon emissions and climate change	36–37	We support the precautionary approach by taking action to reduce our environmental impacts.
G4 – 15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	This index		We support Fairtrade, BCI, RDS, RWS, FLA, Higg Index, APC, Baptist World Aid, 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 organisations: 1. Has positions in governance bodies; 2. Participates in projects or committees; 3. Provides substantive funding beyond routine membership dues; or, 4. Views membership as strategic.	Our Journey, RDS, GBCA, Our Community	8–9, 18, 32, 38	
G4 – 17	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Our Story, Our Journey, kathmanduholdings.com	7	
G4 – 18	Process for defining report content.	Our Journey	8–9	

INDICATOR	DESCRIPTION	REFERENCE	PAGE NO.	NOTES
G4 – 19	List of material aspects identified in the process of defining the report content.	Our Journey	8–9	
G4 – 20	For each material aspect, report the Aspect Boundary within the organisation.	Appendix: Where our impacts occur	62	
G4 – 21	For each material aspect, report the Aspect Boundary outside the organisation.	Appendix: Where our impacts occur	62	
G4 – 22	Explanation of the effect of any re–statements of information provided in earlier reports, and the reasons for such re–statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	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.	This index		No significant changes from previous year.
STAKEHOLDER ENGAGEMENT				
G4 – 24	List of stakeholders groups engaged by the organisation.	Our Journey, Our Stakeholders	8–9, 63	
G4 – 25	Basis for identification and selection of stakeholders with whom to engage.	Our Journey, Our Stakeholders	8–9, 63	
G4 – 26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Our Journey, Our Stakeholders	8–9, 63	
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.	Our Journey, Our Stakeholders	8–9, 63	
REPORT PROFILE				
G4 – 28	Reporting period (e.g. fiscal/calendar year) for information provided.	About this report	1	
G4 – 29	Date of most recent previous report (if any).	This index		2015 Sustainability Report (01/08/2014 – 31/07/2015)
G4 – 30	Reporting cycle (annual, biennial, etc.)	This index		Annual
G4 – 31	Contact point for questions regarding the report or its concerns.	About this report	1	
G4 – 32	Table identifying the location of the Standard Disclosures in the report.	This index		
G4 – 33	Policy and current practice with regard to seeking external assurance for the report.	This index		Our carbon offsetting project is the only area of this report that is currently assured. We are considering assurance for other areas.
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.	Our Journey, This index, kathmanduholdings.com	4–5	The Board guides the overall governance of our organisation. Please see our Annual Report 2016 for more information on our governance structure.
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.	Chairman and CEO statements, Our Core Values, Code of Conduct	4–6	

Specific Standard Disclosures

GRI G4 ASPECTS	DMA AND INDICATORS	OMISSIONS	REFERENCE	PAGE NO.	NOTES
Supplier environmental assessment	DMA: Supplier environmental assessment		Our Suppliers, Our Products, RDS, Transport emissions	10–15, 19, 37	
	G4 – EN32		Our Suppliers	10–15	
	G4 – EN33		Our Suppliers	10–15	
Supplier assessment for labour practices	DMA: Supplier assessment for labour practices		Our Suppliers		
	G4 – LA14		Code of Conduct	10	
	G4 – LA15		Code of Conduct, Re-audits and Inspections, CAPs	10, 11–12	
Freedom of association and collective bargaining	DMA: Freedom of association and collective bargaining		Our Suppliers, Code of Conduct	10–15	
	G4 – HR4		Code of Conduct	10	
Child labour	DMA: Child labour		Our Suppliers, Code of Conduct	10–15	
	G4 – HR5		Code of Conduct	10	
Forced or compulsory labour	DMA: Forced or compulsory labour		Our Suppliers, Code of Conduct	10–15	
	G4 – HR6		Code of Conduct	10	
Supplier human rights assessment	DMA: Supplier human rights assessment		Our Suppliers	10–15	
	G4 – HR10		Code of Conduct	10	
	G4 – HR11		Code of Conduct, Our Audit Program, Corrective Action Plans	10–15	
Products and services	Environment/products and services		Our Footprint, Waste surveying	30–37	
	G4 – EN26		Waste surveying	33	
	G4 – EN27		Waste surveying	33	
Customer health and safety	DMA: Customer health and safety		Our Products	16–29	
	G4 – PR1		Quality Inspections	29	
	G4 – PR2		Quality Inspections, This index	29	There were no incidents of non-compliance with our products during the year.
Economic performance	DMA: Economic		Our Journey, Measuring carbon	7, 36–37	
	G4 – EC2		Measuring carbon	36	
Emissions	DMA: Emissions		Our Journey, Our Footprint	9, 36–37	
	G4 – EN16		Energy indirect (scope 2) GHG emissions (from electricity consumption)	36–37	
	G4 – EN18		The GHG emissions intensity ratio (average carbon emissions per store)	36–37	

GRI G4 ASPECTS	DMA AND INDICATORS	OMISSIONS	REFERENCE	PAGE NO.	NOTES
Transport	DMA		Transport emissions	37	
	G4 – EN30		Transport emissions	37	
Employment	DMA: Employment		Our Team	52–53	
	G4 – LA1		Hiring and Turnover, Appendix	53, 65	
	G4 – LA3		Parental leave	53	
Occupational health and safety (OHS)	DMA: OHS		Health and wellbeing	55	
	G4 – LA5		Health and wellbeing	55	
	G4 – LA6		Health and wellbeing	55	
Training and education	DMA: Training and Education		Learning and development	54	
	G4 – LA11		Learning and development	54	
Diversity and equal opportunity	DMA: Diversity and equal opportunity		Supporting diversity	52–53	
	G4 – LA12		Supporting diversity	52–53	
Product and service labelling	DMA: Product and service labelling		This index: Insights and customer satisfaction		
	G4 – PR5		This index: Insights and customer satisfaction		Summit Club satisfaction results: NZ: 59% satisfied and 18% were extremely satisfied. AU: 59% were satisfied, 15% were extremely satisfied.
Marketing communications and compliance	DMA: Marketing and communications		Privacy	28–29, This index	
	G4 – PR8		Privacy	28–29	
	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 do our impacts occur?

MATERIAL TOPIC	WHO IT APPLIES TO	WHERE IT APPLIES	LIMITATIONS	
HUMAN RIGHTS IN OUR SUPPLY CHAIN				
Supplier assessment	Kathmandu, suppliers, factories, distributors	Our operations – especially Asia	We have established a contact platform for workers to report on grievances – however this process has provided limited to no data.	
Supplier assessment for labour	Kathmandu, suppliers	Our operations – especially Asia		
Labour practice and grievance mechanisms	Kathmandu, suppliers	Our operations – especially Asia		
Non-discrimination	Kathmandu, suppliers, consumers	Our operations – especially Asia		
Freedom of association and collective bargaining	Kathmandu, suppliers	Our operations – especially Asia		
Child labour	Kathmandu, suppliers	Our operations – especially Asia		
Supplier human rights assessment	Kathmandu, suppliers	Our operations – especially Asia		
OUR PRODUCTS				
Materials	Kathmandu, consumers, suppliers	Our operations	Our overall sustainable materials percentage use against conventional materials is too complex to calculate to meet aspect requirement.	
Products and services	Kathmandu, consumers	Our operations		
Customer health and safety	Kathmandu, consumers, suppliers	Our operations		
Product labelling	Kathmandu, consumers	Our operations		
Marketing	Kathmandu, consumers	Our operations		
Customer privacy	Kathmandu, consumers	Our operations		
OUR FOOTPRINT				
Economic performance	Kathmandu, investors	Our operations	Figures are based on surveys, average waste audit calculations and estimations. We are currently working with waste services to provide us with more accurate and reliable data.	
Energy	Kathmandu	Our operations		
Emissions	Kathmandu	Our operations		
Waste	Kathmandu, consumers	Our operations – stores		
Transport	Kathmandu, distributors, suppliers	Our operations		
OUR TEAM				
Employment	Kathmandu	Our operations		
Occupational health and safety	Kathmandu	Our operations		
Training	Kathmandu	Our operations		
Diversity and equal opportunity	Kathmandu	Our operations		
Compliance	Kathmandu, consumer	Our operations		

Our stakeholders

STAKEHOLDER GROUP	ENGAGEMENT MECHANISM	FREQUENCY OF ENGAGEMENT	KEY ISSUES RAISED
Customers	• Social media • Customer insights • In our stores • Our website • Via our customer services team • Summit Club member communications	Ongoing	• Animal welfare • Community investments and sponsorship • Faulty stock destruction – how do we dispose? • Human rights in our supply chain • Product care and repair
Staff	• Performance reviews • Questionnaires and surveys • Dream Team meetings • Other engagement committees	Ongoing	• Health and safety • Training • Internal waste management • Sustainability leadership
Suppliers	• Meetings • Site visits	Ongoing	• Fair and open procurement practices • Fair working conditions • Environmental impacts • Product quality and safety
Factories	• Meetings • Site visits • Audits	Ongoing	• Fair working conditions • Environmental impacts
Local communities	• In our stores and offices • Community events • Social media • Website	Ongoing	• Our impact on communities • Social investment and sponsorship
Shareholders	• Our annual reports • Annual General Meeting • ASX announcements • Website • Investor roadshows, briefing forums	Quarterly and as required	• Economic performance • All sustainability issues and achievements
Government and regulators	• Meetings • Reports • Site visits	Quarterly and as required	• Economic performance • Product quality and safety • Environmental impacts • Community impacts
Industry associations	• Meetings	Annually	• Environmental impacts • Community impacts • Human rights in our supply chain
Investment community	• ASX announcements • Website • Investor briefings and forums	Quarterly and as required	• ESG performance
Civil society and community organisations	• Social media • Requests for information • Website	Ongoing	• Human rights in our supply chain • Environmental impacts • Fair working conditions • Product materials stewardship • Supplier management

Kathmandu’s workforce statistics as at 31 July 2016

	AUSTRALIA	NEW ZEALAND	UNITED KINGDOM	TOTAL
BY EMPLOYMENT TYPE				
Full-time employees	389	306	3	698
Part-time employees	651	307	5	963
Casual	177	57	0	234
Total employees	1217	670	8	1895
BY CONTRACT TYPE				
Permanent	969	555	6	1530
Fixed-term full-time	20	15	0	35
Fixed-term part-time	51	43	2	96
Casual	177	57	0	234
Total workforce	1217	670	8	1895
BY GENDER				
Male	543	249	6	798
Female	674	421	2	1097
BY AGE GROUP				
<30	739	354	3	1096
30-50	413	265	5	683
50+	65	51	0	116
BY CATEGORY				
Executive	3	5	0	8
Senior management	17	34	0	51
Management	309	156	3	468
Non-management	888	475	5	1368

Kathmandu’s new hires in FY2016

		AUSTRALIA	NEW ZEALAND	UNITED KINGDOM
NEW HIRES				
Permanent	Total	377	175	10
Indefinite	Total	133	124	22
BY GENDER				
Permanent	Male	173	70	4
Permanent	Female	204	105	6
Indefinite	Male	56	53	14
Indefinite	Female	77	71	8
BY AGE GROUP				
Permanent	<30	282	123	5
Permanent	30-50	85	48	5
Permanent	50+	10	4	0
Indefinite	<30	109	110	19
Indefinite	30-50	22	13	3
Indefinite	50+	2	1	0

Kathmandu’s turnover in FY2016

		AUSTRALIA	NEW ZEALAND	UNITED KINGDOM
TURNOVER				
Permanent	Total	416	246	33
Indefinite	Total	224	128	26
BY GENDER				
Permanent	Male	189	0	0
Permanent	Female	227	0	0
Indefinite	Male	100	156	34
Indefinite	Female	124	218	25
BY AGE GROUP				
Permanent	<30	277	175	12
Permanent	30-50	128	63	21
Permanent	50+	11	8	0
Indefinite	<30	169	100	20
Indefinite	30-50	55	25	6
Indefinite	50+	0	3	0

