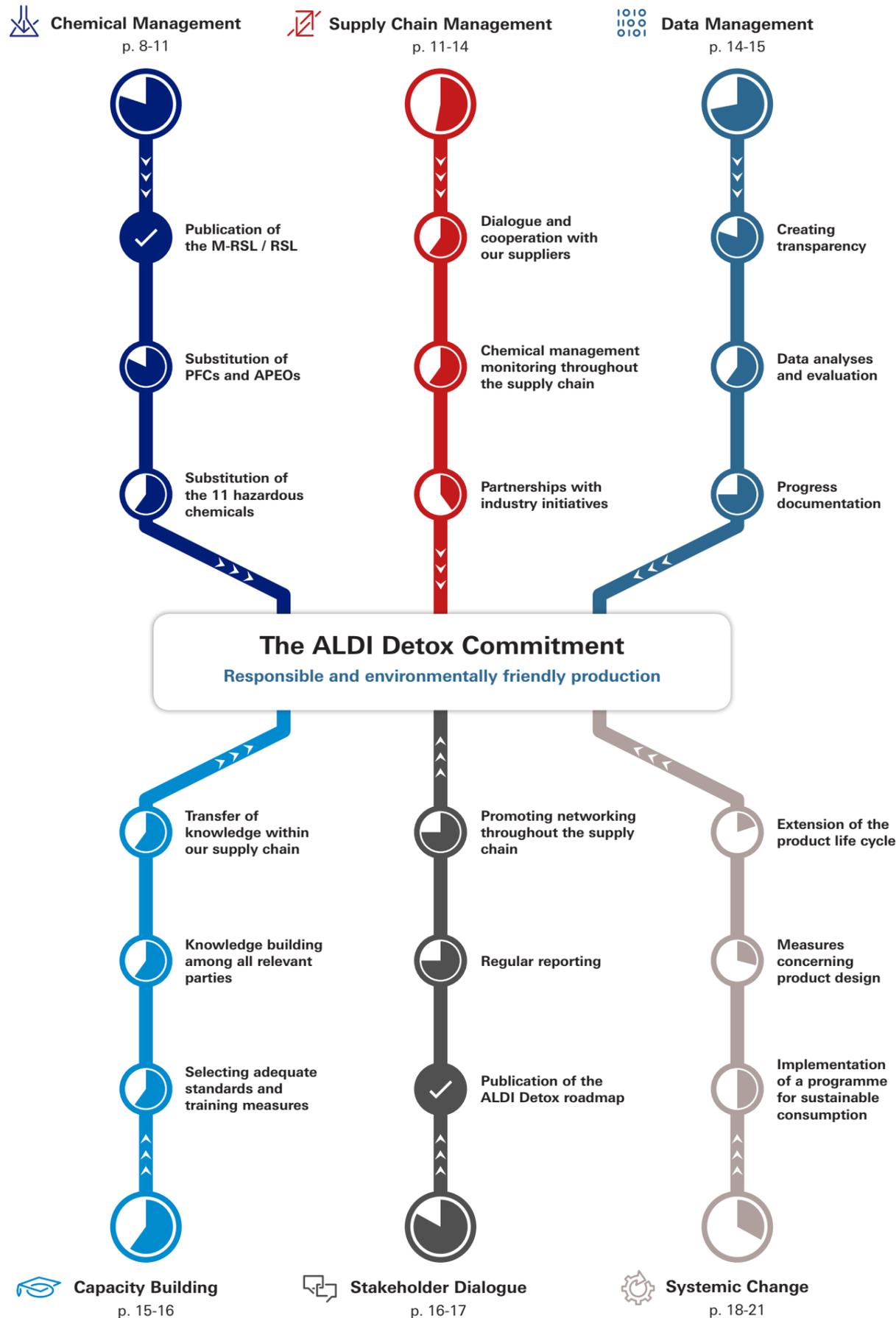


ALDI Detox Commitment

Progress Report 2016

Responsible and
environmentally friendly
production





Foreword

Dear Reader,

ALDI pursues the goal to eliminate the input of certain substances from the production of textiles and footwear by the year 2020.

ALDI¹ can look back on more than a hundred years of history as a retailer. We act responsibly and reliably, and we are proud of this. Today, ALDI North and ALDI SOUTH are two of the most successful retailers worldwide. With product ranges of between 1,200 and 1,500 core items and 30 to 90 weekly rotating special buys, we reach millions of customers throughout Europe, USA, and Australia.

Our key business principle is simplicity: We put customers at the very centre of all of our decisions, and develop simple solutions for everyday needs. We strongly believe in the need to act responsibly in order to maintain our competitive ability, our appeal as an employer, and our value proposition in the long term. For years, ALDI North and ALDI SOUTH have been actively promoting the development of sustainable social and ecological standards in their production countries. We strive to develop efficient and sustainable solutions with a focus on our impact. However, complex and multi-faceted issues cannot be solved by one single company. Only together can we achieve synergies and trigger transformation.

For this reason, both ALDI North and ALDI SOUTH committed to the goals of the Detox campaign in 2015. This campaign, which was brought to life by the environmental organisation Greenpeace, strives to reduce the negative impacts on people and the environment caused by the use of hazardous chemicals in textile and footwear production.



International ALDI Detox Summit 2016, Shanghai

¹ Where "ALDI" is stated, this refers to the ALDI North group of companies (ALDI North) and the ALDI SOUTH group of companies (ALDI SOUTH). Please note the term "groups of companies" referred to in this report are the separate legal entities conducting their retail operations under the ALDI brand.

ALDI pursues the goal to eliminate the input of certain substances from the production of textiles and footwear by the year 2020. In cooperation with our business partners, public stakeholder groups, and experts from the chemical industry, we strive to develop feasible solutions. In 2016, sharing information, building knowledge, and collaborating with others were the central topics of our efforts. A major highlight was the ALDI Detox Summit held in Shanghai in November. By bringing our partners and other relevant parties together, we were able to intensify the exchange of information on the topic of Detox. Role model production facilities provided valuable insight into their approaches and best practices. Within the Market of Opportunities expo, new approaches to solutions in the different areas of Detox were presented by various international service providers. Subsequently, the different goals, challenges, and means of implementation were addressed during extensive, forward-thinking debates held within the scope of panel discussions.

Never before in ALDI's history have such complex topics been addressed together with all those involved in the supply chain, including suppliers and general service providers, directly within one of our most vital sourcing regions. This exchange of information has been a successful step forward in promoting the implementation of our Detox requirements.

This progress report serves as a means for ALDI North and ALDI SOUTH to publish mutual information on the activities undertaken to fulfil the Detox commitment. We use this report to explain our strategy, illustrate our goals, to document what we have achieved so far, and what we plan to achieve by 2020.

The publication of this report represents a milestone for us and at the same time constitutes a starting point for the continued dialogue with our stakeholder groups.

We hope you enjoy reading,

Rayk Mende

Managing Director Corporate Responsibility,
ALDI Einkauf GmbH & Co. oHG, entity of the
companies of ALDI North



Sven van den Boomen

Managing Director Corporate
Responsibility International on behalf of
the companies of the ALDI SOUTH Group



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Abbreviations

APEO	Alkylphenol ethoxylate
BEPI	Business Environmental Performance Initiative
BMZ	German Federal Ministry for Economic Cooperation and Development
BSCI	Business Social Compliance Initiative
CMA	Chemical Management Audit
CmiA	Cotton made in Africa
GOTS	Global Organic Textile Standard
GRS	Global Recycled Standard
IPE	Institute of Public and Environmental Affairs
LWG	Leather Working Group
MRSL / M-RSL	Manufacturing Restricted Substances List
OCS	Organic Content Standard
PFC	Perfluorinated Chemical
PU	Polyurethane
RSL	Restricted Substances List
SDS	Safety Data Sheet
ZDHC	Zero Discharge of Hazardous Chemicals

1. ALDI Detox Commitment, strategy, and approach

1.1 Our Detox Commitment

By the time a textile product reaches the sales floor it has already travelled a long way. A simple printed cotton T-shirt must undergo various production stages – from the initial preparation of its fibres to the packaging of the final product. If not handled correctly, negative impacts on the environment can occur throughout the entire life of a textile. We have signed up to the Detox Commitment to reduce the potential negative impact of our products.

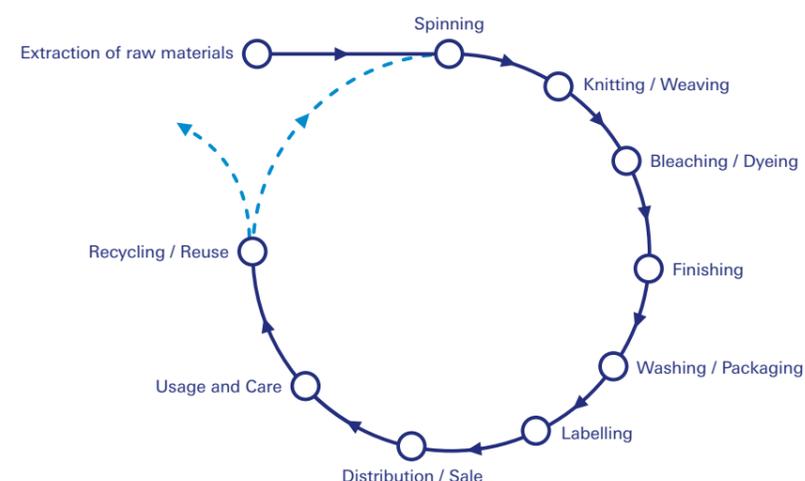


Figure 1: Example of the lifecycle of a textile product

During the cleaning and preparation of fibres and the subsequent dyeing and chemical finishing processes, chemicals are used to produce the best possible quality and brilliant colours. On the basis of international and national legislation and guidelines, the use of such chemicals and the subsequent discharge of wastewater are regulated and monitored in the different production countries. Many facilities are able to fulfil these standards by introducing elaborate filter and treatment systems within the internal wastewater treatment plants, or by directing wastewater discharged from production to an industrial wastewater treatment plant in order to minimise the negative impact on the environment.

However, we strive to go beyond legal requirements, which are sometimes either not rigorous enough or simply not followed. As a consequence, bodies of water located in some regions of textile production, particularly developing and newly industrialised countries, become contaminated. The disregard for security requirements, such as the improper handling of chemicals, also endangers the health of workers and the local population. For these reasons, the environmental organisation Greenpeace initiated the Detox campaign in order to reduce the negative impacts on humans and the environment caused by intensive chemical-based production processes used in the textile and footwear industry.

ALDI actively strives to establish responsible and environmentally sound production processes. As our long-term experience shows, such complex challenges cannot be met by one single company. By pledging our voluntary commitment, we are demonstrating our support and dedication to the goals of the Greenpeace Detox campaign.

In cooperation with Greenpeace and other relevant parties, we have developed a comprehensive catalogue of requirements. Together with our business partners, we strive to implement the standards specified in this catalogue.

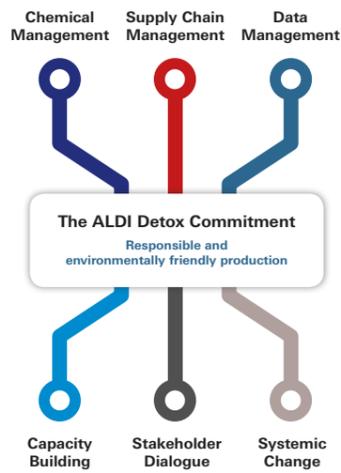


Figure 2: Our Detox Commitment

1.2 Our Detox 2020 strategy

We have developed the ALDI Detox 2020 strategy based on six different areas of focus. Each area of focus addresses one aspect of our Detox Commitment in greater detail.

Chemical Management: Step-by-step elimination of hazardous chemicals from production

We are committed to the elimination of hazardous chemicals from the production of apparel, home textiles, and footwear, and the gradual replacement of these substances with safer alternatives over the next few years. Our goal is to eliminate the input of the eleven chemical groups prioritised by Greenpeace by 2020. As of 31 December 2016, the commitment made by ALDI North and ALDI SOUTH to completely eliminate perfluorinated chemicals (PFCs) and alkylphenol ethoxylates (APEOs) from their supply chains came into force.

Supply Chain Management: Keeping our supply chain clean

Changing chemical formulas across the textile supply chain constitutes only one area of our efforts – we also support and empower our suppliers to actively work with their own business partners in order to comply with the Detox requirements and verify the implementation of these requirements within the scope of our sourcing processes.

Data Management: Effective use of the data gathered

Besides collecting a vast volume of data, the successful implementation of the ALDI Detox Commitment also requires a comprehensive analysis of the data. Based on the findings made, areas for potential improvement are identified and changes to both internal and external processes are initiated, which assists us and our business partners in working towards the achievement of the goals set throughout our supply chains.

Capacity Building: Achieving a new sense of awareness among all parties

In order to reach our declared goal, we need to achieve a shift in awareness across all stages of the production process, and help to increase necessary knowledge and capacities – from the Buying departments to the producers. In this context, our suppliers are of great importance to us as they assume a special responsibility for selecting production facilities which are willing to cooperate.

Stakeholder Dialogue: Engaging with stakeholder groups

We always strive to be proactive and transparent: We maintain open dialogue with all relevant stakeholder groups in order to fully understand the complex requirements and determine which tools are right for the job. We regularly publish information about our progress and the steps planned with respect to the Detox commitment.

Systemic Change: How we promote sustainable consumption

We support systemic change across society. This change focusses on the promotion of sustainable products and their production processes, as well as responsible consumption behaviour. It ranges from eliminating hazardous substances to improving product lifecycles to enhancing recycling methods.

1.3 Our approach

The close cooperation between ALDI North and ALDI SOUTH is reflected in the development and implementation of the Detox 2020 strategy. The starting point for implementing efficient and feasible solutions for achieving our common goals is the cooperation and consultation between various internal specialists from both business groups within the scope of working groups. The Detox 2020 strategy was developed in coordination between our Managing Directors of Corporate Responsibility, our Quality Assurance teams and our Buying departments, and closely aligned with our respective business strategies. The agreed goals were summarised in an action plan up to 2020, which was prepared by internal working groups and is updated and supplemented annually. Taking into account the international Detox 2020 strategy, the ALDI countries may also define different key topics on an individual basis.

We encourage close cooperation between all parties involved, from suppliers and production facilities to general service providers and civil society. Furthermore, we support the process of translating requirements into concrete measures to be applied at production facilities.

2. Detailed description of goals, measures, and progress made

2.1 Chemical Management

2.1.1 Publication of the M-RSL / RSL

As one of the leading retailers worldwide, we set high standards for the quality of our products. Besides our existing quality guidelines, we have compiled the ALDI M-RSL/RSL (Manufacturing Restricted Substances List/Restricted Substances List), which we also published on our websites in 2015, to enable our business partners to fulfil our standards. Based on the Detox requirements, this list specifies the permissible threshold values for hazardous chemicals in wastewater and sludge discharged from production facilities and in finished or semi-finished products. The obligation to adhere to the threshold value is an integral part of all of our supplier contracts. Our specialists compare the RSL with the most recent requirements and make amendments where necessary.

2.1.2 Substitution of PFCs and APEOs

Due to their negative impact on the environment, the Greenpeace Detox campaign places a special focus on perfluorinated chemicals (PFCs) and alkylphenolethoxylates (APEOs). PFCs are found, for example, in water and oil-repellent finishing agents for textiles. Even before our engagement in the Detox campaign we were already committed to the elimination of PFCs from our production processes: In Germany and Austria, textiles and footwear have been produced with alternative finishing agents, for example, using the ecological and sustainable technologies 'bionic-finish®eco' and 'Teflon EcoElite™', since 2015. By 31 December 2016, all other ALDI countries had also initiated the elimination of PFCs in accordance with the Detox commitment.

Case study: PFC-free finishing with Teflon EcoElite™

In close cooperation with our producers and leading chemical manufacturers, we carried out a project concerning the substitution of PFCs in 2016. A finishing agent for textiles consisting of plant-based materials was trialled as a substitute. Within the scope of this project, textiles finished with the product Teflon EcoElite™ were found to possess water-repellent characteristics nearly identical to textiles finished with conventional finishing agents. In terms of oil and stain-repellent properties, so far no comparable substitutes have been achievable and additional work is still required throughout the industry to find a viable alternative.

The case study about the substitution of PFCs can be viewed on the subsport.eu internet platform.

100%

of contracts include M-RSL/RSL and input chemical requirements

100%

of contracts include the requirement to eliminate PFCs by 31 December 2016

78%

of production facilities with no PFC findings in the wastewater and sludge analysis

Depending on the products and fibres concerned, the current alternatives to PFCs are not always able to provide the same water and oil-repellent effect as PFCs. In order to promote environmentally sound alternatives, we cooperate closely with representatives of the chemical industry to identify efficient and ecological alternative finishing agents.

In 2016, 78% of our production facilities contained no PFCs in the waste water or sludge testing results. We work with our suppliers when production facilities test positive for PFCs to determine possible solutions and alternatives to meet requirements.

We proactively promote research based on case studies in cooperation with various stakeholders, including the chemical industry, suppliers, and production facilities. Our goal is the continuous testing, promotion, and implementation of innovative approaches for new, environmentally sound alternatives to conventional chemicals in our production processes. Besides the PFC case study, another case study on water-based polyurethane was published in 2016. And our case study on the substitution of APEOs demonstrates our active commitment to the elimination of these substances from textile production.

Within textile production, alkylphenol ethoxylates (APEOs) are mainly used as surfactants in laundry detergents. Upon entering wastewater treatment plants, these alkylphenol ethoxylates are converted to alkylphenols during their biological decomposition, which are harmful to aquatic organisms. This is one reason why ALDI is actively working to remove APEOs from our supply chains.

At the time of the analysis, 47% of the wet-processing facilities used in 2016 were able to prove that no APEOs were contained in their wastewater or sludge discharge. We are working hard with our suppliers to increase this number by providing more training and maintaining regular dialogue with suppliers, for example, via the ALDI Detox Summit held in Shanghai. We contractually agreed with our suppliers to replace APEOs with more environmentally sound alternatives by 31 December 2016.

The results of the wastewater and sludge analyses serve as an indicator for monitoring the elimination of hazardous chemicals, such as PFCs or APEOs. By conducting additional product testing, we are able to evaluate the extent to which sustainable production processes are implemented in a production facility, and whether our Detox 2020 requirements are being met.

2.1.3 Substitution of the 11 hazardous chemicals

We support our suppliers and empower them to initiate and implement sustainable processes of change and thus fulfil the Detox requirements. The 'clean factory' approach is a tool for production facilities which helps to reduce the use of hazardous chemicals and the associated risks to the greatest possible extent. This approach is based on a well-functioning supply chain and chemical management system. In order to achieve compliance with all Detox goals in the long term, we develop input and output-oriented requirements and, thus, focus on two different starting points within the production process.

3

case studies initiated

100%

of contracts include the requirement to eliminate APEOs by 31 December 2016

47%

of production facilities with no APEO findings in the wastewater and sludge analysis

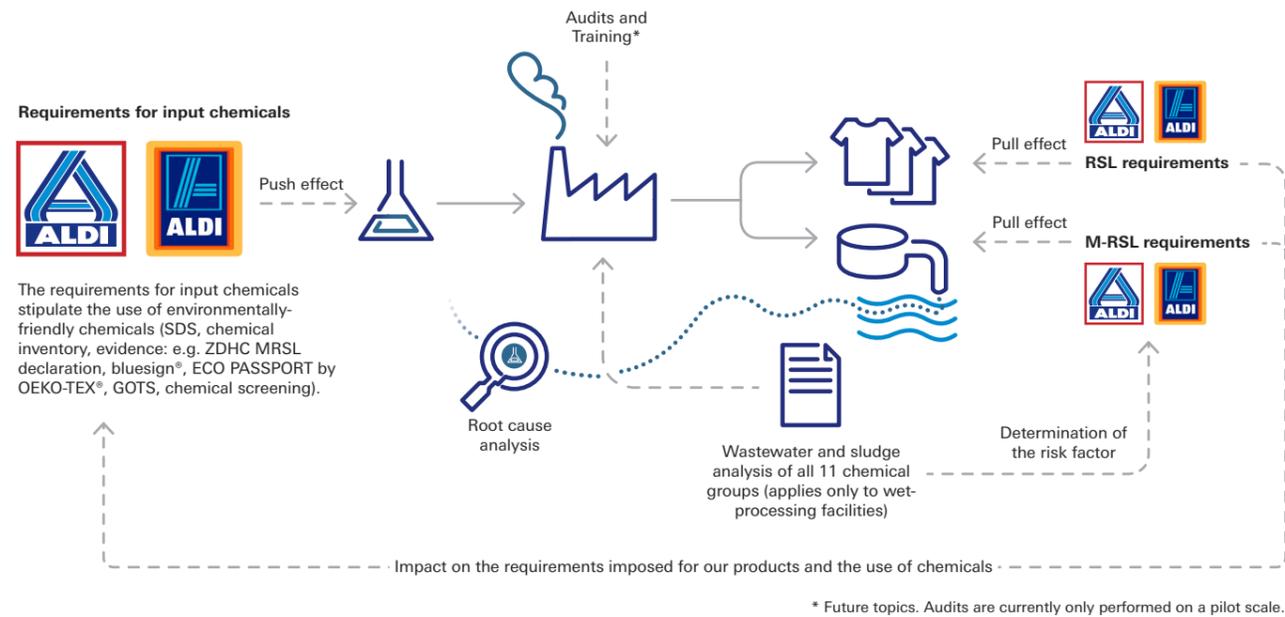


Figure 3: The Clean Factory Approach

Our input chemicals policy was implemented in 2016 and comprises two essential components:

Firstly, production facilities are required to maintain a chemical inventory and safety data sheet (SDS) for all chemicals used, which need to fulfil the ZDHC MRSL requirements. Compliance is proven based on comprehensive declarations of conformity issued by bluesign® systemic partners, documents provided by approved certificate issuers or accredited testing institutes, and evidence concerning the use of 'bluesign® approved' chemicals. We reserve the right to review the safety data sheets, the chemical inventory, and/or the documentation and certificates concerning input chemicals at any time.

Secondly, the criteria for sourcing the chemicals required in the production facilities need to be tightened. We currently monitor chemical requirements by checking the chemical inventory and will work more closely with suppliers on this topic in future.

Since 2015, we have made it a requirement for wastewater and sludge analyses to be conducted at wet-processing facilities. The output requirement is assessed at least once per year at our production facilities. The samples are taken on site by an accredited testing institute specifically nominated by us for this purpose, and tested for compliance with our M-RSL threshold values. The results of the analyses are then communicated to us, our suppliers, and to the production facilities.

In the event of any findings in one or several chemical groups, our suppliers and production facilities are encouraged to conduct a root-cause analysis to identify potential reasons or sources of contamination.

The elimination of heavy metals from the production process presents a potential challenge to the entire industry, since these substances are inevitably contained in the soil and are therefore frequently detected in the fresh water used before production.

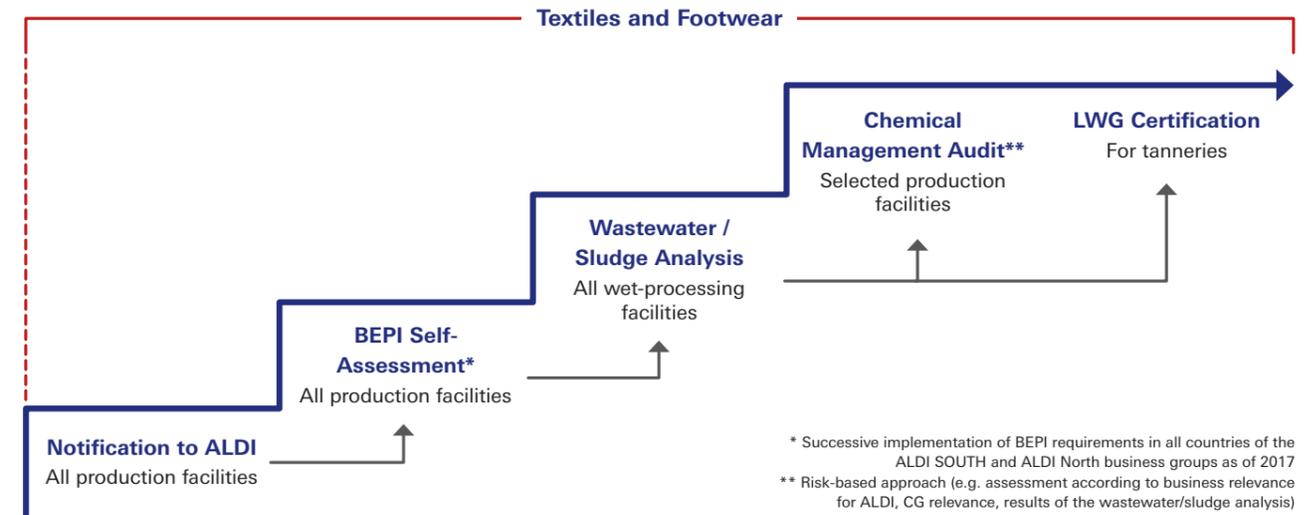


Figure 4: Layer model chemical management

2.2 Supply Chain Management

2.2.1 Dialogue and cooperation with our suppliers

We do not maintain direct business relationships with the production facilities where our products are manufactured but rather with our intermediate suppliers. Nevertheless, we still assume responsibility throughout the entire supply chain. To ensure the implementation and compliance with our Detox requirements throughout the supply chain, each of our direct business partners undergoes an onboarding process. Within the scope of this process, our Detox 2020 strategy is explained, and capacities and knowledge concerning responsible and environmentally sound production processes are conveyed to our business partners, who we provide with tools for the implementation of our Detox requirements.

During our regular supplier meetings, we provide our suppliers with active support and encourage them to promote a shift in awareness across all levels of the production process.

2.2.2 Chemical management monitoring throughout the supply chain

In order to promote the Detox requirements, it is necessary to establish comprehensive transparency with regard to our supply chain partners and the local environmental conditions. The disclosure of all production facilities used for producing the main components of our textile and footwear products has therefore been a permanent requirement since 2015. The subcontracting of orders to additional production facilities without our prior consent is not permitted by contract. We assume a supportive role in raising awareness within the industry concerning the more conscious use of input chemicals and define requirements for chemical management in our production facilities. By conducting wastewater and sludge analyses for wet-processing facilities, we monitor compliance with our requirements at an early stage of the production process.

38

Number of conducted Chemical Management Audits (CMAs) in wet-processing facilities

5

Number of countries where CMAs have been conducted

Pilot project: Evaluation of chemical management standards in our production countries

In order to understand exactly which supporting measures our production facilities require for the purpose of identifying issues and potential for improving their chemical management systems, we conducted a pilot project on the evaluation of the chemical management methods used in our production countries in 2016. Thanks to our close cooperation with 38 production facilities (covering over 1000 contracts in the year 2016) which are frequently used within the ALDI supply chain for textiles and footwear in five different countries (China, Bangladesh, India, Turkey, Vietnam), we were able to gain concrete insight into the use and disposal of chemicals and initiate a dialogue across our supply chains. Some production facilities have implemented robust chemical management systems, while other facilities are in need of additional tools and support to increase their level of Detox understanding. In order to sustainably fulfil these requirements, all parties involved in the supply chains need to continue to develop their knowledge and competencies.

The knowledge gained from this project has been integrated within our policies and requirements concerning the use of chemicals to enable our production facilities to identify and avoid hazardous substances even as early as during the procurement of chemicals.

The chemical safety and/or RSL conformity of our products is verified in a number of ways, including certificates such as the Standard 100 by OEKO-TEX®, and corresponding testing procedures in order to guarantee that our ALDI RSL reflects the most recently defined threshold values. By successively lowering the threshold values for products, we plan to further improve chemical management practices in future.

The comprehensive criteria catalogue and rating system support us in helping to make our supply chains fit for the future with regard to the Detox requirements. When non-compliances occur, ALDI actively works with suppliers to understand why the failure occurred and discuss possible solutions to avoid recurrence. If a supplier is unable to meet the defined requirements, ALDI reserves the right to impose consequences. For example, if a product does not meet our RSL requirements, we reserve the right to not accept the product.

2.2.3 Partnerships with industry initiatives

In close cooperation with other market participants, we create synergies and employ established methods of industry initiatives, such as the Leather Working Group (LWG), Zero Discharge of Hazardous Chemicals (ZDHC), and standards, such as the Global Textile Standard (GOTS) and bluesign®.

We view our involvement in networks, committees and multi-stakeholder initiatives as a chance to help shape and further develop different standards and to engage in cross-sectoral dialogue. Within the area of textiles and footwear, ALDI is a member of the following organisations and initiatives:

Organisation	Type	Year Joined	Purpose of Involvement	Business Group
German Partnership for Sustainable Textiles	Multi-stakeholder initiative	2015	Promotion of measurable ecological and social improvements within the textiles sector	ALDI North
				ALDI SOUTH Germany
Leather Working Group (LWG)	Trade association	2015	Improvement of environmental conditions within the leather industry	ALDI North ALDI SOUTH International
Involvement in the BEPI and BSCI	Corporate initiative	2017 (BEPI)	Improvement of working and environmental conditions throughout the supply chain	ALDI North
		2008 (BSCI)		ALDI SOUTH International

Table 1: Memberships

Both ALDI North and ALDI SOUTH Germany are members of the 'German Partnership for Sustainable Textiles'. The partnership first began as an initiative of the German Federal Ministry for Economic Cooperation and Development ('Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung', BMZ), and now combines the efforts of over half of all businesses operating within the German textiles industry (by sales volume). Market participants from the economy, politics, trade unions, and NGOs have joined forces to address the various social, economic, and ecological challenges throughout the supply chains within the textiles industry, such as the establishment of living wages and the reduction of the use of hazardous input chemicals in production. By working together on a set of common standards and requirements for implementation within the supply chain, we hope to bring about sustainable improvement. We are therefore actively involved in various working groups within the German Partnership for Sustainable Textiles and are considering joining similar initiatives in our production countries.

The Leather Working Group (LWG) developed an auditing protocol for sustainable and responsible leather production, which is applied to more than 10% of leather production worldwide. ALDI has been a member of the LWG since 2015 and actively discusses specific issues with the expert groups of this initiative, such as questions concerning chemical management.

2. Detailed description of goals, measures, and progress made

In early 2017, ALDI joined the Business Environmental Performance Initiative (BEPI). BEPI strives to improve environmental conditions throughout the supply chain. In this context, the initiative provides the various parties throughout the supply chain with tools for fulfilling requirements, for example concerning chemical management. As a first step, all production facilities are requested to conduct a self-assessment in order to achieve a better understanding of the required measures for improvement. Within the scope of training sessions, production facilities learn about the required management systems and concrete steps for implementing these measures.

2.3 Data Management

2.3.1 Creating transparency

In order to fulfil our Detox commitment, we have to gather comprehensive information so that we can identify challenges and potential for improvement within our production facilities. In order to collect useable data, we have revised our tender documents and contracts and updated our IT systems.

Consequently, we now receive all production facility data prior to delivery of the merchandise and then perform a plausibility check. In 2016, the results of the wastewater and sludge analyses for 81% of our wet-production facilities were made available to us. By taking a comprehensive data management approach we were able to better track our entire supply chain in 2016.

Within the scope of the Detox campaign, Greenpeace has requested all companies to publish the results of wastewater and sludge analyses on the IPE (Institute of Public and Environmental Affairs) platform in accordance with the 'right to know' principle. While we are happy to comply with this request, certain challenges concerning the upload process for production facilities emerged in 2016. In the first half of 2016, the final upload presented a significant challenge to the testing institutes as the IPE platform underwent modification and no test reports could be uploaded. In constant coordination with testing institutes and suppliers, this process was adjusted retrospectively.

2.3.2 Data analyses and evaluation

All data is collected, processed and evaluated at an early stage in order to conduct meta-studies and trend analyses, evaluate the development of risks, identify efficient measures to take, and monitor the implementation of these measures. The implementation of measures and the related impact is followed up in detail. The ongoing development of our internal IT systems supports the recording and analysis of supplier and production facility data.

Our internal monitoring, verification and evaluation system allows us to identify our suppliers' progress, success, and potential for optimisation – and to communicate this information to them. Risk evaluation is a central component of our international supplier and production facility evaluations.

81%
of wet-processing facilities have valid wastewater and sludge reports

100%
of reports submitted to IPE

2. Detailed description of goals, measures, and progress made

2.3.3 Progress documentation

This report constitutes our first status assessment, which forms the starting point for our further cause of action. On this basis, we will conduct progress assessments at regular intervals in order to evaluate the impact of our measures and further develop the action plan for the ALDI company groups.

Furthermore, our internal annual report communicates our level of goal achievement to the executive management teams.

2.4 Capacity Building

2.4.1 Selecting adequate standards and training measures

Building capacity and knowledge is essential for achieving a shift in awareness. As we mainly focus on the qualification of our suppliers and production facilities, we have developed a suitable training concept. ALDI regularly compares various industry standards and initiatives in the area of environmental and chemical management. Within this scope, we evaluate standards which are suitable for the implementation of our requirements and for integration into the existing structure of our supply chain. Furthermore, we select and, if required, develop corresponding training measures which are also included in our requirements for suppliers.

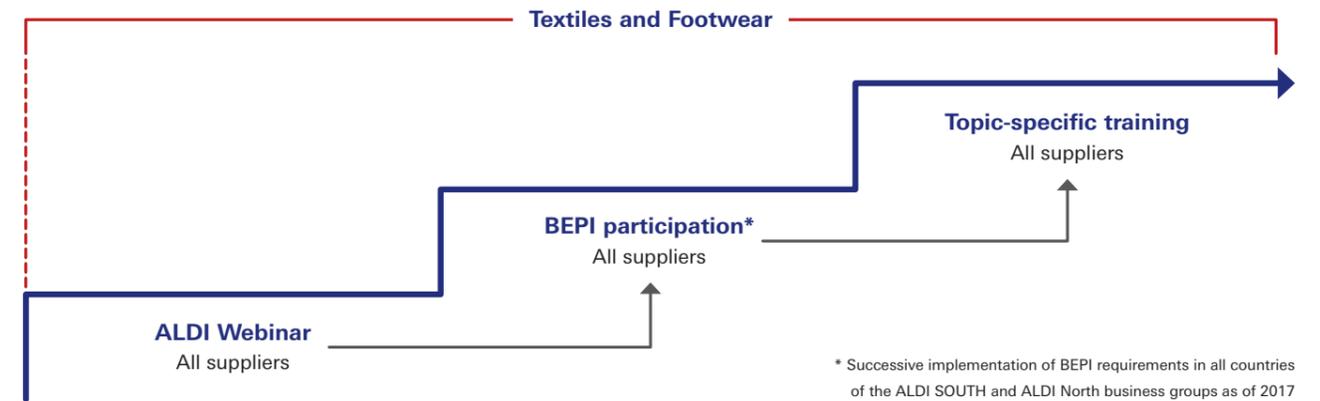


Figure 5: Training concept for suppliers

100%
of suppliers received basic training

2.4.2 Knowledge building among all relevant parties

Through training, our suppliers gain a better understanding of the Detox-related challenges and become empowered to apply ALDI-specific measures and processes. In order to facilitate training, existing Detox documentation is regularly updated and made available. This documentation includes complete background information, such as details regarding chemical management, and guidelines on the implementation of the Detox requirements. Regular training sessions are held, for example, as webinars.

72%

of suppliers received training on input chemical requirements

ALDI not only focuses on building knowledge within the supply chains, but also on building knowledge among our employees according to our core values. Internal training measures and workshops are held within the Corporate Buying, Quality Assurance, and Corporate Responsibility departments and our store employees are regularly informed of our Detox 2020 strategy, our progress, and are provided with insight into our projects.

2.4.3 Transfer of knowledge within our supply chain

We count on our business partners to communicate this knowledge to other parties involved throughout the supply chain. Our business partners assume particular responsibility for the promotion of change on site, and support production facilities in reaching their goals by cooperating with external consultants, service providers, and experts. For this reason, certain training measures will become an integral part of our mandatory requirements for suppliers. This enables us to increase the awareness of all of our business partners and to facilitate the integration of the Detox requirements within production and other processes.

Our Detox 2020 strategy is based on the firm belief that only by involving all relevant parties will it be possible to bring about change and fulfil the goals of our Detox commitment. Successful and innovative market players serve as role models, sources of impetus, and multipliers in this context. We offer our business partners a wide variety of possibilities for using synergy effects. The sharing of good practices was a core element of the international ALDI Detox Summit held in Shanghai in November 2016 (see page 17).

2.5 Stakeholder Dialogue

2.5.1 Publication of the ALDI Detox roadmap

The efficient development of joint solutions requires a transparent and open approach towards success and challenges. By publishing our Detox roadmap and related video clips, we aim to communicate our measures for fulfilling our Detox requirements to interested stakeholder groups and consumers and to promote a shift in awareness.

2.5.2 Regular reporting

Based on our regular progress assessment, we publish an annual progress report on our websites, accessible to all interested stakeholder groups. In this report, we provide transparent information on our level of goal achievement, our programmes, challenges, and highlights. The published progress report provides an important starting point for further dialogue with our stakeholders.

2.5.3 Promoting networking throughout the supply chain

With the International ALDI Detox Summit 2016 in Shanghai we provided our supply chain partners with an opportunity to exchange and develop knowledge.

400

Participants at international ALDI Detox Summit



International ALDI Detox Summit in Shanghai

In order to increase the awareness and understanding of all involved, and to remain jointly and successfully on track towards the Detox goals, we selected various parties from our supply chains to participate in a Detox Summit, which was held in Shanghai in November 2016.

Together with approximately 400 participants, among them representatives from Greenpeace, scientific institutions, governmental organisations and business partners, the ALDI business groups discussed the aims of their voluntary Detox commitment and the potential ways to make the production of textiles and footwear more conscientious and environmentally sound.

By holding the ALDI Detox Summit, we took yet another step towards implementing the goals of our Detox commitment in cooperation with all parties involved. The summit allowed various representatives from throughout the textile and footwear supply chains to exchange information and best practice examples.

The ALDI Detox Summit was a very valuable and successful event as it enabled us to discuss the issue of Detox intensely with all key participants, and to jointly develop a roadmap for future business. Among other things, an international training programme to be rolled out in 2017 and 2018 will aim at preparing the supply chain for implementing the goals of the voluntary Detox commitment.

Within the Market of Opportunities expo, the latest approaches to solutions in the different areas of Detox were presented by various international service providers. Subsequently, the different Detox-related goals, challenges, and means of implementation were addressed within extensive, forward-thinking debates held within the scope of panel discussions. Ada Kong, Toxics Campaign Manager East Asia at Greenpeace, confirmed the success of the Detox Summit by stating "this summit significantly furthered the creation of awareness on environmental issues among regional suppliers. Consequently, ALDI is proactively underlining the considerable importance of this topic."

2.6  Systemic Change

2.6.1 Implementation of a programme for sustainable consumption

Sustainability reaches beyond general production conditions and the use of input chemicals. It is important to us to raise awareness among all parties involved – from product development right up to consumers. For this reason, we have initiated a programme for sustainable consumption. This programme uses the selection of raw materials as a starting point by evaluating potential for using more sustainable materials. Our customers, who decide for or against purchasing a certain product, are of vital importance in this context. In Germany, Austria, Switzerland, Slovenia and Hungary for example, our product leaflets and websites provide information on products containing sustainable materials, allowing consumers to make informed choices.

2.6.2 Measures concerning product design

We consider sustainable materials as those which can be sourced, processed, made available, used, or disposed of with a significantly less negative impact on the environment than comparable materials, or which were produced according to socially acceptable standards. Some examples include recycled polyester fibres, certified cotton fibres, or sustainable brand name fibres such as Lenzing Modal® or TENCEL®.

For the majority of all ALDI countries, our animal welfare buying policies provide guidelines for sourcing animal fibres and exclude certain animal-based raw materials.

Data on the types and volumes of all fibres used in 2016 was gathered by ALDI North and ALDI SOUTH Germany during this year. With a share of 60% of the entire volume of fibres used, cotton is our most important fibre. This figure underlines the relevance of cotton as a material and the need for ALDI to further engage in the area of cotton to increase the share of cotton certified in accordance with the Global Organic Textile Standard (GOTS), Cotton made in Africa (CmiA), Fairtrade, and the Organic Content Standard (OCS) contained in our products over the next few years.

4
standards used for certified natural fibres in Germany

Cotton

In Belgium, Denmark, Germany, France, Luxembourg, the Netherlands, Austria, Poland, Portugal, Switzerland, Slovenia, Hungary and Spain, we offer products containing certified cotton, for example in accordance with the 'Cotton Made in Africa' standard, the Fairtrade standard, the Global Organic Textile Standard (GOTS), or the Organic Content Standard (OCS), within our range of special buys. The cotton contained in our GOTS and OCS products completely or largely originates from controlled organic cultivation. The organic production of raw materials is based on agricultural practices which do not involve the use of chemical pesticides and fertilisers, therefore restoring and preserving soil fertility. Furthermore, the GOTS quality assurance system requires that the entire processing and production chain of a product – from post-harvest treatment to sewing, packaging, and labelling – is transparent and traceable.

Leather

In 2016, we introduced to the German market products containing leather sourced from LWG (Leather Working Group) certified tanneries. The approach pursued by the LWG is to increase the transparency of the conditions at tanneries, and to make these more sustainable. This includes strict monitoring of occupational health and safety, the use of potentially hazardous substances, as well as the coordination of topics, such as water and energy consumption. In the near future, ALDI will make the use of LWG-certified tanneries an obligatory requirement for suppliers delivering textile and footwear products containing leather components.

100%

of suppliers required to source all leather-based textile and footwear products from LWG-certified production facilities only¹

Our second-most important category of fibres are synthetic fibres (approx. 35%), which is in turn mostly made up of polyester (70%). Selected products in this category are certified in accordance with the Global Recycle Standard (GRS). Further, we are currently assessing the possibility of using sustainable materials, such as recycled or cellulosic fibres and regenerated materials, for example, the brand name fibres Lenzing Modal® or TENCEL® within the scope of special product collections.

Lenzing Modal®

In Germany, Austria, Poland, Portugal, Switzerland, Slovenia, Hungary and Spain, we offer textiles containing, for example, Lenzing Modal® fibres within our range of special buys. Lenzing Modal® is a type of fibre which is produced using 100% native beech wood. The fibre feels particularly soft on the skin and is primarily used for our underwear garments. Furthermore, Lenzing Modal® is produced using an exceptionally ecological method of technology. As a raw material, pulp is produced at the same site as the modal fibre itself, thus saving energy and resources during production.

¹ Except ALDI SOUTH Australia

TENCEL®

This is a type of fibre which is produced using wood. The production of the fibre itself is particularly ecological due to a closed-loop system.

Our products are largely independent of trends and can be worn again and again over long periods of time. A special focus of our Quality Assurance departments is the review of durability of our textile products. ALDI requires that specific criteria are fulfilled by our textiles products, namely that they are very easy to clean, have a stable form, and are durable. Products should not show excessive signs of premature wear and tear, shrinkage in the wash, or easily lose shape. We regularly review the fulfilment of this criteria. Prior to production, multiple inspections and tests are conducted on product and material samples. This includes special quality control of the product's fit and wearing comfort. During production, additional samples are taken and inspections and tests (chemical and physical) are then repeated by an accredited testing institute authorised by ALDI.

We strive to continuously improve our standards. In 2016, we entered into collaboration with the Niederrhein University of Applied Sciences on how to improve our products.

Collaboration with the Niederrhein University of Applied Sciences

Within the scope of our collaboration with the Niederrhein University of Applied Sciences, we defined criteria for the durability of textile products and identified areas for potential improvement concerning our products. A project team of nine students worked on a definition for the durability of textiles. Internal and laboratory tests have been conducted. Furthermore, criteria for assessing the durability of textiles have been developed.

During the project, which was successfully completed in January 2017, the students worked on proposals to continuously improve our products. These proposals concerned product design, size labelling, as well as information on the reuse and recycling of the products. We will assess the extent to which the knowledge gained from this collaboration can be incorporated within our quality guidelines. Furthermore, we are continuously working on the washing and wearing properties of our textiles.

2.6.3 Extension of the product life cycle

ALDI is using recycled fibres as a first step in closing the loop of raw materials. Furthermore, we are investigating how our surplus stock of textile products and shoes can be reintroduced into the loop, for example, by means of a textiles donation programme such as the one in Austria.

We continuously strive to improve the washing and wear properties in order to prolong the lifecycle of our textiles. We are also in discussion with several service providers to evaluate so-called 'take back' systems for used textiles and shoes.

100%
of unsold textile and shoe products donated to charity (in Austria)

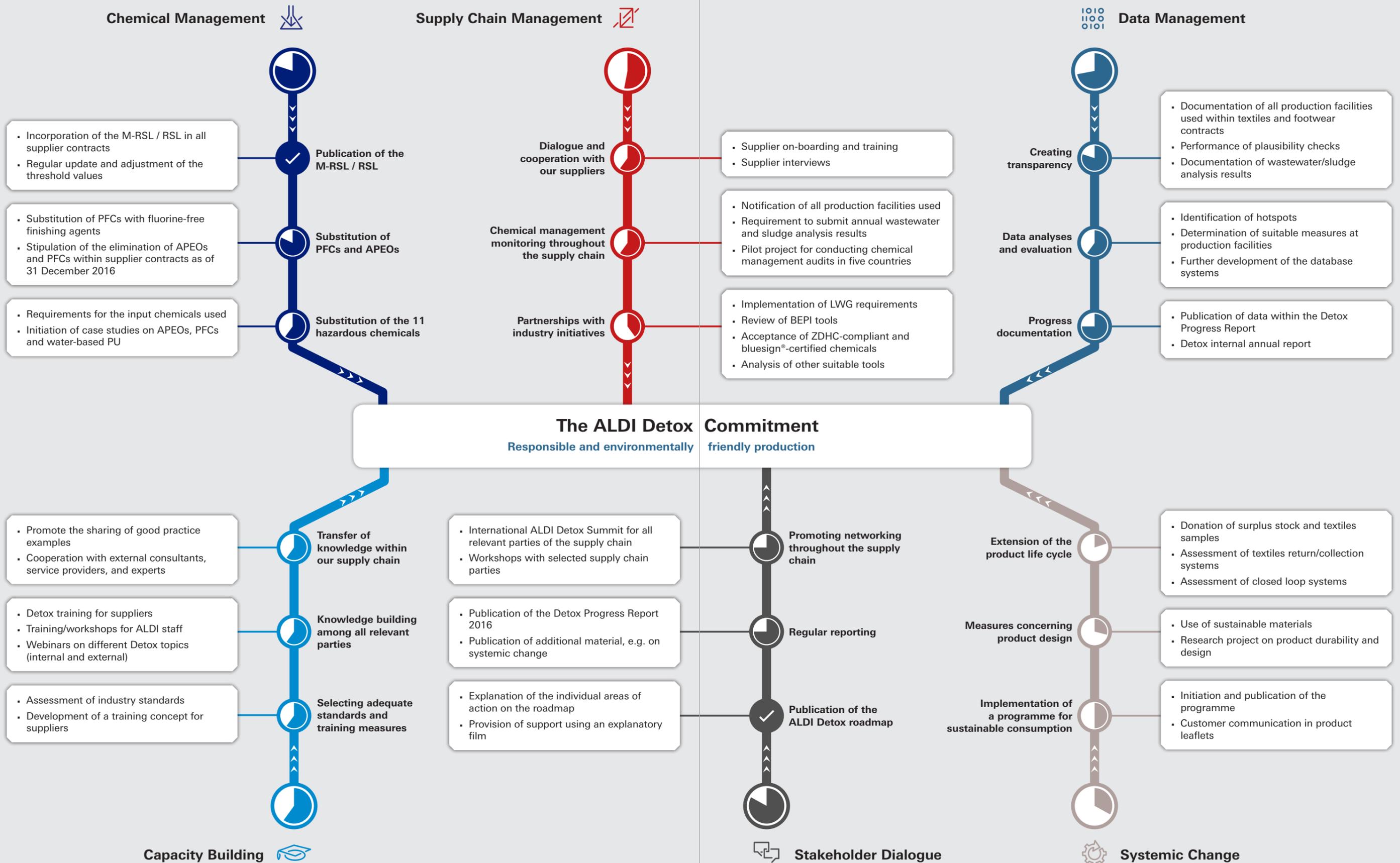
Hofer textiles donation programme

Shortages in resources constitute a global challenge. We wish to handle any surplus unsold textiles and footwear products conscientiously. For this reason, Hofer in Austria has been donating all unsold textiles and footwear products to the charitable organisation Caritas Austria since November 2015. This way, existing resources are given a new purpose.

Caritas regularly collects unsold garment textiles, footwear, bed linen, and accessories from Hofer stores. In the Austrian state of Carinthia, for example, more than 300 cartons full of textile products have already been donated.

Depending on their condition, the donated textiles are offered at the Caritas second-hand stores at low prices. We then use the revenue made from resale to fund the social projects initiated by Caritas. Furthermore, the Caritas stores also provide free garments for people in crisis situations in Austria and abroad, for example, for refugees and for people affected by natural disasters. Another portion of the collected textiles is provided to recycling companies where the textiles are processed into cleaning cloths and insulators.

This cooperation throughout Austria was preceded by a partnership between Caritas of the diocese of Linz and 18 Hofer stores in Upper Austria, established in 2013. According to Bernd Wachter, General Secretary at Caritas Austria, the fact that Hofer expanded this project to cover all of Austria shows that "companies such as Hofer, setting examples and supporting people in need, are indispensable partners for Caritas. The generous textile and footwear donations are an important symbol for practical solidarity in Austria and directly benefit those in urgent need of help."



3. Outlook and priorities for 2017

In 2016, we focused mainly on the areas of 'Supply Chain Management' and 'Chemical Management'. For 2017, we plan to further involve our most important shareholder group – our customers. Responsible consumption, use of sustainable fibres, improving product lifecycles and introducing recycling programmes will be some of our core topics.

In order to fulfil our Detox commitment, we need to be continuously active in all six areas of focus and intensively pursue the realisation of our Detox goals in close cooperation with all relevant parties throughout the supply chain:

Chemical Management: Step-by-step elimination of hazardous chemicals from production

In implementing our Detox requirements and even stricter threshold values for our products, we will go far beyond the requirements of the Standard 100 by OEKO-TEX® and the corresponding testing methods in 2017. Furthermore, we will continue to reduce the input of hazardous chemicals throughout our supply chains.

Supply Chain Management: Keeping our supply chain clean

Within each of our production countries, we will continue to intensify the cooperation with our suppliers and our presence on site. In order to combine our input and output-oriented approach, we will develop a chemical management auditing system and a system for managing improvement measures in production facilities. By doing so, we will provide our suppliers and production facilities with action plans and recommendations for an efficient implementation of the Detox goals.

Data Management: Effective use of the data gathered

We wish to raise even greater awareness of potential improvements among our suppliers and production facilities and will therefore further expand our monitoring and evaluation system in 2017. Furthermore, we will create more synergy effects in close cooperation with initiatives such as BEPI and their database solutions.

Capacity Building: Achieving a new sense of awareness among all parties involved

Training programmes and workshops conducted by external service providers will be implemented across production facilities in order to successively build on expertise. Furthermore, certain training measures and workshops will become an integral part of our supplier requirements.

Stakeholder Dialogue: Engaging with stakeholder groups

In 2017, we will continue to follow the path outlined in our official roadmap and to provide comprehensive updates on our level of goal achievement and any challenges faced in our Progress Report 2017. By engaging further in initiatives, working groups, and associations, we will work on developing practical solutions and synergy effects in cooperation with our partners.

Systemic Change: How we promote sustainable consumption

For 2017, we plan to work even more intensively on raising our customers' awareness of sustainable consumption, and therefore empowering them to make informed buying decisions.

We will continue to monitor the use of sustainable materials in our products. We will develop a cotton strategy for the German market and define corresponding volume goals. This cotton strategy shall serve as the basis for the successive implementation of our overarching cotton buying policy. We aim to double the share of sustainable cotton in 2017 for Germany. As of 2017, the majority of our countries require that all leather-based textile and footwear products be manufactured at LWG-certified production facilities only.

For many commodity groups, we have already introduced measures and tools for improving transparency for the customer. We will examine an expansion of these measures for our textiles and shoes.

By signing the Detox commitment in March 2015, ALDI North and ALDI SOUTH committed to reducing the negative impacts on people and planet caused by hazardous chemicals used in the production of textiles and footwear. Both ALDI business groups use this progress report to publish information on the activities undertaken to fulfil the Detox commitment and the goals achieved in 2016. Furthermore, this report serves as the basis for future annual reporting activities regarding our level of goal achievement, implemented and planned measures, and highlights.

 **Chemical Management**

M-RSL / RSL

Share of contracts including M-RSL / RSL and Input chemical requirements 100%

APEO & PFC

Share of production facilities with no APEO findings in the wastewater and sludge analysis 47%

Share of production facilities with no PFC findings in the wastewater and sludge analysis 78%

Share of contracts including the requirement to abandon APEOs and PFCs by 31.12.2016 100%

Case studies

Number of initiated case studies 3

 **Capacity Building**

Detox basic training

Share of suppliers who received basic training 100%

Input chemicals

Share of suppliers who received training on input chemical requirements 72%

 **Stakeholder Dialogue**

Detox Summit

Participants at international ALDI Detox Summit 400

 **Supply Chain Management**

Audits of wet-processing facilities

Number of conducted Chemical Management Audits (CMA) in wet-processing facilities 38

Number of countries where CMAs have been conducted 5

 **Systemic Change**

Use of sustainable materials

Number of standards used for certified natural fibres in Germany 4

Share of suppliers required to source all leather-based textile and footwear products from LWG-certified production facilities only¹ 100%

 **Data Management**

Waste water and sludge analysis

Share of wet-processing facilities with valid wastewater and sludge reports 81%

Percentage of reports submitted to IPE 100%

Reuse of textiles and shoes

Share of unsold textile and shoe products donated to charity (in Austria) 100%

¹ Except ALDI SOUTH Australia

Progress Report 2016

ALDI Detox Commitment

Responsible and environmentally friendly production

