



DETOX REPORT 2017



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Our Detox Commitment

Key aims and content

Detox is a worldwide Greenpeace campaign seeking to eliminate chemicals hazardous to humans and the environment from the manufacturing processes for textiles and footwear. In December 2015, Kaufland joined the Detox campaign with a pledge to eliminate environmentally hazardous chemicals from the manufacturing processes for our own brands/imports in the apparel, footwear, and home textile ranges by 2020. We are therefore demonstrating our commitment to using and producing textiles in an environmentally sound manner, with an emphasis on conserving resources.

Our key Detox aims are:

1. No Hazardous Chemicals

To gradually substitute hazardous chemicals used in apparel, footwear, and home textiles in own brands/imports by 2020.

This is based on the Kaufland Manufacturing Restricted Substances List (Kaufland MRSL). It includes the eleven chemical groups to be eliminated as well as further groups (25 in total).

2. Sustainable Products

To increase the proportion of environmentally friendly textile items across our entire textile range (own brands/imports) to at least 25% by the end of 2017.

We are pushing sustainable product ranges, especially for our own brand textiles, by constantly increasing the proportion of environmentally friendly and resource-efficient products (e. g. GOTS certification, recyclable or recycled products).

3. Circular Economy

To introduce a Textile Take-Back Scheme and promote the Circular Economy mentality.

With the introduction of a Textile Take-Back Scheme and promotion of the Circular Economy mentality we hope to ensure that more and more textiles are reused or, at the very least, recycled efficiently.

4. Transparent Supply Chain

To achieve transparency in the supply chain, insight into our suppliers and consumer information.

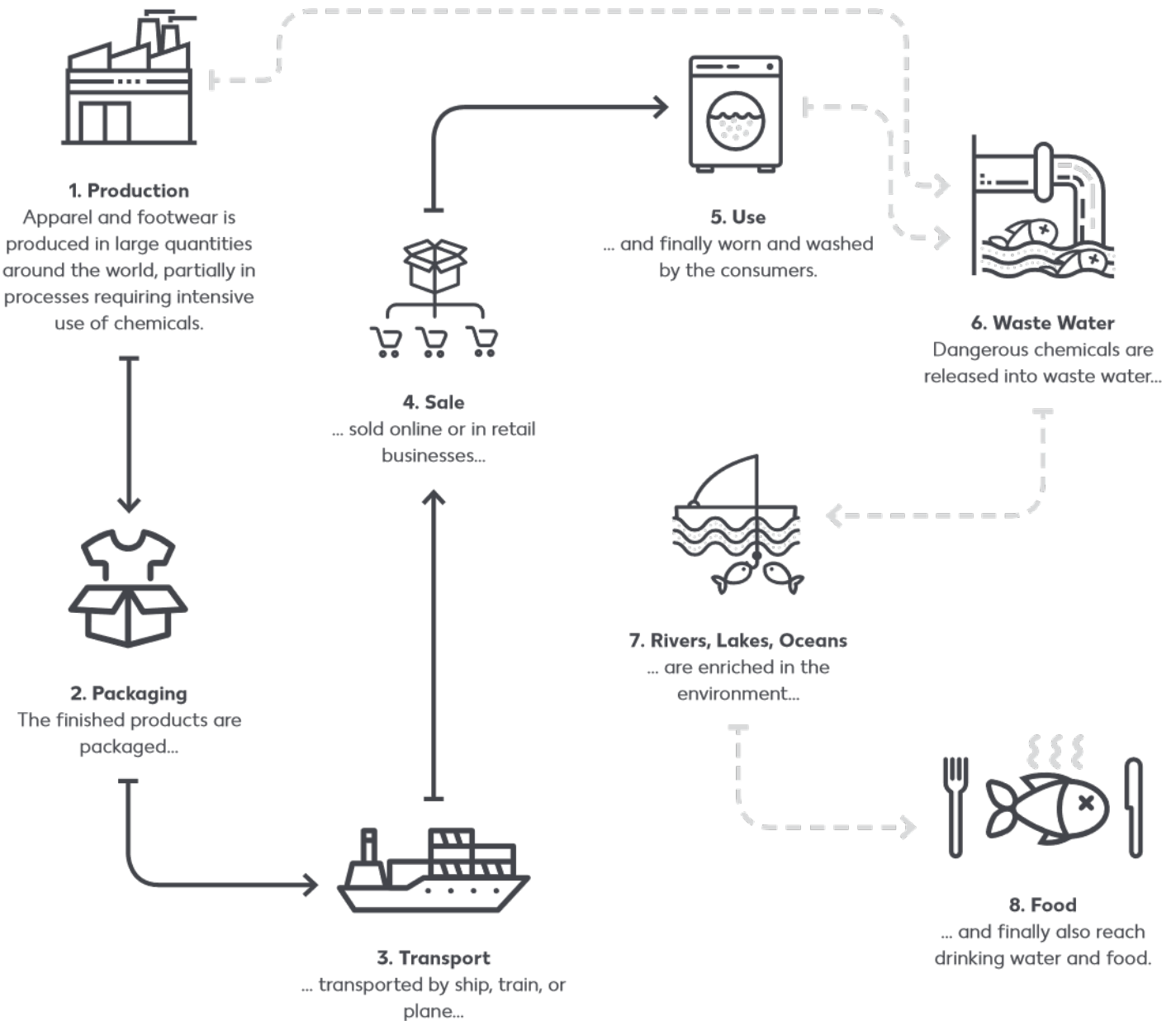
We are committed to achieving transparency in the supply chain and in the use of chemicals, as well as promoting continued consumer awareness.



Challenges

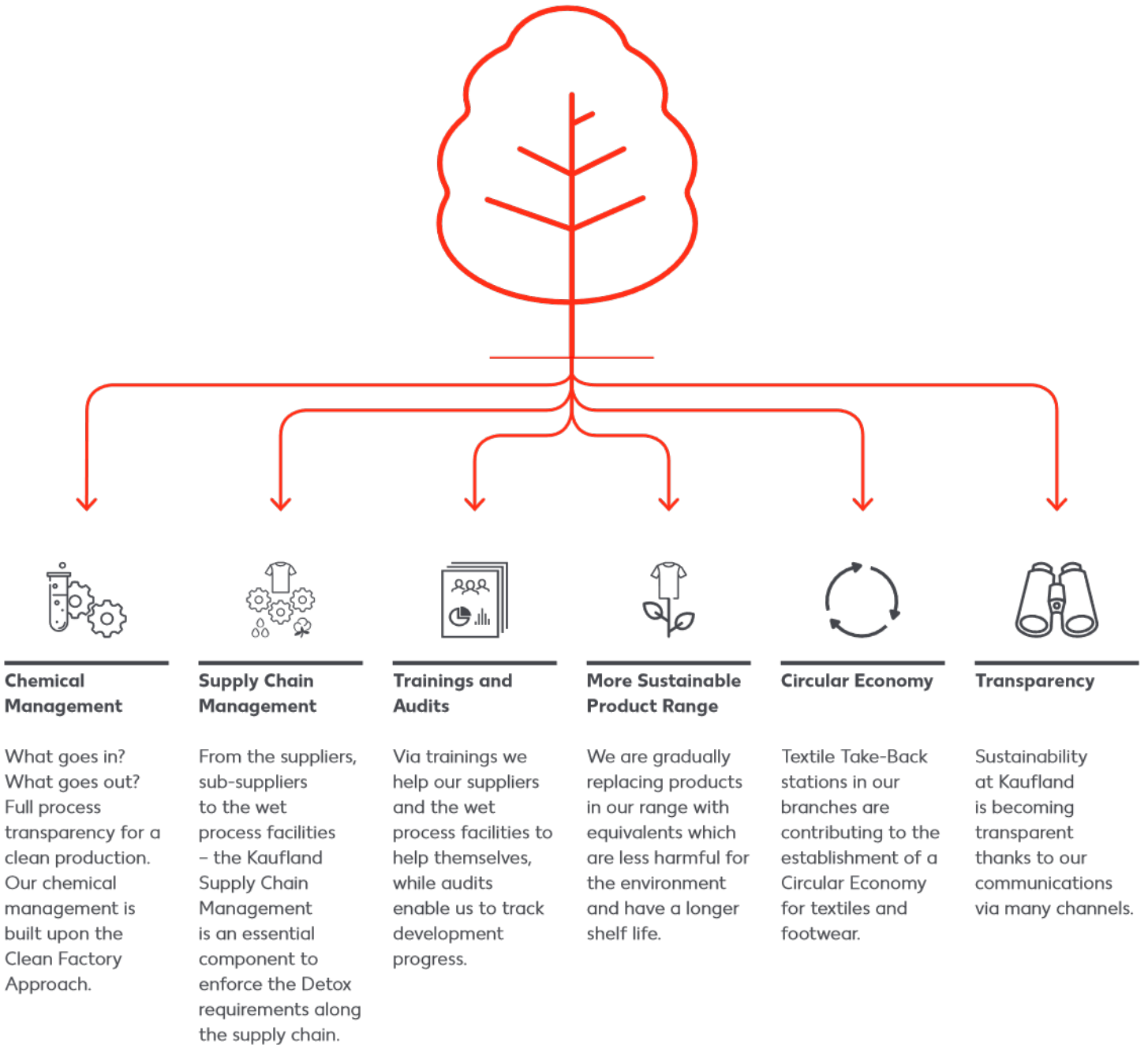
The path of hazardous chemicals in the textile industry

Chemicals within the textile industry can be hazardous for mankind, animals and the environment – hence a sea change in the manufacture of textiles and footwear is of utmost importance.



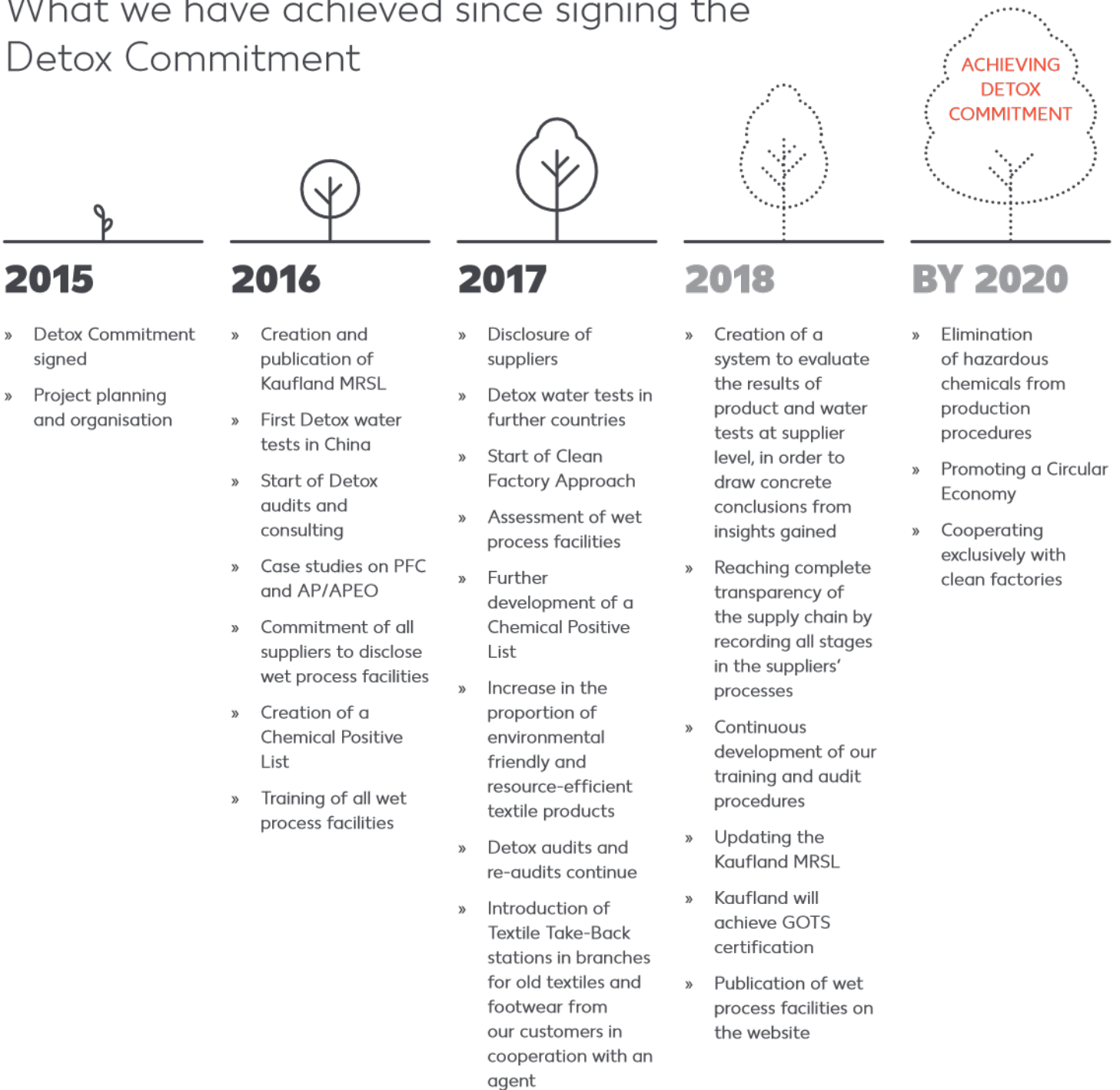
Our Detox Strategy

The Kaufland Detox Strategy is built upon six pillars



Milestones

What we have achieved since signing the Detox Commitment





Chemical Management

Clean Factory Approach: What goes in?
 What goes out? Full process transparency
 for a cleaner production.

Kaufland pursues a Clean Factory Approach, wherein our aim is not solely the improvement of our own production lines at Kaufland but the entire chemical management from input, handling, and storage to disposal. The Clean Factory Approach is a system of various steps for full transparency and control, aiming to achieve clean manufacture. Since signing the Detox Commitment in December 2015 Kaufland has thoroughly evaluated production procedures. It is not sufficient to simply establish chemicals requirements for

the final product (output) to ensure clean manufacture. We do, however, need transparent procedures with defined input chemicals.

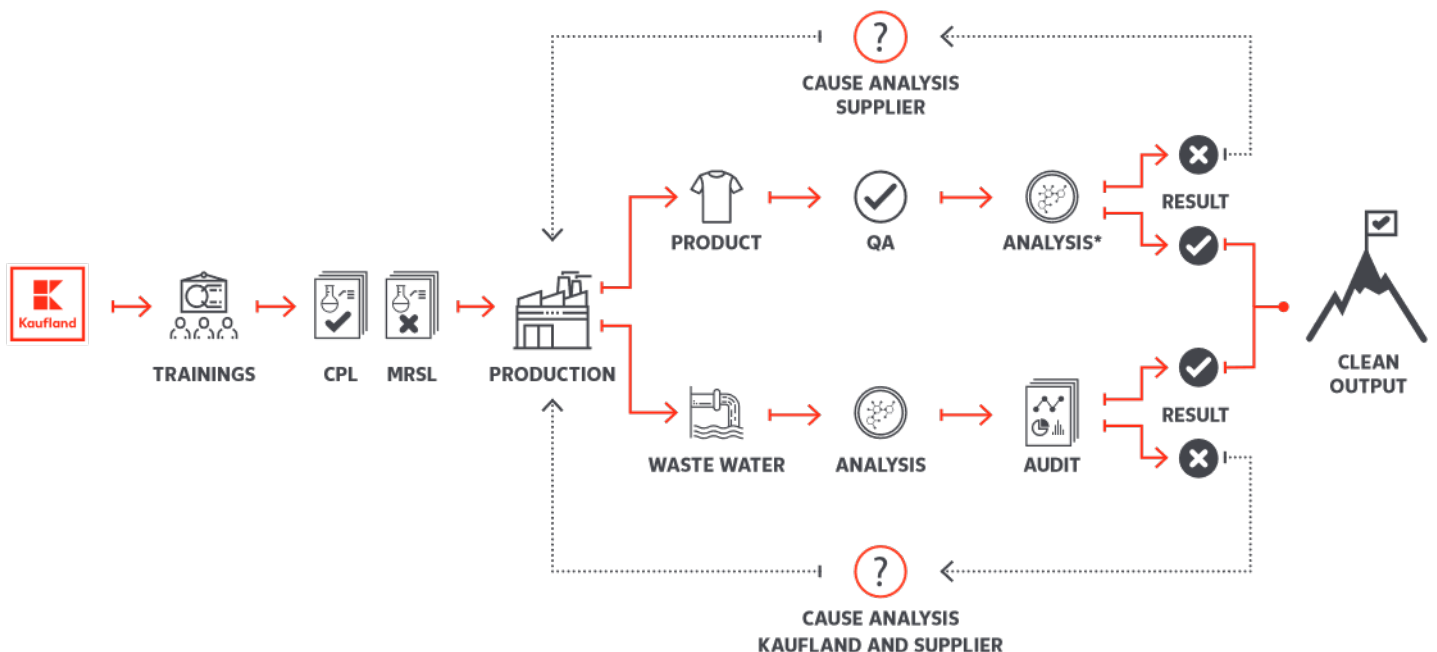
This is why Kaufland has determined permissible input chemicals (Chemical Positive List/CPL), based on the analysis of chemical inventories, and has passed this on to all suppliers with the Manufacturing Restricted Substances List (MRSL). The Kaufland CPL has a high standard. The list is continuously adapted and assessed by an external expert. In order to create the list Kaufland continues to com-

municate with colour manufacturers, so that dangerous chemicals can be eliminated more quickly in a joint effort.

Furthermore, Kaufland suppliers are thoroughly trained on chemical management including the subject matter of input chemicals. Output control is implemented via Kaufland Detox audits and regular waste water testing. If the standards are violated or the use of prohibited chemicals is detected during an audit, a cause analysis is carried out to identify and eliminate the source of possible contamination. After the audit implementation improvement

measures are taken. They are tracked and assessed again during the re-audit.

The production of own brand and own import products is a complicated procedure planned long in advance. It takes almost a year from commissioning our suppliers, production, and transport to the delivery of a product. Hence, this is also how long it takes for our guidelines on exclusion and substitution of dangerous chemicals in the production of our products to reach Kaufland branches.



* Implementation in 2018

CHEMICAL MANAGEMENT SYSTEM

Building structures and establishing procedures – step by step and systematically

We support our suppliers in building a Chemical Management System.

All Kaufland suppliers are provided with the Kaufland Detox Commitment and the MRSL and are required to pass them on to their production and wet process facilities. By

signing the Kaufland Detox Commitment our suppliers accept our requirements.

Where poor waste water quality is detected it can only be improved if our production partners change and adapt their production practices. A structured approach, defined

responsibilities, and systematic procedures are meant to help our suppliers ensure safe general handling of chemicals and gradually replace hazardous chemicals with harmless substances. For this, Kaufland provides suppliers with a Chemical Positive List.

We are currently developing criteria to assess wet process facilities per country. In turn, a consistent management system is beneficial for Kaufland as it makes the process of elimination and substitution transparent and measurable.

Examples for good chemical management:



Examples for bad chemical management:



RESULTS | CHEMICAL MANAGEMENT: WHAT WE ACHIEVED IN 2017

MRSL



Transmission of the MRSL
to all suppliers and their wet
process facilities



Updated Kaufland MRSL

NEW: WATER TESTS BY COUNTRY

7

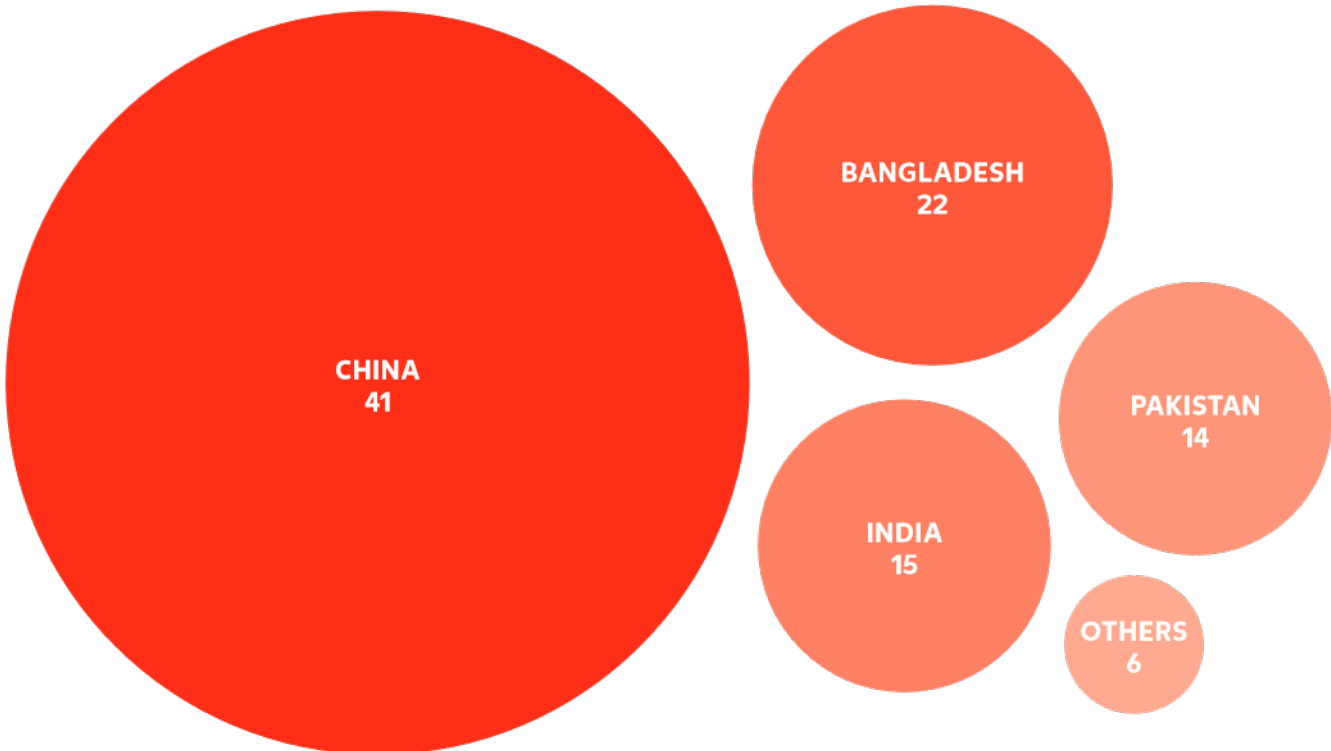
Since 2017 we have been
carrying out water tests per
country. In **7 countries...**

53

... at **53 wet process facili-
ties...**

98

... Kaufland carried out **98
water tests** in 2017.*



* Water tests from all active wet process facilities are included (water supply: 45 tests, waste water: 53 tests). The list also takes into consideration tests not commissioned by Kaufland, but which fulfilled our requirements and which were uploaded into the database of the Institute of Public and Environmental Affairs (IPE). (Kaufland commissioned a total of 53 water tests.)

AP/APEO IN WASTE WATER

85



85 water tests are free of AP/APEO*

Reduction in AP/APEO detection



AP/APEO in water supply*:

● **44** threshold values adhered to ● **1** threshold value violated

AP/APEO in waste water*:

● **41** threshold values adhered to ● **12** threshold values violated

Kaufland is making good progress to reach its aim of zero discharge by 2020. Waste water is tested during the first step; if prohibited substances are detected the water supply is tested in a second step.

PFC IN WASTE WATER

88



88 Water tests free of PFC*

Reduction in PFC detection



PFC in water supply*:

● **42** threshold values adhered to ● **3** threshold values violated

PFC in waste water*:

● **46** threshold values adhered to ● **7** threshold values violated

Kaufland has narrowly missed the "zero discharge by 31/12/2016" aim. Achieving the aim was made more difficult as the water supply already contained PFC in three cases. Water supply is used during production procedures and therefore it is difficult for wet process facilities to eliminate these chemicals. In order to exclude PFC the water supply would have to be cleaned.

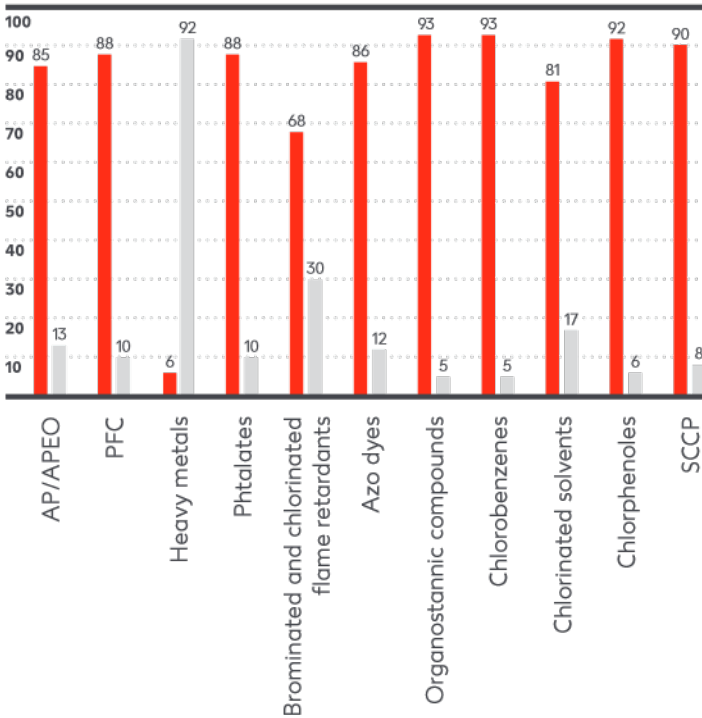
* Data basis: water supply: 45 tests, waste water: 53 tests, a total of 98 water tests in 53 wet process facilities

52

In 2017 a total of **52 waste water tests** were published on the data base of the Institute of Public and Environmental Affairs (IPE).

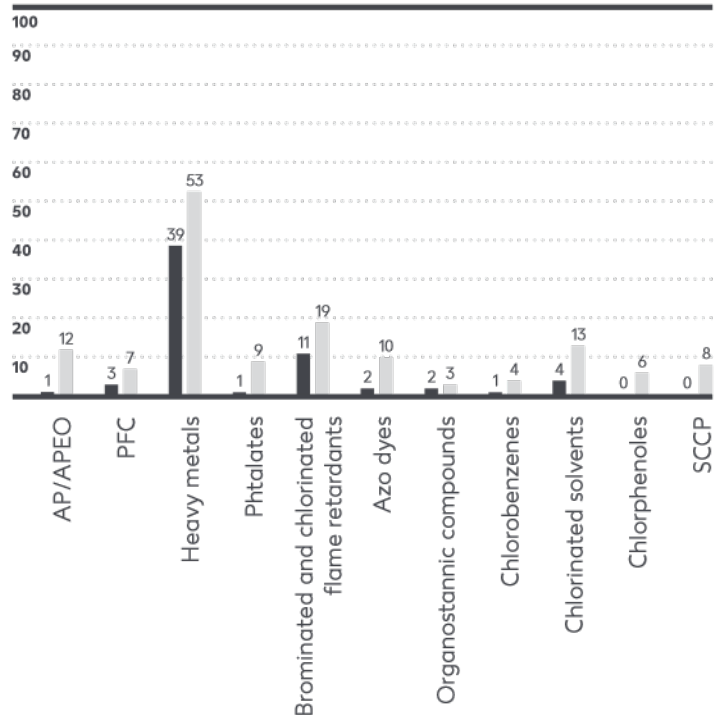
Chemical detection: adhered/violated*:

■ Threshold value adhered to ■ Threshold value violated



Chemical detection violation after water supply and waste water*:

■ Water supply ■ Waste water



The most frequent threshold violations were detected with heavy metals and brominated or chlorinated flame retardants. Excluding these chemicals is more difficult as the substances are already contained in supply water. Water supply is used during production procedures and therefore it is difficult for wet process facilities to eliminate these chemicals.

* Data basis: supply water: 45 tests; waste water: 53 tests



Supply Chain Management

Challenge for global supply chain – we are making our supply chain more transparent by implementing functional Supply Chain Management

The Kaufland Supply Chain Management is an essential component to enforce the Detox requirements along the supply chain. It consists of the essential core elements communication, training, auditing, consulting (if necessary), documentation, and transparency.

A transparent supply chain is essential to exclude hazardous chemicals along our entire supply chain. Supply chains can vary: from a full-scale supplier operating all

preliminary stages themselves to a widely spread supply change with numerous preliminary stages. As commercial organisations the suppliers are our contractual partners, i. e. the main challenge for us is having direct influence on preliminary stages commissioned by them. In terms of wet processes, we have already laid a foundation we are consistently building on. Transparency is further increased by the commitment of wet process

facilities to carry out water tests and upload the results to the IPE database. In further preliminary stages (dry processes, raw materials/ ingredients suppliers) having direct influence is much more difficult due to the large number of involved parties. We are tackling this by demanding transparency from our suppliers at product level: which materials are used and which preliminary stage delivers them? It is our systemic goal to connect this

information to the concrete order.

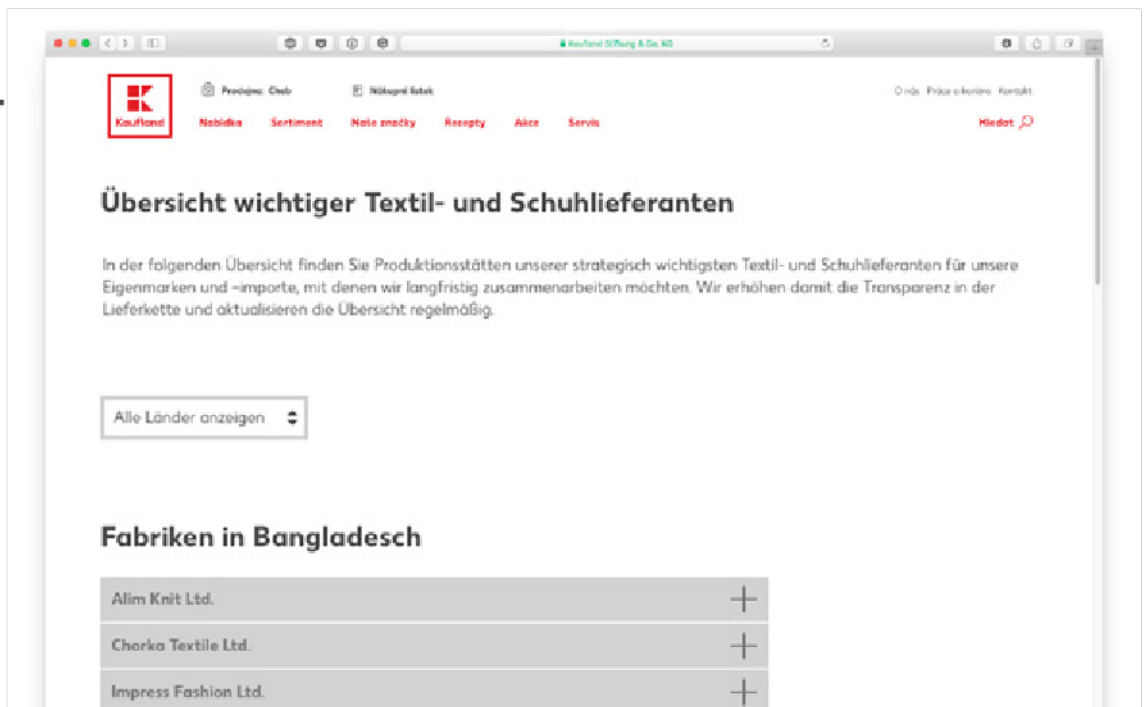
In the next step we aim to draw conclusions from our product tests: can we create a connection to certain preliminary stages? It is also our long-term goal to create negative/positive lists for this.

Certainly, our demand for transparency also goes for our customers and stakeholders: we publish an updated list of our active suppliers every year.

RESULTS | SUPPLY CHAIN MANAGEMENT: WHAT WE ACHIEVED IN 2017



In March 2017 we published the production sites of textiles and footwear for our own brand and imports on our website. In 2018 an update followed.





Audits and Trainings

Information, consulting, and control for a change in awareness along the textile value-added chain

Over the past few years awareness for clean procedures in the textile and clothing industry has grown significantly, especially in important production countries like China and India (source: Öko-Tex study "The Key to confidence").

This is more proof that we are moving in the right direction. To further strengthen this awareness and a new way of thinking we have made it our task to pass on expertise to our suppliers and support them as best we can, enabling

them to initiate change and systematic procedures in their organisations. Beyond simply cooperating we also want to inspire ambition and a passion for making a positive contribution. In practice, this means that all Kaufland suppliers

and their wet process facilities are audited and trained. However, raising of awareness is not a task solely for our suppliers and their preliminary stages. We also regularly train our own employees in purchasing and quality control.

ASSESSMENT OF WET PROCESS FACILITIES

How we assess wet process facilities

To make wet process facilities easier to compare and measure we have developed an assessment system. The results of water tests as well as of audits form the basis of assessment. Suppliers are sorted into categories depending on the degree to which they comply with audit requirements: green, green with corrective actions, red/failed with corrective actions and red (see graph).

Grading Standards

Audit rating	Audit grade (in %)
GREEN	100
GREEN with corrective actions	81-99
RED/Failed with corrective actions	61-80
RED	0-60

Furthermore, the basic attitude of a supplier is another important evaluation basis.

- » Did the wet process facility support the audit?
- » Was the wet process facility willing to implement corrective measures?
- » Audit result and cooperation in general

These questions form our opinion and influence the final result and levels from A to D (see graph).

Assessment description	WPF's grade (in %)	Level
Good factory and good cooperation/ willingness to improve	Audit grade: ≥ 80 Total cooperation grade: ≥ 60	A
Not good factory, but good cooperation/ willingness to improve	Audit grade: < 80 Total cooperation grade: ≥ 60	B
Good factory, but not good cooperation/ willingness to improve	Audit grade: ≥ 80 Total cooperation grade: < 60	C
Not good factory and/or not good cooperation/willingness to improve	Audit grade: < 80 Total cooperation grade: < 60	D



Outlook 2018

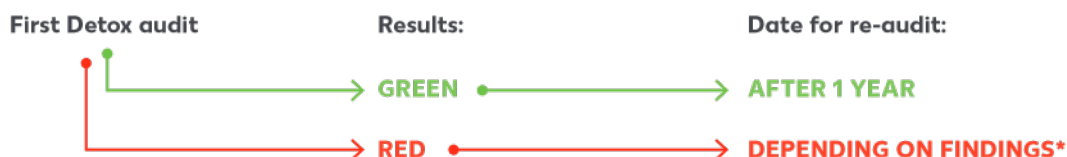
The assessment criteria will be revised and tightened within a process of continuous improvement. Kaufland is aware that wet process facilities will possibly achieve worse results in the next assessment due to this. However, in order to achieve our goals by 2020, we consider this to be important.

AUDITS

How we audit our suppliers - content and sequence

Points of assessment

- | | |
|---------------------|--|
| General | Detox-specific |
| » Operating licence | » Environmental report/
Permit |
| » Building safety | » Chemical management |
| » Management system | » Water treatment/Waste
water treatment |
| » Social standards | |



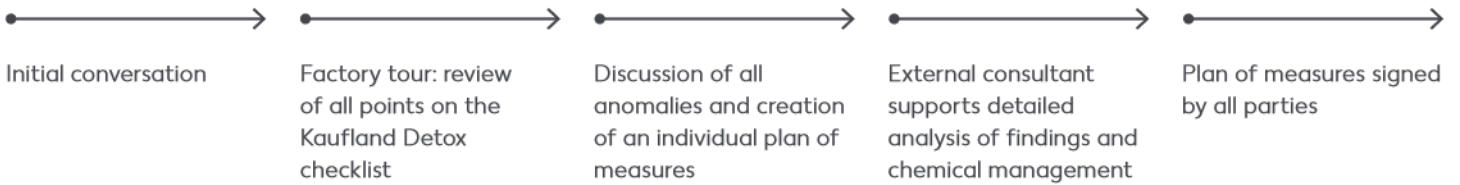
* After successful implementation of planned measures and after one year at the latest

CONSULTATION PROCEDURE

During first or re-audits we guide our suppliers through the procedure.

First Detox audits carried out by Kaufland auditors and external consultants

Base documentation: current water test results, chemical inventory



Detox re-audit

During a Detox re-audit, shortcomings from the first audit are reviewed and wet process operation receives further consultation.

DETOX TRAININGS

Which kind of training our suppliers receive



All suppliers including the respective factories (final products) and wet process facilities are trained on the requirements of the Detox Commitment.

Training focus:

- » Content and aims of Detox Commitment
- » Care instructions for chemical inventory (Chemical Inventory List [CIL])
- » Chemical management: Dangers and risks, purchasing/transport/storage/handling of chemicals, explanation of safety data sheet, protective equipment/workwear, disposal of hazardous chemicals
- » Improvement/Substitution possibilities
- » Social standards
- » Training MRS L

RESULTS | AUDITS & TRAININGS: WHAT WE ACHIEVED IN 2017

71/13

Kaufland has 71 active wet process facilities in 13 countries

The number of wet process facilities has decreased from 89 to 71 compared to the previous year (as of 31 December 2017). This difference is also due to the fact that in 2016 all wet process facilities were recorded, including inactive suppliers. In 2017, only active wet process facilities were considered.

59

59 trainings of wet process facilities as well as merchandisers and purchasers for Kaufland in Germany

Kaufland has already been delivering intensive courses for its suppliers and their wet process facilities since 2016; they began with a respective start training in Hong Kong, Shanghai, Dhaka, Mumbai, and Istanbul, and a footwear workshop in Shenzhen.

In 2017 the courses focussed on "on-site training" in wet process facilities regarding chemical management (incl. handling, expertise, and storage of chemicals) and the Kaufland MRSL.

53

53 Audits

In 2017 audits focussed on active wet process facilities.

5

5 Re-audits

During the re-audits deviations identified in the audits were reviewed and new issues found in the process of re-auditing were recorded.



Fotograf: iStock



More Sustainable Product Range

We are gradually replacing products in our range with more environmentally friendly and resource-efficient equivalents

It takes a systematic and societal transformation to make sustainable changes in our consumer society. As a trade organisation we consider it our responsibility, among other things, to enable our customers to be

more aware and responsible consumers. Therefore, we are gradually replacing products in our range with equivalents which are less harmful for the environment and have a longer durability.

We subscribe to various

approaches to offer an ever broader range of more sustainable products: using environmentally friendly materials like organic cotton, recycled fibres, and raw materials from renewable resources, increasing the

durability of our products as well as the packaging of our own brand products and their labelling all play an important role.

FIVE APPROACHES

Our measures and aims for a more sustainable product range

We have developed various approaches in terms of fibres/raw materials, product range composition, durability, and labelling and packaging in order to change our procedures and reach our aims for a more sustainable product range.

1. Sustainable Fibres/ Raw Materials

We still aim to use as many materials as possible which are produced based on natural fibres. In practice this means:

- » We want to continuously increase the share of GOTS-certified fibre
- » When using modal and viscose fibres we want to continuously increase the share of branded fibres from Lenzing.

Currently approx. 32% of our textile products are made from synthetic fibres. Polyester fibre, partially in mixtures or in

the shape of 100% polyester, is our main focus. We are intensively looking into options to at least replace polyester fibre in parts with recycled fibres.

A further aim is to offer articles that comply with the Cradle-to-Cradle approach. We plan to launch a focussed sustainability campaign with respective items. We will not only offer these products but also explain the concept of a Circular Economy to our customers with respective marketing material in print and online media.

2. Product Range Composition/Design

The approaches we subscribe to in terms of using sustainable fibres are of course considered when planning our product ranges and articles. The employees responsible for this are developing advertising campaigns and products according to our strategy.

Recently we started developing and implementing a product life cycle management (PLM) system. This is a meaningful project for all parties as the system also aims to support other non-food areas beyond the textile industry. We are certain that the resulting changes to procedure, significantly improved data quality, and higher transparency will take us a large step closer to sustainable product development.

3. Durability

To introduce the most durable products to the market we are implementing numerous measures. Apart from using high-quality fibres (see 1. Sustainable Fibres/Raw Materials) we are setting standards, in part above the industry benchmark, with our Kaufland minimum requirements. An example for this are our stipulated values for colour

fastness (in parts > than Öko-Tex 100). Furthermore, our minimum requirements include standards for other characteristics which represent the durability of our products:

- » Tensile strength and seam strength guarantee the durability of the material.
- » Abrasion resistance and pilling tests guarantee the material surface remains longer.
- » Tests regarding washing, ironing, and care resistance (dimensional stability, appearance) are carried out.

The minimum requirements are subject to constant review and are continuously improved to meet changing requirements.

We also adhere to specific standards for durability of our products within certain

material and product groups. For example, for cotton articles we demand the use of combed cotton. A further example comes from our baby articles where (apart from some exceptions based on material) everything must be wash and tumble dryer resistant at 60°.



4. Labelling

In terms of labelling used on our products we have

also consistently turned our attention to sustainability. We have already started replacing all synthetic care labels and brand labels in our baby and children articles with 100% cotton. We are also consciously avoiding the use of optical brighteners.



5. Packaging

Due to our sales concept we are forced to sell our textile products to

customers in packaging. Unfortunately, we cannot fundamentally forgo packaging. We have been using polybags with inserts to protect the article and make the content of the package clearly visible. Our aim is certainly to avoid or completely forgo the use of plastic.

We have intensively explored options for alternative packaging and

developed folding boxes with windows (to see and feel the product) as well as waterfall packaging and sleeves. A majority of our products has already or will switch packaging during 2018; and by mid-2019 we will be fully plastic-free across our entire range of textile article packaging (apart from some exceptions based on the product).

RESULTS | MORE SUSTAINABLE PRODUCT RANGE: WHAT WE ACHIEVED IN 2017

5

21,400,000

Development of **5 approaches** with measures and aims for:

21.4 million of 38.8 million imported textile articles are GOTS-certified.

 fibres/raw materials

 product range composition/design

 durability

 product labelling

 packaging



Data basis: Complete order volume textile import HKG Ltd. YTD, excl. footwear



Circular Economy

The Kaufland Textile Take-Back Scheme - how we support the establishment of a Circular Economy

To us, establishing a Circular Economy for textiles and footwear is an aspect of acting sustainably and hence

very important. This is why it is crucial to us that independent agents also take back textiles and footwear from Kaufland

customers. For this reason, Kaufland offers agents space for the returns in its branches/ on its premises. Professio-

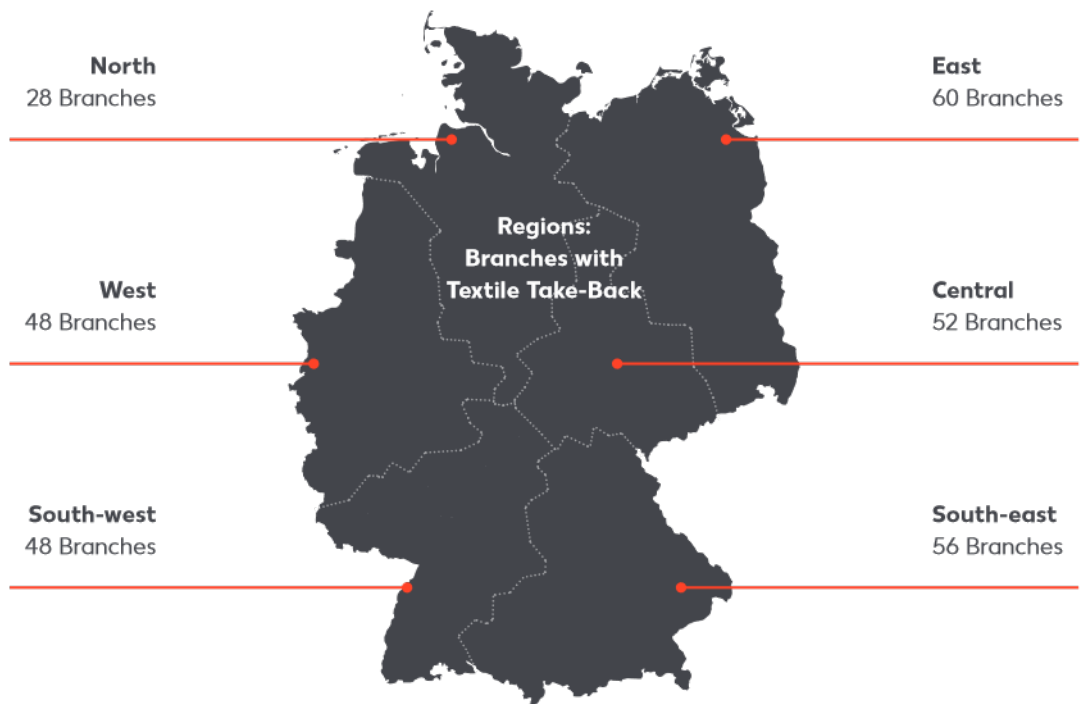
nal textile recycling enables agents to reintegrate more than 90% of returned textiles into the Circular Economy.

RESULTS | CIRCULAR ECONOMY: WHAT WE ACHIEVED IN 2017

292

292 out of 660 branches* in Germany offer Textile Take-Back.

The aim to "reach 80% of Kaufland customers by the end of 2016" as per the Detox Commitment could not be achieved in 2016 due to official restrictions. In 2017 we were only able to start. The official restrictions continue to this day. However, since 2017 Kaufland customers have been able to take back textiles and footwear to Kaufland branches, thanks to an independent agent.



*As of 26 April 2018



Transparency

Sustainability at Kaufland is becoming transparent thanks to our communications strategy

We want to inform our stakeholders using as many channels as possible about the challenges of production of textiles, apparel, and footwear for mankind,

animals, and the environment. At the same time, we aim to provide them with opportunities to take more aware decisions and make a change.

In order to foster awareness for more sustainability within society we are making our activities as transparent as possible. Communicating with our

customers is just as important here as communicating internally with our employees.

COMMUNICATION MEASURES

- » Disclosure of suppliers on the Kaufland website
- » Internal and external communication
 - Morning meeting training "Sustainability" in July 2017
 - Fairtrade- / GOTS-certified workwear
- » Advertising environmentally friendly textiles/ footwear on the Kaufland website, in the K-Newsletter and in the customer magazine



FAIR WORKWEAR

Kaufland is the largest buyer of Fairtrade cotton for employee uniforms in the world

In October 2017 Kaufland supplied new workwear to 130,000 branch employees in Germany and in six further European countries. All polo shirts, blouses, and shirts in the new collection are certified according to the GOTS and Fairtrade standards. In a first step 2.4 million sustainable items of clothing were distributed. This is approximately a quarter of all Fairtrade cotton sold annually in Germany. This currently makes Kaufland the largest buyer of Fairtrade cotton for employee uniforms in the world.

RESULTS | TRANSPARENCY: WHAT WE ACHIEVED IN 2017

2,400,000

2,400,000 items of fair workwear for 130,000 employees



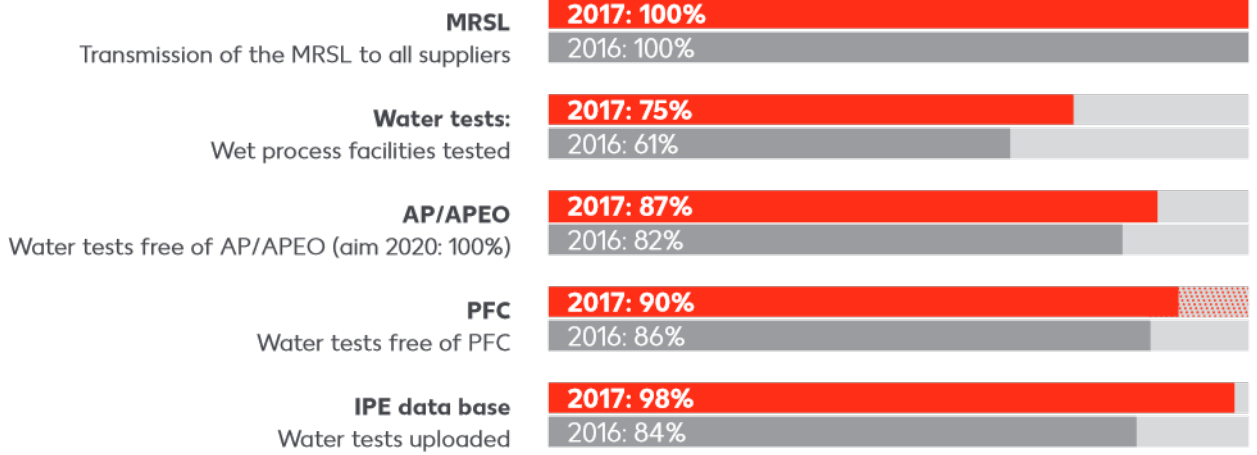
Kaufland is the largest buyer of Fairtrade cotton for employee uniforms in the world.



Progress 2017

All results at a glance

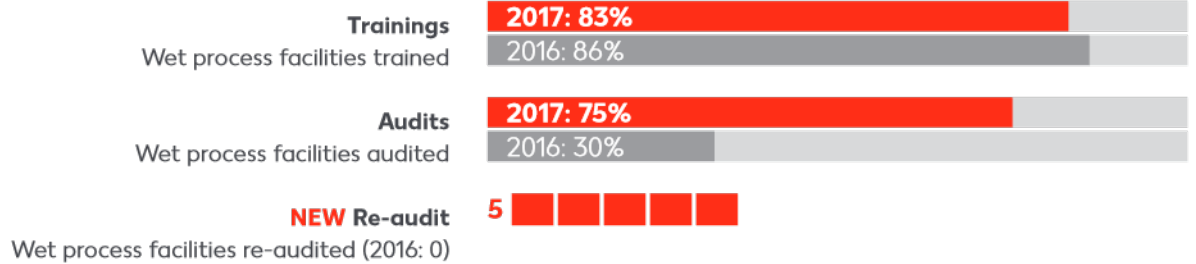
1. CHEMICAL MANAGEMENT



2. SUPPLY CHAIN MANAGEMENT



3. AUDITS AND TRAININGS



4. MORE SUSTAINABLE PRODUCT RANGE

High-quality textiles
 GOTS-certified textile imports, without footwear*
 (incl. footwear: 44%, aim 2017: 25%)



5. CIRCULAR ECONOMY

Textile take-back
 Proportion of German Kaufland branches with textile take-back



6. TRANSPARENCY

Disclosure of production sites on the Kaufland website



* Complete order volume of textile imports excluding footwear is drawn upon for further consideration.

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ABBREVIATIONS

APEO: Alkylphenol ethoxylates

AP: Alkylphenol

CIL: Chemical Inventory List

CPL: Chemical Positive List

CSR: Corporate Social Responsibility

DMF: Nitrosamines and dimethylformamide

GOTS: Global Organic Textile Standard

IPE: Institute for Public and Environmental Affairs

MRSL: Manufacturing Restricted Substances List

PAH: Polycyclic aromatic hydrocarbons

PFC: Poly- and perfluoride chemicals

SCCP: Short-chain chlorinated paraffins

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