Interim Report 2017

Welcoming tomorrow, today.
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Dear reader,

As one of the leading food retailers, Lidl takes its social and ecological responsibility seriously. True to the motto “Welcoming tomorrow, today”, Lidl has long been committed to this with consistent and diverse policies.

Lidl was consequently the first food retailer to support the objectives of the Detox Campaign ushered in by Greenpeace in December 2014. In response to this, Lidl intends to completely eliminate all harmful chemicals from the manufacturing processes in its own brand textiles and shoes on a step-by-step basis by 2020. In doing so, we never fail to take our eye off the applicable statutory principles.

For Lidl, this move is both an incentive and guideline to enable better social and environmentally compatible production conditions in the textile and shoe industry, allowing us to play a definitive role in shaping these. As a company oriented to value, Lidl is committed to sustainability and the future.

As a result, Lidl expressly welcomes steps taken by further suppliers and brand article manufacturers of textile and shoes with the aim of dispensing with the use and release of certain chemicals defined by Greenpeace. In fact, Lidl is convinced that a long-term social transformation towards sustainable and more environmentally compatible textile and shoe production on a global level can only be achieved jointly. Lidl is committed to this within the bounds of what is possible, with a duty to ensure transparency while aware of individual corporate responsibility.

This interim report offers a detailed insight into the obligations and targets associated with the Detox Commitment and provides information on what we have achieved so far.

Kind regards,

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Lidl was the first food retailer to step aboard the Detox Campaign by Greenpeace in December 2014. Lidl has therefore made it its target to ban certain chemicals defined by Greenpeace with negative effects on humans and the environment from its production plants and hence from the manufacture of its own brand textiles and shoes by 2020 at the latest.

Lidl stands for the high quality and safety of its articles. This is because health, protection of the environment and the satisfaction of customers and staff alike are a crucial concern for Lidl. Against this background, Lidl has long pursued strategies aimed at avoiding certain chemicals in the manufacturing process for its own brand textiles and shoes.

The textiles used up until now in global textile and shoe production (including those involved in treatment processes such as the dyeing of clothing) can pose a hazard to ecosystems. Humans and the environment can be endangered by chemicals used in production processes and their improper disposal into local waterways. Together with Greenpeace, Lidl is committed to replacing potentially harmful chemicals from textile and shoe production with substances that are safe according to the
In implementing the Detox Commitment, Lidl establishes transparency in its textile and shoe supply chain, in order to prevent environmentally hazardous chemicals as effectively as possible, thereby significantly reducing potential pollution to humans and the environment. Credibility and feasibility are crucial maxims for action along this route for Lidl.

In publishing this interim report, Lidl presents its Detox strategy and provides information about its measures and the targets attained so far towards fulfilling its Detox Commitment. The following examples cover the current state of affairs since resolving to implement the Detox Commitment in December 2014. They offer a compressed overview of the measures carried out so far along with future project steps for avoiding use of the chemicals defined by Greenpeace and the transition towards closed-loop approaches in textile production. Besides the chemicals in the Manufacturing Restricted Substances List/Restricted Substances List MRSL/RSL, the company’s approach towards avoiding perfluorinated and polyfluorinated substances (PFCs) as well as alkylphenols and their ethoxylates (APEOs) is also outlined.

This interim report also provides information on the publication of data regarding wastewater quality, presents Lidl’s “Clean Factory” approach, explains Lidl’s transparent supply chain and cites case descriptions for eliminating the eleven groups of substances prioritized by Greenpeace.

In addition to excluding harmful chemicals, Lidl regards it as very important to act with responsibility and greater sustainability in mind when working with resources. Based on closed loop approaches, Lidl offers high quality and durable as well as recyclable products that create material and product cycles. These approaches are also outlined in the report.

1. Publication of the MRSL/RSL lists

Lidl vouches for the high quality, non-polluting use as well as safety of its textile and shoe articles (but also other objects) and regularly monitors its entire supply chain in respect to the use of harmful chemicals. In line with the Detox Commitment, Lidl updates its chemicals policies at regular intervals, in order to ban further chemicals from its manufacturing processes as soon as scientifically sound evidence has been put forth concerning their harmful effects. To this end, Lidl has drawn up a list of banned chemical substances, whose use in the manufacturing process is not allowed or only permitted with restrictions (MRSL) as well as a list of banned chemical substances that may not be contained in the finished product (RSL). As impurities cannot always be eliminated from a technical point of view, these lists contain limit values which must be complied with during manufacturing or in the finished product. The MRSL/RSL lists are updated regularly and contain clear deadlines for the final substitution of the relevant substances.
The stated goal is to eliminate potentially harmful substances from production while simultaneously substituting them with alternatives that are harmless according to the current knowledge. In accordance with the “Right to Know principle”, Lidl is committed to the public availability and transparency of its MRSL/RSL as well as annual updating.

Since July 2015, compliance with the MRSL/RSL list has been an unconditional contractual component in the awarding of orders to suppliers. As the use of harmful chemicals does not involve Lidl’s direct business partners but rather their upstream suppliers, we are focusing increasing attention on these wet process factories. Lidl organizes targeted information events and training to help its suppliers, their production facilities and supplying companies to identify certain chemicals at an early stage and utilize environmentally friendly alternatives.

Thanks to long-term business relations, consolidated supplier lists and mature attitudes towards trust, Lidl ensures that its requirements are implemented in respect to chemicals management in the relevant factories and the Clean Factory approach is applied.
Combined chemicals checklist (MRSL/RSL)

2. Perfluorinated and polyfluorinated substances (PFCs) / Alkylphenols and their ethoxylates (APEOs)

PFCs and APEOs are among the eleven groups of chemicals classified by Greenpeace as a priority on account of their environmentally harmful effects. PFCs are frequently used in textile production owing to their properties repellent to water, grease and dirt. Together with its suppliers, Lidl has already set about eliminating PFCs from its textile production in 2012. Within the context of its Detox strategy, Lidl is committed to banning PFCs completely from its supply chain for textiles and shoes. Thanks to a consistent conversion to the environmentally friendly alternative Bionic Finish Eco, Lidl will have replaced all PFCs with eco-friendly substitute by 2017 at the latest.

APEOs are commonly used in the textile industry for washing textiles and during dyeing. If they find their way uncontrolled into the environment when discharging wastewater, they have a potentially harmful effect on water organisms and the fertility of fish. Lidl’s suppliers are contractually obliged to no longer use APEOs in the refinement of textiles. However, Lidl has so far not been able to conduct a case study with success, as the source for the APEO could not be identified in concrete cases, despite independent third parties having audited the factory.
But in 2016, Lidl commissioned a study to determine the status quo in respect to the occurrence of APEOs within its supply chain. The scope of this study involved analyzing the existing results of quality controls in regard to the occurrence of APEOs in the end products, performing cause analyses in factories whose products exhibit increased APEO values as well as evaluating the wastewater already ascertained. The aim of the cause analysis was to identify potential contamination sources so as to work towards the further substitution of APEOs. To this end, products were selected, in which the APEO values were conspicuous, while the corresponding supply companies were identified. During the course of the examinations, the service provider commissioned by Lidl Sustainable Textile Solutions analyzed the chemicals inventory in the relevant companies and checked their chemicals management and technical systems in respect to residues of APEOs. As the data from the quality controls reveals, APEOs are only contained sporadically in the final products. This indicates that Lidl’s suppliers and producers are essentially complying with the specifications to not use APEOs and that the elimination of APEOs in manufacturing is basically possible.

Despite extensive studies, however, no satisfactory results concerning the cause could be obtained in the relevant companies, which reveals that APEOs can find their way into production by various ways. These impurities are an incentive for Lidl to intensify its Clean Factory approach and seek common solution routes for (upstream) suppliers, importers and production companies together with internationally recognized experts. Training events and workshops are of central importance here, so as to increase awareness of and sensitivity to this subject along the entire supply chain. For Lidl, it is tremendously important to achieve improvements in chemicals management here as soon as possible.

At present, Lidl is planning a wide-scale advisory and training approach jointly with the Gesellschaft für internationale Zusammenarbeit (GIZ), in order to train its business partners and producers in the subject of chemicals and environmental management as well as the systematic substitution of harmful chemicals. The training was realized as part of a comprehensive corporate consultancy lasting several months as well as in diverse workshops. Lidl is therefore pursuing a policy of improving the ecological performance in the relevant companies while helping its business partners to acquire methodological know-how.

3. Publication of data on wastewater quality

Together with the test institutes commissioned for this, the wastewater and sewage sludge from all companies in the procurement chain for Lidl’s own brand textiles and shoes is tested extensively by accredited test laboratories for potentially harmful chemicals at least once a year. The tests supply feedback in regard to the chemicals management in the relevant factories and thus serve to enable further substitution strategies and a continuous reduction of pollution in wastewater and
sewage sludge, for instance by PFCs or APEOs. In line with the Detox Commitment, the results are published independently of the findings on the platform of the Institute for Public and Environmental Affairs (IPE). The data is uploaded specific to the factory and can be viewed with public access. However, as they do not allow any conclusions regarding the individual production lines (many other buyers/fashion companies are working at the same time) of Lidl, Lidl records and checks the entire chemicals inventory of the relevant production facilities. In this way, it can be ensured that their chemicals management corresponds to Lidl’s guidelines. In this way, endeavors are made towards fulfilling the Clean Factory principle required by the Detox Commitment.

4. Transparency in the supply chain

The transparency of the relevant production conditions at the suppliers on site is a central element in Lidl’s goal of fulfilling its requirements in the Detox Commitment. To enable a procurement chain that is kind to resources, Lidl works with a clear expectation management and specifications for the relevant suppliers when it comes to transparency.

Lidl was the first food retailer with a non-food range to publish a list of the around 650 suppliers in the textile and shoe range of the Lidl own brands (https://www.lidl.de/de/transparenz-in-der-lieferkette/s7376023) in January 2017. The list can be viewed on Lidl’s homepage and shows the names, addresses and countries of the main production facilities. In accordance with the “right to know” principle anchored in the Detox Commitment, customers, partners or other interested parties have the option of finding out about the product origin and manufacturing conditions.

A cross-sector commitment by all international and national players is indispensable for a permanent improvement in the local situation. Consequently, all business partners are prepared for the changed requirements in textile productions thanks to training and information events. These internal and external communication measures play a key role in ensuring that the relevant stakeholders are kept comprehensively informed about the requirements set out in the Detox Commitment. Thus around 20 events were organized in 2015 aimed at informing and training the current manufacturers with wet processes among others in cooperation with Chinese industry (CHT, Huntsman, Covestro AG, etc.) in the relevant production countries.

Wastewater analyses and regular inspections of the chemicals management in the factories ensure conformity with Lidl’s specifications. A total of 130 audits were conducted in textile companies in Turkey, Bangladesh and China in the years 2015 and 2016. These inspections are conducted unannounced by external, independent qualified for this and who speak the national language. With the aim of a continuous improvement process, the results are evaluated.
systematically after which improvement measures are initiated and followed through. The MRSL/RSL list developed by serves as a benchmark for establishing a responsible use of chemicals in the supply chain. If suppliers fail to comply adequately with the requirements and limit values contained in this, Lidl reserves the right to not accept the products.\(^2\)

As part of its commitment towards a more sustainable textile and shoe industry, Lidl cooperates with other market players and is active in networks and multi-stakeholder initiatives. Lidl has been a member of the Business Social Compliance Initiative (BSCI) since 2007. Together with around 1800 members of the Initiative, Lidl is actively involved in the implementation of internationally recognized social standards in the supply chain. Lidl is also a member of the German Partnership for Sustainable Textiles and the Leather Working Group (LWG).

Origin and transparency also play a major role for Lidl when it comes to **animal produce** – hence a certificate concerning traceability is required for products made from Kashmir wool. For leather, traceability back to the tannery must be ensured. Lidl also clearly rejects the use of animal raw materials such as real fur and Angora wool in its products and is one of the first food retailers to join the “Fur Free” initiative.

### 5. Case studies

With its Detox Commitment, Lidl actively pursues a transformation in the processes and chemicals on a manufacturer level. The implementation means that considerable savings in water and chemicals could be achieved by using modern dyeing methods for textiles. Further routes by which undesirable chemicals can be substituted are revealed by Lidl on the basis of concrete examples in case studies. A case study regarding the elimination of phthalates was conducted, but could not be published as the smallest amounts of a preservative prevented this.

In 2016 a case study for the elimination of PFCs could be published. Furthermore, a case study concerning the replacement of formaldehyde in the finishing of shirts was also conducted in this context. Its publication is currently being checked by Subsport, a process that is expected to take some time. Finally, a case study on the elimination of DMFa in polyurethane (imitation leather) has also been published.

\(^2\) To monitor products in respect to compliance with the chemical limit values, Lidl is cooperating with the in den test and research institutes Hohenstein ([http://www.hohenstein.de/de/home/home.xhtml](http://www.hohenstein.de/de/home/home.xhtml)) and Pirmasens ([http://pfi.pfi-germany.de/de/start.html](http://pfi.pfi-germany.de/de/start.html)) in the area of textiles and shoes.
6. Closed loop economy

Lidl recognizes its responsibility towards employees, suppliers, society and the environment. It is the company’s declared objective to utilize optimization potentials along its value added chain, thereby minimizing the effects on humans and the environment. The elimination of harmful chemicals from textile production is only one element here in a series of measures and cooperation ventures on the road towards achieving a more sustainable economy. The products developed and sold by Lidl are to be designed so that they correspond to closed loop requirements to an increasing extent. The durability and high quality of the finished products aims to enable reuse and recycling, among other goals, thus significantly decreasing raw material consumption and reducing refuse volumes. Lidl is currently involved in the development and market launch of recyclable textile products. As an initial pilot project, a full recyclable T-shirt is developed with printing dyes that can be composted. This can be returned to the biological cycle after use, thus creating new nutrients for plants from the material used.\(^3\) The T-shirt is expected to be available in the Lidl branches in 2018. For Lidl, the introduction of this product will be the prelude to promoting resource saving and more sustainable consumption long-term. Even today, Lidl has launched a consumer information

\[^3\] The project has been put in practice in cooperation with Prof. Friederike von Wedel from the Beneficial Design Institute and the EPEA (Environmental Protection Encouraging Agency: http://epea.com/de).
program aimed at helping customers to learn more from the Internet or leaflets about environment-
ally-friendly materials (like Tencel) and textile seals such as Fairtrade at Lidl. This commitment
will be scaled up to various channels in 2017, these including enhanced information material on its
homepage.

Tencel:
Fibers extracted from wood as a raw material. The fiber production is especially environmen-
tally friendly as it involves a closed circuit. Textiles made from Tencel are more absorbent than
cotton, softer than silk and cooler than linen.

Lidl's product portfolio currently comprises a range of measures aimed at improving the social
and ecological standards across the entire life cycle of its products. Resource-friendly cultivation,
the use of Fairtrade cotton, more socially and ecologically compatible production conditions, opti-
mized transport routes along with the avoidance and saving of packaging materials, for instance
polythene bags, are for the company just some of the aspects underpinning a holistic approach
towards pursuing more sustainable textile and shoe production.

That the transparency of the measures or production conditions is not called into question here,
has already been demonstrated by Lidl with the publication of its supply chain for textile and shoe manufacturers.
Lidl’s progress towards implementing the Detox Commitment

- Publishing the manufacturers for textiles and shoes: 100%
- Anchoring the MRSL/RSL and input chemical specifications in supplier contracts: 100%
- Anchoring the elimination of PFCs in supplier contracts from 1 July 2016 onward: 100%
- Anchoring the elimination of APEOs in supplier contracts from 1 July 2016 onward: 100%
- PFC-free wet production plants: 93%
- APEO-free wet production facilities: 80%
- Wet production plants with valid wastewater and sludge analyses: 80%
- Transferring the wastewater and sludge data to IPE: 100%
- Suppliers who have received a Detox basic training: 100%
- Suppliers who have taken part in training programs for input chemicals: 100%
7. Outlook

Lidl has set out to make a contribution to greater sustainability in diverse fields.

The next steps:

- Lidl’s stated intention for 2017 is the elimination set out in the Detox Commitment and the replacement of all PFCs with eco-friendly and safe alternatives.
- Lidl is also continuing to work towards avoiding potential pollution through chemical residues in its final products and is pursuing this by intensifying its Clean Factory approach along with a proactive approach aimed at finding common solutions for (upstream) suppliers, importers and production companies.
- Lidl is also striving to be a pioneer in the manufacture and design of ecologically and socially compatible products.
- For the next few years, Lidl will therefore focus on improved product design in relation to durability and quality, which is to correspond to the requirements of a closed loop economy.
- As a pilot project, Lidl is currently working on the development of a recyclable T-shirt, which is expected to be available in the branches in 2018.

Information and transparency

Lidl wishes to progress along the road towards more sustainable textile production together with its customers and is therefore planning improved measures in relation to Lidl’s commitment, such as the use of eco-friendly materials and textile seals like Fairtrade. It aims to promote responsible consumption, while involving customers in Lidl’s efforts towards establishing a more social and ecological textile production.

With the Detox Commitment, Lidl is actively contributing towards significantly reducing pollution to humans and the environment by harmful chemicals and is endeavoring to fulfill its obligations as well as it can in the years ahead. This interim report shows that Lidl has already made tremendous progress in the reduction and elimination of harmful substances from its textile and shoe supply chain and is intended as a starting point for further steps towards more ecological and human-friendly textile production.
Auf dem Weg nach morgen.