



## Human Rights Policy Statement

As ALDI companies we are aware of our responsibility to respect human rights. We believe that long-term business success is only possible if human rights are acknowledged and respected. The UN Guiding Principles for Business and Human Rights, which are an integral part in the National Action Plans of the countries concerned, form the basis for our strategy and targeted at human rights due diligence. Our commitment aims to identify and eliminate negative impacts on human rights which we directly or indirectly account for. We commit to report regularly and transparently about the success, progress and challenges in implementing these guiding principles.

The ALDI companies' approach to human rights due diligence is shown in the chart.

## Policy statement

Our actions can have a direct or indirect negative impact on workers in our supply chains. We have an important role to play in raising awareness of human rights and collaborating with suppliers and other external partners, such as governments or trade unions, to prevent or mitigate negative impacts of business activities. We acknowledge that human rights violations are a global, systemic problem affecting all economic sectors. In this respect, certain groups such as minorities and women should be particularly focused on, as they are potentially more vulnerable to violations of their fundamental human rights. In this context, we advocate the creation of a legal framework at European or international level.

Our approach is based on the understanding of the complexity of issues and aims at a continuous improvement of the processes we deploy to prevent or mitigate human rights violations. ALDI respects all internationally recognized human rights. At the same time, we are aware that specific human rights aspects are of particular relevance to us as a food retailer, as they might be stronger affected by our business activities. These include the prohibition of discrimination, the right to health and safety, freedom of association, the right to fair remuneration, compliance with working hours and the prohibition of child and forced labour.

In order to meet our human rights due diligence as a company, a clear alignment and the integration of the management are required. ALDI has therefore published a Human Rights Policy (PDF, 42 KB) emphasizing our position.

*„We very much appreciate that ALDI Nord committed to safeguarding human rights in a specific policy statement. The continuous implementation of due diligence processes relating to human rights, both within own business activities and along business relationships in the value chain, forms one of the core objectives of the 10 Principles of the UN Global Compact and the Global Sustainability Goals of the United Nations.“*

Marcel Engel, Executive Director, Global Compact Network Germany

Our CR policy and the "Additional Agreement on Social Standards" represent binding guidelines for our business partners and us to implement sustainable supply chains. They define our expectations of appropriate living and working conditions as well as the respect for human rights within the production processes of our products.

### **Identification of potential adverse impacts**

The production of goods along complex supply chains can have adverse impacts on human rights. We understand that the greatest risks mostly relate to the stage of primary production, whereas our greatest direct influence comes to effect at the final assembly stage. Therefore, our commitment to human rights needs to be reflected in our purchasing practices and requires a collaborative approach to our suppliers. We therefore developed a supplier evaluation program for non-food suppliers, which has been in operation for several years. Extending the program to the food sector, we successfully tested this approach with our current and potential banana suppliers for 2019. The aim of this evaluation is to extent the integration of CR criteria in purchasing decisions reflecting the sustainability performance of suppliers beyond certification. The criteria include, among others, how suppliers' methods to monitor working conditions in the country of origin and whether they support programs, which offer additional benefits to workers and their families. We plan to extend the supplier evaluation to other food supply chains.

Our approach is working together with our suppliers to resolve issues or problems and to advance improvements throughout our supply chains. We are committed to maintaining this dialogue and taking joint responsibility for the safeguarding of human rights. We understand that it might take time to resolve human rights issues due to their complexity and the sensivity of the subject. It is not our approach to discontinue a business relationship upon identification of such issues. Instead, we strive to develop solutions in co-operation with our suppliers and producers. In case of recurrent violations and a lack of progress we reserve the right to terminate the respective business relationship.

In the range of our non-food products, we regularly maintain an insight of working conditions in production facilities located in high-risk countries. Social audits and certifications, carried out by external service providers, deliver comprehensive insight into our non-food production. We consider these social audits by third parties as an important first step to obtain information on compliance with required standards. At the same time, we are aware that these standardized processes are not always sufficient to reveal all problems. Specialized, local ALDI employees therefore also conduct production facility assessments in collaboration with our suppliers - the so-called ALDI Social Assessments (ASAs). During these on-site visits, we communicate with relevant stakeholders and potentially affected groups improving and preventing human rights violations. We involve our suppliers in these processes to jointly identify and reduce possible risks more effectively.

As a retailer, we particularly focus on the identification of human rights related risks in food supply chains. In addition to measures such as human rights risk analysis, human rights

impact assessments or supplier evaluations, we have increased the number of social audits in our food supply chains. In cooperation with an external service provider, we want to obtain a profound insight into the production conditions of high-risk supply chains to derive concrete improvements.

### *"Beyond audit approach"*

We consider third party social audits to be an important first step in gathering information about the human rights situation in our production sites and initiating improvement. We are aware, however, that they may not always provide a true picture of working conditions and may fail to identify hidden issues such as forced labour, discrimination or harassment. We therefore commit to adopt an approach to ethical trade that goes beyond compliance and does not rely solely on social audits, complementing our audit approach with additional activity such as our own on-site visits, business partner and producer communication and training, participation in multi-stakeholder initiatives and projects on the ground.

Sustainable improvements of working conditions require this co-operative approach for the ethical trade between the ALDI companies and our suppliers. With the ALDI Factory Advancement (AFA) project, ALDI has implemented an effective tool to improve the working conditions in Bengali garment factories producing the goods for our ranges. Launched in 2013, the AFA project focusses on the factories' workers and managers developing sustainable solutions for better working conditions. In this respect, promoting the dialogue and collaboration between workers and managers are in the focus. Only this commitment and the corporate responsibility of both parties will result in lasting positive changes.

## **Human Rights Risk Assessments (HRRAs)**

In 2018, ALDI has comprehensively examined, together with an external service provider, the human rights risks within food and agriculture supply chains. The aim of this risk assessment was to identify group-wide human rights risks throughout our supply chains on a global level and, at the same time, to see where we can leverage our influence most effectively. This analysis covered the entire supply chain, particularly focusing on the primary production as well as the production stage.

The assessments were based on data such as purchasing volumes, the locations of production and manufacturing facilities as well as on global trade data of the industry. In addition, numerous recognized indices and evaluations such as the Global Slavery Index, the Environmental Performance Index or the corruption perception index of Transparency International were included.

The human rights risk assessments identified both social and environmental human rights risks along the supply chains. For each country of production and origin of our products, respectively, an overall risk assessment was carried out. Environmental risks such as climate vulnerability, water scarcity and industrial pollution were also part of the analysis, as these factors can have an indirect impact on human rights.

The following eight indicators were considered:

### Social risks

Workers' rights: negative impacts on workers' rights, including; exceeding the permissible working hours, low wages, health and safety risks, workplace bullying, harassment and abuse, discrimination or restricted freedom of association.

Gender-based discrimination: assessment of unequal treatment between men and women and the risk of possible gender-specific discrimination, for example, through gender-based abuse or discrimination with regard to wages and working conditions.

Child labour: the risk that children perform work that has an adverse impact on their health and development or the employment of school age children.

Forced/bonded labour: refers to modern forms of slavery and human trafficking, for example, by exerting pressure, withholding wages, or other forms of coercion.

### Environmental risks

Water scarcity: the risk that a country's demand for water exceeds its availability. This is accompanied by limited access to water supply - for personal consumption and/or as a source of income.

Climate vulnerability: assessment of the current and future risk that a certain country is exposed to extreme weather events. In addition, the willingness of the private and public sectors to invest in the necessary modifications (e.g. in case of draught, flood or hurricanes) was also assessed.

Deforestation/land conversion: the likelihood that products are cultivated on land which was recently a forest area with high conservation value, which may mean that forests worth of preserving were destroyed.

Industrial pollution: pollution caused by the manufacturing of products, which then leads to air and water contamination, (chemical) waste and noise pollution.



The graphs show the raw materials and product groups identified for ALDI which represent a high risk of human rights violations and are thus considered to be highly relevant:

- Raw material level: 1. Cocoa, 2. Coffee, 3. Nuts and 4. Tropical fruits
- Production facility level: 1. Fish & seafood, 2. Canned fruits and vegetables as well as frozen food, 3. Dressings, oils, sauces, herbs & spices

### **Human Rights Impact Assessments (HRIAs)**

In May 2020, we will start to conduct three Human Rights Impact Assessments (HRIAs) for different high priority food supply chains. The aim is to understand and to identify the potential and actual adverse impact of our business activities on workers and other affected rights-holders. The assessments will be carried out together with local experts, particularly focusing on human rights risks for women and smallholder farmers. We will take into account relevant stakeholders such as workers, producer organizations, civil society organizations and trade unions. Our approach is to develop specific measures in order to fulfil our human rights due diligence even better. We will publish the first results of the HRIAs by the end of 2021.

### **Measures taken to mitigate and prevent adverse impacts on human rights**

Human rights in global supply chains is a very complex topic that requires an intensive examination and a holistic approach in order to achieve long-term improvements. Our risk analysis is an important step identifying significant potential human rights risks along supply chains and setting appropriate priorities.

We will therefore particularly focus on the high-priority raw materials identified in the analysis, i.e. coffee, cocoa, nuts and tropical fruits in the relevant countries of origin. We are developing specific measures for reducing these risks. In addition to this, we are already implementing a variety of measures to reduce human rights risks in our food and non-food supply chains:

- Training of relevant employees
- Involving established auditing and certification schemes into our buying decisions and defining sustainability goals, for example in our purchasing policies
- Qualification of production facilities in the scope of our ALDI Factory Advancement Project (AFA Project)
- Supplier training
- Supplier evaluation and intensification of collaboration with suppliers that have a good CR-performance
- Implementation of projects in countries of origin: Coffee project in Columbia, PRO-PLANTEURS in the Ivory-Coast, support of smallholder palmoil farmers in Western Africa together with Solidaridad

- Review of the effectiveness of our measures taken in the scope of our projects relating to countries of origin and supply chains

#### *Commitment to smallholder farmers*

We work with many different types of business partners, from small, family-run businesses to larger global companies. We understand that there are numerous specific challenges faced by smallholder farmers. Due to many factors beyond farmers' control such as climate change, unpredictable weather conditions, international energy prices affecting farm inputs, and lack of access to the market, it can be a challenge to produce a stable quantity of crops. Farmers often are not able to earn a living income and we recognise that we have an important role to play in facilitating this. We are currently involved in a number of projects and initiatives e.g. PRO-PLANTEURS project, World Banana Forum, Juice CSR Platform, which help smallholder farmers. We plan to continue our support and extend our commitment by adding further measures.

#### *Commitment to gender equality*

ALDI believes that all workers should be treated fairly. We do not tolerate any form of discrimination and commit to achieve gender equality across our own business and supply chains. We recognise that the majority of workers in many of our supply chains are female and that they may be disproportionately impacted. Some of the problems faced by female workers include unequal treatment, risk of gender-specific discrimination regarding wages and working conditions, limited access to land, and education. Identifying raw materials and products with a high risk of gender-based discrimination was a key part of our human rights risk assessment in food supply chains. Our human rights impact assessments will also seek to understand the impact of our operations on workers. In our textiles supply chains, we have identified that many workers are reliant on factory-based childcare services due to financial constraints and a lack of alternative care options. Through our ALDI Factory Advancement Project PLUS, we support improving internal childcare offers, among others.

We found that systematic violations of human rights can not be prevented by individual companies or organizations alone. As far as our experience goes, the improvement of working conditions in supply chains is most successful in the scope of joint initiatives and partnerships – in particular if the issues are of systemic nature and supply chains are shared with many other companies. We are therefore participating in several multi-stakeholder initiatives, such as:

- German Initiative on Sustainable Cocoa
- Beyond Chocolate
- World Banana Forum
- Fruit Juice CSR Platform
- German Partnership for Sustainable Textiles
- Bangladesh Accord on Fire and Building Safety

## **Voluntary commitment on living wages and living income**

The income and wages achieved by workers along the global supply chains is often not sufficient to allow for a decent standard of living. We recognize that there might be a gap between the legal minimum wages or actually paid wages, respectively, and a living wage or income which could have an adverse impact on human rights. We also understand that collective bargaining plays a valuable role in allowing sufficient wages to be determined and wage gaps to be closed, and support the adoption of measures by governments to promote collective bargaining between workers and employers.

In the working group of the German retailers, we therefore entered a voluntary commitment to promote living income and wages. We want to safeguard human rights in our supply chains and reduce poverty. Starting from the primary production for own-brand products in our ranges, we plan to take supportive measures in order to realize living income and wages on a long-termed basis.

The steps agreed in the commitment include the calculation of income and wage gaps and the implementation of sustainable procurement practices together with buyers and suppliers.

Overview of the goals:

- A common understanding of the relevance of living wages and salaries should be established at all levels of the company.
- The realisation of living wages and incomes should be incorporated as a long-term goal in the sustainability policy of retail companies.
- Hotspot analyses will be used to identify supply chains in which there is a particularly high risk of low incomes and wages at producer level.
- To enable the traceability of agricultural commodities, the transparency of supply chains will be increased.
- Sustainable procurement practices are developed and implemented in cooperation with buyers and suppliers.
- Cooperation and dialogue along supply chains and with other local and international actors is strengthened, including standard-setting organizations.
- The members of the working group will report on their progress and learning experiences within a defined time frame.
- Relevant tools, data and resources will be made available within the working group and to other relevant stakeholders.
- By 2025, the measures will be implemented in first pilot projects.

## **Grievance mechanism**

Grievance mechanisms provide a suitable means of identifying adverse impacts at an early stage. Acting at the last stage of complex value chains, however, we are confronted with particular challenges regarding the individual implementation in the countries where our goods are produced. We address this challenge by using our Human Rights Impact Assessments to first identify potential barriers faced by workers in getting access to grievance mechanisms and corrective measures. In the future, we want to develop concepts for pilot projects that improve access to complaint mechanisms in relevant supply chains, taking into account the UNGP. In addition, we are working with other stakeholders to establish institutional grievance mechanisms – e.g. through our membership in the German Partnership for Sustainable Textiles.

## **Reporting**

Transparency is an essential component of human rights diligence. We already communicate existing measures, e.g. in our Sustainability Report or on our website. In the future, we want to communicate even more openly about human rights risks as well as our measures taken and to publish further information on the challenges and findings.

## **Continuous improvement**

We are aware that the implementation of human rights diligence is a continuous process of development. Our relevant processes and instruments are therefore subjected to regular review.