

6 October 2020



Plastics and Packaging Progress Report 2019/20



I Introduction

One year ago, we announced nine commitments that would hold our business accountable for making a greater change when it came to reducing our impact on the environment. These commitments outlined ways in which we would reduce plastics and packaging across our product range, including a goal to reduce plastic packaging by 25% by 2025.

To help us achieve this we committed to removing all problematic single use plastic products such as cotton buds and plastic tableware from shelves; reformulating the packaging of our exclusive brands to be 100% recyclable, reusable or compostable by 2025; and switching to FSC, PEFC or 70% recycled material for our paper and pulp-based product packaging in our everyday range by 2025. We are also consistently working towards stimulating a circular economy in Australia.

In June last year, we formally announced our goals and commitments to our business partners, so we could work in partnership to meet these targets. At the time, we acknowledged that despite the urgent need to reduce plastics and packaging, and the desire to remove plastics immediately, this process will take years not weeks.

Our goals and actions contribute to the Australian Government's 2025 National Packaging Targets. Managed by the Australian Packaging Covenant Organisation (APCO), the targets aim to create a sustainable pathway for managing packaging in Australia. This report is the starting line. We have calculated our baseline of packaging in our products and are already taking steps to reduce it. In 2019, our packaging footprint was 190,574 tonnes including 131,142 tonnes of primary and 59,432 tonnes of secondary packaging.

As with the 2025 National Packaging Targets, many of our goals are also aligned with Australia's 2018 National Waste Policy, which has set a framework for collective action on waste management, recycling and resource recovery.

These actions and guidelines to improve Australia's waste and recycling complexities demonstrate that this is no easy feat and requires effort on a mass scale. As a business, we are proud of the role we play in contributing to a more sustainable Australia and we will continue to work towards reducing our impact.



Achieving our commitments would not be possible without the collaboration of our business partners, who continue to help us facilitate change. We acknowledge that there are many challenges involved, which is why we have implemented an ALDI Packaging Taskforce, made up of internal stakeholders and business experts. The Taskforce ensures that our buying teams and business partners are best equipped for change and are aware of the developments, challenges and opportunities in sustainable plastics and packaging. We are an active member of APCO and will continue to work with them to instate viable, long-term solutions. We have an ALDI representative in its Collective Action Group, responsible for coordinating the 2025 National Packaging Targets.

We pledged to remain accountable for achieving our commitment to reducing plastic and packaging by reporting annually on our progress, ensuring that we remain transparent on not only our accomplishments, but also our challenges. This is our inaugural Plastics and Packaging Progress Report for 2019/20.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'O. Bongardt'.

Oliver Bongardt

Managing Director, National Buying
ALDI Australia



The ALDI Australia Plastics and Packaging Commitments

Over the years we have taken a number of steps to reduce our impact on the environment. Last June, we went one step further by announcing nine commitments that will see our business reduce plastic and packaging by 25% by 2025. We started by calculating our packaging baseline, which equates to 131,142 tonnes of primary and 59,432 tonnes of secondary packaging. This report outlines our progress towards each of our commitments and some of the changes we have made across our product range.

By 2025, we aim to reduce plastic packaging by 25% (2019 baseline)



We will actively reduce the amount of plastic packaging in our fresh produce range and transition to more sustainable alternatives where possible, providing no increase in food waste



We will phase out problematic and unnecessary single-use plastics by the end of 2020. These include plastic straws, plastic disposable tableware and plastic-stemmed cotton buds



We will prioritise the reduction or replacement of difficult to recycle black plastic packaging



The packaging of our exclusive brands will be reformulated to be 100% recyclable, reusable or compostable by the end of 2025



By the end of 2020, all paper and pulp-based packaging in our everyday range will either be FSC, PEFC or 70% recycled



We will aim to stimulate an Australian circular economy by committing to include 30% recycled materials in our plastic packaging by the end of 2025



We will use the Australasian Recycling Label (ARL) on ALDI branded products by the end of 2022 and we will further educate customers on the importance of packaging waste reduction (reduce, reuse, recycle)



We will publicly report against all of these goals from 2020





By the end of 2025, we aim to reduce plastic packaging by 25% (2019 baseline)

In late 2019, we worked with almost 1,000 suppliers to collate the packaging data for all of our products sold in that year. This project found that ALDI's exclusive branded products had an average of 15.4g of plastic packaging per product, equivalent to 41,646 tonnes of plastic packaging.

In order to reach our goal of a 25% reduction, this average will need to be reduced to 11.6g per product by the end of 2025. We are working closely with our business partners to identify ways of reducing plastic and here is an example of how we have been able to do so.

Case study: Compostable zucchini trays

In November 2018, we trialled compostable zucchini trays in our New South Wales stores. The new packaging, developed by our zucchini supplier, Hydro Produce, sees 87% less plastic used compared to the standard PET punnet and wrap. To date, we have sold over 5 million zucchinis with this compostable tray and based on these sales, we have avoided over 76 tonnes of plastic from going to landfill.

"Our Bio-Pak Pulp zucchini trays are made from sustainable materials with a lower environmental impact than plastics. The trays are certified to the Australian Standards for Home Composting, which is vitally important to the disposal element for the consumer. They are both home compostable and recognised to be kerbside recyclable as well," explained Sharnah Coulthart, General Manger, Hydro Produce.

While the tray has proven its success, the development phase did see some challenges.

"Anything new always comes with some challenges and finding the right manufacturer to work with was probably one of our biggest. The other challenge was the quality, ensuring we created a tray that would support the product without affecting its freshness. The weight also had to be just right or we would have sacrificed that quality element while adding unnecessary costs. The other issue was time, being patient with the development process and ensuring our product was approved by Australian standards," said Sharnah.



2019 Baseline

Average 15.4 grams of plastic packaging per product



2025 Target

Average 11.6 grams of plastic packaging per product



Status

On track



We will actively reduce the amount of plastic packaging in our fresh produce range and transition to more sustainable alternatives where possible, providing no increase in food waste

We have listened to our customers as they shared their desire to see reduced packaging on our fresh produce. While this is absolutely a priority for us, we also recognise the purpose of packaging for product lifespan. Being able to provide our customers with the freshest produce possible is an important part of our goal to combat food waste, a significant global issue in which one third of all the food produced goes to waste, equal to one billion tonnes worldwide. In Australia, it is estimated that \$20 billion is lost to the economy through food waste every year¹. It is a delicate balance to ensure that we continue to play a role in preventing food waste while addressing the important topic of reducing plastics and packaging.

In 2019, produce sold in our stores had on average 12.3g of plastic packaging per kilogram sold. This is equivalent to 3,463 tonnes of plastic packaging. To reduce the amount of plastics in our range, we will continue to implement and trial new ways of packaging produce. We have conducted many trials across our produce range in order to find effective ways of removing plastic without compromising on quality and shelf life. This is an area where we have experienced challenges finding viable solutions. As highlighted in our case studies below, there are some products where we have yet to find a suitable alternative at this time. We understand that we can still make improvements and where we cannot fully remove packaging, we will focus on reducing packaging, reducing plastic and improved recyclability.

Case study:

Removal of plastic bags from banana stands

In support of our commitment to reduce unnecessary plastics, the single-use plastic produce bags and dispensers have been removed from the banana end-cap in our produce aisles. While a simple action, we acknowledge that this is an important step in actively reducing plastics across our produce range.



Case study:

The switch to cardboard punnets

The use of cardboard in place of plastic punnets or trays has been the most commonly trialled packaging alternative across our produce range. While cardboard punnets have not been suitable for all of our produce, we have been able to make this a permanent change for several products, including:

- Apples and pears 1kg packs sold in New South Wales, Victoria and Queensland
- Truss Tomatoes 500g pack sold in all stores nationally
- Roma Tomatoes 480g pack sold in Queensland and Western Australia with plans to expand this to Victoria, South Australia and New South Wales
- Zucchini's 500g pack sold in New South Wales stores
- Capsicums 375g pack sold in duo packs in New South Wales

In addition, our spring onions are now sold in bunches without any plastic packaging.

Unfortunately, some packaging alternatives are not always deemed viable. One example is a compostable net which kept tearing before we were able to put the packaging into trial. Testing various solutions has provided important learnings about what packaging options work best for our products.



2019 Baseline

Average 12.3 grams of plastic packaging per kilogram of produce



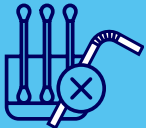
Target

Reduction in plastic packaging per kilogram across our produce range



Status

Under way



We will phase out problematic and unnecessary single-use plastics by the end of 2020. These include plastic straws, plastic disposable tableware and plastic-stemmed cotton buds

As the only Australian supermarket to have never offered single-use plastic bags to our customers, we have been able to divert 7.7 billion plastic bags from ending up in landfill. While the decision to avoid this unnecessary use of plastic has made a positive impact, we recognise that there is more to be done.

In recent years, action has been taken here and abroad to reduce or remove single-use plastics. In Australia, all states and territories except New South Wales have now banned single-use lightweight plastic bags. Many of our cities, states and territories are also moving towards banning other unnecessary single-use plastics, such as South Australia, which in September 2020 became the first state to introduce laws banning certain single-use plastic products.

Phasing out single-use plastics is not an easy feat and ultimately, it will require our customers to make small adjustments in how they use our products. However, we believe this is a small trade-off for the environmental benefits of removing single-use plastic products. While we have committed to not selling standalone plastic straws, we want to go one step further and phase out plastic attached to other products such as plastic forks in noodle cups, which were removed late last year.

One of the greatest challenges our business faces is sourcing alternative options that are not readily available in Australia, such as suitable alternatives to straws attached to juice boxes. While we are working hard to move to plastic straw alternatives, there also remains a number of technical and financial challenges to moving all of our juice, milk and breakfast drink boxes over to alternatives to plastic.

Case study:

Paper-stemmed cotton buds

By the end of this year, we will begin stocking a FSC® certified paper-stemmed version of our cotton buds, removing the plastic stem that is traditionally used in this product. This was identified as a simple way to remove plastic and transition to a more sustainable material. We are pleased that the change will avoid over 357 million plastic stems from ending up in landfill each year.

Case study:

Reducing single use plastic with our new tableware range

Another significant change occurring later this year is the replacement of our plastic tableware products with more sustainable alternatives. We have partnered with Australian company BioPak to supply the entire range which is compostable, carbon neutral and all products come in plastic free packaging. The new bowls and plates in the tableware range are made from Sugarcane Pulp (or Bagasse), a by-product of the sugar refining industry and are certified Home Compostable. The cutlery is made from FSC-Certified Birchwood®², and is coated with a plant based wax for an improved user experience. The cups are also made from sustainably sourced paper, with a lining made from Polylactic Acid (PLA), a plant based polymer.

By removing the plastic tableware products from shelves, we have been able to save 322 tonnes of plastic from ending up in landfill.



2019 Baseline

339 tonnes of problematic and unnecessary single use plastic items



2020 Target

Complete phase out



Status

Behind schedule



We will prioritise the reduction or replacement of difficult to recycle black plastic packaging

Black plastic packaging is used for a variety of common products such as fresh meat and laundry products. The issue with the use of this packaging is that automated recycling facilities are not able to identify rigid plastic containing carbon black pigments. Within these facilities, the infra-red light sorting technology used is absorbed by the carbon black pigment, traditionally used to colour this type of packaging. As a result, black plastic is rejected by the facility and treated as waste.

There are alternative ways to combat this rejection including the use of different coloured packaging or switching to a more innovative, detectable black ink. By finding ways to reduce the use of difficult to recycle black plastic packaging, we are also contributing to Australia's 2025 National Packaging Target to have at least 70% of all plastic packaging recycled or composted by 2025.

Case study:

The switch to clear plastic in our meat range

One of the simpler yet highly effective changes we made in this space was to use alternatives to black plastic for our meat packaging. Our fresh meat products have switched to a clear packaging alternative. The request for clear packaging was straightforward for our business partners to implement and has proven to be one of our more successful product improvements. A portion of the packaging in our fresh meat range is recyclable. Customers should look for the ARL label to determine the best way to dispose of the packaging.



2019 Baseline

327 packaging components equalling 1,363 tonnes of black plastic



Target

Complete phase out



Status

Under way



The packaging of our exclusive brands will be reformulated to be 100% recyclable, reusable or compostable by the end of 2025

Reformulating the packaging of our exclusive branded products to be 100% recyclable, reusable or compostable is an immense undertaking. For all ALDI exclusive brand products we use the Packaging Recyclability Evaluation Portal (PREP) to evaluate whether packaging is widely recycled in Australia. This PREP system is recommended by the Australian Packaging Covenant Organisation (APCO) and uses material type, size, colour and weight of packaging to determine its recyclability. While many types of packaging can technically be recycled, some cannot be recycled through kerbside collection.

Across our exclusive brand product range sold in 2019, 84.7% of our packaging was widely recyclable, compostable or reusable. This figure does not include 9.4% of our packaging made from soft plastic, as ALDI does not currently offer soft plastic collection for recycling in store. This is due to the current capacity constraints for soft plastic recycling in Australia. However, we remain committed to working with relevant industry partners to identify a sustainable way for customers to recycle soft plastics in future.

As with many of our commitments, this aligns with the 2025 National Packaging Target's goal of achieving 100% reusable, recyclable or compostable packaging in Australia.

Challenges faced in this space extends to compostable products. Due to the current composting infrastructure in Australia, by definition our commitment will require that relevant packaging in our range is to be home compostable, rather than industrially compostable. Should local infrastructure develop, we will assess the broader compatibility of our packaging. For example, a large number of our products have components made from soft plastic which is not recyclable through kerbside recycling collection. While we would like to introduce an in-store collection option, there are limited uses for recycled mixed soft plastics, therefore we have yet to find a partner with the capacity to enable this. We remain optimistic that we will find the appropriate partner in the future. While further work is also in the pipeline to extend the use of recycled soft plastics, there have been delays due to COVID-19.

In 2020, we became a member of APCO's Working Group on Packaging Design and on APCO's Collective Action Group. Our membership is a key component to achieving this goal by providing us insight into ways we can implement new packaging design based on APCO's recyclability criteria. To further support our business with our commitments, a representative from APCO also sits on the ALDI Packaging Taskforce.

Case study: Coffee capsule recycling program

Since April 2020, ALDI has been partnering with TerraCycle to trial an in-store recycling program at ALDI Rouse Hill to collect all brands of coffee capsules including our exclusive Expressi brand. To date, this one store has collected 1,500 coffee capsules each week, which are returned to an ALDI Distribution Centre for collection by TerraCycle.

Given the success of the program and the positive customer feedback we have received, we are exploring the option to extend the collection program to five other stores, with hopes that this will become a national program in the near future.



2019 Baseline

84.7% of product packaging is recyclable, reusable or compostable



2025 Target

100% of product packaging is recyclable, reusable or compostable



Status

On track



By the end of 2020, all paper and pulp-based packaging in our everyday range will either be FSC, PEFC or 70% recycled

The switch to certified or 70% recycled content paper and pulp-based packaging is a step toward combating the issue of global deforestation. Our sustainable forestry commitment requires that the paper and pulp-based packaging of our everyday products such as cardboard boxes, paper sleeves and tags, be certified as responsibly sourced or made from recycled materials.

Sustainable forestry schemes such as the Forest Stewardship Council® (FSC) and Programme for the Endorsement of Forest Certification (PEFC) promote sustainable forestry management through the independent third party certification of pulp, paper and timber supply chains. Furthermore, recycled content reduces the use of primary resources and helps to stimulate a circular economy.

Case study:

Spot the certified product packaging in our range

Across our range, our exclusive brand toilet paper, tissues, kitchen towels, baby products and Choceur and Moser Roth chocolates are made from recycled materials or are certified FSC or PEFC, and we are on track to see all of our everyday products meet this goal. We have also worked hard to ensure that products moving from plastic to paper and pulp-based alternatives are certified. Our new non-plastic tableware range launching this year is FSC certified, as are our new non-plastic cotton bud stems.



2019 Baseline

35% of relevant paper and pulp-based packaging is certified or 70% recycled



2020 Target

100% of relevant paper and pulp-based packaging is certified or 70% recycled



Status

On track



We will aim to stimulate an Australian circular economy by committing to include 30% recycled materials in our plastic packaging by the end of 2025

While we take action to reduce plastics and packaging across our product range, an important commitment for our business is to contribute to a circular economy. The Ellen Macarthur Foundation states that a circular economy is an alternative model that anticipates and designs for resources to be either safely returned to nature or back into systems where they can be reused or renewed³.

In fact the circular economy has been a heavy consideration in the development of the Australian Government's policies such as The National Waste Policy Action Plan and the 2025 National Packaging Targets.

The National Waste Policy for example is dedicated to ensuring Australia achieves a circular economy by shifting away from a "take, make, use and dispose" model to a more circular approach where maximum value is maintained. Our goal to use 30% recycled materials in our plastic packaging goes beyond the 2025 National Packaging Target recycled content of 25%.

Getting sufficient quality of recycled plastic materials for food grade packaging and ensuring the highest standards of food safety at competitive prices for our customers can be challenging. We are therefore proud to have already achieved an average of 11.2% recycled content across our plastic packaging range, which is significantly higher than the average recycled content in plastic packaging across Australia (2%)⁴.

One of the ways we are introducing more recycled content into our plastic packaging is through the use of recycled polyethylene terephthalate, or rPET. This material has proven an effective way to get longevity from packaging, it has also proven to be a challenge to source rPET from suppliers due to rising costs and a lack of supply within Australia. We will continue to rise to these challenges as we work with the rest of the industry and driving more cost-efficient innovations.



Case study: Green Action range switches to 100% recycled material

Products that have made the change to 100% recycled material include our Green Action Laundry Liquid, Wool Wash and Dishwashing Liquid supplied by Trendpac. These products transitioned from approximately 70% recycled materials in its packaging to 100% recycled materials at the start of 2019.

This partnership has led the way in developing product packaging in our range that is made from 100% recycled materials at an affordable price. This solution has reduced single-use packaging and is a credit to our close partnership with Trendpac. We will continue to collaborate in such a way with our business partners to adopt more sustainable approaches to packaging and drive a circular economy.



³. Circular Economy

⁴. APCO 2025 Recycled Content Targets Report published March 2020



We will use the Australasian Recycling Label (ARL) on ALDI branded products by the end of 2022 and we will further educate customers on the importance of packaging waste reduction (reduce, reuse, recycle)

We understand that recycling can be confusing. If product packaging is not recycled correctly, it increases contamination and decreases the value of recycled materials.

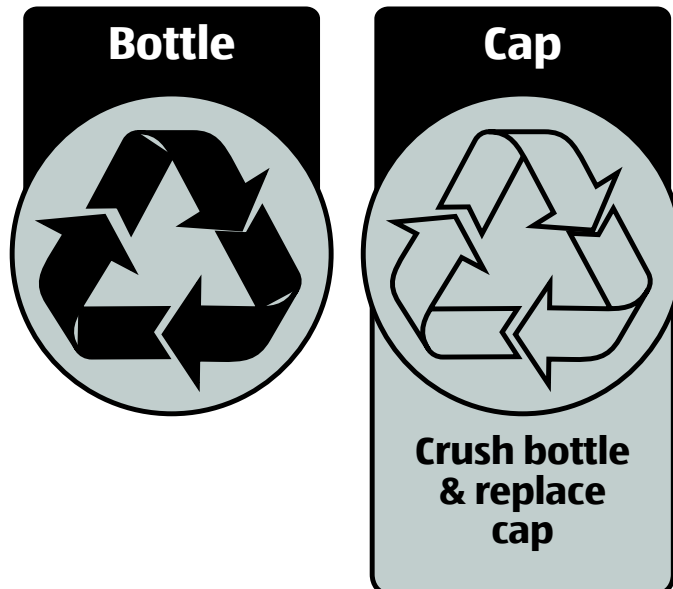
To help counteract this problem, we are rolling out the Australasian Recycling Label (ARL) across our exclusive branded product range to make it clear whether the packaging belongs in the 'recycling' or 'waste' bin. In some cases, further action needs to be taken to ensure the material is recycled, such as scrunching aluminum foil into a ball, and these instructions are also included on the ARL.

Case study:

ALDI extends ARL to over 4,000 products

We have moved fast to implement ARL labeling across our range. In 2019, we had 77 products which featured the label and by the end of August this year, we had increased this to 4,253 of our every day, seasonal and Special Buys products across different variants. A wide range of every day products such as bottled water, olive oil, pet food and eggs now feature ARL instructions on packaging.

By extending ARL labeling across our entire range of exclusive branded products, we aim to continue helping our customers to recycle packaging effectively.



2019 Baseline

77 products with ARL on-pack (4,253 total as of August 2020)



2022 Target

100% products with ARL



Status

On track

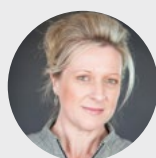


We will publicly report against all of these goals from 2020

We have pledged to remain transparent with our stakeholders about our progress, and as such, have committed to publishing an annual report, with this being our first.

We are pleased to publish our first public report, stating both our 2019 baseline plastics and packaging figures and clarifying our future commitments. Throughout our progress over the past year, we have achieved plenty of success in some areas, while we have faced challenges in others. Our future reports will build on our accomplishments and experiences in our mission for more sustainable plastics and packaging.

ALDI has continued to forge ahead as a leader in the sustainable packaging space by building on its ambitious 2019 commitments, which represent a significant contribution to sustainable packaging in Australia and an important milestone in our work to reach the 2025 National Packaging Targets. ALDI has continued to work collaboratively with APCO, its suppliers and the wider value chain to drive positive action. Through forums like the ALDI Packaging Taskforce and APCO's Collective Action Group, ALDI is working collectively with a diverse network of organisations to build a sustainable, circular approach to packaging in Australia.



Brooke Donnelly

CEO
APCO



2019 Baseline

Publicly
declared goals



2020 Target

Publish first plastics
and packaging
progress report



Status

Achieved

I Our focus for the future

Looking beyond packaging, we will broaden our attention to encompass the issue of waste across our operations, throughout our supply chain as well as with our customers. We will share related commitments in this space within the next year.

Looking to the next 12 months, our focus will remain firmly on progressing our commitments through the support of APCO and its Packaging Design Working Group, as well as through the work of our internal Plastics and Packaging Taskforce. We will also have a greater focus on collaborating with our business partners to bring more innovation in packaging to the market.



Daniel Baker
Corporate Responsibility Director
ALDI Australia

