

International Palm Oil Purchasing Policy



Version: December 2016

Our Claim

Simplicity, responsibility, reliability: these traditional trading values have been the basis for the sustained success of ALDI for over 100 years. Our success is the pre-requisite for our continued development and assumption of responsibility. Through our actions, we want to help to contribute to sustained positive development wherever we can.

As an internationally operating retail company, our daily decisions affect the entire supply chain. This is why we assume responsibility for safe and fair working conditions, the protection of our environment and the conservation of its natural resources.

For this reason, ALDI Nord has developed this International Palm Oil Purchasing Policy. It is the subject of constant monitoring and consistent examination. The latest version is a binding framework for us and our business partners in order to promote the sustainable cultivation of oil palms and to achieve that only certified palm oil is used for the processing of our products.

The current International Palm Oil Purchasing Policy is published on our website.

This International Palm Oil Purchasing Policy is available in German and English. In cases of doubt the German version shall prevail.

1. Background/Problem

Palm oil and palm kernel oil are one of the most frequently used vegetable oils worldwide, with a share of one-third of total consumption.¹

Palm oil and palm kernel oil are obtained from the pulp or from the kernel of the palm oil fruit, which is cultivated in large parts of Asia and increasingly also in Africa and Latin America. Palm oil has many positive qualities, which other vegetable fats do not possess: a firm consistency, a neutral taste, a relatively high heat stability; it also has a long shelf-life and is easy to spread. As a result of these qualities, palm oil and palm kernel oil are not only frequently used in foods, but also in cosmetics and cleaning products. This versatility has contributed to the strong global demand for palm oil and palm kernel oil.

Due to the high efficiency per hectare of the palm oil fruit, a large part of the global demand for vegetable oils can be satisfied. With a yield of over three tonnes per hectare, oil palm is extremely high-yield and delivers almost three times as much oil per hectare as rapeseed and approximately four times as much as the sunflower.² For this reason, the cultivation of oil palms clearly makes more economical use of land than other vegetable oils.

With the present Palm Oil Purchasing Policy, we are addressing the critical challenge which comes with the conventional cultivation of oil palms: the threat to the existence of the tropical rainforests and the associated consequences for humans and for nature. ALDI Nord is aware of these complex issues. For this reason, we would like to make a contribution to support the sustainable cultivation of oil palms. The sustainable and conservational handling of this valuable resource is therefore an integral part of ALDI Nord's corporate responsibility.

¹ www.wwf.de/themen-projekte/landwirtschaft/produkte-aus-der-landwirtschaft/palmoel/ as of 7 July 2015

² www.wwf.de/themen-projekte/landwirtschaft/produkte-aus-der-landwirtschaft/palmoel/infografik-pflanzenoel-braucht-flaeche/; as of 7 July 2015

2. Scope of application

The present Palm Oil Purchasing Policy is valid for all our private label food and non-food products, where palm oil³ is used. It applies irrespective of any legal obligation of declaration and is valid across the entire ALDI North Group. Its validity will end with the publication of an updated version on www.aldi-nord.de.

³ The term 'palm oil' here refers to the oil from the palm fruit and also to palm kernel oil and any substances or ingredients (derivatives etc.) derived from these.

3. Our goals

ALDI Nord develops targets and measures relating to the topic of palm oil with close coordination between the business divisions of corporate responsibility, purchasing and quality control as well as with its business partners and relevant stakeholders.

ALDI Nord has set itself the following goal internationally as part of the Palm Oil Purchasing Policy:

Changeover to 100% use of palm oil from physical RSPO supply chain systems by the end of 2018.

This goal is valid for all ALDI Nord own brand products containing palm oil.

To provide quantifiable results of our progress in using increased proportions of sustainable palm or palm kernel oil, we apply the Roundtable on Sustainable Palm Oil's (RSPO) supply chain systems.⁴ In order to achieve our goals, we will focus our efforts on the physical supply chain systems referred to as 'Identity Preserved (IP)', 'Segregation (SEG)' and 'Mass Balance (MB)'. We also source derivatives and fractions such as flavouring substances based on palm oil with at least MB certification, provided these are available on the market. In the non-food segment, we will constantly increase the share of derivatives and fractions based on palm oil from physical supply chain systems, depending on the market availability. Any derivatives and fractions that are not available through physical supply chain systems by the end of 2018 shall then be covered by Book & Claim certificates.

Only physical supply chain systems ensure a connection between the product sold in the ALDI Nord store and the cultivation of oil palms at the place of origin. With regard to improving living and working conditions at cultivation level, the 'Mass Balance' model will have similar positive effects to the 'Identity Preserved' and 'Segregation' models. The latter models do however offer a higher level of transparency and traceability and guarantee that the end product contains only certified palm oil. For this reason, ALDI Nord has tasked itself with increasing the share of both of these segregated supply chain systems (IP, SEG) to the highest possible level in the long term.

In cooperation with its suppliers and external experts, ALDI Nord strives to identify new ways to support the sustainable cultivation of oil palms.

⁴ You can find further information on the RSPO's supply chain systems via following the link: www.rspo.org/certification/supply-chains.

4. Measures and implementation

As a **RSPO member**, ALDI Nord promotes the sustainable cultivation of oil palms and supports the implementation and further development of the RSPO minimum standards. We expect the same from our suppliers of products containing palm oil and we ask for evidence of RSPO membership when signing contracts.

In order to promote the greatest level of traceability and transparency possible, ALDI Nord places great value on ensuring that the entire palm oil supply chain for all products produced for us is RSPO certified. For this reason, we ask suppliers of products containing palm oil for a certificate proving that RSPO Supply Chain Standards have been adhered to in the last production site before delivery (**RSPO Supply Chain Certification**). The certification must be renewed by means of an annual audit.

Our suppliers are required to provide us with regular progress reports where physical supply chain systems are being expanded. ALDI Nord will publish the palm oil quantities within the framework of the RSPO in consolidated form and will use the information received from suppliers to design future measures regarding palm oil. ALDI Nord also expects its suppliers to proactively provide it with information concerning serious developments in palm oil production and offer it sustainable alternatives. We request our suppliers to strive for **best practice** approaches throughout the palm oil supply chain as well as to co-operate with those partners verifiably attaching great importance to environmental protection and treating the local community members with respect. With regard to the growing of oil palms, this includes refraining from cultivation on peat soils, protection of areas with High Conservation Value (HCV) and High Carbon Stock (HCS), minimal use of chemical fertilizers, responsible treatment of the natural resource of water, calculation and reduction of greenhouse gas emissions, involvement of the local communities (Free, Prior and Informed Consent, FPIC), protection of workers' rights and support of smallholder farmers.

An overview of the requirements for suppliers of products containing palm oil:

- Active support for the objectives set out by ALDI Nord through best practice approach
- Evidence of RSPO membership
- Evidence of RSPO Supply Chain Certification of the last production site including annual audits

5. Responsibilities and controls

ALDI Nord undertakes regular reviews of its targets in the area of sustainable palm oil purchasing and may, where required, formulate additional targets and measures.

For the purchasers of ALDI Nord, the Palm Oil Purchasing Policy and the objectives expressed therein are binding in the implementation of tendering and procurement processes.

ALDI Nord has informed its suppliers of private label products containing palm oil of the content and objectives of the Palm Oil Purchasing Policy. The suppliers of goods containing palm oil are contractually obliged to comply with these requirements upon receipt of orders. ALDI Nord reserves the right to employ independent institutions to carry out spot checks of its product specifications at the suppliers' premises.

ALDI Nord has always focused on close and reliable partnerships with its suppliers in order to achieve its corporate goals. We share the responsibility for the preservation of natural resources with our business partners and therefore work together in fulfilling the goals set out in this purchasing policy. ALDI Nord welcomes any support by its suppliers of individual sustainability projects in palm oil cultivation and any information they provide about the measures they have undertaken and current developments.

The implementation of the current Palm Oil Purchasing Policy is comprehensively reviewed within the framework of the regularly performed monitoring process and recorded within the framework of an internal reporting procedure. ALDI Nord continues to take account of the opinions of experts and NGOs in further developing its Palm Oil Purchasing Policy.

The management and other responsible personnel at ALDI Nord are regularly informed on the current status of implementation.

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