

International Cocoa Purchasing Policy



Version: July 2015

Our Claim

The ALDI Nord group of companies (hereinafter: 'ALDI Nord') endeavours to act in an honest, responsible and reliable manner. Traditional trading values have distinguished us for over 100 years and are the basis of our commercial success. This is a prerequisite for our self-development and assumption of greater responsibility. As an internationally operating food retail company, our business decisions affect the entire production and supply chain.

Our understanding of quality relates not only to the health and safety of consumers, but also to the assumption of social and ecological responsibility along the entire production and supply chain. For this reason, ALDI Nord has developed this Cocoa Purchasing Policy.

A large number of cocoa-containing products are produced for ALDI Nord every year. We promote sustainable cocoa farming at a higher level than that required by law. ALDI Nord is committed to the establishment of permanent structures to improve sustainability and transparency in global cocoa production.

With this Cocoa Purchasing Policy, ALDI Nord is bindingly committed to complying with sustainability standards within the sphere of influence along its own production and supply chain.

The Cocoa Purchasing Policy is the subject of constant monitoring and consistent examination. The achievement of targets is analysed and, where required, new targets and measures are defined. The latest version is a binding framework for us and our business partners. The guidelines are published on our website.

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

1. Background/Problem¹

Approximately 40 to 50 million people worldwide make a living from cocoa cultivation and trading. In West and Central Africa, two thirds of the world's cocoa bean cultivation and processing is carried out in precarious economic and social conditions. Family-run farms and smallholder farmers generally do not have the necessary funds for investment, nor do they have the knowledge and expertise required to make cocoa cultivation socially and economically expedient and environmentally sustainable.²

ALDI Nord is aware of these difficulties and, together with all stakeholders involved in the cocoa market, is aiming to confront the following challenges in the development and implementation of social, environmental and economic sustainability standards:

- economic and political instability in the main producing countries of West Africa (Ivory Coast and Ghana);
- child and forced labour in West Africa due to poor economic conditions in cocoa farming;
- lack of compliance and lack of controls on international workers' rights and occupational safety measures;
- the predominance of smallholder structures, low profits and low prices for raw materials on the world market that make it difficult for smallholder farmers / producers to make a living;
- increasing rural exodus due to insufficient prospects in cocoa farming for future generations;
- limited financial resources for much-needed investment, and lack of access to technical equipment and materials;
- the negative impact on the ecological system from deforestation and the increase of monocultures;
- and lastly: fluctuating climatic conditions, increase in droughts, floods and pest infestations, lack of agricultural practices/systems for smallholder farmers, and high demands on soil for the cultivation of the cocoa plant. Annually, an estimated 30 to 50 percent³ of cocoa beans worldwide cannot be further processed due to these aspects. This contributes, in the long term, to a decline in the availability of the raw good.

¹ Backgrounds (selection):

- www.kakaoforum.de/de/hintergrund/herausforderungen-im-kakaosektor.html; date: 17 March 2015
- Fact Sheet: The value chain of chocolate, Südwind-Institut June 2012
- Ghana: From bitter cocoa to sweet chocolate. The long way from hand to mouth, Südwind-Institut March 2011
- Human Rights in the cultivation of cocoa. An inventory of the initiatives of the cocoa and chocolate industry, INEF- Research Series August 2010
- The dark side of chocolate. Large price fluctuations - poor working conditions of smallholder farmers, Südwind-Institut September 2009

² www.kakaoforum.de/de/hintergrund.html; date: 5 March 2015

³ www.kakaoforum.de/de/hintergrund/herausforderungen-im-kakaosektor.html; date: 15 January 2015

2. Scope of application

This Cocoa Purchasing Policy applies to all private label products containing cocoa in the product segments: confectionery (pastries, pralines, chocolate and seasonal products), cereal and ice cream as well as private label products with a significant percentage of cocoa (e.g. spreads and chocolate coating). Special offers containing cocoa are also converted entirely to sustainably certified qualities.

Cooperation is carried out exclusively with business partners who work in harmony with our Cocoa Purchasing Policy.

3. Our Goals

ALDI Nord develops targets and measures relating to the topic of cocoa with close coordination between the business divisions of corporate responsibility, purchasing and quality control as well as with its business partners. ALDI Nord takes into account recommendations from external experts and the expectations of relevant stakeholders. Targets and measures are developed on a continuous basis.

Within the framework of the Cocoa Purchasing Policy, ALDI Nord has set out the following objectives:

I. The promotion of sustainable cocoa farming and the improvement of working conditions and living conditions of smallholder farmers involved in cocoa farming and their families

Together with our business partners, we are committed, within the scope of internationally recognised sustainability standards (Fairtrade, UTZ Certified and Rainforest Alliance Certified), to promoting and implementing social, economic and environmental standards in order to attain sustainable improvements in the cocoa industry.

II. International changeover to only certified cocoa for private label products

ALDI Nord is represented in nine European countries. Internationally, we have already switched over 60 percent of our cocoa-containing private label products from the assortment⁴ defined above to contain only sustainable certified cocoa in accordance with the internationally recognised certification programme UTZ Certified⁵. Our goal is to complete the full transition to sustainable certified cocoa in the product segments defined by us⁶ by the **end of 2017**. In doing so, we accept the Fairtrade, UTZ Certified or Rainforest Alliance Certified standards.

For ALDI Nord private label products containing cocoa, the supply chain model of mass balance applies. ALDI Nord reserves the right to carry out regular random checks on the traceability of certified raw products from its business partners.

⁴ See Section 2 Scope of application

⁵ Date: 1st quarter of 2015

⁶ See Section 2 Scope of application

III. Transparent communication and sensitisation of stakeholder groups on the importance of sustainably produced cocoa

A change in cocoa farming can only be achieved through the joint action of all stakeholders.

ALDI Nord therefore commits to comprehensively informing employees, customers and business partners on the background and reasons for sustainable cocoa farming and to raise awareness of the importance of the issue.

ALDI Nord achieves this, for instance, through:

- internal circulars, information flyers and the integration of our Cocoa Purchasing Policy into our internal training programme;
- our weekly 'ALDI aktuell' magazine and information brochures;
- our website, where consumers can find more information on the topics of sustainability and quality, as well as on the internationally recognised certification standards in the cocoa sector;
- and the active promotion of products containing cocoa from sustainable production.

4. Standards and cocoa certification systems

In creating its assortment offer in the area of 'products with cocoa content', ALDI Nord is oriented towards the three internationally recognised sustainability standards:⁷ **Fairtrade**, **UTZ Certified** and **Rainforest Alliance Certified**.

These sustainability standards contribute as active members of the Forum Nachhaltiger Kakao (German Initiative on Sustainable Cocoa) and the ISEAL **International Social and Environmental Accreditation and Labelling Alliance** (alliance of international organisations in the areas of standard-setting, certification and accreditation) to ensure that sustainability objectives and standards in the cocoa sector are internationally promoted, credibly represented and regularly monitored.

⁷ For more information see:
www.transfair.org
www.utzcertified.org
www.rainforest-alliance.org/de

5. Supply chain, further processing and traceability

Due to the Fairtrade, UTZ Certified and Rainforest Alliance Certified sustainability standards, it is possible to significantly improve traceability and transparency along the supply chain in the cocoa sector. Both are essential components of the sustainable procurement and marketing of raw cocoa for ALDI Nord. In this context, three models are possible within the framework of the sustainability standards:

Identity Preserved

Full traceability to the cultivation farm/cooperative or plantation is fully guaranteed through the physical separation of raw cocoa and exclusive processing in the final product.

Segregation

The certified raw cocoa from several plantations/cooperatives is combined, and transported and processed separately from conventional raw goods. This ensures that only certified sustainable raw materials are processed for the end product. However, full traceability to the cultivation farm is guaranteed only to a limited extent.

Mass Balance

The quantities of raw cocoa required for the manufacture of the end product are purchased in certified quality, i.e., the relevant amount is grown and processed according to the relevant sustainability standard. However, certified raw materials are mixed with non-certified raw materials along the supply chain. A necessary prerequisite of such a system is the exact balancing and complete control of the flow of the certified raw material throughout the supply chain.

Where structurally possible, ALDI Nord strives to gradually switch the cocoa supply chain model from 'Mass Balance' to the 'Segregation' model.

With regard to the promotion of sustainability objectives and the improvement of living and working conditions at the level of cultivation farms/cooperatives, the 'Mass Balance' model has similar positive effects to the 'Identity Preserved' and 'Segregation' models. The disadvantage, however, is that the certified raw materials in the end product are not completely traceable, and only a proportion of the raw materials are certified.

6. Responsibilities, implementation and control

ALDI Nord undertakes regular reviews of its targets in the area of sustainable cocoa purchasing.

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

ALDI Nord has informed its **suppliers** of goods containing cocoa on the scope of application and the objectives of the Cocoa Purchasing Policy. The suppliers of goods containing cocoa are contractually obligated to comply with these requirements upon receipt of orders. Cooperation is carried out exclusively with business partners who work in harmony with our Cocoa Purchasing Policy.

ALDI Nord welcomes its suppliers to promote individual sustainability projects and initiatives in cocoa farming.

The implementation of the current Cocoa Purchasing Policy is comprehensively reviewed within the framework of the regularly performed monitoring process and recorded within the framework of an internal reporting procedure.

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

Publisher: ALDI Einkauf GmbH & Co. oHG