GUIDELINE FOR LOCAL FOOD



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OUR AMBITION

Sustainable economic success can only be achieved by taking social and environmental responsibility. Through their actions, the companies of the ALDI Nord Group of Companies ('ALDI Nord') continuously aim to contribute to sustainable development wherever they operate.

We consider sustainable purchasing to be fundamental to contributing to sustainable development. As leading retailers, we publicly acknowledge our responsibility in global supply chains and the use of resources. Along the entire supply chains, from the procurement of raw materials to the final production process, we ensure that ecological and social sustainability criteria are taken into account.

We communicate our requirements and goals clearly to our business partners. If our targets are not met, we pay strict attention to the future development and implementation of concrete measures to improve production processes together with our partners. We only cooperate with business partners who work in accordance with our purchasing policies. We reserve the right to impose appropriate sanctions in certain cases, even if this results in the termination of the business relationship.

In the materiality analysis conducted in the framework of the Sustainability Report 2019, the "expansion of the sustainable product ranges"[1] was assessed as a relevant topic both by stakeholders and by ALDI Nord itself.[2] Based on these insights as well as on an internal expert assessment, the subject of 'modern nutrition', including 'local food', has taken on relevance on our international agenda. This emphasis is reinforced by studies indicating consumers' preferences for 'buying local'.[3,4] With an increased focus on local food, we at ALDI Nord seek to expand our sustainable assortment and to ensure that we translate our commitment into effective action. We are aware of our responsibility and of the broad scope of our activities. We aim to promote local products in our stores and to communicate products' value with respect to local food transparently for our customers in our labelling. In doing so, we are acting in line with the European Union's 'Farm to Fork Strategy', which strives to strengthen local food systems[5] in order to promote a sustainable diet. We are thus also contributing to Sustainable Development Goal 12: 'Responsible consumption and production: ensure sustainable consumption and production patterns'.[6] These are some of the many steps we are taking to enable easy shopping with a clear conscience.

[1] ALDI Nord Sustainability Report 2019, page 14.
[2] The relevance of the expansion of sustainable product ranges for stakeholders and ALDI Nord itself was also confirmed by the materiality analysis conducted for the year 2021.
[3] See: Gen Z is Talking. Are you Listening? (PwC 2020), page 21.
[4] See: Think local, act local! (L'Observatoire Cetelem 2019), page 17 and following.
[5] See: Farm to Fork Strategy (European Union 2020), page 14.
[6] See: Sustainable Development Goals (United Nations).

SCOPE

This guideline applies to food articles sold by ALDI Nord.

Our commitment is focussed on the following commodity groups:

- Dairy and eggs
- Fresh meat
- Fruits and vegetables

ALDI companies may individually add further ‘priority commodity groups’.

The validity of this guideline ends with the publication of a more recent version.

LOCAL FOOD – BACKGROUND AND CHALLENGES

Only a few decades ago, most food was grown, produced and processed in close proximity to the grocery stores in which it was sold.[7] With the rise of industrialisation and globalisation, it became common for food to be sourced from all over the world and to be delivered via complex supply chains. At the same time, environmental, health, social and ethical issues have become ever more prominent in people's minds, and consumers are looking for greater value in the food they buy. Despite growing societal urbanisation, people increasingly long for familiarity, naturalness, authenticity and security. They want to know what they consume, and they are seeking proximity to their food.[8,9] In addition, the Covid-19 pandemic has further intensified consumers' desire for the balance of human activities, nature, food systems and biodiversity.[10]

Another reason consumers value local products is their environmental benefit. Since local products have shorter transport distances than products with complex global supply chains, their transport results in lower greenhouse gas emissions. Hence, consumers recognise buying local food to be part of a climate-friendly lifestyle. Moreover, transparency regarding a product's origin further strengthens customers' trust in the product's quality and freshness. A familiar origin promotes consumer identification with the product. At the same time, customers want to support the local economy, strengthen local farmers and secure local jobs.[11]

A total of 89 per cent of European consumers value local products[12]. A majority of consumers are also willing to pay a higher price for local products. On the other hand, 47 per cent of European consumers refrain from buying local products because the price is too high.[13] This is where ALDI Nord can make a difference: by offering top quality and fresh local food at the usual ALDI prices.

[7] See: 3 Ways to Define Local Food (Transparency-One 2016).
[8] See: Farm to Fork Strategy (European Union 2020).
[9] See: Think local, act local! (L'Observatoire Cetelem 2019), page 27.
[10] See: Factsheet: From Farm to Fork (European Union 2020).
[11] See: Think local, act local! (L'Observatoire Cetelem 2019), page 26.
[12] See: Think local, act local! (L'Observatoire Cetelem 2019), page 22.
[13] See: Think local, act local! (L'Observatoire Cetelem 2019), page 13.

DEFINITIONS

The term ‘local food’ has yet not been defined in detail in legal terms. Interpretations of what is regional or local therefore vary greatly. This chapter defines local food and sets out a definition model specific to ALDI Nord.

WHAT IS LOCAL FOOD?

The main characteristic for local products is their geographical identity of origin. According to the European Commission, a “local food system is one in which foods are produced, processed and retailed within a defined geographical area”[14]. The geographical region can be a natural area, an autonomous region, a federal state or a spatial unit with a common cultural and/or historical background.

There is no fixed definition of a minimum percentage of regional ingredients, nor a radius that defines a region. What is perceived as regional may come from an area within a radius of roughly 20 to 150 kilometres. In some European countries, any product of national origin may be perceived as local.[15]

WHAT DOES ‘LOCAL FOOD’ MEAN AT ALDI NORD?

The notion of what is local varies among both consumers and retailers. For ALDI Nord, it is important to communicate the local attributes of a product transparently and credibly to our customers in order to enable them to shop easily and with a clear conscience. Is a certain product one of a local brand that people identify more with in one region than in another? Or is the product from a nearby farmer and hence has travelled only a short distance, so that its purchase and consumption contribute to an environmentally friendly lifestyle? To reach a common understanding of what local food means to ALDI Nord, and to communicate this clearly, we have developed a 5-Column Model that provides differentiated definitions of the term ‘local food’.

It is important to state that when it comes to labelling and communicating local attributes, national regulations must be given priority consideration.

[14]Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics. (European Commission, 2013), page 23.
[15]See: Think local, act local! (L’Observatoire Cetelem 2019), page 20.

LOCAL FOOD

1 REGIONAL PRODUCTS

- Mono product/first main **ingredient** originates from the defined region
- Regional **supply chain** of mono product/first main ingredient



2 NATIONAL PRODUCTS

- Mono product/first main **ingredient** originates from the country
- National **supply chain** of mono product/first main ingredient



3 LOCAL SPECIALITIES

- At least one **ingredient** originates from the country
- At least one step of the **supply chain** takes place in the region



4 LOCAL BRANDS

- No requirements on **ingredients**
- Usually one step of the **supply chain** takes place in the region



5 LOCAL DISHES AND RECIPES

- No requirements on **ingredients and supply chain**



Figure 1: ALDI Nord 5-Column Model of Local Food: An Overview

From a sustainability perspective, ALDI Nord prefers regional and national products (columns 1 and 2) over local specialities and local brands (columns 3 and 4), as the former contribute more holistically to environmentally friendly consumption. We therefore focus on offering regional and national articles. In countries with only small ranges of regional products, national articles are prioritised, followed by offerings of local specialities and brands.

1 REGIONAL PRODUCTS

- Mono product/first main **ingredient** originates from the defined region
- Regional **supply chain** of mono product/first main ingredient



Column 1 contains products that originate from a defined region[16]. If the product is a mono product, for example a fruit or vegetable, it must originate entirely from the region, and all steps in the supply chain – meaning food cultivation, processing, packaging and, if applicable, distribution; or, for meat, the birth, raising, slaughtering and processing of an animal – must take place in the region. If the product is a mixed product, for example a garlic sausage, the first main ingredient (pork) and, if possible, also the value-adding ingredient[17] (garlic) must originate entirely from the region, also requiring a regional supply chain. In total, at least 51 per cent of the product weight must be of regional origin and obtained through regional supply chains.

[16]Regions must be established and defined individually by the respective ALDI companies.
[17]A value-adding ingredient is the ingredient that gives the product its characteristic identity, for example if it is mentioned in the product name, even if it has only a small share in the product itself.

2 NATIONAL PRODUCTS

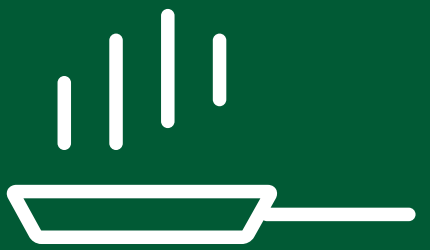
- Mono product/first main **ingredient** originates from the country
- National **supply chain** of mono product/first main ingredient



Column 2 consists of articles of national origin. The raw material of mono products must be entirely of national origin, with all supply chain steps taking place within the country. If the latter is not possible (for example due to a lack of resources or capacities), one supply chain step may take place in a neighbouring country. However, food cultivation/animal raising must take place within the initial country. If the product is a mixed product, for example strawberry yogurt, the first main ingredient (yogurt) and, if possible, also the value-adding ingredient (strawberries) must originate entirely within the respective country, requiring supply chains with all steps taking place within the country. Also, for mixed products, one step in the supply chain may take place in the neighbouring country, but not the food cultivation/animal raising. In total, at least 51 per cent of the product weight must be of national origin and obtained via a national supply chain.

3 LOCAL SPECIALITIES

- At least one **ingredient** originates from the country
- At least one step of the **supply chain** takes place in the region



Column 3 contains products which are local specialities. These are characterised by traditional recipes or production methods. For products of column 3, at least one supply chain step must take place in the region. Also, one ingredient, preferably the main ingredient or the value-adding ingredient, must be of national origin: for example, a French cheese produced in the French Alps (Rhône-Alpes) according to a traditional recipe from that region and made from French milk.

4 LOCAL BRANDS

- No requirements on **ingredients**
- Usually one step of the **supply chain** takes place in the region



Products of **column 4** are local brands. This means that they are not ALDI Nord own brands, but ‘external’ brands. They are not subject to any requirements with regard to the origin of ingredients or supply chain steps, but in many cases the manufacturing step takes place in the respective region. These products are perceived as regional – for example beer from a nearby brewery – and often support customers’ identification with their own region, but neither the ingredients nor the supply chain steps are bound to the region or country.

5 LOCAL DISHES AND RECIPES

- No requirements on **ingredients and supply chain**



Column 5 concerns products that have a special taste or are made from a recipe that consumers of certain regions prefer. Hence, they can be perceived as local products by these customers. But since the locations of the supply chains may even be outside of the respective country and the ingredients may come from anywhere, these products do not have an obviously positive environmental aspect.

The 5-Column Model described above serves as the basis for our future activities in the area of local food. On the one hand, it sets out information on the definitions of the various forms of local food and provides for a uniform understanding of the terms between the ALDI companies. On the other hand, it serves ALDI Nord as a cluster in which the local products can be classified and key performance indicators (KPIs) derived. Furthermore, one of the main goals of the guideline is to align ALDI Nord's communication measures with the ALDI Nord 5-Column Model of Local Food, in order to ensure consistent communication around local food products as well as transparency and credibility towards the customers.

This means that local aspects of products that are included in columns 1, 2 and 3 must be communicated with a focus on the origin of these products' ingredients and their supply chain, whereas local aspects of products from columns 4 and 5 must be communicated with a focus on consumer preferences of the brand or of the recipe itself. In doing so, we aim to clearly communicate the local added value to our customers and avoid customer deception.

ORIGIN LOGOS FROM THE EU

In labelling our products, we in some cases additionally use the origin logos from the European Union. There are three EU quality labels that indicate the special characteristics of a product in connection with its geographical origin, traditional composition or production method.



Protected designation of origin (PDO)
Production, processing and preparation all take place in the indicated area. The product has qualities or characteristics that are exclusive to that area.



Protected geographical indication (PGI)
At least one stage of production, processing or preparation takes place in the indicated region. The product has qualities or characteristics that are exclusive to that region.



Traditional specialty guaranteed (TSG)
Neither the origin of raw materials nor the production is bound to any particular region. The relevant factor is the traditional recipe or production method.

The EU has established binding rules on how the logos are to be used. The use of a label requires that the product's name has been approved at the EU level and included in a food register.[18] ALDI Nord follows a policy of case-by-case verification of the specific product's fulfilment of the criteria for the use of the logos.

SEASONAL FOOD

Especially for fruits and vegetables, the aspect of buying regionally often goes hand in hand with the aspect of buying seasonally. Seasonal foods are products that are purchased and consumed close to the time they are harvested, in the country where the respective ALDI company is located (oversea territories are excluded)[19]. This meets customers' demand for fresher food with a lower CO_2 footprint, for example due to shorter transport distances compared to products from overseas. Nonetheless, buying local food does not always reduce a product's CO_2 footprint. In the case of local products that are sold off-season and therefore require storage at low temperature, the CO_2 footprint increases accordingly. This underlines that to enable an environmentally friendly consumption it is important to consider not only the local but also the seasonal aspect of a product.

GOALS AND MEASURES

ALDI Nord has implemented numerous measures concerning local food products over the course of many years. We seek to offer our customers a reliable range of high-quality and tasty local products. The aim is to prove that local and seasonal nutrition is accessible and not complicated. We strive to accompany our commitment with clear communication measures. Together with recognisable designations of origin and labels, we enable our customers' easy and reliable identification of our products' origin. An attractive local food product range can also differentiate ALDI Nord from our competitors. Our goal is to cover all of the basic food needs of ALDI customers and to act as an authentic supporter of local and national products and agriculture. We are achieving this by improving our labelling and communication with regard to our local product values, with a particular focus on improving the labelling of our national products, as well as expanding local product ranges where this is in line with our discount model. These goals and measures can also be found in our Sustainability Interim Report 2020.[20]

[18]See: Quality schemes explained (European Commission).
[19]See: Why Eat Seasonally? (seasonalfoodguide.org 2021).
[20]See: ALDI Nord Sustainability Interim Report 2020.

NATIONAL PRACTICES

Local product values are of interest to ALDI customers. Regional and national products as well as local specialities, brands and traditional recipes play a significant role in the countries where the ALDI companies are located.

For instance, **ALDI Belgium** developed a label for fresh meat, eggs, dairy products, fruit and vegetables which indicates a Belgian origin. All fresh meat (including pork, beef and chicken) and 96 per cent of milk (including whole, (semi-)skimmed and flavoured milk) products sold by ALDI Belgium are of Belgian origin. Other labels used to communicate the national origin of products include the 'DANSK' logo at **ALDI Denmark**, the 'PRODUKT POLSKI' label used at **ALDI Poland**, 'SOU PORTUGUÊS' at ALDI Portugal and 'ORIGEN ESPAÑA' at **ALDI Spain**. **ALDI France** uses the label 'Pays Gourmand', which not only requires suppliers to use a traditionally recognised recipe, be established in the respective or neighbouring area of the recipe's origin and source the main ingredients from France, but also to avoid certain ingredients, such as palm oil and artificial colouring. At ALDI France, 99 per cent of fresh and frozen meat is of French origin, along with 100 per cent of eggs and milk (in both bottles and cartons). Dairy products like yogurt and cheese are also made primarily from milk of French origin. **ALDI Nord Germany** uses the 'Qualität aus DEUTSCHLAND' label and, for fruits and vegetables, the 'Ernte aus DEUTSCHLAND' label, to communicate national values. Furthermore, ALDI Nord Germany uses the own brand 'EINFACH REGIONAL' for regional products and, for certain products, the independent label 'Regionalfenster'. The latter indicates at a glance where the ingredients come from, where they were processed and where the product was packaged. At **ALDI Netherlands**, a large proportion of dairy products originate from the Netherlands, as well as much of the pork meat, fruits, vegetables and plants and 100 per cent of the eggs. In addition, the majority of the poultry farmers are Dutch.

CONCLUSION

The purchase of local food plays an important role at ALDI Nord. We deem it important to supply our customers with appealing ranges of local products. We perceive our responsibility in strengthening and supporting regional and national producers as well as in making a positive impact on the environment as a result of shorter transport routes.

We have already made progress by taking first successful steps. This is an incentive for us to continue adding local value to the products in our prioritised commodity groups and to communicate this transparently to our customers. We will therefore continuously develop the measures outlined in this document.

Simply acting responsibly is part of our daily business.

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Further information on our corporate responsibility activities can be found at:
https://www.aldi-nord.de/nachhaltigkeitsbericht/2020/downloads.html

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LANGUAGE OF THE GUIDELINE
The guideline is available as a PDF document in English and further languages. In case of deviations between the versions, the English document will prevail. In the interest of readability, the legal structure of companies is not specified.