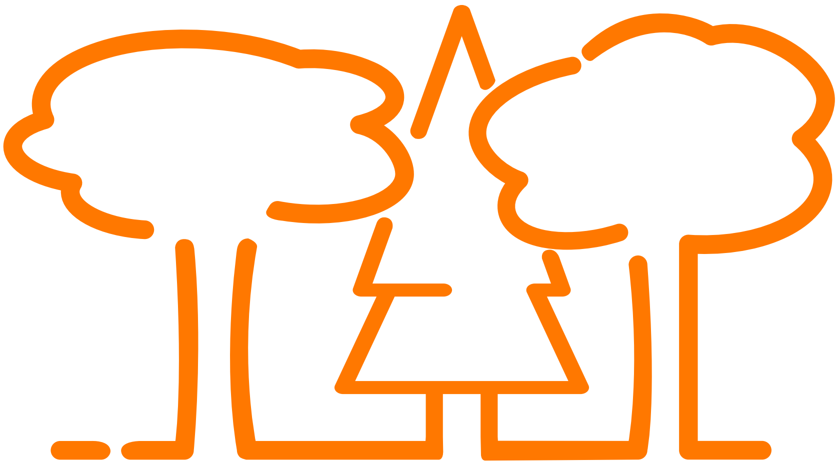


International Position Statement on

SUPPLY CHAINS FREE FROM DEFORESTATION AND CONVERSION

ALDI SOUTH Group

09/2022

INTRODUCTION

At ALDI[1], our vision is to make sustainability affordable to our customers. Our aspiration is that our products are made in a sustainable way and that environmental and social criteria are considered in our global supply chains – from raw materials to final production.

The ongoing destruction of forests is a major global challenge. Agricultural commodities that are associated with a risk of deforestation are commonly used to produce day-to-day products. For example, palm oil is found in a wide range of different products, from candles to margarine to baked goods. Soy is used as a main component in animal feed and plays an important role in meat, egg, or dairy supply chains. Timber is used in the production of paper, tissues, furniture, and toys.

We started addressing major concerns relating to palm oil, timber and paper products, and wood-based packaging in 2010 and have continued to identify and address other key commodities linked to deforestation and ecosystem conversion. This position statement highlights how we have developed our approach as part of our International Corporate Responsibility Strategies and how we intend to address deforestation and conversion risks across a wide range of commodities in our supply chains.

1) ALDI refers to the ALDI SOUTH Group (hereinafter also referred to as "ALDI SOUTH") and the ALDI Nord Group (hereinafter also referred to as "ALDI Nord"). Both are legally independent groups of companies trading under the ALDI brand. The "International Position Statement on Supply Chains Free From Deforestation and Conversion" is published on the websites of the ALDI companies.

BACKGROUND

Forests are diverse and complex ecosystems that provide a habitat for plants, animals, and people. For local communities, they provide the resources for their livelihoods, food, and medicine. This is particularly true for tropical forests, which are home to 50% of the total plant and animal biodiversity on the planet's land and contain significant amounts of the planet's freshwater resources (Source: National Geographic).

These ecosystems are under threat as deforestation continues at an alarming rate. The clearing of natural forests to create agricultural land is a key driver of global habitat loss. Also, the degradation of forests through unsustainable forest management when harvesting wood, is contributing to this development and is often a precursor of forest conversion. Total emissions from deforestation and forest degradation are estimated to contribute to around 15% of global CO_2 emissions (Source: WWF - Saving Forests with REDD+).

Other natural ecosystems are also affected by land use change, such as peatlands, and savannahs. Their conversion also contributes to the release of greenhouse gases into the atmosphere, biodiversity loss and the perishing of ecosystem services.

As one way to identify and promote the protection of such environmental sites, the concepts of High Conservation Value (HCV) and High Carbon Stock (HCS) have been developed by Non-Governmental Organisations (NGOs) and are widely referred to by certification schemes addressing deforestation and conversion risks.

We observe the definitions provided by the Accountability Framework Initiative:

- **Deforestation:** Loss of natural forest as a result of conversion to agriculture or other non-forest land use, conversion to a plantation, or severe or sustained degradation.
- **Degradation:** Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services.
- **Conversion:** Change of a natural ecosystem to another land use or profound change in the natural ecosystem's species composition, structure, or function.

We observe definitions by the High Conservation Value (HCV) Network and High Carbon Stock (HCS) Foundation:

- **High Conservation Value (HCV) areas:** areas of critical importance at the local level or with outstanding significance at the national, regional, or global level. The HCV approach includes a set of criteria that focuses on the six categories of high conservation value: species diversity, landscape level ecosystems, ecosystems and habitats, ecosystem services, community needs, and cultural values.
- **High Carbon Stock (HCS):** The amount of carbon and biodiversity stored within an area of land varies according to the type of vegetative cover. The HCS approach distinguishes forest areas for protection from degraded lands that may be developed by assessing the vegetation using satellite data and ground survey measurements. The approach also respects local community rights, community land use and livelihoods through Free Prior and Informed Consent (FPIC) procedures.

IMPORTED DEFORESTATION

Europe and the United States are importing deforestation-risk commodities. Up to 23% of tropical deforestation is linked to EU and US imports. The EU is the second biggest importer of tropical deforestation globally, surpassed only by China; and the US still ranks in the top five.

The commodities accounting for the largest amount of tropical deforestation globally are soy, palm oil, beef, wood-based products, cocoa, and coffee. In addition to deforestation, demand for these commodities is also driving conversion of other ecosystems such as grasslands and wetlands (Source: WWF, 2021).

We are aware of our influence in those markets and want to use it to contribute to a positive change.

OUR POSITION & COMMITMENT

PROTECTING OUR FORESTS AND NATURAL ECOSYSTEMS

Preventing deforestation in our palm oil supply chains and timber and paper supply chains for products and packaging has been ALDI's focus for many years. Our achievements include that all our own-brand products containing palm oil are RSPO certified. We only accept certified or recycled paper and timber-based components for our own-brand non-food products and our product packaging.

As part of our International Corporate Responsibility Strategies, we have evolved our approach to assess and address the challenge of deforestation and land conversion across our entire own-brand product range. As a result, we have widened the scope of our commitments.

Our Commitments

ALDI is committed to eliminate deforestation and conversion of natural ecosystems from our high-priority supply chains by 31 December 2030.

Our high priorities

Palm oil	Timber and paper products	Wood-based packaging	Cocoa	Banana
Soy	Beef	Coffee	Sugar cane	Coconut

For each high priority, we apply a commodity specific approach including the identification of relevant products, accepted deforestation-free standards and deforestation-free origins. All measures we are describing in this position statement apply to our own-brand products.

Our approach was developed in collaboration with experts and environmental organisations and is based on the Accountability Framework initiative (AFi) guidelines. AFi members work towards a common approach for ethical supply chains, making responsible and deforestation-free value chains the norm. We will:

- Aim to exclude deforestation and conversion of natural ecosystems and to protect human rights in our own high-priority supply chains.
- Identify our priorities based on data driven risk assessments conducted by expert partners.
- Require compliance with certification schemes that protect forests and natural ecosystems from illegal and legal conversion in high-risk countries, but also go beyond that.
- Work with other committed companies and NGOs in multi-stakeholder initiatives to drive global, industry-wide solutions for sustainable production systems and engage in sourcing countries to promote sustainable production of commodities and support local farmers.

As a cross-standard cut-off date for any commodity, we specify the 1st January 2020. The cut-off date marks the date after which no deforestation or conversion of land to produce the commodity can take place. Earlier cut-off dates for each individual commodity are applied in line with the market (e.g., Amazon Soy Moratorium (2006)) and available certification schemes (e.g., RSPO P&C (2018), Rainforest Alliance (2014), FSC (1994)). Should there be an even earlier cut-off date defined by legal regulations, market or by recognised standard certifications, we will of course adhere to this earlier date.

As a minimum, we are guided by the legal requirements regarding forests and forest protection in the respective countries of origin. However, we understand legal deforestation still occurs and do not condone this. Instead, we use certification schemes that go beyond legality and exclude legal deforestation and conversion of HCV and HCS areas in deforestation-risk countries in our supply chain.

Staying focused

By addressing social and environmental problems where they are most pressing, we can use our influence to have the greatest positive impact on people and the planet. Together with the deforestation experts at 3Keel we analysed the deforestation risks within our supply chains, verified the effectiveness of our existing measures in place and identified areas of improvement going forward.

To guarantee our actions continue to target the highest risks and have the desired positive impact, we will regularly review and update the assessment of deforestation and conversion risks within our supply chains.

OUR MEASURES

Our approach to eliminate deforestation and ecosystem conversion from our high-priority supply chains is built on three pillars, which complement each other: transparency, standards, and collaboration.

Transparency is key

Mapping the supply chains of raw materials is necessary to implement our sustainability measures. We intend to map origins as far as possible to ensure we have sufficient transparency to verify compliance with our requirements, analyse risks, and implement projects with a direct impact in and beyond our supply chains.

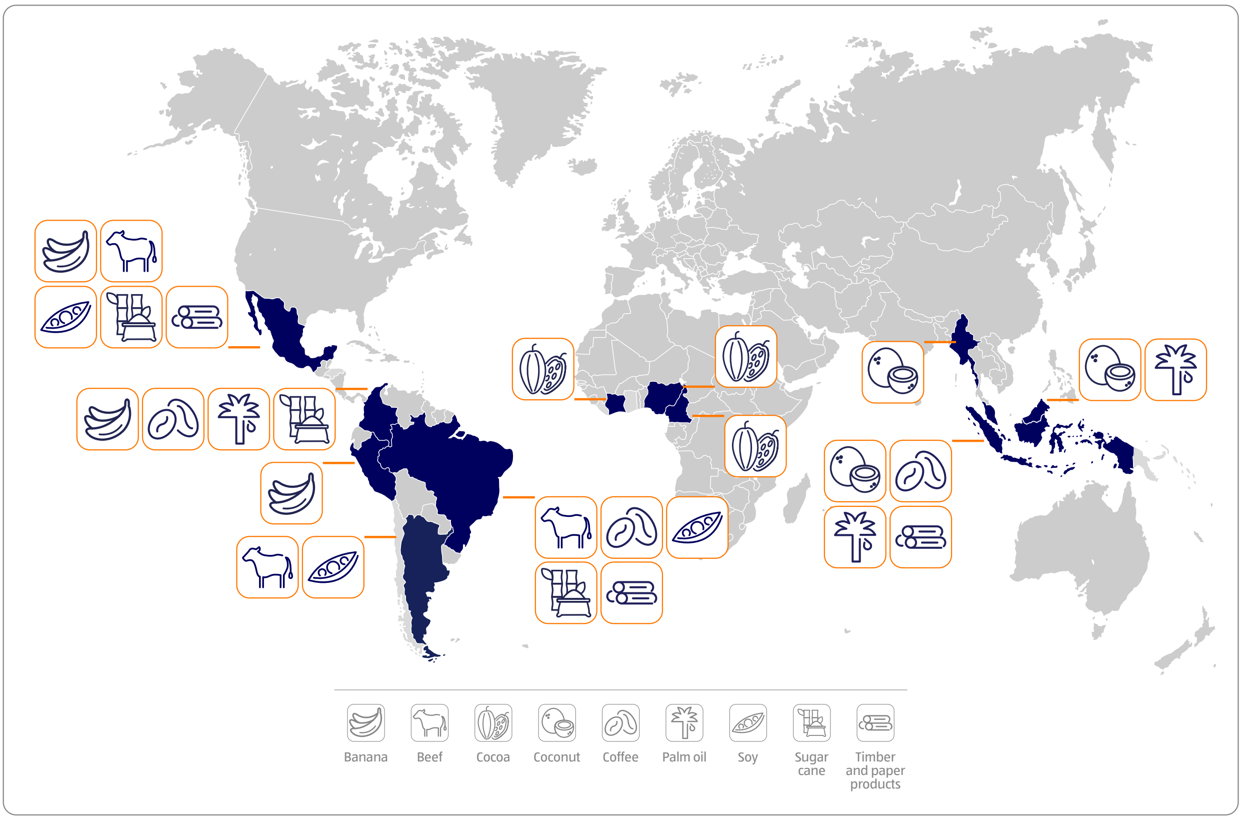


Figure: Top three risk origins of our high priorities as per our deforestation risk assessment

By working closely with business partners and multi-stakeholder initiatives, we can find ways to maximise transparency in our supply chains to address data gaps and reduce operational risks. For some of the commodities that have the highest impact on deforestation, such as palm oil and soy, supply chains are especially complex, and a relatively small number of raw material traders have a much higher leverage than retailers or manufacturers. Regular assessments performed individually or collectively, will assist us in achieving transparency at trader level in the upcoming years.

The membership in the Palm Oil Transparency Coalition (POTC) and the Soy Transparency Coalition (STC) allows us to join forces with other retailers to assess traders and engage with them to drive improvements in their sustainability approaches.

Standards are the basis

Independent third-party certification schemes are key in allowing retailers to determine if sustainability requirements are implemented on the ground. This is especially important when local environmental protection legislation and/or law enforcement in sourcing countries are insufficient to guarantee the protection of forests and natural ecosystems.

To make sure we use certification schemes effectively, we apply the following principles:

- We carefully assess the standards we accept as measures to reduce the risk of deforestation and conversion in our supply chains against several criteria, including credibility of a certification, the definition of cut-off dates, independent audits, and control mechanisms.
- We aim for physical supply chain options. Physical supply chain options mean our suppliers purchase volumes from certified farms. This is a good opportunity to use our buying volume as an incentive to increase certified production. Where possible, we strive for higher traceability by preferring segregated (SG) or identity preserved (IP) supply chain systems.
- For some commodity groups like soy in animal feed and derivatives and fractions in our non-food products that contain palm, we accept credits as a transitional solution. We only acknowledge the impact of credits to minimise deforestation as a first step. This helps take up certified volumes where physical supply chains are still limited or unavailable.
- We appreciate the critical review of standards by external stakeholders and recognise the need to periodically review the standards we work with. We engage in public and direct exchange with the standard organisations to encourage improvements.

The use of certification schemes is a collective contribution and a reliable mechanism to positively impact food and non-food supply chains and is one of many measures we will use to achieve our deforestation and conversion-free goal. We recognise that certifications alone are not the route to achieving sustainability for all individual high-priority commodities and strive to adopt custom complementary measures according to each supply chain's needs.

Collaboration is essential

Collaboration between stakeholders is essential for market transition and alignment between different actors in the supply chain. Currently we collaborate with:

- Standard bodies to make certification criteria more robust.
- Our direct suppliers and traders to ensure implementation of our requirements in our own supply chains.
- Industry groups across the sector, including organisations such as the Palm Oil Transparency Coalition (POTC), the Consumer Goods Forum, and the Retail Soy Group (RSG).

WE SUPPORT CHANGE THROUGH PROJECTS IN COUNTRY OF ORIGIN

Our engagement in producing countries creates direct impact, promotes sustainable production of commodities, and supports local farmers. We will continue to assess the possibility to invest in projects or landscape management approaches, which have the most impact and minimise deforestation and ecosystem conversion. A good example for this is our work towards smallholder inclusive supply chains in palm. More information can be found on our websites.

WE PUBLICLY ADVOCATE FOR IMPROVEMENTS IN POLICY AND LEGISLATION

We intend to create a positive impact by publicly advocating for the protection of forests and other natural ecosystems. We support advocacy initiatives together with other companies and organisations. We do this through public letters or statements of support that explain our position and express the common interest we share in sector-wide solutions for responsible markets and agricultural production systems, such as the Cerrado Manifesto Statement of Support, averting the weakening of Amazon protection by the Brazilian government, or signing the UK Soy Manifesto, which aims to provide a clear market requirement for all physical shipments of soy to the UK to be deforestation and conversion-free by 2025 at the latest. More information can be found on our websites.

We want to successfully address systematic challenges throughout complex supply chains. Legislative action on deforestation by the governments of importing countries is essential to create a level playing field and to drive sector-wide change. It can contribute significantly to the prevention of deforestation, mitigation of climate change and protection of the planet's biodiversity.

ALDI therefore supports the introduction of a robust legislative framework in the countries where we operate to halt import-driven deforestation, like the EU Commission's initiative for a regulation on deforestation-free products.

MONITORING

We support our suppliers in implementing our requirements by clearly communicating what we expect, by providing guidance and by monitoring compliance.

Our direct suppliers are contractually bound to follow general and commodity-specific sustainability requirements and are subject to consequences in case of non-compliance.

We monitor the implementation of our requirements through regular data assessments by our service providers, certification schemes, and cooperation in multi-stakeholder initiatives.

GOVERNANCE STRUCTURE AND RESPONSIBILITIES

The ALDI SOUTH Group's CEO Global Sourcing and Corporate Responsibility (CR) International oversees the implementation of our commitment to eliminate deforestation and conversion from our supply chains.

The international ALDI SOUTH Group CR Department employs a team of sustainability experts that regularly review our risk and impact assessment, develop approaches, and engage in sector-wide collaboration initiatives to effectively mitigate deforestation and conversion risks in our supply chains.

The national and international departments of Corporate Buying and Corporate Responsibility that have expert knowledge of our national and international business are responsible for implementing measures and ensuring compliance of our business partners.

ALDI'S NEXT STEPS

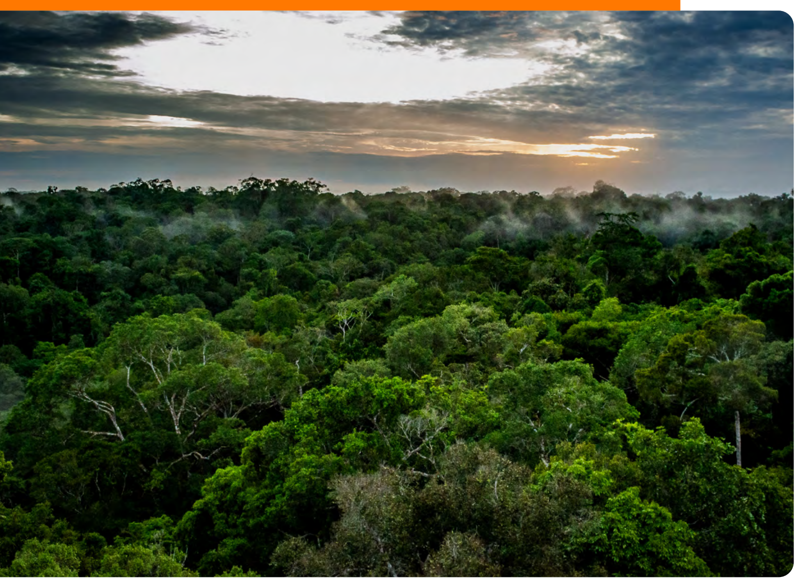
HIGH-PRIORITY SUPPLY CHAINS

In our recent risk assessment, we examined more than 25 commodities based on their global deforestation risk and relevance in our supply chains. The assessment allowed us to identify ten supply chains that have the highest deforestation-risk within our business:

EFFECTIVE RISK MITIGATION

For **palm oil, timber and paper products, wood-based packaging, cocoa** and **bananas**, the analysis shows that we have significantly reduced the risk of deforestation in our supply chains: Relevant products are certified by standards that contain robust forest protection criteria. We also invest in transparency and engage in sector-wide collaboration initiatives.

For these supply chains, we will continue the measures we currently have in place and monitor their effectiveness in order to identify possibilities to strengthen them. For palm oil for example, we will increase the transparency in our supply chain to the trader and on the amount of palm oil used in animal feed.



● Next steps ● Achieved

MILESTONE	MEASURES[2]	STATUS
PALM OIL: 100% of palm oil in all food and non-food products RSPO certified (since 2018).		
Standards	» RSPO (Identity Preserved (IP), Segregated (SG), Mass Balance (MB)).	Achieved
	» Increase shares of segregated supply chain and physically certified derivatives and fractions in non-food products.	Next steps
Transparency	» Increase transparency to the trader level and on the amount of palm oil used in animal feed.	Next steps
Collaboration	» Actively participate in multi-stakeholder groups (RSPO, POTC, RPOG).	Achieved
	» Support of smallholder initiatives (e.g. Retailer representative in RSPO Smallholder Standing Committee).	Achieved
	» Analyse further on the ground investments.	Next steps
TIMBER AND PAPER PRODUCTS: 100% of all relevant wood and paper-based products from recycled or certified raw materials (since 2021).		
Standards	» FSC, PEFC, Blauer Engel and Sustainable Forestry Initiative (SFI; only for the US).	Achieved
Transparency	» Regular random checks of product specifications by independent third parties.	Achieved
	» Regular monitoring of wood origin.	Achieved
Collaboration	» Engage in regular discussions with certification systems and stakeholders, such as FSC.	Achieved
WOOD-BASED PACKAGING: 100% of core range product packaging from recycled or certified raw materials (since 2021).		
Standards	» FSC, PEFC and Sustainable Forestry Initiative (SFI; only for the US).	Achieved
Transparency	» Regular monitoring of packaging amounts.	Achieved
Collaboration	» Engage in regular discussions with certification systems and stakeholders, such as FSC.	Achieved
COCOA: 100% of our relevant cocoa products from certified sources (since 2021).		
Standards	» Rainforest Alliance, Fairtrade and Fairtrade USA.	Achieved
Transparency	» Segregated (SG) CoC standards used for cocoa in the Choceur CHOCO CHANGER.	Achieved
	» For all other cocoa, Mass Balance (MB) CoC standards are used.	Achieved
Collaboration	» Actively participate in multi-stakeholder initiatives (RCC, European Initiatives on Sustainable Cocoa (including GISCO, SWISSCO).	Achieved
	» Invest on the ground (Choceur CHOCO CHANGER, PRO-PLANTEURS, living income project with Barry Callebaut).	Achieved

2) All measures refer to own-brand products.

● Next steps ● Achieved

MILESTONE	MEASURES[2]	STATUS
BANANA: 100% of bananas are certified to a deforestation-free standard or from deforestation-free origins since 2020.		
Standards	» Rainforest Alliance, Fairtrade, Organic.	Achieved
Transparency	» Further strengthen the traceability of our banana supply chain to farm level.	Next steps
Collaboration	» Participate in the World Banana Forum.	Achieved
	» Analyse further engagements.	Next steps

2) All measures refer to own-brand products.

MILESTONES TOWARDS ACHIEVING OUR COMMITMENT

For our other high-priority supply chains, we will strengthen our approach to reach our commitment to eliminate deforestation and conversion by 2030. For **soy, beef,** and **coffee**, we have started the process towards more transparency and identified suitable measures to address deforestation and conversion risks in our supply chains. We now focus on driving the implementation of those measures forward.

Furthermore, our comprehensive assessment enabled us to identify **sugar cane** and **coconut** as further priorities we plan to address as part of our forest protection approach.

● Next steps ● Achieved

MILESTONE	MEASURES[2]	STATUS
SOY: >90% soy certified to a deforestation-free standard or from deforestation-free origins by the end of 2025.		
Standards	» >50% of soy footprint certified to a deforestation-free standard or from deforestation-free origins in 2020.	Achieved
	» Increase share of sustainably certified soy.	Next steps
Transparency	» Assess soy footprint in collaboration with other retailers in the Collective Soy Reporting Initiative and publicly share it on our websites.	Achieved
Collaboration	» Actively participate in multi-stakeholder initiatives (RTRS, RSG, STC).	Achieved
BEEF: <1% of beef from deforestation-risk regions in South America in 2020.		
Standards	» Support national beef supply chains in the countries where we operate.	Achieved
	» Continuous screening for beef standards that address deforestation-risks.	Next steps
Transparency	» Assessed deforestation-risk of beef in supply chains in 2020.	Achieved
	» Continuous monitoring of beef origin in our supply chain.	Next steps
Collaboration	» Actively collaborate with suppliers to focus on sourcing national beef products.	Achieved

2) All measures refer to own-brand products.

Next steps Achieved

MILESTONE	MEASURES[2]	STATUS
COFFEE: > 75% of coffee products certified by a deforestation-free standard by the end of 2025.		
Standards	» Rainforest Alliance, Fairtrade, Fairtrade USA, Organic.	Achieved
	» >50% of own-brand coffee products sustainably certified in 2020.	Achieved
	» Increase share of sustainably certified coffee products.	Next steps
Transparency	» Increase traceability to the country of origin level.	Next steps
Collaboration	» Actively participate in multi-stakeholder initiative (Sustainable Coffee Challenge).	Achieved
	» Invest on the ground (Fairtrade Coffee Project and Living Income project with Olam).	Achieved
SUGAR CANE: Approach to mitigate deforestation-risk of sugar cane in our supply chains by the end of 2023.		
Standards	» Implement requirements to reduce deforestation-risk by the end of 2023.	Next steps
Transparency	» Assessed deforestation-risk of sugar cane in supply chains in 2020 and 2022.	Achieved
	» Continuously increase transparency in supply chains.	Next steps
Collaboration	» Focus on stakeholder collaboration and projects that can provide highest impact towards more sustainable sugar cane supply chain.	Next steps
COCONUT: Approach to mitigate deforestation-risk of coconut in our supply chains by the end of 2023.		
Standards	» Implement requirements to reduce deforestation-risk by the end of 2023.	Next steps
Transparency	» Assessed deforestation-risk of coconut in supply chains in 2020.	Achieved
	» Continuously increase transparency in supply chains.	Next steps
Collaboration	» Focus on stakeholder collaboration and projects that can provide highest impact towards more sustainable coconut supply chain.	Next steps

2) All measures refer to own-brand products.

SHARING OUR PROGRESS

We will continue to share our progress towards deforestation and conversion free supply chains on our international websites.

HOFER Kommanditgesellschaft
Global Sourcing & Corporate Responsibility International
Alte Bundesstraße 10
A-5071 Wals
VAT Reg. No.: ATU24963706
Commercial register: FN 26451z, Regional Court of Wels

First Edition: 05/2022
Revised Edition: 09/2022

Contact:
Corporate Responsibility International (CRI)
responsibility@aldisouthgroup.com

Please see cr.aldisouthgroup.com for more information on our international corporate responsibility activities.