

# ALDI UK's RESPONSE OF TO THE NFU FRUIT & VEG PLEDGE – a charter for the best business practice in the fresh produce sector

The NFU fruit and veg pledge is a charter of best business practice that seeks to “*improve relationships and balance risk between retailers, intermediaries and growers*” and further sets out “*behaviours and commitments that the supply chain should aspire to achieve a productive and profitable British horticulture and potatoes sector*”.

Aldi as a family run, privately owned company, understands the importance of long term supply relationships, equitable distribution of reward along the supply chain, fair and respectful conduct and proactive forward planning. These elements are crucial to the sustainability of both our business and that of our suppliers. Our approach is simple: Work with integrity and honesty, motivate through giving staff and suppliers alike true responsibility and treat people the way we would like to be treated.

## THE ROLE OF ALDI:

It is Aldi's responsibility to:

- provide our suppliers with the most efficient and cost effective retail shelf space in the UK
- allow economies of scale maximisation through high volume across a limited number of product lines driven through providing our customers with the best quality and value in the market
- avoid unnecessary complexity and red tape (duplication of auditing systems, back margin funding such as volume overrides etc.)
- commit to fair, planned, longer-term and fixed agreements with sensible payment terms
- utilise and recognise the expert knowledge our suppliers hold and listen to feedback
- work with integrity using transparent and consistent practices and in a cooperative manner
- provide suppliers with information in a clear and timely manner
- set clear expectations and quantitative targets

## THE ROLE OF SUPPLIERS:

It is supplier's responsibility to:

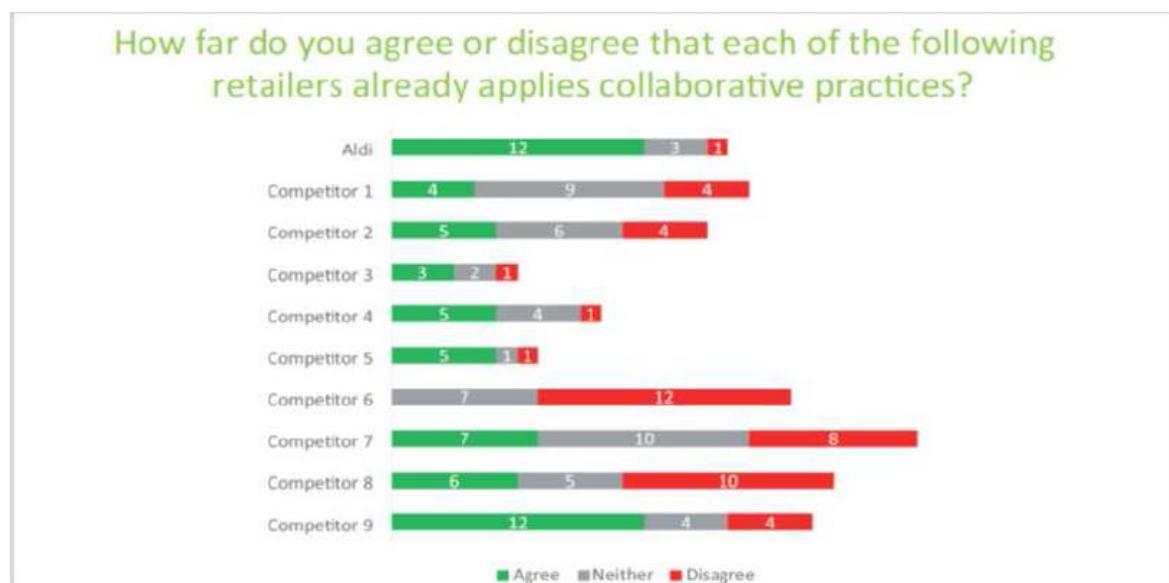
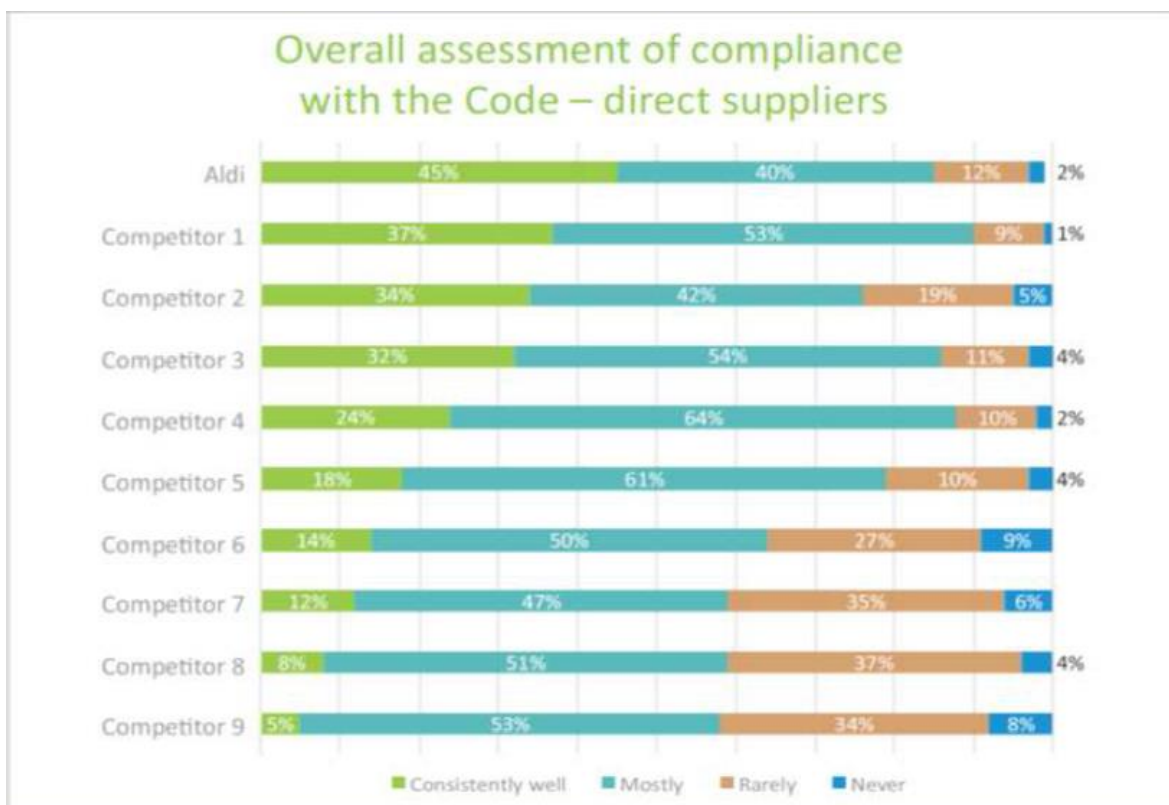
- provide the highest quality, traceable and farm-assured produce
- ensure best availability and proactive contingency planning
- strive for re-investment with the view to advancing efficiencies to provide the best possible market relevant cost price allowing these savings to be passed on to Aldi's customers
- progress sustainable farming practices and ensure fair and ethical treatment of workers
- build a sustainable and profitable business across a diverse customer base
- provide proactive category management and ideas for improvements
- ensure account handlers have true decision making authority and real focus

**THE PLEDGE:**

Aldi’s ongoing buying strategies are aligned with the NFU Fruit & Veg pledge. Indeed there are areas where we go above and beyond the pledge and have additional commitments that we believe should be included.

**NFU asks: Treat all suppliers fairly, at all times and in accordance with the Groceries Supply Code of Practice**

**Aldi says:** Due to our family values we pride ourselves on working in a way where integrity and honesty determines our decision making. As a result we have always been working in a way that not only meets but often exceeds current GSCOP guidelines as demonstrated by Aldi being placed first in the 2015 Groceries Code Adjudicator Follow-up survey as demonstrated below.



**NFU asks: Build long term relationships with growers that offer greater certainty and stability.**

**Aldi says:** Aldi's focus is on establishing long term relationships with our supply base, and many of our suppliers have been working with us for more than 15 years. We always endeavour to continue our existing supply arrangements with incumbent suppliers provided clearly pre-agreed Key Performance Indicators for quality and availability have been met. We also work with our supply base to develop and progress further indicators for sustainability. Looking forward we are open to discussing longer-term arrangements with our suppliers.

**NFU asks: Offer production programmes as far in advance as possible of the crop being required (ideally one year) with a commitment to purchase a proportion of the crop at a previously agreed price when it is ready to harvest.**

**Aldi says:** We pride ourselves on awarding seasonal or annual programs. These are often agreed well in advance of planting and seed purchase, land allocation as well as labour planning. It is our aim that no financial commitments have to be made by our suppliers without an assurance from Aldi on cost, specifications and volume. This includes a proactive Super 6 planning schedule that is agreed in consultation with our supply base to maximise the use of crop flushes and reduce waste whilst offering an exciting array of products at market leading value and quality.

**NFU asks: Offer greater price certainty to growers – either for a season, or on a specified volume of product, with no unexpected, unilaterally imposed changes.**

**Aldi says:** We pride ourselves on honouring our commitments. Aldi works on seasonally or annually fixed cost prices that are pre-agreed avoiding promotional price support; back margin mechanisms such as overrides, merchandising- or back dated forensic charges, penalty rates or other unjustified hidden costs. We honour contracts and do not renegotiate previously agreed parameters. We, where possible, take risk away from growers especially with regards to currency fluctuations by offering to pay in their native currency. Our programming schedule aims at establishing a fair market price determined by multiple equally capable suppliers quoting. We will always provide written contractual agreements outlining price and other contractual commitments. We do this at the time agreements are struck and re-confirm these on a weekly basis for full clarity.

**NFU asks: Pay all suppliers on time, in full and always consult with suppliers in advance of any changes to payment terms and conditions.**

**Aldi says:** Aldi is committed to ensuring that it maintains a strong relationship with all of our suppliers. We ensure our payment terms are reasonable and where required will support suppliers through short term cash flow hardship. Electronic invoicing is used to further reduce complexity and speed up payment processes. If there are payment discrepancies we will pay according to the information we believe is correct to ensure supplier cash flow is maintained rather than withholding total invoicing amounts. Any changes to T&Cs will always be discussed and agreed prior to implementation.

**NFU asks: Seek to plan promotional activity in advance with growers and seek to adopt a flexible, production led approach to the timing of promotions as much as possible to help manage supply and demand.**

**Aldi says:** We endeavour to commit to clearly outlined programs with our growers before crucial land, seed, labour and other financial commitments are made. This includes a proactive Super 6 planning schedule that is agreed in consultation with our supply base to maximise the use of crop flushes and reduce waste. In consultation with our supply base we are continuously exploring other opportunities to maximise crop utilisation and supply spikes such as the use of extra free packs and "wonky fruit & veg" packs.

**NFU asks: Reduce wastage, eliminate costs and add more value to the supply chain by seeking out opportunities to utilise the whole crop and adopting realistic product specifications.**

**Aldi says:** Our product tiering allows for a wider utilisation of crop profiles with our EveryDay Essential products providing a route to market for crop that does not meet standard product specifications. Our product specifications are set with our suppliers through a category and product review process and are updated as and when required. Short term specification changes are possible up to only hours before expected delivery to ensure waste within the supply chain is and flexibility to react to short term unforeseen circumstances is given to our suppliers.

**NFU asks: Communicate directly with grower suppliers so that:**

- they can better understand consumers' needs and therefore make informed production decisions and;
- you can better understand the production challenges that growers' face and be flexible to changes in supply.

**Aldi says:** We see our suppliers as an extension of the Aldi family and as the experts on their relevant industry, category and product. As such decisions are made in consultation with suppliers; our buyers are on the road every week visiting suppliers and understand the challenges the fresh produce sector holds. We recognise that only by listening to our customers as well as our suppliers, demands can be met and progress can be made.

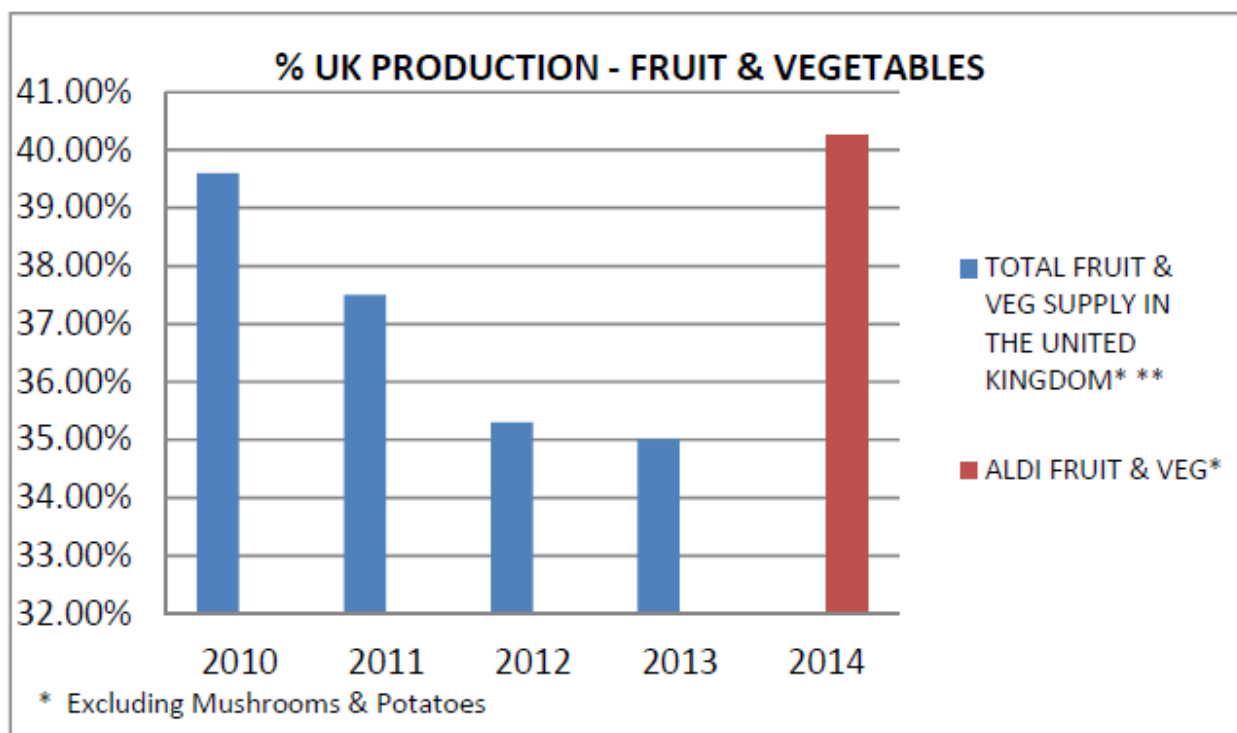
**NFU asks: Seek to adopt a joined up business plan across all aspects of your business and throughout your supply chain so that retail buyers, intermediaries and growers are working together towards common goals for the fresh produce category.**

**Aldi says:** We believe that our small dedicated buying team with a flat reporting structure allows for no nonsense, straight-line communication, fast and nimble decision making, consistent goal communication and further allows our growers to have real input into key category decision making. We pride ourselves on avoiding unnecessary complexity, duplication and administration and let our suppliers get on with what they do best; grow the best and freshest quality produce for our customers. In return we expect our suppliers to treat the Aldi business with the same passion, focus and drive as they would their own.

**NFU asks: When in season, commit to increasing the proportion of British fruit and vegetables that are available for consumers to buy.**

**Aldi says:** Aldi has always been focused on providing best quality fresh British produce that is seasonally relevant. We continue to sell many items only when they are at its best and available from British farms. So much so, that in 2014 more than 40% of our fresh produce sold was British compared to the 2013 industry average of 35% (DEFRA).

We are pro-actively looking to extend the British season where possible and to develop UK grown variants of traditionally non-UK products such as melons and chillies.



**NFU asks: Contribute to investment in horticultural research, development and product innovation that benefits consumers.**

**Aldi says:** Aldi believes that the expertise for horticultural research and development best lies with our supply base as it has best product, growing, seed and varietal, soil, technical, environmental and packaging knowledge. As such we welcome innovation and development and the sharing of such improvements with the Aldi customers. Through our commitment to longer term contracts and building transparent and trusted partnerships with our suppliers, such long term investment strategies are encouraged and supported.

**In addition to the asks of the NFU fruit & veg pledge, Aldi has further committed to:**

**Providing Cost Price certainty:**

- No promotional support funded by suppliers
- No retrospective changes to cost pricing due to market retail activity
- No charges for late or missed deliveries
- No charges for customer complaints
- Written contractual agreements
- Simple net net cost price agreements - no back margin funding

**Supporting smaller scale regional British farming through direct sourcing**

Our family ownership allows us to take a long term sustainable approach to our sourcing strategies. As such we believe that there are only limited and short term efficiencies to be gained through consolidation of the supply base. Spreading volume across a number of equally capable suppliers all working to same standards and expectations not only allows for geographical spread and provenance, but also risk diversion. More importantly however, it provides even smaller growers with the opportunity to have a direct business relationship with Aldi as well as providing our customers with regionally grown, seasonally relevant and fresh British produce.

### **Promoting consumption of healthy British Produce through TV, print and social media**

Aldi actively supports healthy eating and the consumption of fresh Fruit and Vegetables. We joined the “Change for life” campaign in January 2012 and our Super 6 offer does not only ensure that customers have access to a variety of quality produce at market leading value, but we also highlight this in store, through print, social media, radio as well as TV. Indeed, this was recognised at the 2014 FPC Fresh Awards with our Super 6 TV campaign being accredited the Marketing Campaign of the year award.

Aldi is proud to be the first supermarket to sponsor “Team GB” in the lead up to the Olympic Games in Rio 2016. The fresh produce category is to be a major focal point of marketing and PR activity with a strong focus on highlighting and supporting our “home grown heroes”.

### **Ensuring fair and transparent performance evaluation based on objective quantitative reporting ideally with independent validation**

We believe that good performance, pro-active category management, improved efficiencies as well as social and environmentally sustainable practices should be recognised and rewarded. To do this a fair, transparent and competitive market setting is required supported by clear, timely and quantitative reporting. As a result our internal quality testing has additional independent 3<sup>rd</sup> party verification and reporting. Our growers have access to real time data outlining their quality and availability performance against pre-agreed parameters as well as other suppliers. Combined with Corporate Responsibility credentials these parameters are used to reward good performance ahead of other commercial considerations.

### **Aiming to maintain a consistent and senior Buying team with real decision making authority**

We understand that relationships are a crucial element of a cooperative and proactive working environment and the efforts and time invested to establish these. Albeit staff turnover is always a possibility we pride ourselves on having a small, approachable and dedicated team with flat hierarchical structures. As a result decision making can be instant, growers have a consistent point of contact with true decision making authority personnel change is minimised.