



HUMAN RIGHTS REPORT 2020

(NON FOOD)

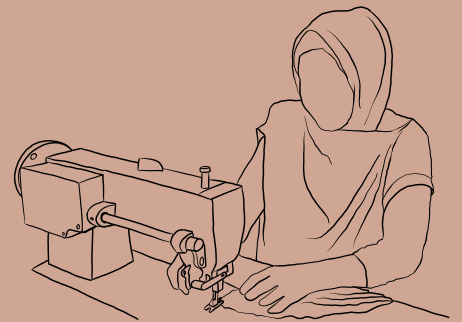


Photo: Neeltje Kleijn

A RESPONSIBILITY TOWARDS OTHERS

OUR MANAGEMENT APPROACH

What challenges do we face?

Our world is changing rapidly. As a commercial enterprise with a truly global network, this poses a challenge that we want to overcome with the best possible results – and overcome it we must. With a large network of branches in Europe, in-house and external sales staff and a web of international supply chains, we have a duty of care towards many hundreds of thousands of people.

Tchibo is a family-owned company that has been putting people centre-stage ever since it was founded in 1949. Our founding father, Max Herz, was himself a firm believer that motivated, skilled employees are fundamental to the success of any family business. This still holds true today, and of course it extends to the people in our supply chains as well. Treating one another fairly is one of the cornerstones of our company culture.

A responsibility to the people in our supply chains

As a traditional trading company, Tchibo relies on partnerships with those suppliers of textiles and non-food items who manufacture our products in Asia and Europe. We believe that a good product should meet several criteria: exceptional quality, appealing design and fair prices for our customers, combined with environmental sustainability and social responsibility. This includes improving human rights standards in the production chain and fostering good partnerships with our suppliers.

Just as globalisation provides great opportunities, both for local people in producing countries and for our customers, it also carries with it inherent risks. This includes violation of labour and employment laws, which tends to be the rule rather than the exception in many producing countries and production facilities. We strive to strike a balance between opportunity and risk for the benefit of all those involved and to include them in the processes of change. We take our responsibility seriously and firmly believe that the success of our business should never come at the expense of the people in our supply chains. Instead, our business success must help promote responsible social development. This is an ambition we take very seriously and one we have been pursuing intently for many years with a variety of measures.

Human rights due diligence is an integral part of our business practices. Our work is founded on the UN Guiding Principles on Business and Human Rights, and on the requirements of Germany's National Action Plan on Business and Human Rights (NAP). We are committed to upholding human rights, taking systematic action to prevent violations, and addressing any violations by means of targeted measures and constant improvements. These values are the reason why, in the wake of many supplier countries having been forced to lock down due to Covid-19, we have decided not to cancel any orders, to allow longer delivery times and to accept and pay for goods that have already been produced. It is an approach that we believe should be adopted as a matter of course.

The principles of human rights due diligence

The ***National Action Plan (NAP)***, produced by the German Federal Foreign Office, implements the requirements of the UN Guiding Principles on Business and Human Rights (UNGPs) in Germany. There are five basic elements to the human rights due diligence obligations set out in this document:

1. Policy statement and guidelines
2. Assessing human rights risks and implications
3. Implementing and reviewing measures
4. Establishing grievance mechanisms
5. Transparent reporting

These principles are also set out in the ***OECD Guidelines for Multinational Enterprises*** and are expected to be upheld by members of the ***Partnership for Sustainable Textiles***. Because these principles ought to apply to all companies, we have been campaigning for a German and European Due Diligence Act since 2019. For more information, see: ***Legislation***

Policy statement and guidelines

Our approach to doing business draws on internationally recognised standards and guidelines. The fundamental principles of these are enshrined in the Tchibo Code of Conduct (CoC), a binding document that serves to guide Tchibo employees in everything they do. Our minimum requirements for working conditions and environmental standards, as defined in the Tchibo Social and Environmental Code of Conduct (SCoC), apply to the producers of our non-food items as well as to our service providers and external partners. All our core business policies are summarised in our policy statement, in line with the NAP and the UN Guiding Principles.

- Policy statement on upholding human rights
- Tchibo Code of Conduct
- Tchibo Social and Environmental Code of Conduct
- Global Framework Agreement with IndustriALL
- Greenpeace Detox Commitment
- Closed Loop Commitment

The relevant documents can be found in the ***Downloads*** area, under *Tchibo Policies & Commitments* and *Supplier Policies & Guidelines*.

Assessing human rights risks

Our corporate due diligence begins with identifying, understanding and avoiding any potential negative implications that our actions may have for human rights. In 2012, we engaged in a comprehensive process to identify the human and workers' rights that are under particular pressure in global non-food supply chains. We have been continuing this analysis ever since.

As part of this process, we look at the industry sectors relevant to Tchibo, the different stages in the supply chains, the national context and local conditions on the ground. We evaluate how likely it is that a human rights violation will actually occur, how severe the impact on those affected would be, and how easily Tchibo could prevent it from happening by exerting its influence. We also regularly draw on publications by human rights organisations and research institutes to assess the human rights situation in our producing countries. The results from this analysis inform our purchasing strategy and form the basis for our human rights work at an operational level.

Specific human rights risks in our non-food supply chains

SPHERE OF ACTIVITY	POSITION IN THE SUPPLY CHAIN
HEALTH AND SAFETY IN THE WORKPLACE	MANUFACTURING, UPSTREAM STAGES, RAW MATERIALS
FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING	MANUFACTURING, UPSTREAM STAGES
LIVING WAGES	MANUFACTURING, UPSTREAM STAGES, LOGISTICS/TRANSPORT
DISCRIMINATION, HARASSMENT AND VIOLENCE IN THE WORKPLACE	MANUFACTURING, UPSTREAM STAGES
FORCED LABOUR AND MODERN SLAVERY	UPSTREAM STAGES, RAW MATERIALS, LOGISTICS/TRANSPORT
CHILD LABOUR	UPSTREAM STAGES, RAW MATERIALS
WORKING HOURS	MANUFACTURING, LOGISTICS/TRANSPORT

Implementing and reviewing measures

Any specific risks that we find in our supply chains are addressed using a progressive scale of measures. We are gradually designing our products and processes to be more environmentally and socially responsible. We prioritise those areas where our impact on people is greatest and where we can also have the biggest influence:

- Building long-term partnerships with suppliers, producers and civil society
- Continuously developing and refining responsible business practices
- Introducing initiatives to improve working (and environmental) conditions at the manufacturing and raw-material levels
- Developing innovative approaches and industry-wide alliances to tackle systemic challenges together

Long-term partnerships with suppliers and producers



Fundamental to this strategy is our commitment to long-term partnerships with suppliers and producers, allowing them to plan with as much reliability as possible. This enables sustainable improvements to be made to conditions in the supply chain. We follow strict selection criteria when deciding which factories to work with to ensure that they meet our requirements in terms of quality and responsible practices. We ensure compliance with our human rights and environmental policies with our comprehensive monitoring programme.

Empowering workers

For several years now, it has become increasingly clear on the sustainability scene that even the most careful and in-depth audits are unable to provide a full picture of what goes on behind factory doors. This is where they fall short. Audits are just a brief snapshot showing the situation on the ground at a particular moment in time and provide little incentive to initiate lasting change. We use our WE programme to actually tackle issues relating to human rights and workers' rights. The scheme enables us to support those manufacturers that we work particularly closely with. WE is at the heart of our human rights programme - and is something we are proud of.

Establishing social dialogue

Workers' rights can only be secured long-term if workers themselves have the opportunity and ability to represent their own interests. Workers' representatives and trade unions are the instruments that enable workers to demand that their rights are protected in the workplace - and monitor this - long-term. That is why we have partnered with IndustriALL Global Union, an international confederation of trade unions. In 2016, we entered a Global Framework Agreement relating to our non-food supply chains.

Driving change across the industry

We are often confronted with systemic challenges within the sectors we operate in. These challenges involve issues which are deeply rooted in the international division of labour, such as low wages. These are the areas where we cannot make any progress on our own. We need to join forces with like-minded people, working closely to tackle these challenges. Together, we can change ourselves and our world for the better.

Effective grievance mechanisms

Grievance mechanisms are an essential component in ensuring that human rights and environmental protection are firmly embedded in supply chains. They help Tchibo to identify violations of labour and environmental standards and then, at the next stage, to work collaboratively with those affected and those responsible to remedy the situation. This must go hand in hand with our other measures.

Our measures during the COVID-19 pandemic

The COVID-19 pandemic has posed - and continues to pose - a major challenge for us. We began crisis management work right back at the start of 2020, even before the virus had reached Europe. After all, China is extremely important for our supply chains: many of our non-food items are produced there or are dependent on materials and upstream products sourced from there. Starting in January 2020, many Chinese suppliers temporarily suspended production to protect their employees and China closed its borders, bringing the entire logistics chain to a grinding halt. Our suppliers in other Asian countries, who have close economic ties with China, then began to experience difficulties as well. It took just a few weeks for the virus to reach China's neighbouring countries and eventually spread to Europe too, bringing public life and commerce to a standstill.

Tchibo blog: [***Emergency logistics planning in the age of Covid-19***](#)

In retrospect, it is clear that the pandemic is more than simply a health issue. It has revealed just how fragile our modern interconnected societies are. While the lockdowns in Asia severely hampered and even halted production, in Europe they hit sales hard. Those who suffer most are the people who make our products. They face the threat of lost income, unemployment and, ultimately, poverty; in the absence of state protection in the form of health insurance and unemployment insurance, the funds available to pay their wages - which are very low to begin with - are quickly exhausted. Our human rights work is therefore more important today than ever before. It helps protect those who are unable to escape the virus and who cannot afford to go without even a single month's income.

The situation for workers

Once again, 2020 has shown us just how vulnerable workers in developing and emerging countries are. If a producer is forced to suspend operations temporarily, shut down permanently or scale back its workforce, in the worst cases this means that its workers will not be given any notice, and they won't receive compensation, back pay, short-time work, unemployment insurance or other similar benefits. What's more, economic crisis and corporate restructuring can be used as an opportunity to get rid of trade unionists and workers who are deemed to be undesirable, to cut or withhold wages or to demand excessive overtime. We have implemented a number of measures in response to these risks - both as part of our engagement across the sector generally and in relation to our own suppliers.

Call to Action: a new global initiative

Fighting a global crisis means having to find global answers. That's why, in April 2020, we joined forces with over 130 companies, associations, trade unions and other organisations in the garment industry to support the 'COVID-19: Action in the Global Garment Industry' (Call to Action) initiative launched by the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC). Our joint aim is to guarantee workers' incomes in the medium term by providing access to international aid and low-threshold lending facilities for companies, and in the long term to establish social security systems in producing countries, including Bangladesh, Pakistan, India, Cambodia, Indonesia and Myanmar.

COVID-19: Action in the Global Garment Industry

IndustriALL Global Union: a strong partnership

One thing in particular has been brought into sharp focus in the COVID-19 pandemic: we need strong partners in the trade unions to help soften the impact of any crisis on workers and to provide companies with the stability they need. That's why, in November 2020, we signed a declaration renewing our long-standing partnership with IndustriALL Global Union. It reaffirms our commitment to work together under the Global Framework Agreement, in the Call to Action and as part of ACT on Living Wages. The declaration is a joint pledge to prevent plant closures during the pandemic. We are fighting to guarantee a safe working environment by adopting COVID-secure health and safety measures. We are also working to ensure that the pandemic is not used as an opportunity to drive out trade unions and are committed to preventing lost wages. Looking beyond the crisis, our aim is to obtain higher wages for workers.

Tchibo blog: Strengthening our long-standing partnership during the COVID-19 crisis

ACT on Living Wages: industry-wide dialogue

In Bangladesh and Myanmar, our ACT initiative has provided a good basis from which to develop a coherent response to the crisis in collaboration with our partners. Having already demonstrated its commitment to large-scale collaboration, to improving procurement practices and to promoting trade union rights in the garment industry since its inception in 2016, in 2020 the ACT initiative has established itself as a platform for crisis management. Local employers in Bangladesh and Myanmar have already come together with IndustriALL, national trade unions and ACT companies operating locally to work towards securing living wages. As the pandemic unfolded, we implemented COVID-19 action plans in both countries, establishing better procurement practices, protection for workers, unions and manufacturers, and robust grievance and dispute resolution mechanisms. At a time when the entire garment industry came to a halt virtually overnight - representing unprecedented disruption for employers, workers, fashion brands and local political decision maker - it is difficult to overstate the value of the ACT initiative.

Our procurement practices help support the response to the crisis

We cultivate long-term partnerships with the majority of our suppliers around the world. As a result, we were able to move production to our suppliers' partner operations - sometimes even to other countries - as soon as our suppliers themselves had to close temporarily. We extended delivery times, paid invoices quickly and covered any additional transport costs that arose, enabling our suppliers to plan with as much certainty as possible. We did not cancel any orders or impose any price cuts, generally making sure that we were able to adapt to the circumstances of the pandemic in partnership with our suppliers. As a result, our suppliers were able to continue to employ and pay their workers. These good procurement practices will also form the basis on which crisis-proof supply chains are built in the future.

The Business and Human Rights Resource Centre conducted a survey asking us and other companies in the garment industry about the **procurement practices and measures we have implemented in response to the pandemic.**

Our requirements for suppliers during the pandemic

In May 2020, our suppliers were all asked to respect the contractual rights and wage entitlements of their employees, their human rights and trade union rights. Our WE programme works with the majority of our suppliers. It has enabled us to track compliance in these extraordinary circumstances, and continues to do so. We have taken care to ensure that the WE programme - which was established to promote development and dialogue - does not become a means of surveillance, even during times of crisis, but instead continues to pursue the principles of dialogue and integration for all. We consider it a great success that the majority of those working for our direct suppliers have received their wages in full and are still employed. We did not find any discrimination or exploitation in any of these companies. However, one of our textile producers in Bangladesh had to close due to economic difficulties, while two others reduced their workforce by about 30 % in each case. In all cases, wages and compensation were paid in full.

The majority of our producing countries responded to the pandemic by introducing a lockdown. As a result, production facilities were forced to shut down, in some cases for several weeks. Since production has restarted, our suppliers' facilities have followed the national COVID-secure health and safety requirements in their respective countries, in some cases restructuring production processes and work shifts. A few have introduced additional monthly bonuses for their workers, too.

Monitoring programme and auditing

When COVID-19 infection rates are high, travel is restricted or other national restrictions are in place, we aren't able to carry out social and environmental audits as normal. In order not to put auditors in danger or increase the risk to workers and to reduce the pressure on suppliers at a time that is already very difficult at an organisational level, we postponed the audit dates after consulting with these companies. This is a departure from our standard processes and, if necessary, we are now also placing orders for goods without having received audit results or are accepting audit certificates that we otherwise would not recognise, such as BSCI in Bangladesh or the SMETA 2-pillar audit.

The WE programme: Dialogue in factories

We have adapted our WE programme in response to the pandemic: Activities with factories have been carried out either online or in small groups in strict compliance with national COVID-secure hygiene requirements. Our WE facilitators introduced regular communication with all WE factories in response to the challenges faced locally, including discussions about mandatory and other additional health and safety measures, strategies for managing economic and mental health crises, factory restructuring, internal dialogue in factories and wage payments. In addition, medical staff from 13 Tchibo producers in Bangladesh took part in an online WE workshop about how to deal with the virus.

Globale Rahmenvereinbarung: Gewerkschaften unter Druck

In addition to our Social and Environmental Code of Conduct (SCoC), our Global Framework Agreement with IndustriALL Global Union also guarantees trade union-specific rights and processes for workers and trade unions in our supply chains. Trade unions tend to come under even more pressure in times of crisis, which is why we have worked closely with our partners. In Turkey, Bangladesh and Myanmar - in this case under the auspices of ACT on Living Wages - we discussed the challenges arising from the crisis, the demands they place on purchasing companies and the measures Tchibo has taken in these troubled times. The results

have been incorporated into our audits, procurement practices and grievance resolutions. We have received substantially more grievance complaints than in previous years, in particular in relation to the violation of trade union rights.

The Bangladesh Accord: in safe hands

The Bangladesh Accord (now the RMG Sustainability Council), whose members include all our suppliers in Bangladesh, swiftly implemented and monitored universal COVID-19 safety measures for production facilities as soon as the pandemic began in the country. These include safe transport for workers travelling to the workplace, adapted (streamlined) production processes, social distancing, the provision of masks and protective equipment for all factory workers, hygiene measures such as continuous disinfection and ventilation, and paid time off for at-risk groups and people in quarantine. Bangladesh is one of our most important textile-producing countries. Every single one of our suppliers there is a member of the Accord and is therefore subject to the new safety measures.

Hygiene training in Bangladesh and India

In partnership with the Stockholm International Water Institute (SIWI) and the Sustainable Textile Water Initiative (STWI), the German Society for International Cooperation (GIZ) is implementing 'train the trainer' courses on occupational health and safety rights and workers' rights in the COVID-19 era in garment factories in Bangladesh. Sixteen of our local producers are taking part, each sending at least two employees to the training sessions, who on completion of their training will become hygiene educators for their workplaces. This will enable them to reach around 5,000 workers in our producers' factories. The project will run from November 2020 to September 2021.

As part of the Tamil Nadu Partnership Initiative of the Partnership for Sustainable Textiles, our project partner SAVE has delivered health and hygiene awareness training to approximately 850 managers in factories and spinning mills in the Indian state of Tamil Nadu and supplied 550 businesses with corresponding information materials.

Progress, achievements and goals

We want to support the people in our supply chains, in particular by creating spaces where they can discover their own power and find their voice, enabling them to negotiate for their rights. We believe it is important to promote honest dialogue between workers and management. In addition, we work continuously to make our value chains more transparent in order to effect change at lower/upstream stages as well. All of this requires time, courage and cooperation.

We are continuously monitoring, scrutinising and improving our approach to protecting human rights and workers' rights. Together with stakeholders in Europe and Asia, our suppliers and our employees, we are constantly encountering new challenges that we had not previously considered or that have only just emerged. We then incorporate these topics into our guidelines and programme work depending on the needs at the time.

Progress & goals for human rights due diligence

We are working to align our human rights management system even more closely with the UN Guiding Principles on Business and Human Rights - and by extension with the NAP, the OECD Guidelines for Multinational Enterprises and the corresponding reporting requirements:

- Since 2020, we have published this Human Rights Report (Non Food) in addition to our previous reporting formats (Sustainability Report according to GRI Standards, UNGC CoP). This report contains additional information, such as our specific human rights risks, details of our auditing processes and grievance mechanisms and grievance cases. In future, it will be based on the UN Guiding Principles Reporting Framework and include other business divisions. In addition, since 2020 we have been publishing our country-specific risks and specific (non-food) guidelines based on these risks.
- In 2020, we began developing a wide-reaching human rights risk analysis for our supply chains for non-food items and coffee, internal procurement and personnel.
- A catalogue of requirements specifying social and environmental criteria for all agricultural raw materials we use was drawn up in 2020. This agricultural policy will be applied and published from 2021 and will also serve as a guideline for the development of new projects involving farmers.

We are firmly convinced that the UN Guiding Principles on Human Rights Due Diligence in Supply Chains should apply to all companies. That's why we have been campaigning for a German and European Due Diligence Act since 2019. We have taken part in two public campaigns by the Business and Human Rights Resource Centre on this issue (***December 2019, September 2020***), published two position papers (***January 2020, January 2021***) and participated in numerous meetings to discuss the issue, including a hearing by the Bundestag Committee on Human Rights and Humanitarian Aid on 'Human Rights and Business' in October 2020.

Memberships and partnerships

- ACT on Living Wages
- amfori including BSCI
- Foreign Trade Association of German Retailers (AVE)
- Accord on Fire and Building Safety in Bangladesh/Ready-Made Garments Sustainability Council
- Partnership for Sustainable Textiles
- COVID-19: Action in the Global Garment Industry (ILO Call to Action)
- IndustriALL Global Union (Globale Rahmenvereinbarung)
- UN Global Compact

RISK MANAGEMENT AND AUDITING

What challenges do we face?

One of the key features of the Tchibo product range is the fact that we not only design the majority of our products ourselves, but we also define the quality and sustainability standards ourselves - standards which are often higher market levels. In order to implement these effectively, we work closely with long-standing business partners and combine our purchasing projects. Every year, we buy from around 700 to 800 factories, the majority of which are in Asia and Europe; of these, between 200 and 300 produce textiles - which is not a large number of suppliers, given our wide range of products. Many production facilities specialise in certain products. In order to offer new products and product innovations and remain competitive, we rely not only on long-term cooperation but also on a constant stream of new suppliers and manufacturers. We use our monitoring and auditing programme to select those factories which meet a minimum standard in terms of human rights and workers' rights as well as environmental issues. In the case of factories that we buy from regularly, we work closely with factory workers and workers' representatives but also management staff to implement improvements.

A complete list of Tchibo's textile producers and wet-processing companies can be found in the **[Downloads](#)** area, under *Supply Chain Transparency*, and in the **[Open Apparel Registry](#)**.

With this strategy and these measures, we can rise to the challenge

As part of our risk management and auditing processes, we assess the human rights situation in our producing countries and production facilities. When analysing the producing countries, we draw on publications from respected human rights organisations, trade unions and research institutes, as well as our own experience on the ground. This allows us to draw up issue-specific and country-specific guidelines, where we define in concrete terms the universally applicable requirements of the Tchibo Social and Environmental Code of Conduct (SCoC).

The Tchibo Social and Environmental Code of Conduct (SCoC) can be found in various languages in the **[Downloads](#)** area, under *Supplier Policies & Guidelines*.

We also conduct an assessment of all our producing countries every two years, grouping them into four categories, which we use as the basis for our auditing guidelines:

1. Low risk: no audit required
2. Risk: one-day social and environmental audit required (sometimes carried out as part of a quality audit if auditors have the necessary expertise)
3. High risk: two-day social and environmental audits, carried out by an external auditor
4. No purchasing permitted

The risk assessment for our producing countries and the resulting guidelines (Social and Environmental Country Risks and Policies) can be found in the **[Downloads](#)** area, under *Tchibo Policies & Commitments*.

We conduct social and environmental audits to verify compliance with the standards set out in the contractually binding Tchibo Social and Environmental Code of Conduct (SCoC). New factories are usually audited before a contract is signed with the supplier. The outcome of the audit determines the purchasing decision: only those that meet the minimum requirements are included in our portfolio. Any zero-tolerance violations must be rectified before any orders can be placed with the producer. These include, for example, obstruction of emergency exits, failure to provide employment contracts, payment below the legal minimum wage, or discharge of chemicals into the groundwater. For any other violations - such as workers failing to wear the protective clothing provided, incomplete employment contracts, late wage payments or a lack of safety labelling on chemicals - we give producers more time to rectify them. Orders can be placed once suppliers have submitted their plans for improvement.

We use the WE dialogue programme to help improve working conditions in the factories we regularly work with. Those producers who are not covered by our WE programme are audited every three years. These factories are given a period of four weeks to rectify zero-tolerance shortcomings. If this deadline is not met, the producer is suspended. They will not receive any new orders until the shortcomings have been remedied. This sends a clear message that the violations found are unacceptable, whilst at the same time giving our business partners time to address them. If we did not do this, we would run the risk of factories concealing shortcomings; at the same time, we see it as our responsibility not to be too hasty when there are jobs and workers' incomes at stake that may be dependent on Tchibo.

Audits have their limits

We are very sceptical about the claim that audits are able to provide a true picture of compliance with human rights and workers' rights in factories and to verify their enforcement: social audits have their limits when it comes to making progress in the long term. As a rule, they only reveal the deficiencies evident at the time of the audit. As a result, it is difficult to identify issues such as discrimination, sexual harassment or even trade union freedoms, let alone verify progress in these areas. Audits often confirm that these requirements are satisfied. However, numerous studies and our own experiences in producing countries tell a rather different story.

That's why we prefer to focus on criteria that allow us to gain an insight into the conditions in the factories, including by means of random factory visits: health and safety, human resource management systems and visible environmental pollution. In contrast, we don't even ask about discrimination or violations of the right to freedom of association in our compliance audits. Instead, we assume from the outset that these requirements are not being met. Our WE dialogue programme and our work with trade unions aim to make improvements in these areas. This approach also allows us to address other audit pitfalls, such as the lack of worker participation and the practice of double-entry bookkeeping.

Reducing the number of audits

Conducting audits involves considerable resources for all parties involved. Producers' HR departments frequently report that audits take place on a weekly or even daily basis. This leaves very little time for them to look after the needs of their own workers. To make things a little easier for everyone, we also accept inspection results from independent standards organisations, which producers can submit themselves. However, these must cover all the issues that we have categorised as zero-tolerance deficiencies with respect to our SCoC. Where appropriate, we still check specific aspects of our zero-tolerance requirements. We also try to avoid follow-up audits, which monitor the progress made in rectifying any shortcomings identified. If we are able to verify from photographic and video material that a shortcoming has been rectified, we will accept this as evidence. Where we have trading partnerships with other reputable brands, we do not carry out our own audits if the companies can prove that they have their own monitoring programme to enforce compliance with human

rights and environmental standards. In cases where we supply hard goods by other brands online, the suppliers themselves are responsible for verifying compliance with labour and environmental standards; often the products are pre-manufactured.

We also accept the following external audit standards in our reviews:

- BSCI
- WRAP
- SMETA 4-pillar audit
- SA 8000 with ISO

Establishing long-term business relationships with our producers is important to us. This enables us to check and, above all, monitor the implementation of measures resulting from our audit assessment on a regular basis. Automatically terminating a partnership when violations are found to have occurred is not helpful. This simply encourages factories to go to great lengths to conceal malpractice. Terminating the business relationship should always be the last resort where a producer is unwilling to implement improvements.

Progress, achievements and goals

We carry out our monitoring and auditing programme on a continual basis. In 2020, we made the following adaptations:

COVID-19 pandemic

- We adapted our auditing processes during the COVID-19 pandemic. When infection rates are high, travel is restricted or other national restrictions are in place, we aren't able to carry out social and environmental audits as normal. In order not to put auditors in danger or increase the risk to workers and to reduce the pressure on suppliers at a time that is already very difficult at an organisational level, we postponed the audit dates after consulting with these companies. This is a departure from our standard processes and, if necessary, we are now also placing orders for goods without having received audit results or are accepting audit certificates that we otherwise would not recognise, such as BSCI in Bangladesh or the SMETA 2-pillar audit.

Auditing: BSCI

- In order to continue to avoid having to conduct duplicate audits, we have added the Business Social Compliance Initiative (BSCI) to our membership of the sustainable trade association amfori; this gives us continued access to BSCI audits commissioned by third parties and eliminates the need to initiate unnecessary new audits of our business partners.

Participatory audits

- We are not able to include all the factories we buy from in the WE programme: In some countries we do not buy enough to set up a permanent local WE team. For many factories, we want to wait and see how the business relationship develops before we start the long-term programme. However, it seems to us that conducting just one social and environmental audit is insufficient to initiate the improvements that are needed. Working in partnership with two Indian WE facilitators who also work as auditors, we are therefore in the process of developing a new approach called a 'participatory audit', which aims to take

our positive experiences of the dialogue approach used in the WE Programme and apply them in a shorter, self-contained process.

- At the beginning of the process, the advisors conduct a routine social and environmental audit to identify any violations. Using this as their starting point, factory workers from both management and the shop floor work together to address the root causes of workers' rights violations and so improve working conditions. The advisors, whose role goes far beyond that of a conventional auditor, are there to support them. They have regular meetings with Tchibo to report on progress. What makes this different from the usual social and environmental audits is that we don't simply set the standards from the top down. Instead, we help workers to address the underlying causes and find solutions that they can implement successfully themselves.
- In 2020, we conducted one test audit in Bangladesh and three in China, following which the factories continue to work on improvements. Generally speaking, the experience was so good that we are planning further participatory audits in 2021, with a few modifications to the process.

Modern slavery

- The auditing company Elevate audits production capacity in factories in addition to assessing their compliance with social and environmental criteria as part of a project launched by the **Global Fund to End Modern Slavery**. The aim of this is to eliminate the possibility of production being outsourced to unknown, unaudited production sites where the risk of encountering forms of forced labour and modern slavery is higher. We will be conducting a pilot with three supplier firms in India in 2021 to test this approach.

WE - WORLDWIDE ENHANCEMENT OF SOCIAL QUALITY

What challenges do we face?

In the day-to-day reality of manufacturing, human rights issues come up against operational challenges such as adhering to delivery times, limited cash flow and high staff turnover. Workers, managers, owners, trade unions and commercial enterprises all have conflicting views on what is important here. For example, workers and production managers may agree that it is necessary to work a lot of overtime if they want to meet tight deadlines - and this is something that workers often welcome too, because they are paid extra for working overtime. At the same time, no one wants to risk reckless injuries due to workers being tired from working overtime. As these sorts of examples demonstrate, there are no easy solutions to improve working conditions - even if everyone involved is working to achieve that goal.

Experience has taught us that it is not enough to rely purely on monitoring in the form of audits. Recognising and preventing sexual harassment requires a different approach from fire safety measures, for example. Human rights cannot be measured solely by analysing facts because they are inherently based on relationships. In order to improve the situation, dialogue is essential between all those people involved: our approach is to change relationships and the ways our factories work so that human rights are protected. In 2008, when the WE programme was launched, this approach was a real innovation. Yet it is still a complex undertaking, just as it was back then. Over the years, we have learnt that doing things responsibly requires patience and that there are sometimes limits to our influence. Nevertheless, we believe that the WE approach provides a fair and inclusive way of working in global value chains.

With this strategy and these measures, we can rise to the challenge

The purpose of the WE programme

The purpose of the WE programme is to improve working conditions in our supply chains in way that is both lasting and self-sustaining. It provides support for our producers, enabling them to meet and exceed the requirements of our SCoC. It is a dialogue-based programme that runs in factories located in our major producing countries. We start from the position that all stakeholders have a contribution to make and should be given the opportunity to make their voices heard.

The programme brings workers, employee representatives, trade union representatives - if any such representatives exist - and managers together at regular intervals. They develop a mutual understanding of each other's situation and problems, confront head-on the human rights situation in their workplace and work together to identify ways of improving the situation. Building trust is a key factor in this process.

Human rights and workers' rights in WE

WE was developed from our evaluation of the human rights risks in our supply chains and is based on the ***standards of the International Labour Organisation (ILO)*** and international human rights conventions. The programme centres on those areas with the greatest need for improvement:

1. Wages and working hours
2. Freedom of association and workers' representatives
3. Discrimination and sexual harassment

4. Health and safety in the workplace
5. Modern slavery and child labour

How does WE work?

In WE, dialogue doesn't just mean getting people to talk to each other. It is a structured process aimed at creating a desirable future and stakeholders are encouraged to take an active role. They explore what their workplace and their relationships with each other should look like in the future, rather than restricting their focus to the problems that exist in the here and now and dwelling on them. This approach opens up new ways for them to change their reality. We always make sure that both sides participate - workers and employee representatives as well as factory managers. We encourage them to work together to find solutions. Whilst this process does take time, our experience tells us that it allows the people involved to take ownership of the changes that need to be made in their workplaces themselves.

The principle behind WE: 'Start where the factory is.'

We tackle the challenges that suppliers and workers face at any given moment. As a result, the WE programme does not follow a set formula and is always tailored to the situation. At the beginning of the programme, all those taking part define the path they want to take. This means it is up to them to agree the order in which they want to address the five human rights areas - depending on which issue is most pressing.

WE is not a training course but a facilitated process. To achieve this, we work closely with local teams of dedicated experts, our WE facilitators. The programme always runs for at least two years at each factory; in many countries the programme is run on an ongoing basis. There is a short interval of just two to three months between each individual unit, which we refer to as interventions. When we start the programme, we make it clear that everyone must commit to two conditions: we expect real progress within a reasonable time frame, and the current challenges in the factory must be transparent for all to see. After all, problems can only be solved if they have been acknowledged.

Where is WE active?

The WE programme is active in factories in Bangladesh, Cambodia, China, India, Myanmar, Pakistan, Turkey and Vietnam. These factories produce clothing and textiles, leather goods, jewellery, electronics, furniture, metal products and kitchen utensils for a number of customers including Tchibo.

We have been adapting our WE approach continuously over the years

2008 - 2011: Pilot phase with the German Society for International Cooperation (GIZ)

- Facilitated dialogue between all stakeholders - workers, employees, managers, factory management and Tchibo buyers - is possible and delivers improvements.
- Exchange of ideas and peer learning between factories promotes change - including by creating positive competition.
- In many areas of work, this dialogue-based approach achieves better results than repeated factory audits.
- Trade union membership and living wages are issues that cannot be solved at the factory level - even with the ***dialogue-based approach*** - since they are systemic in nature. Tchibo therefore launches additional projects to address these issues.

2012 - 2015: Expansion into the Tchibo supply chain

Roll-out of the WE programme begins in 2012. In addition to the pilot countries of Bangladesh, China, Laos and Thailand, we also set up the WE programme in Cambodia, Ethiopia, India, Turkey and Vietnam. By the end of 2015, we have integrated a total of 323 factories. In the process, we learn that:

- Our dialogue-based approach can be used universally and in a variety of ways.
- With dedication and investment, it is possible to introduce an alternative to the factory auditing that is customary in the industry.
- In many countries, we continue to provide ongoing support to factories as they work to address violations of workers' rights.
- We discontinue the programmes that are active in Thailand and Laos because these two countries have become less important to our in-house purchasing operations due to global purchasing trends.

2016 - 2017: Refocussing

At this point, as is not uncommon when undergoing expansion, we realise that we have now placed too much emphasis on quantity over quality in the expansion process:

- We put human rights issues and WE values (dialogue, empowerment and co-creation) firmly centre-stage once more.
- We place greater emphasis on the facilitation side of the dialogue process; our local WE experts and teams are required to have both expertise in the issues at hand and the skills required to guide transformation processes.
- We streamline processes and strip back unnecessary administrative barriers to allow us to respond with greater flexibility to challenges and needs.
- Tchibo employees are once again on site more frequently to assist with the change processes taking place in the factories.

Since 2018: Empowering the teams on the ground

We continue to implement the changes introduced in 2016, whilst at the same time focusing on empowering and linking up the local WE teams:

- Local WE teams (facilitators) are given a great deal of flexibility to adapt the programme to the country and factory in question. Tchibo works closely with them on this.
- New ideas are trialled - in some cases only in individual countries or factories. Lessons learnt are continuously fed back to inform the further development of the programme.
- Local WE teams work in close cooperation with each other: they learn from one another and complement each other's skills and experience, both through online forums and in collaborative activities involving multiple countries. An improved collaborative data management system was also introduced in 2019 to achieve this. What's more, we also hold international conferences (ITCs) for all WE facilitators twice a year. Following on from the key methods adopted in 2019 ('Working with Stories' and 'Working with Complexities'), in 2020 we will be exploring issues centred around the five key WE themes.
- The WE programme is run by our local staff in the Hong Kong and Dhaka purchasing offices to ensure that they also link up with purchasing activities in these locations. They were closely involved in local WE activities in 2019, and in China purchasing decisions were made jointly with WE facilitators for the first time.

Progress, achievements and goals

COVID-19 pandemic

- We have also continued the WE Programme during the global COVID-19 pandemic. Our methods have increasingly focused on online activities. Where national pandemic regulations have permitted, WE facilitators have conducted site visits in small groups and in strict compliance with COVID-secure health and safety requirements. Subjects that have come to the fore during the crisis include occupational health and internal dialogue in factories. In Bangladesh, we organised an online workshop for the doctors and nurses working in the factories to share their experiences of dealing with the virus; employees from 13 factories took part and found the discussion very helpful and reassuring. WE facilitators have been in regular contact with factory managers and workers on our behalf to monitor how they are coping with the crisis, whether workers' health is being protected and whether wages are being paid as they should be. The advisory service has been well received by participants in the factories. Trade union members in Turkey and human resources and sustainability managers in India have been increasingly involved. A factory in India carried out its own complex intervention programme, called Forum Drama, with online guidance. In Cambodia, WE facilitators had in-depth discussions with members of the in-house WE teams at two factories and learned a lot about their lives and the impact of the WE programme on them, and this will inform the future development of the programme.

New WE factories

- Twenty-five factories have been newly included in the programme, with their first activities held online. There have been a total of 424 factories involved in the programme since 2008, including 90 that are currently still participating actively. In 2020, 4,200 workers and managers took part in activities.

Committees to combat sexual harassment and discrimination

- In Bangladesh, our WE programme helped to set up and train committees to combat sexual harassment and discrimination in four factories. They consist of elected female workers and their work includes drawing up anti-discrimination policies, raising awareness among the workforce and handling staff grievances.
- In order to promote work on this important issue in the garment industry in Bangladesh and to learn from each other, we also collaborated with the non-governmental organisation Bangladesh Centre for Worker Solidarity (BCWS).
- In India, internal company grievance committees are required by law, but they often tend to be dysfunctional. The WE programme has helped 13 factories set up new committees or improve existing ones. They were also given the necessary skills to prevent sexual harassment in the workplace and to process grievance cases. These committees are also made up of elected workers. This process has been started in four other factories as well.
- We want to continue to develop the methods used to address this issue and are working on an online training programme.

Learning and development

- In order to promote further learning between WE teams in different countries, we have expanded our programme infrastructure: The WE Toolbox contains guidance on individual intervention options. The WE Library summarises case studies and success stories. We would also like to make these available to the public in the future.

Challenges that we are continuously working on

Despite our continuous efforts to develop the programme over the years, some challenges remain. These are challenges familiar to other professionals in the field of human rights, transformation or development work:

- **Making the WE approach an integral part of factory life:**
We strive to ensure that the WE approach - and with it, the continuous improvement of working conditions - is firmly established in all our factories. At the same time, we recognise that the use of WE methods and work to develop and refine them will fade into the background, or indeed be forgotten entirely, if we do not oversee the work. This can even happen in factories that have made good improvements during the process. There can be a variety of reasons for this: a lack of commitment from company and factory management, other priorities in the day-to-day running of production operations, and staff turnover - including in middle management.
Our approach: We currently provide ongoing support to factories in every country with the exception of China. For China, we are developing a process that will enable us to have regular contact with factories, without having to oversee the programme in its entirety long-term; our purchasing department is involved in this process and in selecting the factories. We are committed to establishing processes in the factories, empowering workers' representatives and involving trade unions.
- **Engaging company management:**
The consent and support of a company's management is essential if we are to achieve as many lasting improvements as possible in our factories. This is not always achievable - in part because the companies in question are often large enterprises whose management staff are based in countries other than those where the factories themselves are located.

Our approach: we engage with our fellow purchasers to stress the importance of the programme. The first step taken in each factory is to inform and involve the factory management on a regular basis.

- **Involving the entire workforce:**

Many factories in Asia have several thousand employees. This makes it impossible for us to include every single worker in the programme. At the same time, the aim is to ensure that as many workers as possible are informed about their rights and benefit from the improvements.

Our approach: we are committed to establishing processes in factories, empowering workers' representatives and involving trade unions. We organise activities aimed at increasing the visibility of the work that is being done, such as poster parades in the canteen, for example.

- **Measuring impact:**

It is our experience that the WE programme works - and this is often seen in changes in behaviour.

Traditional, quantitative impact measurement, which assumes simple mechanisms of action (activity A causes B), is often not capable of capturing this. Our work has taught us that interdependencies are often more complex. We are therefore looking for new ways of measuring impact, incorporating in particular the stories of those involved and their experiences.

SOCIAL DIALOGUE

What challenges do we face?

In the long run, workers' rights can only be secured on a long-term basis if workers are given the opportunity to represent their own interests. Workers' representatives and trade unions are the instruments that enable workers to demand that their rights are protected in the workplace – and monitor this – long-term. That is why we work in partnership with IndustriALL Global Union.

With this strategy and these measures, we can rise to the challenge

In September 2016, Tchibo became the first retail company in Germany to conclude a Global Framework Agreement with IndustriALL Global Union for our non-food supply chains. It provides workers with the opportunity to unionise and engage in collective bargaining, even beyond our SCoC. The agreement is designed to make it easier for them to negotiate wages, benefits and working hours both in the factory and industry-wide, working closely with local unions. It strengthens our commitment to trade union rights and social dialogue.

The Framework Agreement is also the basis for our collaboration with IndustriALL on industry-wide initiatives. This applies, for example, to our work to promote living wages as part of ACT and on fire and building safety under the Bangladesh Accord. We believe that the profound change needed in our world and in the industries in which we operate is only possible if workers' voices form part of the solution.

Our Global Framework Agreement can be found in various languages in the **[Downloads](#)** area, under *Tchibo Policies & Commitments*.

We work with the Framework Agreement in two ways:

1. On the one hand, we want to enable our producers' workforce to promote their interests in an organised way – in other words, by joining trade unions and engaging with workers' representatives, if that is what they want to do. We provide our WE facilitators with the skills they need to recognise these kinds of problems in factories and to work with those affected to resolve them. This reinforces the idea of 'freedom of association and workers' representation' in the WE programme. Above all, facilitators should be able to promote social dialogue in the workplace in order to give social partners the power to solve problems. Workers who have taken on the role of worker's representatives or trade union representatives in the factory are given priority to participate in the WE programme, and managers are made aware of these issues in the WE programme.
2. Secondly, the Framework Agreement helps us to respond appropriately to union-related grievances from factories, such as when workers face pressure in the workplace not to join trade unions. In these cases, the Framework Agreement forms the basis for our close cooperation with local trade unions. We keep each other informed of any grievance cases and mediate between the parties. The causes of grievances like this can quickly lead to major disputes, such as strikes or large-scale dismissals. In cases such as these, prompt cooperation based on trust is therefore of paramount importance if we are to minimise the impact on all those concerned and strike a good balance between the various interests at stake.

The Framework Agreement applies to all those countries where our products are produced. Working closely with IndustriALL, we reach a consensus on setting up country-specific working groups. These working groups see WE facilitators and Tchibo working side by side with the respective affiliated national unions

of IndustriALL. The working groups design implementation strategies and provide a forum for resolving grievances and sharing experiences. Country groups currently exist in Bangladesh and Turkey. In Myanmar, we are currently working closely with the national trade union as part of a project on social dialogue.

Social dialogue in Myanmar

In Myanmar, we are currently involved in the project ***'Promoting Sustainability in the Textile and Garment Industry in Asia'***, which is run by the German Society for International Cooperation (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). There is even more crossover here between the WE Programme and the Framework Agreement. Our focus is on establishing social dialogue with the majority of our suppliers, providing the basis for better labour standards. Our joint training programme is run in partnership with the country's largest trade union in the textile and clothing industry, IWFM.

Progress, achievements and goals

COVID-19 pandemic

- We need strong partners in the trade unions to help soften the impact of any crisis on workers and to provide companies with the stability they need. That's why, in November 2020, we signed a declaration renewing our long-standing partnership with IndustriALL Global Union. It reaffirms our commitment to work together under the Global Framework Agreement, in the Call to Action and as part of ACT on Living Wages. The declaration is a joint pledge to prevent plant closures during the pandemic. We are fighting to guarantee a safe working environment by adopting COVID-secure health and safety measures. We are also working to ensure that the pandemic is not used as an opportunity to drive out trade unions and are committed to preventing lost wages. Looking beyond the crisis, our aim is to obtain higher wages for workers.
- In Turkey, Bangladesh and Myanmar - in this case under the auspices of ACT on Living Wages - we spoke to national trade union associations and discussed the challenges arising from the crisis, the demands they place on purchasing companies and the measures Tchibo has taken in these troubled times. The results have been incorporated into our audits, procurement practices and grievance resolutions. At the same time, we were forced to cancel planned projects such as national-level activities in India and Cambodia as well as information events in Turkey due to the pandemic; we hope to be able to resume this work in 2021.
- We have received substantially more grievance complaints than in previous years, particularly in relation to the violation of trade union rights: 8 in 2020 compared with 0 in 2019 (see the section entitled **Effective grievance mechanisms** in the report).

Promoting freedom of association in the WE Programme

- India: In collaboration with local representatives from IndustriALL, the WE team in India ran a full-day workshop on trade union rights and worker representation, with HR and compliance managers attending from all 16 of our WE factories in India.
- Turkey: We involved our WE facilitators more closely than ever before in the investigation and resolution of a grievance concerning the violation of trade union rights at one of our main textile producers. This resulted in a tailor-made development plan for the factory, involving the local union and IndustriALL. This approach will be trialled in 2021 as a model for other factories in Turkey and, if successful, will be adopted by WE teams in other countries.

Myanmar: the project for social dialogue

- The pandemic posed a real challenge for our social dialogue project. We were unable to carry out all the important activities online and encountered local staffing constraints and strategic difficulties as well. Our partner union IWFM is also fully involved in crisis management in the country - both in the factories themselves and in ACT on Living Wages and tripartite government bodies (until the military coup in February 2021). As a result, the IWFM was no longer able to take part in the project. Together with GIZ, we therefore decided at the end of 2020 to bring the project in its current form to an early close. We will continue our work in 2021, adopting a new approach that will draw on our experience from the last three years.
- Depending on how the situation develops in the wake of the military coup, we will focus on providing COVID-secure training for workers, including on trade union rights and the **Myanmar Freedom of Association Guideline**, which was negotiated in 2019 and is mandatory for all local ACT member producers. The IWFM will continue to play a role in this.
- The guidance developed in the project so far for workers' representatives, factory managers and future trainers for social change and dialogue will be published in 2021.

INDUSTRY-WIDE CHANGE

What challenges do we face?

At Tchibo, we have been implementing environmental and social standards in our coffee and non-food supply chains since 2006. In almost 15 years of experience in implementing these standards, we have discovered that there are some issues that we are simply not able to address on our own - despite having invested heavily in them ourselves and having support from both a full in-house team and third-party advisors. There is no doubt that there are improvements that we can make. Yet we must not be content with these. Some issues demand a coordinated effort by politicians, companies, employers' associations, trade unions and non-governmental organisations, such as the implementation of living wages or comprehensive climate protection measures, for instance. That is why we are involved in various initiatives - both at industry level and beyond.

With this strategy and these measures, we can rise to the challenge

We are careful to ensure that we only affiliate ourselves with human rights initiatives, or become involved in establishing such initiatives, where the interests of workers are represented. We feel it is important that trade unions and non-governmental organisations should also have a seat at the table. We have been working in partnership with IndustriALL Global Union and its members for many years. They are important partners when it comes to developing programmes and cooperating with other companies. The cooperation on fire and building safety in the Bangladesh Accord and on living wages as part of ACT on Living Wages is particularly noteworthy here.

The Accord on Fire and Building Safety in Bangladesh / Ready-Made Garments Sustainability Council (RCS)

In 2012, a year before the devastating Rana Plaza factory collapse even happened, Tchibo was instrumental in negotiating the **Bangladesh Accord on Fire and Building Safety**. Our analysis of systemic violations of workers' rights in Bangladesh had taught us that the only way to achieve truly safe conditions for workers was through a collaborative approach with external monitoring and transparency. Our own monitoring efforts, carried out in parallel by specialist engineers, would not have been sustainable in the long term. It is for this reason that we have supported and promoted the push for this joint initiative by trade unions and the Clean Clothes Campaign from the outset.

To date, 190 brands that have products made in Bangladesh have joined the Accord. This impacts more than 1,600 factories and over two million people in the country. The Accord is the most successful initiative in the world for improving working conditions in the textile industry. Much of the export industry in Bangladesh has undergone extensive modernisation as a result: more than 90% of the complaints recorded across all participating factories at the start of the Accord have been resolved or significantly improved. Before the Accord, the factories were in a very bad condition. Workers often had to endure potentially life-threatening conditions. These days, factory workers are afforded better protection. Since the Accord was founded, there have been no fatal fires or collapses in the factories that signed up. This could not have been achieved without the cooperation of businesses, producers, trade unions and the non-governmental organisations involved. Manufacturing and Export Association) gleichberechtigte Partner*innen, zusammen mit den bisherigen Markenunternehmen, den globalen Gewerkschaftsverbänden IndustriALL Global Union und UNI Global Union und Nichtregierungsorganisationen.

Since June 2020, the Bangladesh Accord has been integrated into the Ready-Made Garments Sustainability Council (RSC). All the standards and processes laid down in the Accord have been retained. Unlike the Accord, however, the RSC now includes the textile industry federations BGMEA and BKMEA (Bangladesh Garment/Knitwear Manufacturing and Export Association) as equal partners, alongside the brands that are already members, the global trade union federations IndustriALL Global Union and UNI Global Union, and non-governmental organisations.

How the Bangladesh Accord works:

The Accord is centred around independent inspections of factories in the three core areas of fire safety, electrical safety and building safety. Factory owners must remedy any deficiencies within a specified period of time. We work closely with them to develop improvement plans, called Corrective Action Plans, to support them with this. Crucially, trade unions are also party to the Accord, and safety assessments are conducted in partnership with them, as is the monitoring of improvements. Health and safety committees are mandatory in every factory in the Accord. The Accord provides them with training, and they can also participate in safety assessments and report safety problems in buildings - and train their workforce to do the same. All factory workers are regularly briefed by Accord staff on safety matters, as well as on labour standards such as freedom of association. A grievance mechanism also allows workers to report safety concerns directly to Accord, which then follows up on the improvement actions needed and - if necessary - gets the brand companies involved in the process, too.

ACT on Living Wages

Our goal is to ensure that Tchibo goods are produced under fair conditions. This includes securing living wages for the people in our supply chains. Despite all our efforts, we have not yet succeeded in realising this ambition. Whilst we can help bring about wage increases in individual factories by implementing isolated solutions, such as the WE programme, we cannot achieve long-term improvements without changing something in the system.

Achieving fair wages is one of the biggest challenges in the global garment industry and at the same time is also the key to achieving genuine equality. That's why, since 2016, we have been involved in the ACT (Action, Collaboration, Transformation) on Living Wages initiative in the global garment industry, working alongside other major brands and IndustriALL. Our vision is to see regular wage negotiations between trade unions and employers throughout a country's textile industry, combined with better procurement practices and long-term business relationships for purchasing companies. This allows wages to increase gradually until they reach the level of a living wage.

How ACT on Living Wages works:

Brands and retailers, IndustriALL and national trade unions, producers and their workers all work together in priority countries. The aim is to achieve industry-wide wage negotiations - in other words, collective agreements - between social partners on the ground. This means that trade unions in one country can negotiate wages for the entire industry - regardless of the individual factory and regardless of the brands and retailers for which those factories produce. This raises wages across the board and prevents competitors from undercutting them. Living wages are not reached immediately, but over a longer period of time. This allows all stakeholders to adapt their business operations and develop the capacity to engage in genuine social dialogue.

Certain basic conditions must be in place for this to succeed, and this is something we are working on with ACT. We have a long way to go as an industry.

- National and local trade unions must be able to negotiate wages for the entire industry in their country and represent a certain proportion of all workers. IndustriALL Global Union supports its affiliated unions with this through the ACT Partnership.
- Employers also need to be in a position to negotiate wages across the industry. To do this, they need employer organisations and the right legal framework. ACT member companies support their suppliers with this under the ACT Partnership.
- At the same time, a legal and institutional framework is also required: which is why ACT is in dialogue with national governments and organisations.
- As a company, we are working to adapt our procurement practices to provide manufacturers with long-term planning and financial security. This enables them to pay higher wages. Fair payment terms and the responsible, scheduled termination of business relationships, if necessary, are also part of this. A core part of our obligations under the ACT Partnership is that we work with our producers to ensure that wage and labour costs are a fixed part of price calculations and are therefore excluded from any negotiations on price. We have also signed up to the voluntary ***ACT Purchasing Practices Commitments***.
- Once an industry-wide collective wage agreement has been negotiated in a country, ACT companies commit as a group to keep our purchasing volumes in that country at the same level or above for several years. This fosters long-term change and gives the social partners the time and power to negotiate wages on a regular basis. We have also signed up to the voluntary ***ACT Country Commitments***.

ACT priority countries

- Bangladesh
- Cambodia
- Myanmar
- Turkey

Partnership for Sustainable Textiles

Tchibo has been a member of the Partnership for Sustainable Textiles since 2015, set up by the German Federal Ministry for Economic Cooperation and Development (BMZ). The Partnership sees companies, associations, policymakers, non-governmental organisations, standards organisations, trade unions and academics work together to improve social and environmental standards in supply chains. The Partnership offers the German textile industry the opportunity to work together as one to develop and implement common standards.

How the Partnership for Sustainable Textiles works:

The PST is what is known as a multi-stakeholder initiative. As many German stakeholders from the textile and garment sector as possible are encouraged to become members. This includes large retailers such as Tchibo, traditional German textile manufacturers, right the way down to smaller fair fashion brands, but also trade unions, NGOs such as the 'Clean Clothes Campaign' or Transparency International, as well as the policymakers who are responsible for defining the framework conditions within which we operate.

The Partnership works in three ways:

- Individual responsibility: The framework for this is provided by the **OECD Recommendations on Corporate Due Diligence in the Garment and Footwear Sector**. Each member submits an annual roadmap for the coming year, which defines improvement targets in specific priority areas, such as more effective grievance mechanisms. Compliance and progress must be reported annually. All roadmaps and progress reports from this review process are made publicly available.
- A shared commitment: In order to solve systemic problems within our industry, individual members - companies and civil society - join forces to work on specific problem areas in Partnership initiatives. These initiatives take the form of concrete projects in producing countries.
- Mutual support: The Partnership is also a forum for learning, which is especially valuable for us. Not only do we discuss problems on an ongoing basis, but we also work together to develop suitable solutions, learn good practices and examples from other companies and organisations, and support each other when we cannot make progress on our own.

The Partnership works with international initiatives that advocate for a sustainable and future-proof textile industry, such as the Fair Wear Foundation, ACT on Living Wages or the Sustainable Apparel Coalition. This reinforces the positive benefits of learning and implementation for members and makes the Partnership even more valuable for us.

Tchibo is a member of the following partnership initiatives in the Textile Partnership:

- Tamil Nadu Partnership Initiative
- Chemicals and Environmental Management Partnership Initiative

Tamil Nadu Partnership Initiative

In the Tamil Nadu Partnership Initiative, we work alongside the German Federal Ministry for Economic Cooperation and Development (BMZ), the non-governmental organisation FEMNET e.V. and the companies Hugo Boss, KiK and Otto Group to improve working conditions at a systemic level within the textile and garment industry in the Indian state of the same name, in particular for women and girls in spinning mills. The multi-stakeholder Tamil Nadu Initiative, whose administrative office is provided by the non-governmental organisation SAVE, implements the programme on the ground and drives change on several levels: the aim is to engage in dialogue to raise awareness of workers' rights among key stakeholders - including government members - in the local textile industry. There is also a training programme to accompany the planned introduction of the legally mandated grievance and arbitration bodies in spinning mills and factories. Workers and management staff are provided with information about workers' rights and grievance mechanisms.

[Visit the website for the Tamil Nadu Partnership Initiative here.](#)

Progress, achievements and goals

Radical change is most successful when all stakeholders are involved and everyone works together. This is our path to success. We are therefore actively trying to find sector-wide, collaborative approaches to more and more of the challenges we face in global supply chains. However, it takes a lot of time to develop and implement new, systemic solutions. It is a marathon, not a sprint. The progress made through this kind of engagement may seem small-scale and not immediately obvious, but it is very valuable for the systemic change we are striving for.

COVID-19: Action in the Global Garment Industry (Call to Action)

Fighting a global crisis means having to find global answers. That's why, in April 2020, we joined forces with over 130 companies, associations, trade unions and other organisations in the garment industry to support the 'Call to Action' initiative launched by the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC). Our joint aim is to guarantee workers' incomes in the medium term by providing access to international aid and low-threshold lending facilities for companies, and in the long term to establish social security systems in producing countries, including Bangladesh, Pakistan, India, Cambodia, Indonesia and Myanmar.

Bangladesh Accord / RSC

We have already achieved great successes in the six years since the Bangladesh Accord began:

COVID-19 pandemic

- The Bangladesh Accord swiftly implemented and monitored universal COVID-secure measures for manufacturing plants as soon as the pandemic began in the country. These include safe transport for workers travelling to the workplace, adapted (streamlined) production processes, social distancing, the provision of masks and protective equipment for all factory workers, hygiene measures such as continuous disinfection and ventilation, and paid time off for at-risk groups and people in quarantine. Bangladesh is one of our most important textile-producing countries. Every single one of our supplier companies there is a member of the Accord and is therefore subject to the new safety measures.

Rectifying any safety deficiencies

- We have seen 98 % of our producers' safety deficiencies remediated. This figure exceeds the average for overall performance across all 1,600 Accord factories. This is particularly true in the areas of building structure and electrics. When it comes to fire safety measures, both we and the Bangladesh Accord as a whole must do much better.

Safety committees

- All Tchibo manufacturers in Bangladesh have been integrated into Accord programmes, which set up and train safety committees in the factories. So far, 72% of our 39 factories have successfully gone through the programme.

Transformation

- The Accord is merely an interim measure. The aim is that it will no longer be needed, as the work it performs is expected to be handed over to national governmental organisations. The original Accord was renewed in 2018 as part of a transformation phase and finally evolved to become the Ready-Made Garments Sustainability Council (RSC) in June 2020, with equal representation from trade unions, brand companies and the national industry associations BGMEA and BKMEA.
- The legally binding agreement between the brand companies of the Accord and the global trade union federations IndustriALL Global Union and UNI Global Union, which is a cornerstone of the Accord's success, will come to an end in May 2021. Tchibo is seeking to renew the agreement to give the RSC the same level of power that is needed. However, this will require a lot of energy since not all Accord companies are convinced of the need for a binding agreement.

ACT on Living Wages

In 2020, Tchibo's work under the ACT Partnership focused on the following working groups:

- Strategic questions
- Country groups: Bangladesh, Myanmar, Turkey
- Topics: Freedom of association

The COVID-19 pandemic once again clearly shows how dependent brand companies and suppliers are on one another in a global trading context and how hard any changes in these trading relationships hit workers in developing and emerging countries. That is why the ACT approach is particularly relevant right now: After all, effective social dialogue and fair procurement practices are the foundation on which better protection for workers and a gradual increase in wages can be built.

Social dialogue in producing countries

Building on the work carried out in recent years, the existing forums for dialogue between national trade unions, national employers' associations and/or producers active in the country and ACT member companies in the priority countries have become important platforms for sharing information and responding to the challenges presented by the crisis:

- **Bangladesh:** The ACT working group on Bangladesh - which was formed in late 2019 and is made up of 19 ACT member companies (including Tchibo), IndustriALL, the national trade union federation and the national garment industry employers' association - approved a COVID-19 action plan which made it a priority to monitor payments made to workers. A grievance and dispute resolution mechanism was also established as part of this process. The working group will continue its work.
- **Myanmar:**
 - In 2019, suppliers and the industry union IWFM drew up a ground-breaking common standard covering freedom of association and collective bargaining, which came into force in April 2020 - the ***Myanmar Freedom of Association (FoA) Guideline***. The partners continued their dialogue and, with the support of the International Labour Organisation (ILO), developed a grievance and dispute resolution mechanism, which allows violations of the FoA Guideline to be reported and then resolved, if necessary with support from ACT member companies. There were 13 grievances filed during the pilot phase; none of them concerned Tchibo producers.
 - During the summer, ACT organised online information sessions to provide ACT suppliers and producers with information about this standard, which goes beyond what is required by law. These sessions were attended by 62% of ACT suppliers in Myanmar, including all of those working with Tchibo at the time. This was followed by extensive training programmes in November, in which 26 factories participated, including three from Tchibo.

- The ACT working group on Myanmar - which is made up of eleven ACT member companies (including Tchibo), IndustriALL, the national trade union federation and producers active in the country - together approved a **COVID-19 action plan**.
- **Cambodia:** In 2019, negotiations concerning the implementation of the ACT standards stalled because the government and the national industry association feared competitive disadvantages and the withdrawal of preferential EU tariffs. Faced with the COVID-19 crisis, the two sides came together once again. The national working group - which is made up of 17 companies, IndustriALL, the national employers' association and other representatives of producers active in the country, as well as national trade unions - has begun work to develop a shared national strategy.
- **Turkey:** The work carried out under ACT continues to be difficult in Turkey, as there is no national employers' association or industry association to negotiate an industry-wide collective agreement. As a result, ACT companies are increasingly entering into direct dialogue with their suppliers and continuing the conversation with national trade unions. The plan for 2021 is to bring Turkish employers together to work towards ACT and to establish a strong new standard for trade union rights.

Fair procurement practices

- The COVID-19 crisis has also presented ACT brand companies with unprecedented challenges. At a time when everyone involved lacks the certainty needed to plan ahead, ACT members are sticking to their voluntary commitments to adopt fair procurement practices. Current procurement practices are discussed with suppliers and with international and national trade unions within the national working groups; ACT companies are committed to open dialogue with their suppliers in order to address the challenges of planning together. Tchibo has not cancelled any orders. We have extended delivery times, paid invoices quickly and **covered any additional transport costs** that arose.
- At the same time, due to the increased workload facing procurement staff as a result of the COVID-19 crisis, we have postponed strategic work towards implementation of the five voluntary commitments. We will resume this work as a matter of urgency in 2021, however.
- Originally planned for 2020, in 2021 ACT companies will conduct internal surveys with their procurement departments concerning current procurement practices. This will be the second time this has taken place since 2017. In addition, a large number of ACT suppliers will be invited to evaluate the companies' procurement practices.

Partnership for Sustainable Textiles

COVID-19 pandemic

In the wake of the pandemic and its economic and social consequences in producing countries, the Partnership for Sustainable Textiles has been particularly important to us as a forum for discussion between member companies, non-governmental organisations and politicians. Helpful information has been shared about the situation facing factories and workers, COVID-19 regulations in producing countries, recommendations regarding good procurement practices and workplace health and safety projects for factories, and we have also discussed the ILO's Call to Action and the status of negotiations for a German supply chain law.

Roadmap and Progress Report

Due to the organisational and economic challenges posed by the COVID-19 pandemic, the Partnership's steering committee has taken the decision to suspend target setting and reporting for members in the 2020 review process. This will be resumed once more in 2021.

Tamil Nadu Partnership Initiative

In 2020, the Partnership Initiative continued to engage in dialogue at district and state level and held an annual conference, which was attended by two WE facilitators on behalf of Tchibo. As of the end of the first phase of the project in autumn 2020, 192 factories have participated in the programme, of which 70 have completed the training. Grievance and/or dispute resolution bodies have been set up in 131 factories. Approximately 24,500 workers have been educated about their rights.

In response to the COVID-19 pandemic and the challenges associated with it, several health and safety activities were implemented in the final phase. Information materials were distributed in roughly 550 factories and spinning mills and around 850 managers were given training on COVID-secure health and safety requirements. We are currently in discussions with the project partners about continuing these activities, because the combination of industry-wide dialogue and in-factory training has sparked an improvement process that we at Tchibo would also like to continue to support. Further information: **[Tamil Nadu Partnership Initiative](#)**.

More details regarding the Partnership for Sustainable Textiles in 2019 can be found in its **[annual report](#)**.

EFFECTIVE GRIEVANCE MECHANISMS

What challenges do we face?

Grievance mechanisms are an essential component in ensuring that human rights and environmental protection are firmly embedded in supply chains. They help us to identify violations of labour and environmental standards and then, at the next stage, to work together with those affected and those responsible to remedy the situation.

If grievance mechanisms are to work, people need to know that they exist, how to use them and how to formulate a complaint. They must also feel confident that their concerns will be kept confidential if they want them to be. However, grievance mechanisms alone do not necessarily help to achieve long-term improvements because they only provide retrospective and selective intervention. In order to change those unnecessary administrative barriers that facilitate the violation of workers' rights and environmental damage, we take the insights gained from grievances and incorporate them into our longer-term measures.

With this strategy and these measures, we can rise to the challenge

Tchibo has established a system consisting of multiple grievance channels, which is intended to allow as many people as possible to report grievances. Grievances are logged and investigated by a designated Tchibo employee, if possible working with local WE experts. We often enlist the help of external and independent expert organisations for the investigation as well. This is used as the basis for an action plan, which is drawn up in collaboration with the relevant Tchibo departments, such as Purchasing. We do everything we can to resolve grievances by working closely with those affected and those who have caused them. The results are then used to inform our supply chain programmes, training courses and business processes. In doing so, we hope to prevent further violations.

Direct grievances

Each and every person affected in our supply chains, as well as their representatives and third parties, can contact Tchibo directly, anonymously and in complete confidence, via any channel. In the past, for example, we have accepted grievances raised with Tchibo employees by phone, email or WhatsApp. The grievances address socialcompliance@tchibo.de is included in our mandatory Code of Conduct (SCoC) and must therefore be visible in all production facilities. It is communicated consistently on our websites. The SCoC obliges producers to have grievance-handling procedures in place and this is verified in audits.

The WE Programme

If employees are to use the channels available, they need to know about them, know their rights and have confidence in these channels. In the factories producing Tchibo non-food items, facilitators from our WE programme are often the first point of call for employees seeking to report grievances in the factories. These facilitators have developed a relationship with them based on trust. Many problems can be identified and solved together instantly, if necessary with factory management.

Trade unions

Employee representatives provide reassurance when raising grievances with superiors. Through our cooperation with IndustriALL Global Union, both national and local trade unions alert us to violations of workers' rights, often with a focus on trade union rights. They play a pivotal role in developing and implementing solutions.

Bangladesh Accord/RSC

In addition to covering fire and building safety, the **Bangladesh Accord** also has a cross-factory grievance system that workers' can also use to file grievances relating to workers' rights. All factories also have a health and safety committee to address safety-related grievances.

Whistleblowing

The whistleblowing system set up by Tchibo's holding company **maxingvest ag** allows all employees, or anyone in a business relationship with Tchibo, to contact an independent party at any time with their concerns, information or doubts regarding their own misconduct or the misconduct of others. An ombudsman council, consisting of representatives of maxingvest ag, Tchibo GmbH and the chairman of the employee council, then draws up measures.

Grievance cases - an example

A former worker for a manufacturer of intermediate textile products in India, with which Tchibo has an indirect working relationship, complains to an auditor that he was dismissed because he refused to work excessive overtime. An undercover inspection revealed that excessive working hours were commonplace in the factory, that workers could not refuse to work them, and that some workers had been dismissed for this. Furthermore, the employer also submitted false records of working hours - known as double-entry bookkeeping. Neither is permitted under our Code of Conduct. These are very serious issues that must be resolved quickly. Because the manufacturer did not produce a good improvement plan, we decided to take an innovative, collaborative approach. First, our Indian WE team conducted a series of visits over a relatively short period of time. During these visits, the team worked with a group of managers and workers to address and ultimately resolve the problems together. Working closely with our WE experts, the group developed a restructured working hours system in the factory, involving the workforce in the process. As a result, the company switched to eight-hour shifts with voluntary overtime paid at double rates, adjusted its timekeeping and introduced new, transparent payslips for its workers. In order to embed these innovations at a deeper level, a collective agreement was signed. All-hands meetings, small-group information sessions and public notices were also organised. In a final visit from the WE team after a period of time, the participants confirmed that the measures had been successful. Unfortunately, the workers who had previously been dismissed did not return to their former employer, however. In 2020, the manufacturer will be incorporated into our WE programme on a long-term basis.

Progress, achievements and goals

There is always the potential for grievance mechanisms to be improved. This is especially true when it comes to providing access to grievance channels and instilling workers with the confidence to use them. That is why we are constantly working to strengthen these points. We are developing and refining our programmes all the time with this goal in mind.

The WE programme: India

In India, internal company grievance committees are required by law. Yet they are often dysfunctional. The WE Programme has helped 13 factories set up new committees or improve existing ones. They were also given the necessary skills to prevent sexual harassment in the workplace and to process grievance cases. These committees are also made up of elected workers. This process has been started in four other factories as well.

ACT on Living Wages: Myanmar

In order to effectively implement the ***Myanmar Freedom of Association Guideline*** - negotiated in 2019 by local employers, the IWFU union and member companies of ACT on Living Wages - in the Myanmar textile industry, a dedicated grievance and dispute resolution mechanism was established in 2020. It deals exclusively with compliance with the Guideline and specifies concrete processes for the resolution of grievances and the involvement of the brand company concerned. In a first pilot phase between September and December 2020, 13 grievances were filed; none of them concerned Tchibo producers. The mechanism will be rolled out to all ACT member companies and their producers in Myanmar in 2021. For more information, visit the ***ACT website***.

ACT on Living Wages: Bangladesh

The ACT working group on Bangladesh - which was formed in late 2019 and is made up of 19 ACT member companies (including Tchibo), IndustriALL, the national trade union federation and the national garment industry association - approved a COVID-19 action plan which made it a priority to monitor payments made to workers. A grievance and dispute resolution mechanism was also established as part of this.

Grievance cases in Tchibo non-food supply chains in 2020

MONTH	COUNTRY	SECTOR	SUPPLY CHAIN	CONTENT	GRIEVANCE CHANNEL	STATUS (31.12.2020)
FEBRUARY	BANGLADESH	Textile	Manufacturing	Wages/severance pay	Accord/RSC	Resolved
FEBRUARY	BANGLADESH	Textile	Manufacturing	Wages/severance pay	Accord/RSC	Resolved
FEBRUARY	BANGLADESH	Textile	Manufacturing	Trade union rights	Trade union	Resolved
JULY	TURKEY	Textile	Manufacturing	Trade union rights	Trade union	Resolved
JULY	TURKEY	Textile	Manufacturing	Trade union rights	Trade union	Not relevant*
JULY	TURKEY	Textile	Manufacturing	Trade union rights	Trade union	Not relevant*
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay, employment contracts	Trade union	Resolved
OCTOBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay, employment contracts	Trade union	Resolved
OCTOBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay	Accord/RSC	Resolved
OCTOBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay, employment contracts	Accord/RSC	Resolved
OCTOBER	CAMBODIA	Textile	Services	Trade union rights	Trade union	Resolved
OCTOBER	CAMBODIA	Textile	Manufacturing	Trade union rights	Trade union	Not relevant*
NOVEMBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay	Accord/RSC	Resolved
NOVEMBER	BANGLADESH	Textile	Manufacturing	Wages/severance pay	Accord/RSC	Resolved
NOVEMBER	MYANMAR	Textile	Manufacturing	Trade union rights	Trade union	Open
DECEMBER	CAMBODIA	Textile	Manufacturing	Trade union rights	Trade union	Open

* Not relevant: no relationship with Tchibo

