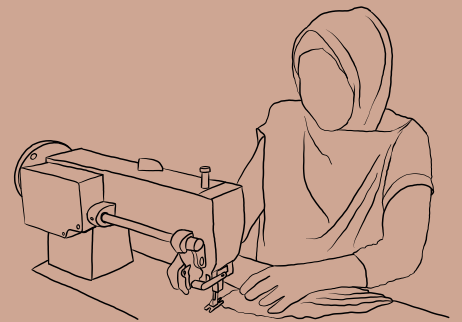


Tchibo

HUMAN RIGHTS REPORT 2019



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 textile and consumer goods who manufacture our products in *Asia and Eastern Europe*. We believe there are several elements that go into making a good product: 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. This approach – besides being second nature to us – is 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.

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***.

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 not only to the producers of our consumer goods but also 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 CoC***
- ***Tchibo SCoC***
- ***Global Framework Agreement with IndustriALL*** + Factsheet
- ***Tchibo Greenpeace Detox Commitment***
- ***Closed Loop Commitment***

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 consumer goods supply chains. We have been continuing this analysis since then.

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 consumer goods supply chains

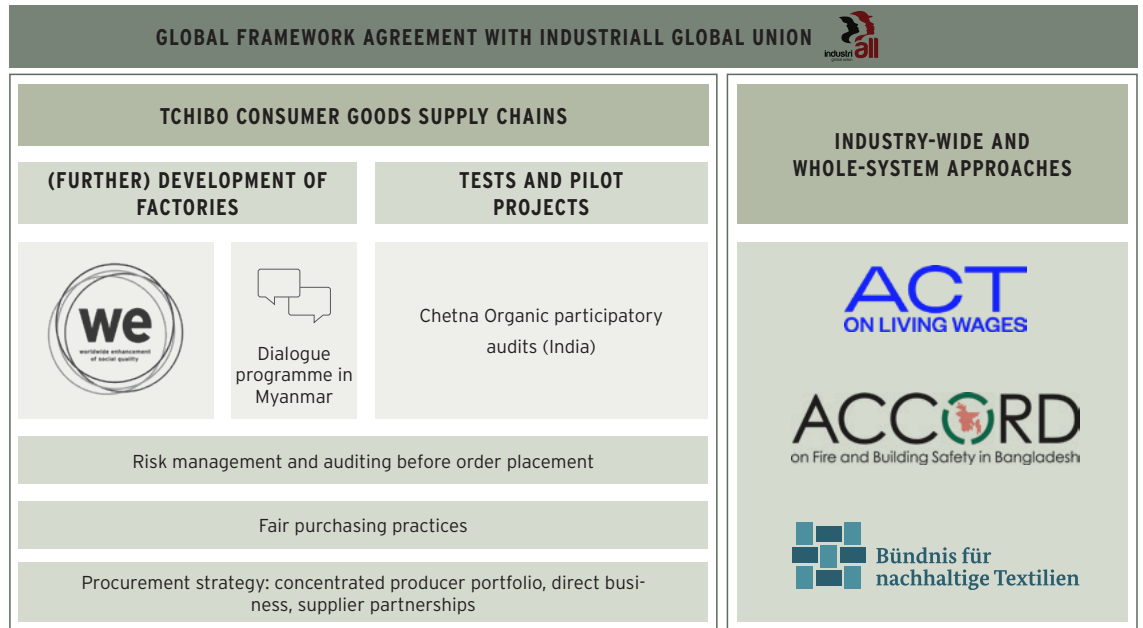
SPHERE OF ACTIVITY	POSITION IN THE SUPPLY CHAIN
HEALTH AND SAFETY IN THE WORKPLACE	MANUFACTURING, UPSTREAM STAGES, LOGISTICS/TRANSPORT
FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING	MANUFACTURING, UPSTREAM STAGES
LIVING WAGES	FERTIGUNG, VORSTUFEN, LOGISTIK/TRANSPORT
DISCRIMINATION, HARASSMENT 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 significant and relevant risks that we find in our supply chains are addressed using a progressive scale of measures. 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 measures 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

Human rights measures in the consumer goods sector



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 extremely 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 means that allows workers to demand - and monitor - enforcement of their rights in the workplace long-term. That is why we have partnered with IndustriALL Global Union, an international confederation of trade unions.

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.

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 upstream stages as well. All of this requires time, courage and cooperation.

How it all began

In 2005, the 'Clean Clothes Campaign' staged a demonstration against working conditions among producers working for Tchibo in Bangladesh. Two of our suppliers had each dismissed more than 200 workers because of their involvement with workers' representatives and trade unions. The main reason the workers had become involved was excessively long working hours and mandatory overtime. The accusations weighed heavily on us, because people are at the heart of everything we do. On a visit to Bangladesh in early 2006, we realised that we have a responsibility not just to our own employees but to the people working throughout our supply chains too. It was a turning point for the company and the starting point for the work we do today.

Over the past 14 years, we have developed a comprehensive human rights programme for the production of our consumer goods: it goes far beyond the industry's standard factory audits, standing out from the crowd thanks to our extensive and radical WE factory programme and emphasising partnerships and ambitious sector-wide approaches. We intend to continue this work, which requires ongoing commitment and investment. Our efforts in this regard have been recognised outside the organisation, including by human rights activists. It fills us with pride to see the difference we have already been able to make in our supply chains. We are particularly moved by the stories of workers from the WE programme who have brought about change - both in their factories and in their living conditions - because these workers now feel stronger, have found their courage and know that we are there to support them with our local training staff.

Nevertheless, our work is not done yet. We are continuously monitoring, scrutinising and improving our approach to protecting labour and employment rights. Together with our stakeholders in Europe and Asia, our suppliers and our employees, we constantly find ourselves facing new challenges that we had not previously considered or that have only just emerged. For example, we adapted our purchasing guidelines and improvement measures in 2018 to extend protection from labour rights violations in Turkey to cover Syrian refugees employed in the garment industry. In 2019, we also shone a spotlight on state-organised forced labour

of the Uighur Muslim ethnic minority group in China; we are still in the process of assessing the implications of this in our supply chains.

For the period 2020 to 2022, we have resolved to make our human rights management system even more deeply embedded in what we do, drawing on the ***National Action Plan for Human Rights (NAP)***, and - where relevant - to extend its scope to other areas of the company. By continuing our risk assessments, we intend to identify previously undetected gaps in our performance and bring about improvements. As part of this process, we will revise our human rights requirements for our coffee supply chains and our grievance mechanisms will undergo a thorough review. We are also laying the foundations for improving the way we collect supply chain data in order to achieve even better public transparency for our stakeholders. These are challenges we welcome.

Memberships

- UN Global Compact
- Partnership for Sustainable Textiles
- ACT on Living Wage
- Bangladesh Accord on Fire and Building Safety
- AVE: Foreign Trade Association of German Retailers (AVE)/amfori

RISK MANAGEMENT



What challenges do we face?

One of the key features of the Tchibo product range is the fact that we not only design our products ourselves but also define the quality and sustainability standards ourselves - standards which are often higher than market levels. In order to implement these effectively, we work closely with long-standing partners and combine our purchasing projects. Every year, we buy from around 700 factories, the majority of which are in Asia and Europe; of these, 200 to 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 therefore rely not only on long-term cooperation but also on a constant stream of new suppliers and manufacturers. We use our monitoring 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.

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

As part of our risk management, 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)***.

We also conduct an assessment of all our producing countries every two years, grouping them into five categories:

1. No human rights review of the individual production facility necessary
2. Review of workers' rights and environmental standards as part of quality audits
3. One-day external social and environmental audits
4. Two-day external social and environmental audits
5. No purchasing permitted at all.

Download: Tchibo Social and Environmental Country Risks and Policies (PDF)

In the social and environmental audits, we review the standards set out in the Tchibo SCoC. New factories are 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 - no matter what the product or how big the order. 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 the working conditions at 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. After all, there are jobs and workers' wages at stake here as well.

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 scientific 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 aims 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.

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 producers can prove that they have their own programme to enforce compliance with human rights and environmental standards.

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

In 2019, 100% of our suppliers signed up to our Social Code of Conduct. Our auditing rate for producers in risk markets is 97%.

KPI	TARGET DATE	STATUS
AUDITING RATE IN RISK MARKETS: 90%	End of 2019	97%

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 delivery times, cash flow and 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. 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.

The purpose of the WE programme

The purpose of the WE programme is to improve working conditions in our supply chains in a 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.

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?

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.
- 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.

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. Usually, there is a combination of underlying factors: 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 in the middle of drawing up a process that will enable us to have regular contact with factories, without having to oversee the programme in its entirety long-term. 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.

- **Reaching out to 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 – in the long term. That is why we work in partnership with IndustriALL Global Union.

In September 2016, Tchibo became the first retail company in Germany to conclude a Global Framework Agreement with IndustriALL Global Union for our consumer goods 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.

Framework Agreement with IndustriALL Global Union

There are two ways in which we work with the Framework Agreement.

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 workers' 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, Turkey and Myanmar.

Country groups - Myanmar, Bangladesh and Turkey

In 2019, we intensified our work in the country-specific working groups for Bangladesh, Turkey and Myanmar, which were launched in 2018. This included a two-day strategy workshop, bringing together all the stakeholders and representatives from WE and IndustriALL for India and Cambodia. This resulted in refinements to our existing country strategies and information sessions for factory managers in Bangladesh and Myanmar, as well as a strategy workshop with Turkish trade unions. In addition to numerous management workshops, a two-day training course for trainers was organised for young people in Myanmar, which will be repeated in 2020. This will result in a training manual covering the techniques learnt, provided in both English and Burmese and available to the public.

So far, with the exception of Myanmar, most of our trade union work at country level has focused on conflict resolution. In the future, we want to take this a step further and focus our strategic cooperation on key topics, such as the empowerment of women. We are also setting up working groups in India and Cambodia and developing closer cooperation in the existing working groups. In Turkey, we will be holding an event for our producers' management staff, with a focus on providing information and facilitating discussion about trade union rights.

Although our current focus is on our textile supply chains, in the long term we hope to extend our involvement with trade unions to other consumer goods supply chains.

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 between the WE Programme and the Framework Agreement here. Our focus is on establishing social dialogue with all our local suppliers, providing a platform 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.

We were able to make ground-breaking progress in Myanmar in 2019. Following extensive negotiations and under the auspices of ACT, suppliers came together with the national industry trade union association IWFM and agreed a groundbreaking joint standard regarding freedom of association and collective bargaining, with a view to reducing labour disputes in the country. The ***Myanmar Freedom of Association Guideline*** covers all factories producing goods for ACT brands. Tchibo has provided substantial support for the negotiations, including training sessions held as part of our local programme in cooperation with GIZ. These training sessions gave the negotiating partners the opportunity to experiment with and strengthen social dialogue. We will continue to support this process in 2020, carrying on with our training programme and collaborating on a training programme for all ACT suppliers.

Memberships

- Global Framework Agreement with IndustriALL
- Bangladesh Accord on Fire and Building Safety
- ACT on Living Wages
- Partnership for Sustainable Textiles (IG Metall, an affiliate of IndustriALL, is a member of this partnership)

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 are just two examples of this.

The Bangladesh Accord on Fire and Building Safety

In 2012, a year before the devastating Rana Plaza factory collapse even happened, Tchibo was instrumental in negotiating and implementing 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 2 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.

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.

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 purchasing 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 purchasing 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 no longer included in price calculations. 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
- Ethiopia
- Myanmar
- Turkey
- Vietnam

Partnership for Sustainable Textiles

Tchibo has been a member of the Partnership for Sustainable Textiles (PST) since 2015, set up by the German Federal Ministry for Economic Cooperation and Development. 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 us the opportunity to work together as an industry 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 in 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](#) 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.

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.

Bangladesh Accord

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

- We have seen 97% 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.
- All Tchibo manufacturers in Bangladesh have been integrated into Accord programmes, which set up and train safety committees in the factories. So far, 75% of our factories have successfully gone through the programme.

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 term, which ran to 2018, was extended with a new agreement, the Transition Accord. This resulted in two major improvements. Firstly, workers have been given more power to identify and report safety concerns in their factories. Secondly, six-monthly reviews are carried out to assess whether the Bangladeshi authorities are able to take over the work. At the end of 2019, it was decided - together with the national textile industry's export associations, the BGMEA and BKMEA - that the Accord will take a new form, although it still won't be state-run. Alongside these associations, the Readymade Sustainability Council (RSC) will also include a wide range of brands and workers' representatives and will continue to uphold the principles of the Accord just as it has done in the past. The interests of producers will now be better represented. The RSC will begin its work on 1 June 2020.

ACT on Living Wages

As things stand in 2019, Tchibo is a member of the following ACT working groups:

- Bangladesh, Cambodia, Myanmar, Turkey
- Purchasing practices, Freedom of association
- Strategic questions

We have achieved a lot through our membership of ACT, but progress in certain areas has been more difficult to achieve than we had hoped. The biggest obstacle we face is the fear in many producing countries that ACT will result in higher wages, but that this will not be balanced by higher purchase prices. This is a legitimate concern: ACT cannot guarantee that every brand worldwide will support living wages. After all, not all companies are members of ACT. This is why Tchibo is lobbying for the **legal obligation to carry out human rights due diligence**.

ACT member companies have been working together to **improve their purchasing practices** in order to build trust in the work ACT is doing amongst its partners. We have translated the voluntary commitments adopted at the end of 2018 into concrete, measurable targets. This also makes it possible to make comparisons between the companies and their various business models. It is particularly important to have a common, standardised method for reporting wage costs in purchasing contracts, thus excluding them from price negotiations. ACT member companies, and we here at Tchibo, are now working hard to implement these goals.

In parallel with this, ACT continues to work with local partners and hold discussions with national trade unions, national employers' associations, ACT suppliers and representatives of governments and authorities:

- Bangladesh: In 2019, discussions were initiated with industry associations and the government, who expressed initial interest in the ACT approach.
- Cambodia: In 2019, negotiations stalled. The government and the national industry association fear that their country will become less competitive because ACT companies only account for about 50% of the country's textile exports. The removal of EU tariff preferences for Cambodia has generated further uncertainty.
- Turkey: Ongoing discussions have been continued. The focus of this work is on cooperation with suppliers. To date, there is no national employers' association that could negotiate an industry-wide collective agreement.
- Myanmar: Following extensive negotiations, suppliers came together with the industry trade union IWFM and agreed a groundbreaking common standard regarding freedom of association and collective bargaining, with a view to reducing labour disputes in the country. The **Myanmar Freedom of Association Guideline** covers all factories producing goods for ACT brands. Tchibo has provided substantial support for the negotiations, including training sessions held as part of our local programme in cooperation with GIZ, which gave negotiating partners the opportunity to experiment with social dialogue. This forms the basis for the subsequent ACT process. In 2020, a training programme will be rolled out for all ACT suppliers and their employees.

Partnership for Sustainable Textiles

Like all members of the Partnership for Sustainable Textiles, or 'Textile Partnership' for short, we draw up an annual roadmap outlining specific improvement projects and report on our progress. Both are independently reviewed. → [Roadmap and Progress Report](#)

As things stand in 2019, Tchibo is a member of the following partnership initiatives in the Textile Partnership:

- Tamil Nadu Partnership Initiative
- Chemicals and Environmental Management 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 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 civil society organisation SAVE and the multi-stakeholder Tamil Nadu Initiative implement the programme on the ground and drive change on several levels: the aim is to engage in dialogue to raise awareness of workers' rights among key stakeholders in the local textile industry. In addition, there is a training programme to accompany the planned introduction of grievance offices in up to 200 spinning mills and factories. Workers and management staff are also provided with information about labour rights and grievance mechanisms; by the end of 2019, we will have trained more than 10,000 employees and more than 700 grievance committee members. The first phase of the project, which began in June 2018, will come to an end in autumn 2020. 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 a process of positive improvement, a process that we at Tchibo would also like to continue to support, even if we do not buy from factories in the region. More details on the [Tamil Nadu Partnership Initiative](#).

Tamil Nadu

The southern Indian state of Tamil Nadu is an important source of organically farmed and certified cotton and a key garment-producing region. However, it is not uncommon for manufacturers to work within the so-called Sumangali system, which places girls and young women in debt bondage - or, in other words, forced labour. Whilst it is true that Tchibo works with only a few manufacturers in Tamil Nadu, we believe in improving rather than avoiding. When we establish a business relationship in Tamil Nadu, it is always preceded by a special Sumangali audit, together with our normal monitoring programme.

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

Memberships

- Partnership for Sustainable Textiles
- ACT on Living Wages
- Bangladesh Accord on Fire and Building Safety
- AVE: Foreign Trade Association of German Retailers (AVE)/amfori

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. 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 **Social and Environmental 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 consumer goods, trainers from our WE programme are often the first point of call for employees seeking to report grievances in the factories. These trainers have developed a relationship with them based on trust. Many problems can be identified and solved together instantly.

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: 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, working 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 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. In 2020, we will review how we can improve access to our internal whistleblowing system for workers in our supply chains.

Grievance cases in Tchibo consumer goods supply chains in 2019 (another two not relevant, as no relationship with Tchibo)

COUNTRY	SECTOR	SUPPLY CHAIN	CONTENT	GRIEVANCE CHANNEL	STATUS
INDIA	textile	Upstream stage	disciplinary measures, working hours	auditor	resolved
BANGLADESH	textile	Manufacturing	employment contracts, wages/severance pay	trade union	resolved
BANGLADESH	textile	Manufacturing	disciplinary measures, harassment, working hours	Accord	resolved
BANGLADESH	textile	Manufacturing	wages/severance pay	Accord	resolved
BANGLADESH	textile	Manufacturing	working hours, wages/severance pay	Accord	resolved
TURKEY	textile	Manufacturing	working hours	WE	resolved
MYANMAR	textile	Manufacturing	disciplinary measures	trade union	resolved
PAKISTAN	textile	Manufacturing	disciplinary measures, harassment	direct	resolved
BANGLADESH	textile	Upstream stage	wages/severance pay	trade union	resolved
BANGLADESH	textile	Manufacturing	wages/severance pay	Accord	resolved
BANGLADESH	textile	Manufacturing	wages/severance pay	Accord	resolved

Memberships

- Global Framework Agreement with IndustriALL
- Bangladesh Accord

