



# SOCIAL AND ENVIRONMENTAL COUNTRY RISKS AND POLICIES

## 1 Country Risk Assessment

We constantly analyse our supply chains to identify risks for SCoC\* violations in (potential) sourcing markets

## 2 Country Policies

We adapt our processes to specific country risks

## 3 Issue-related Policies

We adapt our processes to issue-related risks

# 1 Country Risk Assessment

Different social, political and environmental indicators are taken into account to evaluate the risk for SCoC\* violation in all (potential) sourcing markets.

## Country Risk Score

Status: November 2020, Scope: potential sourcing markets for Tchibo

Country	Risk	Country	Risk	Country	Risk
Canada	Low Risk	Hungary	Risk	Tanzania	Risk
EU (except BG, HU, PL, RO, HR)	Low Risk	Indonesia	Risk	Thailand	Risk
Georgia	Low Risk	Israel	Risk	Tunisia	Risk
Hong Kong**	Low Risk	Kenya	Risk	Turkey	Risk
Japan	Low Risk	Lebanon	Risk	Uganda	Risk
Switzerland	Low Risk	Macedonia	Risk	Ukraine	Risk
United Kingdom	Low Risk	Madagascar	Risk	Vietnam	Risk
Uruguay	Low Risk	Malawi	Risk	Bangladesh	High Risk
Albania	Risk	Malaysia	Risk	Cambodia	High Risk
Belarus	Risk	Mauritius	Risk	Ethiopia	High Risk
Bosnia and Herzegovina	Risk	Mexico	Risk	Guatemala	High Risk
Brazil	Risk	Moldova	Risk	India	High Risk
Bulgaria	Risk	Montenegro	Risk	Myanmar	High Risk
China***	Risk	Nepal	Risk	Pakistan	High Risk
Colombia	Risk	Nicaragua	Risk	China (Dandong)	No Sourcing
Costa Rica	Risk	Papua New Guinea	Risk	Iran	No Sourcing
Croatia	Risk	Peru	Risk	North Korea	No Sourcing
Dominican Republic	Risk	Philippines	Risk	Turkmenistan	No Sourcing
Ecuador	Risk	Rwanda	Risk	Uzbekistan	No Sourcing
Egypt	Risk	South Africa	Risk		
El Salvador	Risk	Sri Lanka	Risk		
Honduras	Risk	Taiwan (ROC)***	Risk		

\*\*development of civic rights constantly monitored; labour rights are mostly protected

## Risk Grading and Minimum Audit Requirements\*\*\*\*

Low Risk	No Audit
Risk	1-day Social and Environmental Audit *** as part of Tchibo Quality Audit, if expertise allows
High Risk	2-day Social and Environmental Audit
No Sourcing	

\*\*\*\* If required, the higher audit standard has to be applied.

## Indicators and Sources for Country Risk Score

Governance	Political Freedom and Civic Rights	Human Development		
World Bank: Worldwide Governance Indicators	Freedom House: Freedom in the World	United Nations: Human Development Index		
Labour Rights and Working Conditions				
Centre for Business: Labour Regulation Index	International Trade Union Conference: Global Rights Index			
Safety and Conflict		Corruption		
Institute for Economics and Peace: Global Peace Index		Transparency International: Corruption Perceptions Index		
Air Quality and Pollution	Water and Sanitation, Water Resources	Agriculture, Heavy Metal Exposure	Biodiversity and Habitat, Forests, Fisheries	Climate and Energy
Yale Center for Environmental Law & Policy: Environmental Performance Index				

## 2 Country Policies

Beyond audit requirements, the country risk analysis results in specific country and/or issue-related policies which are detailed requirements additional to the SCoC\* provisions that are already in place.

Country	Risk	Policy
All risk and high risk countries		<ul style="list-style-type: none"> <li>No sourcing in case of Zero Tolerance findings in initial Tchibo Compliance Audit.</li> <li>No sourcing if Zero Tolerance remediation is not started after four weeks (factories with established buying relationship).</li> </ul>
Bangladesh	<ul style="list-style-type: none"> <li>High risk in regard to fire and building safety in textile, garment and footwear factories throughout the country.</li> </ul>	<ul style="list-style-type: none"> <li>Every factory to be assessed on overall suitability according to Tchibo SCoC in a pre-visit by qualified Tchibo staff.</li> <li>Every RMG factory to be assessed on fire and building safety according to requirements of Bangladesh Accord on Fire and Building Safety ("Accord", from 2020: "Ready-Made-Garments Sustainability Council", RSC). Every non-RMG factory to undergo and/or prove structural and fire safety engineering inspection in line with Accord/RSC requirements.</li> <li>Every factory to be added to the Tchibo portfolio needs to be registered with Accord/RSC. 100% of initial Accord/RSC findings to be corrected within one year.</li> </ul>
China	<ul style="list-style-type: none"> <li>Alleged forced labour of North Korean workers in the Dandong Prefecture, Liaoning Province, at the border of China and North Korea.</li> </ul>	<ul style="list-style-type: none"> <li>No sourcing from factories located in the Dandong Prefecture, Liaoning Province. Also applies for textile wet processing units.</li> <li>Termination of business relationship in case subcontracting to Dandong is revealed.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>Risk of violation of the minimum wage law, especially in contract and agency work, contracts for work and contracts for services (Leiharbeit, Zeitarbeit, Werkvertrag, Dienstleistungsvertrag).</li> </ul>	<ul style="list-style-type: none"> <li>All purchasing contracts requires business partners to guarantee compliance with the MiLoG.</li> <li>Depending on the identified risk, a MiLoG audit might be carried out at new factories/suppliers located in Germany by an external service provider.</li> </ul>

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Great Britain	<ul style="list-style-type: none"> <li>Textile and garment factories in and around the city of Leicester are alleged to violate labour law in the form of informal work, below-minimum wage remuneration, inadequate health and safety standards and other.</li> </ul>	<ul style="list-style-type: none"> <li>No production in/sourcing from Leicester.</li> </ul>
India	<ul style="list-style-type: none"> <li>High risk of forced labour of young women in the textile and garment sector of the state of Tamil Nadu through the "Sumangali" scheme.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing from textile or cotton processing factories in Tamil Nadu (Tier 1 or 2) is only possible after diligent desk research, initial compliance audit and a Sumangali assessment.</li> <li>Manufacturers in Tamil Nadu to participate in Tamil Nadu Training Project of German Partnership for Sustainable Textiles ("Textilbündnis") or in the Tchibo WE Program</li> </ul>
Israel	<ul style="list-style-type: none"> <li>Palestinian workers in Israel might face discrimination in employment, wages and working conditions, especially in Israeli-administered industrial zones in the West Bank.</li> </ul>	<ul style="list-style-type: none"> <li>No production in/sourcing from West Bank and Gaza Stripe.</li> </ul>
Italy	<ul style="list-style-type: none"> <li>A high number of Chinese-owned textile and garment workshops in and round the town of Prato, Tuscany, allegedly employ vast numbers of undocumented immigrants and are suspected to conduct forced labour, violate labour laws and standards as well as other laws notoriously.</li> </ul>	<ul style="list-style-type: none"> <li>Factories located in and around Prato need to be assessed through diligent desk research and an external audit (see risk score 2 in country risk analysis), indicating suitability with Tchibo SCoC</li> </ul>
Myanmar	<ul style="list-style-type: none"> <li>Under the former military regime (until 2011), authorities were involved in severe human rights violations including forced labour.</li> <li>The minority group of the Rohingya has been subject to severe human rights violations and genocidal practices by the military and local communities.</li> </ul>	<ul style="list-style-type: none"> <li>Special caution in all business matters to be applied.</li> <li>No business with individuals (factory owners, factory general managers) identified as responsible within the military regime (reference to US sanction list).</li> <li>Chosen manufacturers must take part in the Tchibo/GIZ Social Dialogue Program or a corresponding program. If a manufacturer does not continue the program, it will be blacklisted.</li> </ul>

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Country	Risk	Policy
Myanmar	<ul style="list-style-type: none"> <li>Involvement of manufacturers and industrial parks in land grabbing: Under the former military regime (until 2011), military and businesses seized large quantities of land without compensation of the owners.</li> </ul>	<ul style="list-style-type: none"> <li>No business with individuals (factory owners, factory general managers) identified as responsible within the military regime (reference to US sanction list).</li> <li>No sourcing from factories built on illegally acquired land and/or with ongoing land disputes.</li> <li>No sourcing from manufacturers owned by the “Tatmadaw” (military) or military company holdings MEHL, UMEHL and MEC. No sourcing from manufacturers in industrial parks owned by these holdings (namely Ngwe Pinlae Industrial Zone, Pyinmabin Industrial Park, Pyinmabin Industrial Zone).</li> </ul>
	<ul style="list-style-type: none"> <li>National minimum wage regulation exempts interns and workers in probation period from the right to minimum wage. This results in workers being hired with intern or probation contracts, other short-term contracts or without contracts at all.</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers and producers to be informed about Tchibo policy on minimum wage in Myanmar: minimum wage payment to employees after 4 weeks of work in the factory or earlier if those work on Tchibo products. Employees to receive permanent employment contracts.</li> </ul>
	<ul style="list-style-type: none"> <li>Labour law is not in line with International Labour Standards and bears high risk of labour conflict and violation of Freedom of Association and the Right to Collective Bargaining in the textile, garment, and footwear sector.</li> </ul>	<ul style="list-style-type: none"> <li>Textile, garment and footwear producers in Myanmar have to comply with the ACT Freedom of Association Guideline and its Dispute Resolution Mechanism. Severe violation or non-compliance constitutes a Zero Tolerance breach of the Tchibo SCoC</li> <li>Chosen manufacturers must take part in the Tchibo/GIZ Social Dialogue Program or a corresponding program. If a manufacturer does not continue the program, it will be blacklisted.</li> </ul>
Turkey	<ul style="list-style-type: none"> <li>Number of refugees working in the textile, garment and footwear sector increases across the country, resulting in a high risk of informal work, child labour and subsequent labour rights violations.</li> <li>Businesses are allowed to employ Syrian refugees if they do not represent more than 10% of the total workforce of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers and producers in Turkey to be informed about the Tchibo policy on refugees in Turkey: no child labour, no discrimination, equal pay for equal work, provide translations into Arabic, compliance with national regulation (including 10% quota).</li> <li>The regular Tchibo child labour policy applies.</li> <li>About each supplier and producer, diligent desk research needs to be conducted.</li> </ul>

### 3 Issue-related Policies

Beyond audit requirements, the country risk analysis results in specific country and/or issue-related policies which are detailed requirements additional to the SCoC provisions that are already in place.

Issue	Risk	Policy
Abrasive Blasting	<ul style="list-style-type: none"> <li>For certain garments and other products, abrasive blasting in the form of sand- or chemical blasting is applied.</li> <li>Exposure to dust from blasting techniques is a serious health hazard, which can damage the respiratory system and may be lethal.</li> </ul>	<ul style="list-style-type: none"> <li>Abrasive blasting processes is checked as part of internal and external audits.</li> <li>No sourcing from manufacturers that apply sandblasting or chemical blasting in textile production.</li> <li>Sourcing from non-textile factories that apply abrasive blasting methods only if required safeguards are in place.</li> <li>If audits reveal risks associated with abrasive blasting processes, an in-depth “Risk Check Abrasive Blasting” is mandatory.</li> </ul>
Child Labour	<ul style="list-style-type: none"> <li>Child Labour refers to work that is, with exceptions, carried out by children aged below 16.</li> <li>It also refers to work that is mentally, physically, socially or morally dangerous and harmful to children (below 16 years) or young workers (16-18 years), interferes with their schooling and deprives them of their childhood.</li> </ul>	<ul style="list-style-type: none"> <li>No sourcing from factories that employ children</li> <li>Remediation in cases of Child Labour:               <ul style="list-style-type: none"> <li>The worker below the legal minimum age must be immediately released from work.</li> <li>The factory is expected to send the child back to his/her family and transportation cost must be covered by the factory.</li> <li>The open position is to be offered to a family member who has reached the legal minimum age for admission to work.</li> <li>The factory is expected to provide adequate financial and other support to enable such children to attend and remain in school.</li> <li>When reaching the minimum age for admission to work, the child is to be offered re-employment in his/her earlier position.</li> </ul> </li> </ul>
Home and Cottage Work	<ul style="list-style-type: none"> <li>In some countries (e.g. Bangladesh, India) and/or industries (e.g. weaving, hand-made craft goods), home-based work or homework is common practice and widespread.</li> <li>Risk issues include child labour, no payment of minimum wages, excessive overtime etc.</li> <li>However, homeworkers may have advantages such as flexible working hours, saving on child care etc., and thus may prefer this work.</li> </ul>	<ul style="list-style-type: none"> <li>Homework is only accepted if it is known to Tchibo and if all requirements of the Tchibo SCoC are met.</li> <li>In case of homework, suppliers must provide detailed information on               <ul style="list-style-type: none"> <li>exact place(s) of the homework (i.e. regions, villages, buildings etc.),</li> <li>the entire value chain from raw materials to finished product, including all intermediaries involved,</li> <li>the suppliers’/factories’ system to monitor working conditions in those homes.</li> </ul> </li> <li>Orders can only be placed if the evaluation of all information shows that SCoC minimum requirements are met.</li> </ul>