



HUMAN RIGHTS REPORT 2021

(NON FOOD)

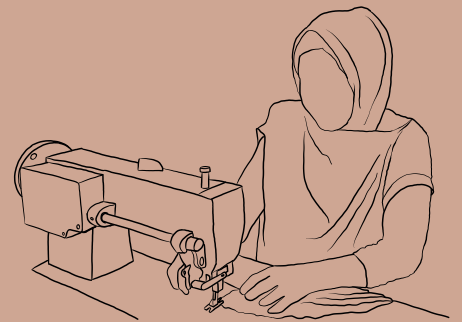


Photo: Neeltje Kleijn

RESPONSIBILITY FOR PEOPLE

MANAGEMENT APPROACH

What challenges do we face?

Our world is changing rapidly. This is a challenge that we, as a globally networked retail company, want and need to master as best we can. With a large network of branches in Europe, in-house and external sales staff and a network of international supply chains, we are committed to many hundreds of thousands of people.

Ever since the family business was founded in 1949, people have been the focus at Tchibo. Even our founder Max Herz was 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 retail company, Tchibo relies on partnerships with suppliers of textiles and non-food items in Asia and Europe who manufacture our products. For us, a good product meets various criteria: excellent quality, an attractive design and fair prices for our customers, coupled with ecological sustainability and social responsibility. This includes improving human rights standards in production and working in partnership with our suppliers.

As much as globalisation offers great opportunities for people in manufacturing countries and for our customers, it also harbours specific risks. This includes disregard for labour and social rights, which is the rule rather than the exception in many manufacturing countries and production sites. We aim to balance the opportunities and risks for the benefit of the people involved and to include them in the change processes. We take our responsibility seriously and are convinced that entrepreneurial success must not be 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 based on the UN Guiding Principles on Business and Human Rights and thus the requirements of the National Action Plan on Business and Human Rights (NAP), which will be active until 2020, and the future Supply Chain Due Diligence Act (LkSG). 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 shut 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 **NAP** and the LkSG implement the specifications of the United Nations Guiding Principles on Business and Human Rights 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**. We welcome the fact that these principles should apply to all companies. 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 cooperation 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
- Human rights and environmental policy in agricultural supply chains (***agricultural policy***)

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

Assessing specific 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

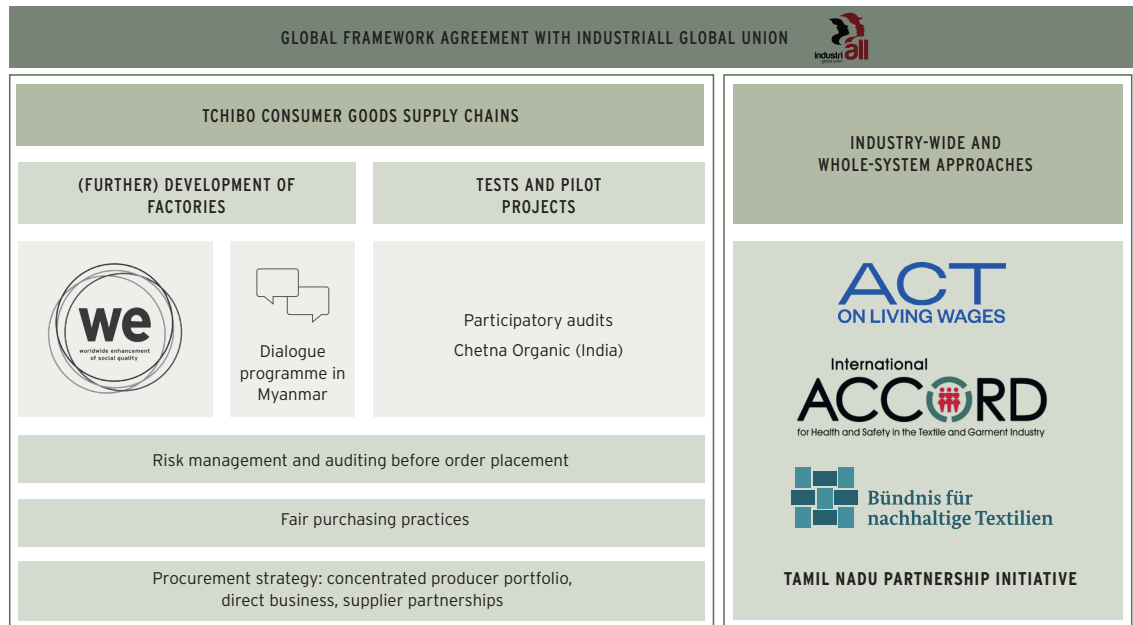
SPHERE OF ACTIVITY	POSITION IN THE SUPPLY CHAIN
HEALTH AND SAFETY IN THE WORKPLACE	MANUFACTURING, UPSTREAM STAGES, RAW MATERIALS
FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING	MANUFACTURING, UPSTREAM STAGES
LIVING WAGES	MANUFACTURING, UPSTREAM STAGES, LOGISTICS/TRANSPORT
DISCRIMINATION, HARASSMENT AND VIOLENCE IN THE WORKPLACE	MANUFACTURING, UPSTREAM STAGES
FORCED LABOUR OR 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 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 check compliance with our human rights and environmental policies with our comprehensive monitoring and auditing programme.

Empowering workers

For several years now, it has become increasingly clear 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 jointly 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 that 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.

The military coup in Myanmar

On 1 February 2021, following the general election in Myanmar, the military declared a state of emergency for the entire country and dissolved parliament, which was scheduled to meet for the first session of the new legislature that day. As a result, Myanmar, and the urban centres in particular, was shaken by massive protests and violent countermeasures, accompanied by thousands of arrests and hundreds of deaths, as well as severe restrictions on civil rights. These developments have had a major impact on our economic and human rights-related activities, ultimately leading us to phase out our manufacturing ties in the country by mid-2022.

Due diligence measures

The first free elections in decades were held in Myanmar in 2015. In the same year, we took the rapid economic recovery and promising social and labour law reforms as an opportunity to start the first production partnerships, following thorough assessment and subject to considerable human rights-related conditions. In addition to specific guidelines (see Policies, Myanmar), we developed an accompanying programme for social dialogue with the German Society for International Cooperation (GIZ), with whom we previously set up the WE programme, and the Industrial Workers Federation Myanmar (IWFM) national trade union. Since then, all our producers have had to take part in this programme. The manufacture of Tchibo products was only possible within this narrow framework.

With the military coup, the risk for workers of their basic rights, including the right to freedom of association, being curtailed, wages being reduced or not given at all or of immediate lay-off increased enormously. This context requires companies to take special measures as part of their due diligence obligations in accordance with the *OECD Guidelines for Multinational Enterprises* and the *OECD Due Diligence Guide for Responsible Business Conduct*. With this in mind, we immediately asked our suppliers and producers to avert these risks and informed them of how this should ideally be implemented (*see notification in the Tchibo blog of 26 February 2021*).

Together with our suppliers, we were able to cushion the first economic shock waves in February and March 2021. At their initiative, production was initially relocated to China since transport routes for materials and finished goods had collapsed, workers were taking part in the protests (or staying at home out of fear) and factories were faced with massive security problems in some cases. From May 2021, we brought production back to Myanmar, with due caution. As an early warning system, we regularly asked our producers about the employment situation.

In the ***ACT on Living Wages*** initiative, we worked intensively with the IWFM trade union from March onwards to develop the following due diligence measures for producers and workers and implemented them in our processes (***see notification in the Tchibo blog of 12 July 2021*** and ***ACT website***):

- Framework for companies to responsibly stop orders
- Instructions on how to deal fairly with producers in the event of delivery problems
- Framework for worker protection and dismissals
- Fast Track Dispute Resolution Procedure for Labour Violations (derived from the ***Myanmar Freedom of Association Guideline*** Complaints and Dispute Resolution Mechanism)

During the reporting period, we received four complaints about alleged violations of our standards regarding our producers in Myanmar, one of which was about the ACT fast-track procedure. All complaints were resolved amicably.

Two of our producers already closed their businesses in March and April respectively. All of the approximately 3,200 workers received their legal compensation from a producer with the participation of the Confederation of Trade Unions of Myanmar (CTUM).

Social dialogue project

We ended our project for social dialogue in its previous form ahead of schedule in December 2020 and planned to work with our project partners GIZ and IWFM with a new approach in 2021. However, the military coup and large-scale suppression of union work that accompanied it, together with the restrictions imposed by the COVID-19 pandemic, made it impossible for us to continue working for an indefinite period of time. In agreement with the partners, we ended further planning for the time being and instead invested the planned project budget entirely in local humanitarian aid projects. The assistance created by the project will be published later in 2022.

ACT on Living Wages

Myanmar has been an ACT priority country since 2018. In December 2021, members decided to end ACT's work in Myanmar. This is a consequence of the withdrawal of local IndustriALL affiliate IWFM from ACT activities, as they are no longer able to work freely under the prevailing circumstances. ACT will review its future engagement as the situation in the country changes (***notice on ACT website 15/12/2021***).

Dealing with suppliers and producers

In October and November 2021, our partners IWFM and IndustriALL Global Union, together with local unions under the Myanmar Labor Alliance and relevant global union federations, ***called on all international companies to leave Myanmar*** - among other reasons, to cut off financial support for the current regime.

We believe that the textile industry in the country has very little to no connection to the regime. This applies in particular to the foreign producers who have set up factories in the country and with whom we work exclusively. We, too, no longer saw the conditions and means to work in Myanmar with the necessary human rights due diligence. Given the systematic persecution of trade unions and their members, the large-scale restrictions on fundamental rights, the high risk of violent escalation, the forced end of our social dialogue project and the withdrawal of ACT on Living Wages, we have decided to withdraw from Myanmar. We will gradually implement this by mid-2022 in close consultation with our suppliers and producers. Our guidelines

are the framework developed with ACT for companies to responsibly stop orders ([*see above and on the ACT website*](#)) and the ACT guideline and checklist for responsible withdrawal ([*PDF*](#)). In the course of this, we are asking our remaining six producers (a total of approx. 8,000 employees) to carry out all orders as agreed, but are not placing any further orders. The manufacturers were immediately informed individually and received specific guidelines from us for dealing with their employees. This applies above all to deadlines, wages and compensation. We are regularly checking implementation. We are aware that our withdrawal will inevitably result in the lay-off of workers culminating in factory closures. That is why we have invested our entire planned project budget for 2021 in local humanitarian aid projects, in particular to provide financial support to former textile workers, especially mothers, who were made redundant in the course of the crisis.

These developments, unprecedented for Tchibo, shock us deeply and fill us with great regret. We hope for a significant improvement in the situation in Myanmar and in this case we will reassess our commitment on site.

Progress, achievements and goals

In particular, we want to support the people in our supply chains by creating spaces for them to discover their own power and find their voice to negotiate their rights. It is important to us to promote honest dialogue between employees and management. In addition, we are continuously working on making our value chains more transparent in order to bring about changes at lower/upstream levels as well. All of this takes time, courage and cooperation.

We are continuously reviewing, questioning and improving our approach to safeguarding human rights and workers' rights. Together with stakeholders in Europe and Asia, suppliers and employees, we are constantly exploring new challenges that we had not previously considered or that have arisen. Depending on the respective needs, we then include these topics in our guidelines and programme work.

Our measures in the COVID-19 pandemic

Since the beginning of 2020, the COVID-19 pandemic has been a major challenge for everyone worldwide, including ourselves.

The pandemic is more than just a health issue. It has shown us how fragile our modern networked societies are. While the lockdowns in Asia severely affected or even stopped production, the lockdowns in Europe hit goods sales hard. The people who manufacture our products suffer particularly from this. They are threatened with loss of income and jobs, in the worst case poverty; without state protection through health and unemployment insurance, the reserves of already very low wages are quickly used up. Our human rights work is therefore more important today than ever before. It helps protect those who cannot stay safe from the virus and cannot give up a single month's income.

In 2020, we adapted many of our measures to the new circumstances and started additional activities: Our supplier specifications, purchasing practices, audits and the WE programme were adapted to the new situation, the Bangladesh Accord introduced new safety measures and partners implemented health protection offers for producers in Bangladesh and India. We strengthened our partnership with IndustriALL Global Union with a new declaration and used our industry initiative ACT on Living Wages as a crisis resolution platform with unions and employers. For a holistic and long-term response to the social crises in the countries of our producers, we are part of the "COVID-19: Action in the Global Garment Industry" initiative of the International Labour Organisation ILO, the International Employers' Confederation IOE and the International Trade Union Confederation ITUC (see *Tchibo Human Rights Report Non Food 2020*). In 2021, we transferred this to our regular operations. Progress and goals can be found in the respective chapters of the Human Rights Report (Non Food).

The second half of the year was also characterised by large-scale effects on logistics processes in the supply chains for the whole world; in the case of Tchibo on the transport routes between Asia and our warehouses in Europe in particular. Global health protection measures, lockdowns and changes in consumer behaviour in Europe and North America have increasingly thrown international trade and transport processes out of their long-standing rhythm. In 2021, this circumstance meant that the majority of global transportation by ship was significantly delayed, with subsequent high loads and delays in rail and air freight. At the same time, rising energy prices amplified the effects again. We expect this trend to continue in 2022.

Progress & goals: human rights due diligence

We are constantly working on adapting our human rights management system even more closely to the UN Guiding Principles on Business and Human Rights - and thus also to the former NAP, the future LkSG, the OECD Guidelines for Multinational Enterprises and the corresponding requirements in reporting:

- In 2021, we developed a fundamentally new, broad-based human rights risk analysis for our supply chains for non-food items and coffee, our internal procurement and human resources, and will deepen this in 2022 in order to incorporate the results into our management system and our measures in the next step. The Tchibo human rights and environmental policy in agricultural supply chains was developed in 2021. This guideline will be applied from 2022, formulates principles, goals and expectations of Tchibo and serves as a guideline for the development of new farmer projects. The agricultural policy can be found in the [Downloads](#) area under *Tchibo Policies & Commitments*.
- In 2020, we started a project with the German Society for International Cooperation (GIZ), Fairtrade Germany and textile manufacturer Dibella in the Indian state of Odisha in order to track our textile supply chains more deeply and to deal with the human rights and environmentally relevant risks in cotton cultivation. In this project, we support over 800 farmers from the Chetna cooperative by providing access to training and seeds to grow sustainable cotton. A purchase guarantee for the cotton produced and the payment of a Fairtrade premium and a premium for sustainable cultivation also minimise the farmers' financial risk when switching from conventional to organic cultivation.

We believe that the UN Guiding Principles on Human Rights Due Diligence in Supply Chains should apply to all companies. That is why we have been committed to a German and European Due Diligence Act since 2019. In this sense, we expressly welcome the passage of the Supply Chain Due Diligence Act (LkSG) by the Bundestag in June 2021.

- We have participated in two public positions on the Business & Human Rights Resource Centre platform on this topic ([April 2021](#), [November 2021](#)), published another position paper ([January 2021](#)) and participated in numerous discussion events.

- In December 2021, we held a bilateral consultation with the Federal Office for Export Control (BAFA), which is responsible for implementing the LkSG, on the topic of guidelines for companies and reporting obligations.
- In addition, through our membership of the AVE business association, we have participated in a position on the draft of the LkSG (April 2021), as well as in the public consultations of the EU Commission on sustainable corporate management (February 2021) and the EU strategy for sustainable textiles (August 2021).
- In 2022, we want to continue to contribute to political decision-makers and companies having an honest and results-oriented debate on why and how compliance with human rights and environmental protection in supply chains should be mandatory. We will refer to Germany and Europe. To this end, we will promote public and internal formats.

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 that are often higher than market levels. In order to implement these effectively, we work 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 that 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. Medium 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 external auditors
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 manufacturer 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 freedom, 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 multiple recording of working hours.

Reducing the number of audits

Conducting audits involves considerable resources for all parties involved. Manufacturers' 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 hardware 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.

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. Since 2019, we have been developing a tool that combines the usual factory inspection through audits and the dialogue approach of our WE programme: the "participatory audit". With this, we want to initiate the necessary dialogue between management and employees of a factory, which does not take place during regular audits. Building on the methods and findings of the WE programme, the tool follows a participatory, i.e. involving, approach. The approach: Our local partners carry out an initial audit in the selected factory based on the social requirements of our SCoC, work out an improvement plan with factory management and then support a factory team of employees, whose composition they recommend based on the audit results, in the implementation of improvements. At the end, there is a final assessment. The process is completed after a maximum of one year.

In this way, those who are on site every day, and are at the same time the key figures for ongoing improvements, are involved in the review and improvement of the workplace. At the same time, the approach allows factories a better understanding of our requirements and reasons for them, more time for improvement measures and room for adjustments to their individual challenges than usual audits.

Progress, achievements and goals

We are implementing our monitoring and audit programme continuously. In 2021, we made the following adjustments:

COVID-19 pandemic

- During the COVID-19 pandemic, we have adjusted our audit processes. If the incidence of infection in the respective countries is high, travel is restricted or other national restrictions apply, we cannot carry out regular social and environmental audits. In order not to endanger the auditors, not to increase the risk for employees and to relieve the suppliers in what are already difficult times organisationally, we are postponing the audit dates in consultation with the companies. We are therefore deviating from our standard processes and, if necessary, ordering goods without available audit results or accepting already completed audit certificates that we do not otherwise recognise, for example BSCI in Bangladesh or SMETA 2-pillar.

Participatory audits

- In 2021, we continued the trial runs started in 2020 (one in Bangladesh and three in China). Two of the factories have successfully completed the test run, and two others will be given more time to make the necessary improvements. The experiences and feedback from those involved were so positive that we are planning further tests for 2022 with some process changes in order to then fully integrate and scale the participatory audit into our audit programme. At the same time, expanding the tool is currently proving to be more difficult than expected, partly because we have not yet found a suitable audit service provider who has sufficient experience to work in a participatory way, directly with employees.
- Our goal is to firmly integrate the tool into our human rights programme. The focus is currently on China, since that is where we have by far the most production partners that we are currently not integrating into the WE programme.

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. In 2021, we had three of our textile producers in India audited and in one case we were able to determine that Tchibo production was being passed on. The deficiencies and violations of our SCoC identified there have been addressed in accordance with our approach (see GRI 414) and subcontracting has ended. The project was successfully completed by Elevate in 2021. The commitment of scientists, organisations and initiatives has made it clear in recent years that the risk of forced labour in cotton cultivation and other agricultural sectors is sometimes very high. We are working continuously and intensively to integrate these findings into our processes and to eliminate the risk in our supply chains.

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 implementing 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 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 together workers, employee representatives, trade union representatives - if any such representatives exist - and managers 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 desired 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, China, India, Cambodia, Pakistan, Vietnam and Turkey. 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

Here's what we've learned over the years, adjusting our approach accordingly:

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 freedom and living wages are issues that cannot be solved at 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 Ethiopia, India, Cambodia, Vietnam and Turkey. 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: Refocusing

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.
- 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.

Since 2020: WE in the COVID-19 pandemic

The global COVID-19 pandemic has shown our working methods proving themselves. We continued the WE programme even in times of crisis:

- Depending on the pandemic situation, the WE facilitators carry out activities with workers and managers online, in hybrid form between online and on site or in person, in strict compliance with national hygiene requirements. In order to keep in touch with the WE factories and WE programme participants in the rapidly changing situations, the WE facilitators are increasingly using the social media means of communication that are customary in the respective countries.
- As we have given more and more responsibility to the country teams over the years, the WE facilitators react well and quickly to the respective circumstances of the countries and the changing needs in the factories and adapt activities not only according to the local hygiene regulations, but also methodically and in terms of content.
- The need to work primarily digitally has further strengthened international networking. In addition to cross-border professional and strategic exchange, the WE facilitators work together in the factories by digitally connecting WE facilitators from other countries in hybrid form.
- During the crisis, the WE facilitators were able to build or strengthen trust because factory management appreciated their support during these unprecedented times.

Progress, achievements and goals

New WE factories

- Eight factories have been newly included in the programme. A total of 432 factories have been involved since 2008, of which 96 factories were participating in the programme at the end of 2021. In 2021, 4,900 workers and managers took part in activities.
- Seven factories in China were re-integrated into the programme in 2021 in order to strengthen permanent anchoring of the methods and mutual learning between the factories after years without any WE activities carried out by Tchibo.

As a result of the military coup in Myanmar in February 2021, we suspended all programme activities there. This includes our social dialogue project under the umbrella of the WE programme and related activities. For more information, see the chapter: The military coup in Myanmar

Continuous development

We are continuously developing the programme; in 2021, we set the following priorities and implemented the following innovations:

- In terms of content, we have included the topics of financial literacy in India and mental well-being in India and Bangladesh, personal and organisational resilience training in Vietnam and diversity and inclusion in Turkey in the programme work.
- In India, we continued qualification of the committees established in 13 factories in 2020. In 2021, new grievance committees were set up in two more factories; this is planned for four more factories in 2022.
- Internal factory grievance mechanisms have also been strengthened in Pakistan and Bangladesh.
- So-called Fair Price Shops have been set up in three factories in Bangladesh, in which employees can buy basic foodstuffs at a purchase price that is below the usual retail price, and thus have low overall expenses.
- We have strategically revised the topic of freedom of association and trained the WE facilitators. For more information, see progress in the chapter: social dialogue.
- In the wake of a freedom of association crisis involving a number of complaints at a major and long-standing producer in Turkey, the WE team was able to successfully implement a development plan tailored to the root causes of these conflicts. The plan aims to involve the union in communication and decision-making processes in the factory and resulted in the creation of a committee of union representatives and factory managers with constant monitoring from the WE programme. In 2022, we will determine the potential of this approach as a model for similar conflicts in other factories and countries.
- In Vietnam, where the later waves of COVID-19 were particularly felt, we organised a workshop on COVID-19 prevention together with the Ministry of Health, which was attended by managers and workers from seven factories, as well as a factory activity explicitly dedicated to the topic.

- Driven by the need to collaborate digitally, we have strengthened cross-border collaboration. In addition to the existing cross-border professional and strategic exchange, WE facilitators from other countries have joined digitally at hybrid factory events; for example, Indian and Cambodian WE facilitators participated in factory activities in Pakistan. Cambodian facilitators supported a meeting of Chinese factory managers who manage factories in Cambodia in addition to the sites in China.
- As a result of the positive experiences in India, where the employees of our purchasing agency now regularly take part in the WE programme, we have also integrated the purchasing agency into the work of the WE programme in Pakistan.
- In 2021, we also held so-called "international team conferences" - completely digitally due to the COVID-19 pandemic - and focused on further training in methodological skills as well as on further development of the programme: In April, the WE facilitators worked together on the topic of "Good Factories" to identify and learn from good examples in the programme. Under the title "Dancing with Powers", they trained in methods of improvisation in October and reflected together on how they can increase their own influence and that of the programme. In addition, numerous activities took place in the summer months under the motto "Summer of Art and Love", in which the WE facilitators could further educate themselves methodologically and work creatively together; even in the times of the pandemic, we have kept an enriching and motivating exchange alive.

Challenges we are constantly working on

Even if we continue to develop the programme over the years, some challenges remain - these are also known to other professionals in the field of human rights, transformation or development work:

- **Permanent anchoring of the WE approach in the factories:**
We strive for the WE approach and thus the continuous improvement of working conditions to be permanently anchored in the factories. At the same time, we find that application of the methods and work on them fade into the background or even become forgotten if we do not accompany the work. This can also happen to factories that have made good improvements in the process. This can have different and multiple reasons: a lack of commitment on the part of the company and factory management, other priorities in everyday production, staff turnover even in middle management.
Our approach: In all countries except China, we are currently supporting the factories on a continuous basis. For China, we are developing a process to regularly engage with factories without fully monitoring the programme on a permanent basis; our purchasing department is involved in this process and in selection of the factories. If necessary - for example if there is a high purchasing volume and/or an increased risk to human rights - we also decide to return to the regular programme. We focus on establishing processes in the factories, strengthening employee representatives and involving trade unions.
- **Management commitment:**
In order to achieve as many lasting improvements as possible in the factories, the approval and support of company management is required. This is not always achievable - also because some of the companies involved are large and their management is located in countries other than at the factory sites.
Our approach: We involve fellow buyers to highlight the importance of the programme. The first activity in a factory is for factory management; they are regularly informed and included in the process.

- **Participation of the entire workforce:**

Many factories in Asia have a few thousand employees. It is therefore not possible for us to include all employees directly in the programme. At the same time, the aim is for as many workers as possible to be informed about their rights and to benefit from the improvements.

Our approach: We focus on establishing processes in the factories, strengthening employee representatives and involving trade unions. We carry out activities aimed at visibility of the work, such as poster parades in the canteen.

- **Impact measurement:**

We experience the WE programme having an impact - often in the form of changed behaviour. This often cannot be mapped using classic, quantitative impact measurement, which is based on simple mechanisms of action (activity A causes B). In our work, we have found that causal relationships are often more complex. We are therefore looking for new forms of impact measurement, in which we primarily include the stories of those involved and their experiences.

SOCIAL DIALOGUE

What challenges do we face?

Workers' rights can only be secured long-term if workers themselves have 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 have partnered with IndustriALL Global Union, an international confederation of trade unions.

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 Framework Agreement with the international confederation of trade unions 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, WE 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.

Progress, achievements and goals

COVID-19 pandemic

- With unions under even greater pressure in times of crisis, we have been working even more closely with them since the start of the COVID-19 pandemic. In Turkey, Bangladesh and Myanmar, we specifically sought dialogue with trade union representatives to discuss the challenges arising from the crisis, the demands placed on purchasing companies and the measures Tchibo has taken in these times of crisis. The results have been incorporated into our audits, procurement practices and grievance resolutions.

Promoting freedom of association in the WE Program

- In 2021, we began revising our strategy to promote trade union rights in our non-food supply chains. The focus of the process in 2021 was to enable the WE programme to take an even more structured approach to its field of action “freedom of association and employee representation”. The strategy process will be completed in 2022. It includes, among other things, our engagement in ACT on Living Wages for social dialogue in the focus countries as well as purchasing practices and grievance mechanisms.
- As part of this strategy process, we intensively trained the WE programme facilitators in 2021 on the subject of trade union rights. To do this, we worked with representatives from IndustriALL Global Union, the Awaj Foundation and the Ethical Trading Initiative (ETI).
- In Bangladesh, a strategy meeting took place between representatives of IndustriALL, five local affiliated unions, Tchibo and the WE programme to discuss our Global Framework Agreement and its implementation at eight Tchibo producers and to align it with the WE programme where appropriate. Here, too, we will determine in 2022 whether we can use this format as a model for other countries in a meaningful way.
- For the first time, our WE team in Bangladesh led a specialist workshop for representatives of IndustriALL and 16 affiliated unions on the subject of gender-based discrimination.

Myanmar: the project for social dialogue

- In Myanmar, we brought the previous form of our social dialogue project, which we implemented in partnership with the German Society for International Cooperation (GIZ), to an early end in December 2020. We planned to work with our project partners with a new approach in 2021. However, the military coup in February and the massive repression of trade union work that accompanied it, together with the restrictions imposed by the COVID-19 pandemic, made it impossible for us to continue this work for an indefinite period of time. In agreement with the partners, we therefore ended further planning. The assistance developed as part of the project will be published in 2022.

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 health and safety at work in the International Accord or on living wages as part of ACT on Living Wages is particularly noteworthy here.

International Accord on Health and Safety in the Textile and Garment Industry/Ready-Made Garments Sustainability Council (RSC)

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.

By 2021, 190 brands that have products made in Bangladesh had 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.

Since June 2020, the implementation work of the Accord in Bangladesh has been incorporated into the so-called Ready-Made Garments Sustainability Council (RSC), an independent national organisation in which brand companies, the trade union federations IndustriALL Global Union and UNI Global Union and the Bangladeshi textile industry associations BGMEA and BKMEA (Bangladesh Garment/Knitwear Manufacturing and Export Association) work together as equal partners. All the standards and processes of the Accord remained in place.

How the Bangladesh/Ready-Made Garments Sustainability Council (RSC) 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, including those in which workers are represented, 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. At longer intervals, all factory workers are 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 staff, who then follow up on the improvement actions needed and - if necessary - get 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, binding collective agreements negotiated 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 ACT obligations 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. Our voluntary commitments: ***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. Our voluntary commitments: ***ACT Country Commitments***

ACT priority countries

- Bangladesh
- Cambodia
- Myanmar (until 2021)
- 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 and shoe 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 for Sustainable Textiles 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 so-called 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 initiatives in the Textile Partnership:

- Tamil Nadu Partnership Initiative
- Expert group on climate protection
- Expert group on natural fibres

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 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. Following the end of the first project phase in September 2020, we have been continuing the project in a second phase since November 2021.

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 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. For information on background and progress, see the [Call to Action website](#).

International Accord & Ready-Made Garments Sustainability Council (RSC) in Bangladesh

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

COVID-19 pandemic

- The Bangladesh Accord swiftly implemented and monitored universal COVID-19 safety 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 these safety measures.

Rectifying any safety deficiencies

- We have seen 94% of our producers' safety deficiencies remediated. This figure exceeds the average for overall performance across all 1,500 Accord factories. This is particularly true in the areas of building structure and electrics. The value is lower compared to the previous year (2020: 98%), because we added a number of factories to our portfolio that still need to address their safety deficiencies.

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, 74% of our 46 factories have successfully gone through the programme.

International ACCORD

- After an extension of the Bangladesh Accord in 2018, it was merged into the newly founded *International Accord for Health and Safety in the Textile and Garment Industry* in September 2021. The signatory companies undertake to continue the work of the Accord in Bangladesh. This will continue to be implemented by the independent Ready-Made Garments Sustainability Council (RSC). In addition, the International Accord aims to apply the programme with its core components in other countries too. There is also the option to extend the agreement to human rights due diligence.
- Tchibo had clearly spoken out in favour of an extension and expansion together with the global unions and was one of the first companies to sign the new agreement. The new Accord is also legally binding for the signatories and continues the equal partnership with the global union federations UNI Global Union and IndustriALL Global Union, which we placed special emphasis on during the negotiations. More than 160 companies have joined the new international Accord.

ACT on Living Wages

In 2021, Tchibo's work under the ACT Partnership focused on the following working groups:

- Strategic questions
- Country groups: Bangladesh, Myanmar, Turkey

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 ACT member companies, IndustriALL, the national trade union federation and the national garment industry employers' association, continued its work in 2021. ACT 2021 commissioned a technical assessment to consider further steps towards collective bargaining between national employers and unions. With regard to the results and further steps, ACT members are intensifying discussions with the national stakeholders. As a result of the COVID-19 pandemic in 2021, the transitional dispute settlement mechanism established in 2020 for complaints about freedom of association and wages primarily processed complaints about redundancy payments. The experiences gained from the transition mechanism are now to be evaluated in order to establish a permanent mechanism.

- **Myanmar:** The military coup in Myanmar in February 2021 had a significant impact on our local engagement with ACT on Living Wages. Up until June 2021, we therefore worked with the relevant members of ACT to develop and implement a framework for companies to responsibly stop orders, instructions on how to deal fairly with producers in the event of delivery difficulties and a framework on the safety and dismissal of workers in Myanmar, and further developed the existing grievance and dispute resolution mechanism of the Myanmar Freedom of Association Guideline into a fast-track procedure that applies to all labour rights. For more information, see the announcement in the Tchibo blog of 12 July 2021 and the ACT website.

Myanmar has been an ACT priority country since 2018. In December 2021, ACT members decided to end ACT's work in Myanmar. This is a consequence of the withdrawal of local IndustriALL affiliate IWFM from ACT activities, as they are no longer able to work freely under the prevailing circumstances. ACT will review its future commitment as soon as the situation in the country changes.

- **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. Building on this, the national working group, which includes ACT companies, IndustriALL, national employer representatives and national unions, has resumed work and intensified talks aimed at leading to collective bargaining between national employers and unions.
- **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. This and the joint work on a new standard for trade union rights will continue in 2022.

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.**
- In 2021, the ACT member companies caught up on the **survey on their purchasing practices** in their own companies and conducted it for the first time with their suppliers, who remained anonymous. With 1,832 responses from ACT member companies and 1,338 responses from suppliers, it is the largest survey of purchasing practices, covering all major garment industry countries. For Tchibo, 51 colleagues from the purchasing department and 42 suppliers took part. The overall results confirm that the five themes of the ACT voluntary commitments (including setting and negotiating prices, payment terms, job scheduling and training) are particularly important, both in enabling the payment of higher wages and in implementation at ACT member companies. To measure progress, the surveys will be repeated in 2023; until then, the member companies - including Tchibo - will push ahead with implementation in their own companies and plan training measures both within the companies and with suppliers.

- At Tchibo, we have anchored implementation of the ***ACT voluntary commitments*** in strategic purchasing and are working hard on implementation, which also includes the results of the surveys mentioned above. We are focusing on integrating labour costs into our purchasing contracts; for this, we will use the so-called ***labour cost share method***. In 2021, we tested a simple survey adapted to our processes and will roll it out in 2022.

Partnership for Sustainable Textiles

COVID-19 pandemic

Arranged by the Partnership for Sustainable Textiles, five Tchibo supplier factories in India took part in a free training course on hygiene regulations from GIZ in cooperation with the International Association of Natural Textiles (IVN) in 2021; the factories found the training helpful and are using the knowledge gained for their own implementation.

Roadmap and progress report

In accordance with the Textile Partnership specifications, Tchibo published a ***progress report*** in 2021.

Tamil Nadu Partnership Initiative

Following completion of the first project phase in September 2020, we have been continuing the project since November 2021 together with the Federal Ministry for Economic Cooperation and Development (BMZ), the Society for International Cooperation (GIZ), the non-governmental organisation FEMNET eV and companies Hugo Boss, KiK and Otto Group. In doing so, we are building on the success of the first phase and on the key learning experiences. With 40 spinning mills, significantly fewer production facilities will be integrated than in the first phase, in order to support the factories more closely in the implementation, to involve the factory management and to enable exchange between the factories. The training programme at factory level is also to be more closely linked to the multi-stakeholder dialogue, in which those involved monitor the implementation of measures in the districts and in the state, as well as implementation at factory level. In addition, the companies involved are to work together on the topics of traceability in the supply chains and purchasing practices. In this project phase, training courses are also planned at a spinning mill that Tchibo supplies via a clothing manufacturer in the Delhi region.

Further details can be found on the ***website of the Tamil Nadu Partnership Initiative***.

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, those affected 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 structures 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 facilitators. 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 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.

WE Program

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 Program are often the first port 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 framework agreement 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.

International Accord/Ready-Made Garments Sustainability Council (RSC) in Bangladesh

The measures of the Accord in Bangladesh, which is implemented via the national RMG Sustainability Council and whose obligations for member companies are regulated by the International Accord, include not only building protection and fire safety, but also 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.

ACT on Living Wages

Since 2020, the member initiative has regularly established cross-factory grievance and dispute settlement mechanisms in the textile industry in Myanmar (discontinued in December 2021 as a result of the local military coup - see progress, achievements and goals) and Bangladesh, which cover violations of labour rights, in particular trade union rights and wage payment. ACT is largely supported by IndustriALL Global Union, so the mechanisms are based on complaints by local unions.

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. 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 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. Works 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.

WE Program: India

In India, internal company grievance committees are required by law. Yet they are often dysfunctional. In 2020, with the WE programme, we supported 13 factories in setting up new committees or improving existing ones. We continued their qualification in 2021, and new committees were established in two other factories. Four more factories are planned for 2022. In Pakistan and Bangladesh, we have also strengthened internal grievance mechanisms in some factories with WE.

ACT on Living Wages: Myanmar

The military coup in Myanmar in February 2021 had a significant impact on our local engagement with ACT on Living Wages, including in relation to the ***Myanmar Freedom of Association Guideline*** implemented from 2019 and the grievance and dispute settlement mechanism connected to it from 2020. In order to meet the changed requirements, we as ACT have developed this mechanism into a fast-track procedure that applies to all labour rights, together with local union IWFU (***ACT website***). This was in force from March to October 2021. Its closure became necessary because IWFU, as a partner in the mechanism, withdrew from the process in the face of increasing persecution of trade unionists. The ACT programme in the country was discontinued in December 2021 (see chapter: military coup in Myanmar).

Grievance cases in Tchibo non-food supply chains in 2021

In 2021, we saw significant growth in the number of grievances received: 32 versus 16 in 2020. On the one hand, we understand this as an indicator of increased pressure on social rights during the global coronavirus crisis, and on the other hand as a result of the ongoing improvement in workers' access to our grievance mechanisms.

Human and labour rights-related grievances in Tchibo supply chains for consumer goods, 2021

MONTH	COUNTRY	SECTOR	SUPPLY CHAIN	CONTENTS	GRIEVANCE CHANNEL	STATUS (31.12.2021)*
JANUARY	TURKEY	Textile	Manufacturing	Discrimination & harassment, trade union rights	Trade union	Resolved
FEBRUARY	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved
FEBRUARY	TURKEY	Textile	Materials	Employment contracts, trade union rights	Trade union	Resolved
MARCH	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	The WE programme	Resolved
MARCH	INDIA	Textile	Manufacturing	Employment contracts	The WE programme	Resolved
APRIL	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved
APRIL	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved
APRIL	MYANMAR	Textile	Manufacturing	Employment contracts	NGO	Resolved
APRIL	BANGLADESH	Textile	Manufacturing	Discrimination & harassment, wages, working hours, employment contracts, trade union rights	Trade union	Resolved
JUNE	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved
JUNE	BANGLADESH	Textile	Manufacturing	Employment contracts, trade union rights	Trade union	Resolved
JUNE	BANGLADESH	Textile	Manufacturing	Employment contracts	Accord	Unresolved
JUNE	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved
JUNE	TURKEY	Textile	Materials	Discrimination & harassment, trade union rights	Trade union	Resolved
JULY	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Trade union	Resolved
JULY	MYANMAR	Textile	Manufacturing	Discrimination & harassment	ACT	Resolved

MONTH	COUNTRY	SECTOR	SUPPLY CHAIN	CONTENTS	GRIEVANCE CHANNEL	STATUS (31.12.2021)*
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Trade union	Open
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Discrimination & harassment, employment contracts, trade union rights	Trade union	Resolved
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Employment contracts	Trade union	Resolved
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Wages	Accord	Resolved
SEPTEMBER	BANGLADESH	Textile	Manufacturing	Wages	Accord	Resolved
SEPTEMBER	MYANMAR	Textile	Manufacturing	Employment contracts	Trade union	Unresolved
OCTOBER	BANGLADESH	Textile	Manufacturing	Discrimination & harassment	Accord	Resolved
OCTOBER	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	ACT	Resolved
OCTOBER	INDIA	Textile	Manufacturing	Wages, employment contracts	The WE programme	Resolved
OCTOBER	MYANMAR	Textile	Manufacturing	Wages, employment contracts	Other	Resolved
NOVEMBER	BANGLADESH	Textile	Manufacturing	Employment contracts, trade union rights	Trade union	Resolved
NOVEMBER	BANGLADESH	Textile	Manufacturing	Employment contracts	Accord	Resolved
NOVEMBER	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	ACT	Resolved
NOVEMBER	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	ACT	Open
DECEMBER	BANGLADESH	Textile	Manufacturing	Employment contracts	Accord	Resolved
DECEMBER	BANGLADESH	Textile	Manufacturing	Wages, employment contracts	Accord	Resolved

* open: in progress / unresolved: Remedy or rectification not possible

