

Progress report: One year of voluntary commitment – First milestones of the German retailer collaboration

Nearly a year ago, during International Green Week, representatives of the German retail sector convened in the presence of the German Development Minister Gerd Müller to sign a voluntary commitment on the implementation of living wages and incomes. The joint declaration specifies that the retail enterprises will gradually work towards improved wages and incomes along the global agricultural supply chains of their products. In this way, they made a clear commitment to greater social sustainability and fair trade.

The statement was signed by ALDI Nord, ALDI SÜD, Kaufland, Lidl, the REWE Group, dm-drogerie markt and Tegut. These companies are members the Living Wage and Living Income Working Group of the German retail sector, and this was the first time that German retailers took a united stand on this issue, signing a joint declaration. An article, published by the Sustainable Agricultural Supply Chain Initiative (INA), shares further insights on this important milestone [[Link](#)].



Illustration 1 Representatives of companies, German Federal Minister Dr. Gerd Müller and Tanja Gönner after signing the declaration

The working group operates under the umbrella of the Sustainable Agricultural Supply Chain Initiative, initiated by the German Federal Ministry for Economic Cooperation and Development (BMZ). The group is coordinated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which provides the participating companies with specialist expertise and promotes interaction with other organisations and initiatives.

“We see the joint commitment made by German retailers as an important and effective step towards more sustainable global supply chains and further improvements of living conditions among all those involved in production. As a member of the working group, ALDI will especially increase its focus on the issue of living wages and incomes in agricultural supply chains, so that we can strengthen human rights and fight poverty.”

Anke Ehlers, Managing Director Corporate Responsibility International, ALDI SÜD Group also representing ALDI Nord

The group was formed in February 2019 with the aim of working towards living incomes in a pre-competitive environment and taking joint action on this issue. By pooling their resources and discussing potential activities, both within the working group itself and with other initiatives, the retailers want to work together on achieving the greatest possible result to ensure living wages and incomes.

By signing this declaration, the working group sent an important signal concerning the implementation of corporate accountability, both along their supply chains and also for the industry as a whole.

“Many of the products we offer come from the all over world. This gives us a responsibility to observe the accountability requirements in any supply chains we actively acquire. However, long-term improvements in food-producing countries, such as wages and incomes, can only be achieved if all the relevant stakeholders pull together. The working group offers the best opportunities to achieve these sustainable aims, as it pools all the resources.”

Sebastian Hertel, International Purchasing Manager, Kaufland

It would be desirable if a large number of market players could join the working group, adding more weight to the initiative. This is why the group is seeking dialogue with other German supermarkets such as EDEKA and the Metro Group and also with other European retailers outside Germany who might want to join the initiative and further strengthen the impact of the group.

First meetings after the voluntary commitment

Several meetings were held with the main focus on translating the agreed commitment into concrete activities. These included:

- Firmly establishing the issue within the participating companies¹
- Decision on a joint pilot project in Ecuador with the focus on bananas
- Carrying out a supplier survey on sustainable procurement practices and the level of knowledge of local production conditions
- Ongoing dialogue and consultation on possible approaches for integrating living wages and incomes in the procurement strategy
- Taking a joint stand through standard consultations in order to highlight the relevance of living wages and incomes

Effective, practical approaches are above all required to ensure responsible procurement practices and suitable monitoring procedures along the supply chain. Any lessons that have been learnt can then be used in applying successful approaches to other supply chains, thus increasing their impact.

The banana value chain in Ecuador was chosen because it mapped the interfaces of all retailers in relation to relevant regions and raw materials. The endeavour to achieve long-term improvements of the living conditions of workers in Ecuador can therefore have a powerful impact in that country. To this end, the project members set themselves four key goals that would establish sustainability holistically throughout the value chain.

¹ ALDI Nord (2020): [Human rights policy statement](#)
ALDI SÜD (2020): [Human rights policy statement](#)
Kaufland (2021): [Policy statement on living wages and living income](#) (German only)
LIDL (2020): [Human Rights & Environmental Due Diligence policy](#) (German only)
REWE Group (2020): [Guideline on Living Wages and Incomes](#)

Four strategic goals to promote living wages and incomes in Ecuador's banana industry

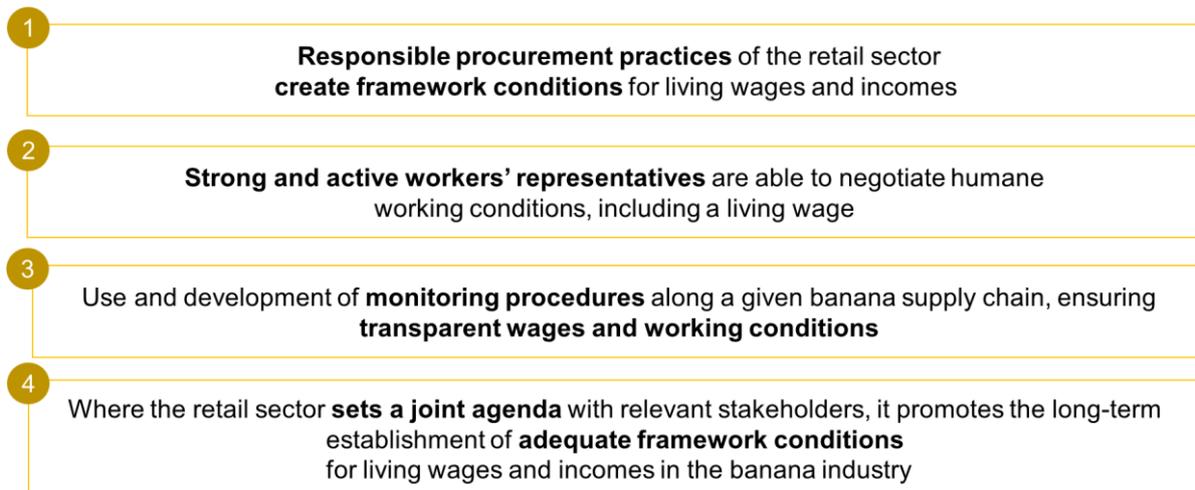


Illustration 2: Strategic goals of the working group for its joint banana project in Ecuador

First of all, the focus is on responsible procurement practices, which create suitable conditions for implementing living wages and incomes. While observing anti-trust and competition regulations, the next stage involves exploring how the retail sector can provide positive support for people's wages and working conditions in the banana industry. Here, it is essential to ensure that the impact along the supply chain can be verified all the way to the producers.

Banana importers have a substantial influence on conditions within the supply chain, as they are the ones who pass on any potential price pressure to the producers. One important source of information for the project has therefore been a survey on supply chain structures and procurement standards for the sourcing of bananas from Ecuador. The survey, which was filled in by the relevant banana suppliers to the German retailers, included, for example, the following key results:

- Within a given company, the various supply chains are mostly transparent already. Two thirds of the suppliers who were asked source their bananas directly from banana farms.
 - Direct suppliers to retailers are therefore essential project partners.
- Although the majority of bananas are generally grown on plantations, there are also individual smallholder farmers in the supply chains of German retailers.
 - This shows that, in addition to the wider wage issue, the joint project also needs to address the promotion of living incomes for independent farmers.
- The hypothesis was confirmed that the banana sector is mainly male dominated.
 - This makes it essential to empower female workers through gender-specific measures.
- Suppliers report that they usually know about wages and working conditions, e.g. whether minimum wages are paid and whether workers are given transparent payslips.
 - The next stage will be to enter into dialogue with suppliers, checking which sources they use in obtaining this information, at what intervals, and to what extent the information can be verified and traced, etc.

The working group will actively support workers' representatives in promoting workers' (human) rights for employees at the plantations. This will need to be accompanied by the introduction of efficient grievance mechanisms, so that workers can demand sanctions for violations of their rights.

This goes hand in hand with the transparency of wages and working conditions, which will need to be ensured through a sound and ongoing monitoring system along the supply chains. It will make it possible to analyse risks at regular intervals and, on this basis, ensure that existing measures can continually be adjusted and new ones added for an improved result.

“Human rights should not be negotiable. This is why the REWE Group has been committed for many years now to the strengthening of human rights, the improvement of working conditions and the promotion of fair trade. The aim of our working group is to increase transparency along global supply chains and to take specific measures that will improve the living conditions of smallholder farmers. In this way, we are jointly providing the groundwork for meeting the enormous challenges in many of the producing countries.”

Dirk Heim, Head of Merchandise Sustainability, REWE Group Buying GmbH

This is an essential step which enables the retail sector to meet its corporate accountability obligations in full. However, it can only work if a joint strategy is implemented across all national borders. The working group is therefore in touch with the Dutch *Sustainable Trade Initiative* (IDH) concerning areas where their work overlaps and also opportunities for cooperation.

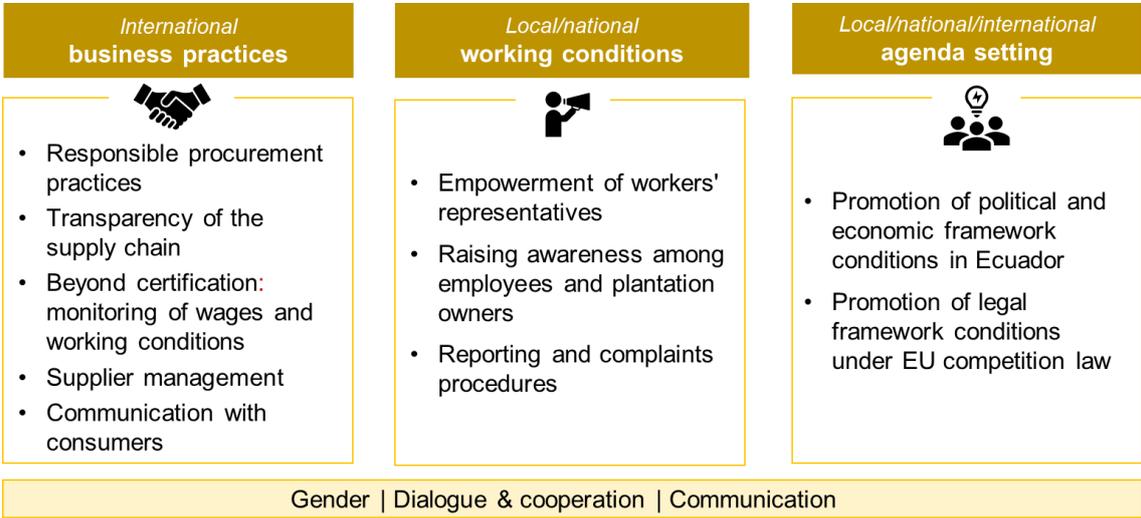


Illustration 3: Strategic spheres of activity for the pilot project in Ecuador's banana industry

At the German and European level, the working group is planning to work with legal experts, examining the parameters of anti-trust and competition law, so that retailers in the industry are permitted to cooperate on sensitive issues such as procurement practices.

In Ecuador, implementation of the planned activities will need to be supported through collaboration with standards organisations as well as local civil society organisations. As they work closely with the actual workers, they are important partners in the implementation of

freedom of association and in empowering workers' representatives. However, in Germany, too, there needs to be an ongoing dialogue with civil society.

Further activities planned for this year.

The work with suppliers will continue to be an important part of the working group's activities this year. Firstly, there will be a range of discussions and workshops with a focus on the results of the supplier survey. Secondly, wages and working conditions will be analysed in depth.

Progress on the project will be communicated regularly and transparently, with the definition of traceable and measurable milestones. There will be a special page on the website of the Sustainable Agricultural Supply Chain Initiative (INA) for all the information about the working group and the pilot project.

The official launch of the project is planned to take place in the first quarter of this year. During the first phase, until the end of 2021, approaches will be tested and lessons will be learnt which can then be leveraged for the next phase and for an expansion of the project. This means that there are already plans to extend the project beyond Ecuador. At the same time, a "pilot product" is being planned.

The INA is looking forward to the first results, as it has a pioneering role on this important issue and can offer substantial leverage for a major transformation. This concerns not only the individual supply chains, but also other market players to whom the group can serve as an example.