

# HUMAN RIGHTS IMPACT ASSESSMENT ACTION PLAN

# COFFEE FROM BRAZIL

ALDI SÜD Group

2024

# HUMAN RIGHTS IMPACT ASSESSMENT

## COFFEE FROM BRAZIL

In order to act responsibly and sustainably, we need to understand the full scope and impact of our company activities and business relationships. In 2021, we conducted a human rights impacts assessment (HRIA) on Coffee from Brazil. It highlighted critical human rights issues and provided insights into the organisation and structures of the coffee-producing sector in Brazil.

ALDI has committed to carry out detailed human rights impact assessments (HRIAs) in selected high-priority food and non-food supply chains. These studies follow a stringent methodological approach, including extensive background research and engagement with rightsholders. They help us to identify, understand and assess the potential and actual adverse impacts of our business activities on workers and other affected rightsholders, such as community members, smallholder farmers and women. Coffee is one of ALDI's high-priority raw materials in terms of profile and volume bought, with a high risk of adverse impacts on human rights.

## KEY FINDING AS A RETAIL COMPANY

Through this project, we gained in-depth knowledge of the coffee supply chain. We identified impacts potentially linked to ALDI's business activities and where ALDI can initiate change. The HRIA has been valuable not only to shed light on the supply chain but also to offer market and business perspectives on human rights in the coffee sector. Its findings help to strengthen ALDI standards and due diligence.

- Price volatility, environmental challenges, labour shortages and informality are the biggest challenges in coffee production.
- Women and smallholders were identified as most vulnerable to negative impacts.
- The most negative impacts are felt at the level of crop development, farm maintenance and harvesting operations.
- Many impacts have more than one root cause. There are sectoral and commercial drivers, government and regulatory framework drivers, and contextual drivers (such as climate change, lack of childcare facilities and education etc.).
- ALDI has no direct contractual or investment relationships to lower supply chain activities where the most salient human rights impacts have been identified. However, key areas in which we can make a difference are supplier selection, purchasing practices and pricing.

**Deep dive: Methodology and impact assessment**

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# HUMAN RIGHTS ACTION PLAN

## OUR ACTIONS TO DRIVE CHANGE

Based on the recommendations of this study, ALDI has developed a coffee supply chain-specific Human Rights Action Plan. It focuses on areas where we have potential leverage to address negative and enhance positive impacts for rightsholders. These are mainly within supplier selection and requirements, purchasing practices and pricing.

- **Continuing and intensifying stakeholder engagement:**
  The HRIA key findings and Action Plan were translated to Portuguese and shared with involved stakeholders. After reviewing the results collaboratively, the action plan was refined. A field trip was conducted to Brazil in May 2024 to visit processing facilities and farmers.
- **Strengthening gender equality activities:**
  We published a group-wide international gender policy for supply chains. This policy focuses on expectations regarding gender equality, non-discrimination and gender-based violence and harassment. Along our ALDI supply chains, we want to raise more awareness among suppliers on gender issues.
- **Strengthening supplier screening and monitoring:**
  The findings of this HRIA have been taken into consideration for our Sustainability Supplier Evaluation roadmap.
- **Enhancing long-term relationships:**
  The findings of this HRIA were included in our sustainable purchasing practices at ALDI.
- **Increasing cost transparency:**
  We intensified our engagement with Rainforest Alliance, e.g. explore the living income component and monitoring improvements in farmer incomes. At the same time, we engage in other living income initiatives within the coffee sector - through suppliers or multi-stakeholder initiatives.
- **Scaling up certified coffee:**
  The number of certified coffee products needs to be increased. Therefore, we try to understand the barriers for certified and uncertified producers to access markets. By benchmarking different certification standards, we assess if they fit ALDI's sourcing requirements and our sustainability vision and values.



| OBJECTIVE: Continuing and intensified stakeholder engagement | | | |
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| Key measures | ALDI remark | Timeline | Status |
| • Translation of HRIA key findings and Action Plan to Portuguese and share the results with involved stakeholders. | | 2022 | ✓ |
| • Collaborative review and refinement of action plan with selected stakeholders. | | 2022 | ✓ |
| • Verify results of in-person field trips to sourcing regions. | • A field trip was conducted to Brazil in May 2024 to visit processing facilities and farmers. Discussions Topics also focused on EU Deforestation regulation, certifications and trader programmes. | 2022<br><br>Date of completion: 2024 | ✓ |
| **OBJECTIVE: Strengthening gender equality activities** | | | |
| Key measures | ALDI remark | Timeline | Status |
| • Publish a gender policy for supply chains, specifically on expectations regarding gender equality, non-discrimination and gender-based violence and harassment. | • ALDI's International Policy on Gender Equality published online. | 2021 | ✓ |
| • Use the International Policy on Gender Equality in ALDI's Supply Chains to raise awareness among suppliers on gender issues, including the coffee supply chain. | | 2022 | ✓ |
| **OBJECTIVE: Strengthening supplier screening and monitoring** | | | |
| Key measures | ALDI remark | Timeline | Status |
| • Explore a concept on how to reflect this HRIA's findings into our CR Supplier Evaluation roadmap as per our Sustainability Strategy. | • ALDI compared the findings and examples with the HRIAs on Nuts and Avocado. Learnings on the CR Supplier Evaluation pilot were included and a questionnaire was shared with instant coffee suppliers. ALDI is currently revisiting the feasibility of the CR Supplier Evaluation concept for coffee and developing a targeted approach. | 2022<br><br>New deadline: 2025 | ◷ |

✓ Completed ◷ In progress ••• Completed and Ongoing

| OBJECTIVE: Enhancing long-term relationships | | | |
|---|---|---|---|
| Key measures | ALDI remark | Timeline | Status |
| • Reflect findings of this HRIA in the sustainable purchasing practices strategy. | • Findings were integrated within our strategy to enable long-term and stable relationships with strategic suppliers to ensure ALDI's policies are followed on the ground. | 2022<br><br>Date of completion: 2024 | ✓ |
| **OBJECTIVE: Increasing cost transparency** | | | |
| Key measures | ALDI remark | Timeline | Status |
| • Engage in the new Rainforest Alliance living income/living wage component. | • ALDI assessed the Rainforest Alliance living income component, but decided to explore alternative approaches to working with living income topics – i.e. through sectorial and collaboative approach with other retailers (GIZ's German Retailers Working Group on Coffee). | 2022 | ✓ |
| • Engage with new RA 2020 standard and establish mechanisms to monitor results of improvements in farmer incomes. | • ALDI is engaged on living income topics through sectorial and collaboative approach with other retailers (GIZ's German Retailers Working Group on Coffee). | 2023 | ••• |
| • Identify other opportunities within the sector, through suppliers or multistakeholder initiatives, to engage on Living Wage initiatives in coffee – e.g. through SCC, ICO / Sustainable Food Lab taskforce, IDH taskforce. | • ALDI is engaged on living income topics through sectorial and collaboative approach with other retailers (GIZ's German Retailers Working Group on Coffee) and regularly explores new options and opportunities with other organisations. | 2022 | ••• |

✓ Completed  In progress  ••• Completed and Ongoing

| OBJECTIVE: Scaling up certified coffee | | | |
|---|---|---|---|
| Key measures | ALDI remark | Timeline | Status |
| • Benchmarking supplier programmes to assess if they can be accepted in ALDI's sourcing to deliver ALDI's Global Sustainability Strategy. | | 2021 | ✓ |
| • Understand barriers to entry for uncertified producers and access to markets for certified producers. | • ALDI continuously engages with RA's new standard and evaluates improvements through close collaboration with ALDI suppliers. | 2022 | ••• |
| • Continue to increase number of certified coffee products. | | 2025 | ••• |
| • Based on findings of this HRIA, amend certification / programme requirements accordingly and address more contextual root causes through projects related to certification. | • ALDI reviewed certification requirements in line with ALDI's Sustainable Product Portfolio strategy to consider different types of certifications and programmes. ALDI also participates in projects on the ground at origin countries with key partners such as project with Ofi in Honduras with the aim to increase certification and reduce living income gap of households. | 2023<br><br>New deadline: 2025 | ◷ |

✓ Completed ◷ In progress ••• Completed and Ongoing

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**First Edition** (Human Rights Impact Assessment Report): 12/2021
**Second Edition** (Human Rights Action Plan): 11/2024

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