SIGNED LETTER

LIVING INCOME AND WAGES COMMITMENT



Commitment by The German Retailers Working Group on Living Income and Living Wages

In the context of our "Working Group on Living Income and Living Wages", supported by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ, we – the signatory retailers – work towards the realization of living income and living wages for farmers and workers in global supply chains. By joining forces and aligning our approach within this working group and other initiatives, we aim to increase leverage to maximize our impact to achieve living income and living wages, thereby enabling farmers and workers in global supply chains to achieve a decent standard of living.

While recognizing the prevailing issue of low incomes and wages in various sectors, as a first step we want to focus our activities on relevant[1] **global agricultural supply chains for our private label products**, hereafter referred to as "our global supply chains".

By joining forces, we acknowledge that we, as the retail industry, have to **take a proactive role to contribute to more socially and environmentally sustainable supply chains in the scope of the Agenda 2030 for Sustainable Development**. We will proactively engage in developing and implementing responsible business practices in coordination and cooperation with all relevant actors in our global supply chains.

We will build our action approach on a **commonly shared understanding** of the urgency to realize living income and living wages in the context of the following overarching global challenges:

Securing human rights.

- As stated in the UN Guiding Principles on Business and Human Rights, we (I) recognize that every actor along global supply chains – including the retail industry – bears the responsibility to respect human rights and to avoid negative impacts throughout the whole supply chain, i.e. from primary production to the final product in our retail channels.
- Following the Universal Declaration of Human Rights, we (II) acknowledge that every farmer has a basic human right to a living income, that every worker has a right to a living wage in order to ensure a decent standard of living for themselves and their families.

Addressing global supply chain issues.

By working towards the realization of living incomes and living wages, we want to respect human rights, and aim to reduce poverty. We recognize the significant potential of living income and living wages for:

- (III) Eradicating poverty, for supporting decent work and for ending child and forced labor.
- (IV) Promoting the agricultural industry as an attractive employment sector for future generations, and therefore securing the future supply of agricultural raw materials.

[1] The identification and prioritization of these relevant global supply chains will be part of the hot spot analysis, as specified under 1.4.

Individual Company Commitment

We aim to address the aforementioned global challenges by committing to support the following processes:

(1) ACTION APPROACH ON LIVING INCOME AND LIVING WAGES

Starting from the beginning of 2020, we will **work towards an action approach on living income and living wages for our global supply chains**.

Following the due diligence guidelines as outlined in the UN Guiding Principles for Business and Human Rights and the OECD-FAO Guidance for Responsible Agricultural Supply Chains, we will **build this approach on the following key activities**:

- **Seek internal buy-in.**
  - (1.1) We aim to promote a common understanding of the relevance and urgency of realizing living income and living wages among relevant internal stakeholders.

- **Embed into our sustainability policies.**
  - (1.2) We will embed the realization of living income and living wages into our global supply chains as a long-term goal into our sustainability policies.

- **Map supply chains.** In order to assess the impact of our private label products on wage and income levels, we aim to make our global supply chains more transparent by increasing traceability.
  - (1.3) We will therefore support the mapping of supply chain intermediaries up to the last-tier supplier that directly sources agricultural raw materials from farmers, farm cooperatives and/ or plantations.

- **Identify hot spots.** On an individual basis, as well as jointly within the working group,
  - (1.4) we will identify relevant hot spot supply chains that bear a high risk of low income and wage levels at farm level. This hot spot analysis may also be part of an overarching human rights risk assessment and may take into account actual and potential risks related to specific commodities, sourcing countries, supply chain structures and other relevant factors, such as existing information on income and wage gaps.

- **Measure the gap.**
  - (1.5) We will support the assessment of income and wage gaps at farm level in our global supply chains. For the gap analysis, we will make use of existing benchmarks and proxy methods. We will also involve local stakeholders in order to discuss on their perception of income and wage gaps and to gain an understanding of their needs.

- **Support responsible sourcing.**
  - (1.6) Together with all relevant actors in our global supply chains, we will explore opportunities and challenges for reducing income and wage gaps, placing a major focus on the topic of responsible purchasing practices.
  - (1.7) We will seek close exchange with our corporate buyers and suppliers to promote the understanding of responsible sourcing and related implementation strategies. Where applicable, we will facilitate that process, for example by embedding the topic into trainings for buyers, and by offering regular capacity trainings for our suppliers and/or intermediaries.

- **Monitor impact.** On an individual basis as well as jointly within the working group,
  - (1.8) we aim to explore and test methods to effectively monitor and evaluate the effects of our action approach on income and wage levels at farm level building on existing models, the expertise of GIZ and lessons learnt from other initiatives.

- **Communicate.**
  - (1.9) We will report and exchange on our progress related to the aforementioned activities within this working group, in accordance with the specified deadlines in the timelines. Furthermore, we will communicate our approach and related activities within our own organizations and with relevant external stakeholders.

Joint Commitment of the Working Group

(2) PILOTING THE APPROACH

Jointly within the working group, we will work towards the conceptualization and realization of pilot projects, by 2025 at the latest, in order to implement the aforementioned measures (1.1 – 1.9). As a first step, one pilot project shall address working towards living wages; another shall focus on living income.

Where possible and feasible, we also seek to set up individual pilot projects that build upon established supply chains of our company-specific portfolios.

(3) FACILITATING PROCESSES

In order to promote an effective and impactful long-term implementation of our action approach towards living income and living wages, with the support and expertise of GIZ and BMZ, we commit to engage in a number of **facilitating processes**:

- **(3.1) Collaboration and dialogue along supply chains.** We recognize that an impactful and holistic approach for realizing living income and living wages can only be developed and implemented in coordination, dialogue and cooperation with all relevant supply chain actors, including suppliers, sub-suppliers, trade unions and farmer organizations as well as farmers and workers themselves. For the development and implementation of our action approach, we will therefore incorporate these actors' perceived opportunities and challenges when working towards living income and living wages. Explicitly we will involve relevant local and international stakeholders to facilitate the dialogue on closing the gap and allocation of responsibilities.

- **(3.2) Sustainability standards.** We acknowledge the increasing efforts of standard setting organizations to incorporate measures towards living income and living wages into their certification criteria. Nevertheless, we understand that sustainability standards currently cannot guarantee a living income for farmers or living wages for workers, neither in the agricultural sector nor in other industries. Within our scope, we will work with relevant standard-setting organizations and support the development of appropriate certification criteria to monitor the progress towards a stepwise integration of living income and living wages as core requirements.

- **(3.3) Enabling environment.** We will seek for close exchange with governments, local authorities, civil society and other relevant actors in producer countries to address systemic causes of low income and low wages.

- **(3.4) Resources and tools**. We aim to support the development and use of resources and tools that facilitate the measuring and closing of income and wage gaps and the respective dialogues.

- **(3.5) Exchange and sharing**. We will seek close exchange on learnings and experiences as well as on relevant tools, data and resources within our working group and with other relevant initiatives. This exchange will take place on a pre-competitive basis and will be in line with competition and antitrust laws.

- **(3.6) Communicate.** We will be communicating on our approach, activities and learnings to encourage other retailers and supply chain actors to follow suit.

Within these aforementioned facilitating processes, the role of GIZ, on behalf of BMZ, will be the following:

- GIZ will take over the coordination of this working group and its activities.

- GIZ provides knowledge and expertise on lessons learnt from other sectors and initiatives as well as on relevant living income and living wage resources and data.

- GIZ, representing the working group, collaborates and aligns with other initiatives working towards the same goals in order to maximize the impact for achieving living wages.

- GIZ engages in, and facilitates, dialogue and partnership with other stakeholders, mainly political and civil society in the producing countries.

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