

# Spilling the Beans

Precarious work in Morocco's green beans production for Dutch supermarkets



**Sanne van der Wal , Fleur Scheele & Martje Theuws**

February 2013

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& Martje Theuws**

SOMO is an independent research organisation. In 1973, SOMO was founded to provide civil society organizations with knowledge on the structure and organisation of multinationals by conducting independent research. SOMO has built up considerable expertise in among others the following areas: corporate accountability, financial and trade regulation and the position of developing countries regarding the financial industry and trade agreements. Furthermore, SOMO has built up knowledge of many different business fields by conducting sector studies.

## Colophon

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## Executive summary

Leading Dutch supermarkets follow specific approaches for ensuring decent working conditions and business-to-business fair commercial practices in their fresh fruit and vegetables supply chain. The Centre for Research on Multinational Corporations (SOMO) conducted research to compare these approaches with the actual conditions for workers and producers in Morocco that supply several of these supermarkets with green beans.

### Context

Fresh fruit and vegetables (FFV) are available all year round to Dutch consumers. They are accustomed to being able to buy fresh fruit such as pineapple and mango, but also vegetables, such as asparagus and green beans, any time during the year. Most of this fruit and a small share of fresh vegetables originate in developing countries. Dutch supermarkets are the gateway of this increasing supply of fresh fruit and vegetables (FFV) from developing countries to Dutch consumers, of whom 75% buys fruit and vegetables in Dutch supermarkets. As working conditions are generally poorer in developing countries compared to developed countries, the increasing volume of FFV from these countries also entails a higher risk for Dutch supermarkets of becoming complicit to violations of labour rights, especially if they do not have proper policies and mechanisms in place to avoid them.

### Rationale

Businesses have a responsibility to comply with internationally acknowledged human rights within the domain of their activities and business relations. From the literature it is clear that supermarkets generally require from their FFV suppliers that labour rights (human rights at work) are respected. However, it mostly remains obscure whether this requirement translates into decent work on the ground in practice.

In their relations with their European suppliers there is evidence that supermarkets abuse their buyer power by extracting low prices, making late payments, unilaterally making change to buying agreements, etc. These practices can negatively impact the resilience of their suppliers which in turn can lead them to produce less sustainably. This is the case for example if working conditions suffer because of the need to reduce cost of production to compensate for losses caused by abusive commercial practices. As a result the EU and different member states are discussing or implementing regulation aimed at curbing the abuse of supermarket buyer power. However there is scant research on how conditions at developing country suppliers are impacted by the terms of

trade that govern commercial practices between supermarkets and their developing country FFV suppliers.

## **Methodology**

To start with, the SOMO study took a closer look at the sourcing policies of the five leading supermarkets in the Netherlands: Albert Heijn (Ahold), Jumbo (C1000), Aldi, Lidl and Plus. Together these supermarkets control the roughly half of FFV sales in the Netherlands. The policies were analysed with the aid of a survey sent to the supermarkets, desk research and additional interviews with supermarket policy makers.

Green beans production in Morocco was selected to verify supermarket sourcing policies with the socio-economic conditions on the ground. Morocco has established itself as a leading developing country supplier of FFV to the EU and as the leading extra-EU supplier of green beans by far. Green beans production is relevant because it is one of the most popular vegetables imported from developing countries and comparatively little information on socio-economic conditions in its production is available in the literature.

SOMO assessed labour conditions for green beans workers through commissioned field research with interviews and focus group discussions with workers away from their workplaces and without the interference or knowledge of the management. This was done to create a situation in which the workers could speak freely and without fear of retaliation. Information of commercial (buying) practices was gathered through interviews with producer company management.

It was established that two Moroccan green beans producers, of the four producers that were sampled for the field research on working conditions, were indeed supplying three of the selected Dutch supermarkets. Quality Bean Maroc (QBM), the largest producer of green beans in the sample that is a subsidiary of a Dutch company named Van Oers United (VOU), is supplying Albert Heijn (Ahold), Jumbo (C1000) and Lidl. Guernikako, a producer with Spanish owners, is supplying Albert Heijn (Ahold).

## **Results**

The three Dutch supermarkets sourcing from these two Moroccan green beans producers all endorse, or refer to, the code of conduct of the Business Social Compliance Initiative (BSCI), a business-driven initiative aimed at improving working conditions in the global supply chain. Therefore these three supermarkets all require their suppliers to uphold the same key international labour rights which are communicated through their codes. However, interviews with workers packing and picking green beans indicate that key labour rights which these supermarkets aim to uphold (trade union rights, prohibition of forced labour, “living” wages, healthy and safe

working conditions) are either being violated or in danger of compromise at their suppliers.

QBM is the best employer in terms of working conditions of the four producers reviewed for this report. The company offers better health care and more/better social services than the other companies. More often than its competitors it registers its workers with the national social security fund and issues them employment cards. Nevertheless, problematic working conditions were found at this company as well. Trade union rights are under pressure as none of the active unions are engaged in collective bargaining with the company and the smaller progressive union is not involved in formal dialogue. Workers do not feel free to refuse overtime work. Wage levels are below the national poverty line and are considered too low by workers and the unions as they do not constitute living wages. Worker transportation organised by the company is dangerous and should improve; as is also acknowledged by the company itself. Despite good availability of people protection equipment (PPE), they are not used systematically when agrochemicals are applied.

Guernikako was among the worst employers sampled. Guernikako has no active trade unions and is hostile to their organisation; wages are low (no living wages); overtime is mandatory; worker transportation is dangerous, PPE are inadequately available and are not used systematically when agrochemicals are applied; not all workers are registered with the social security fund (CNSS); and, workers are not provided with the documentation they are legally entitled to (payslips and worker registration).

The verification of supermarket policies with the case study in Morocco shows that there is a clear disconnect between labour standards that supermarkets uphold and the harsh reality for green beans workers.

Producers in Morocco were also interviewed about any difficulties they experience in their commercial relations and buying practices with their supermarket clients. Of the eight leading green producers in Morocco contacted to this end, four agreed to provide information on these relations. They indicated that they hardly face abusive buying practices from their supermarket clients. Nor did the study find any indication that supermarket sourcing policies affected conditions for workers negatively through such practices, e.g. by setting low prices or very short term delivery periods. Indeed there is evidence that export oriented green production is rather profitable in Morocco.

The study found that three of reviewed supermarket (Jumbo, Plus and Aldi) communicate aspects such as quality, delivery and payments to their suppliers. Ethically normative elements, however, that may help suppliers in being treated fairly by supermarkets, such as prohibiting forced contributions to promotions and restriction of de-listing tactics were mostly lacking. No information on the terms of trade of the other two supermarkets could be found. Because of indications in the literature that retail

buying practices can negatively impact working conditions it is recommended that Dutch supermarkets revise their policies to ensure fair commercial relations and buying practices with their suppliers.

One of the most important recommendations the study makes is that supermarkets should exercise proper due diligence by investigating and addressing workplace related problems in FFV supply chains independently and more rigorously. Due diligence is the process through which enterprises actively identify, prevent, mitigate and account for how they address and manage their potential and actual adverse human rights impacts.

## Introduction

This study aims to compare supermarket approaches for guaranteeing decent working conditions and fair commercial relations in their fresh fruit and vegetables supply chain in developing countries with the reality on the ground.

The study focuses on the five largest supermarkets in the Netherlands. In-depth research is conducted on labour conditions at Moroccan green beans farms and the packing stations that supply European supermarkets. The nature of the commercial (buying) relations between these producers and the supermarkets was also the subject of the research.

The overall goal is to contribute to improving working conditions for FFV workers in supermarket supply chains by raising awareness of their problems among the general public and industry stakeholders, and by making recommendations to supermarkets.

The report is specifically intended for an audience of policy makers and researchers working for retailers, producers, governments, trade unions and civil society organisations.

## Background and rationale

Export of fresh fruits and vegetables (FFV) provides jobs and important income for developing countries. Global fruit and vegetable flows (fresh and processed) worldwide have increased from roughly US\$ 50bn to US\$ 160bn between 2000 and 2009. This is mostly the result of improved freight technology and higher demand. Developing countries (excluding Brazil and China) have become net buyers of food overall (in the period 1990-2009). Net exports (exports minus imports) of fruit and vegetables and tropical beverages (coffee, tea and cocoa) are virtually the only significant foods (fish excluded) that have shown consistent improvements in the net trade positions of many developing countries.<sup>1</sup>

The Netherlands is an important destination of FFV from developing countries. With a value of almost € 1bn in 2011 the Netherlands is the leading European importer of FFV from developing countries after the UK.<sup>2</sup> 67% of all Dutch fresh fruit imports and 18% of

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1 FAO, FAO Statistical Yearbook 2012, <<http://www.fao.org/docrep/015/i2490e/i2490e03d.pdf>> (27 January 2013)

2 CBI, Tradewatch Fresh Fruits and Vegetables, 11 December 2012, <[http://www.cbi.eu/system/files/marketintel\\_platforms/CBI%20Tradewatch%20Fresh%20Fruits%20and%20Vegetables\\_0.pdf](http://www.cbi.eu/system/files/marketintel_platforms/CBI%20Tradewatch%20Fresh%20Fruits%20and%20Vegetables_0.pdf)>

all fresh vegetable imports by value originated in developing countries in 2007.<sup>3</sup> Between 2006 and 2011 (with the exception of 2009), import of fruits and vegetables into the Netherlands has been growing. A significant and increasing share of this import is re-exported to other countries, mostly in the EU.<sup>4</sup> Import of fresh fruit and especially vegetables from developing countries to the Netherlands is increasing as well.<sup>5</sup> The lion's share of the FFV retail market is handled by Dutch retailers: 76% of the sales of fruit, vegetables and potatoes was handled by supermarkets in 2011.<sup>6</sup> Five supermarket formulas together control roughly 74% of all Dutch supermarket sales (see table 1, chapter 1).<sup>7</sup>

The SOMO report 'Bitter Fruit, Socio-economic Issues in Fresh Fruit and Vegetables Supply Chains of Dutch Supermarkets - the Case of Ahold' (2011) concludes that working conditions in developing countries that are important suppliers of FFV to the Netherlands are often below par. The increasing volume of tropical FFV supplies in Dutch supermarkets entails higher risk of violations of labour rights and as a consequence these problems are becoming more urgent. This raised the question of how supermarkets, as the gatekeepers of FFV supplies to consumers, are dealing with labour right issues. 'Bitter Fruit' concludes that there is evidence that Dutch supermarkets are increasingly adopting policies to address and contain the risk of these violations; however, this process has been excessively slow. Moreover, the report highlights that policies are not very ambitious and little or no impact is visible to date. This report revisits the issue of supermarkets' responsibility for decent working conditions in and fair commercial relations with developing country producers of FFV.

Whereas 'Bitter Fruit' focused primarily on the largest Dutch retailer Albert Heijn (Ahold), this study also takes a closer look at the methods used by its four nearest competitors in the Netherlands. The aim of this broader sample is to have a better view of the supermarket policy landscape. Additionally it will be interesting to learn of any developments in Ahold's policies over the subsequent two years.

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(27 January 2013)

- 3 CBI, April 2009, The fresh fruit and vegetables market in the Netherlands, <[http://www.cbi.eu/marketinfo/cbi/docs/the\\_fresh\\_fruit\\_and\\_vegetables\\_market\\_in\\_the\\_netherlands](http://www.cbi.eu/marketinfo/cbi/docs/the_fresh_fruit_and_vegetables_market_in_the_netherlands)> (19 December 2010)
- 4 ABN, Sector monitor food, 3 December 2012, <<https://www.abnamro.nl/nl/.../20121203-sectormonitor-Food.pdf>> (27 January 2013)
- 5 Estimate SOMO based on import volumes from 2007 to 2011. Source: Frugi Venta, Cijfers over de bedrijfstak, 2011. <[http://www.frugivent.nl/modules/document/click.cfm?content\\_id=128509](http://www.frugivent.nl/modules/document/click.cfm?content_id=128509)> (27 January 2013)
- 6 Rabobank, Agf speciaalzaken, Rabobank cijfers en trends, <<https://www.rabobankcijfersentrends.nl/index.cfm?action=print.printPdf&id=439778ea-eb3e-4b59-b217-33c5226be874>> (24 Januari 2013), p. 2.
- 7 SOMO, 'Bitter Fruit, Socio-economic Issues in Fresh Fruit and Vegetables Supply Chains of Dutch Supermarkets - the Case of Ahold', January 2011, <[http://somo.nl/publications-nl/Publication\\_3606-nl/at\\_download/fullfile](http://somo.nl/publications-nl/Publication_3606-nl/at_download/fullfile)> (27 January 2013)

For this study new case study research has been carried out. In contrast to 'Bitter Fruit', which focuses mostly on fruit, this case study focuses on the production of green beans from Morocco. Green beans are imported mostly outside of the European production season. This allows retailers to offer fresh vegetables all year round. As such this import is a good example of the phenomenon of off-season vegetable imports from developing countries. Developing countries have traditionally been important suppliers of fresh fruit whereas vegetable imports from developing countries are still much smaller than that of fruits and have also 'matured' more recently. Nevertheless their share is significant (roughly 10% of all imports) and growing.<sup>8</sup> In addition much less literature is available on socio-economic issues in the fresh vegetables exports from developing countries than that for fresh fruit.

Fresh fruits and vegetables (FFV) are mostly sold in the EU via supermarkets. As a result many FFV producers are directly, or indirectly, dependent on supermarkets to be able to sell their produce. In different EU countries, including the Netherlands, the market concentration in supermarkets is high. As FFV producers have little choice where to sell their product, and can often not store it for a long time, the dominant supermarkets can easily impose their demands and can abuse their buyer power. Offering consumers FFV at low prices can be a strategy of supermarkets to attract more clients and increase their market share, and hence dominant position, which in turn could lead to them imposing even lower prices and more requirements on their suppliers.

In 14 European countries, authorities have undertaken an investigation into the practices and impacts of abuse of buyer power by supermarkets, especially towards national FFV or EU suppliers.<sup>9</sup> NGOs have also done research into suppliers from the South, of clothing, pineapples, bananas and more.<sup>10</sup> Most investigations have been hampered by fear because suppliers are afraid to lose their market and go bankrupt if they denounce their clients, the supermarkets. The investigations and research have found that many abusive practices by supermarkets exist, for example, unilateral price decreases, threats

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8 Estimate SOMO based on import volumes from 2007 to 2011. Source: Frugi Venta, Cijfers over de bedrijfstak, 2011.

<[http://www.frugiventa.nl/modules/document/click.cfm?content\\_id=128509](http://www.frugiventa.nl/modules/document/click.cfm?content_id=128509)> (27 January 2013)

9 European Commission, Green Paper on unfair trading practices in the business-to-business food and non-food supply chain in

Europe, 31 January 2013, p. 4 (note 8), < <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0037:FIN:EN:PDF>> (6 February 2013)

10 A series of testimonies and studies are available at the website of Tescopoly. Tescopoly website, "Workers worldwide" <[http://www.tescopoly.org/index.php?option=com\\_content&task=view&id=55&Itemid=176](http://www.tescopoly.org/index.php?option=com_content&task=view&id=55&Itemid=176)> & "Further reading"

<[http://www.tescopoly.org/index.php?option=com\\_content&task=view&id=53&Itemid=199](http://www.tescopoly.org/index.php?option=com_content&task=view&id=53&Itemid=199)>; one of example of a study is Consumers international website, "Pineapple Update 2012",

<<http://www.consumersinternational.org/our-work/more/key-projects/supermarket-csr/pineapples-case-study/update-2012>> (30 January 2013); see also Bananalink, Collateral Damage - How price wars between UK supermarkets helped to destroy livelihoods in the banana and pineapple supply chains, November 2006, <<http://www.makefruitfair.org.uk/sites/default/files/collateraldamagefinal2.pdf>> (6 February 2013).

to stop buying if a low price is not accepted, very late payments, or the transfer of all kind of risks to the supplier. Many authorities, including at the EU level, have concluded that this can have a negative impact on the viability of and sustainability in the food chain, and plan to bring or are bringing measures to bear.<sup>11</sup> However, no particular policies, mechanisms, regulations or treaties that would enable (FVV) suppliers from developing countries and other non-EU countries to remedy unfair and unequal commercial or buying practices by European supermarkets currently exist. This study examines the nature of the buying practices of supermarkets towards their FFV suppliers in Morocco. This research has been conducted to assess whether abusive buyer power is a problem in this particular subsector, and thereby to be able to add to the broader discussion on this issue. The study additionally aims to investigate whether retailers have policies that enable suppliers to produce sustainably.

## Report outline

In this report, the sourcing policies of supermarkets are described in Chapter 2. The case study on working conditions of Moroccan employees producing for the European market is presented in Chapter 3. Finally, in Chapter 4, this study distils lessons from the comparison of the results of these two chapters.

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<sup>11</sup> See: European Commission, Green Paper on unfair trading practices in the business-to-business food and non-food supply chain in Europe, 31 January 2013, p. 10-17, < <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0037:FIN:EN:PDF>> (6 February 2013) & European Commission, Setting up a European Retail Action Plan, 31 January 2013, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0036:FIN:EN:PDF>> (3 February 2013).

# 1. Sourcing policies of the leading Dutch supermarkets

## 1.1. Introduction

This chapter assesses and discusses the policies of the five largest Dutch supermarkets for ensuring decent working conditions and fair trading relations in their fruits and vegetables supply chains. The chapter begins with a description of the methodology used for this aspect of the study (section 1.2). The next section presents the normative framework that is relevant to supermarkets (and other companies) and the CSR standards and initiatives that supermarkets endorse or use (sections 1.3 and 1.4). The following sections describe the policies of Albert Heijn, Jumbo/C1000, ALDI, Lidl and PLUS in further detail (sections 2.5.1 to 2.5.5). The chapter concludes with a short analysis of the findings of the policy research.

## 1.2. Methodology

For this report, CSR and purchasing policies of the five largest Dutch supermarkets were analysed. The following supermarkets were selected according to the highest market shares on the Dutch market: Albert Heijn (ahold), Jumbo (including C1000), ALDI, PLUS, and Lidl (see table below).

**Table 1: Largest supermarket in Netherlands by market share**

Supermarket	Parent company	Market share (2011) <sup>12</sup>
Albert Heijn	Koninklijke Ahold N.V.	33.5%
Jumbo (including C1000)	Jumbo Groep Holding B.V.	Approx. 20%
ALDI	ALDI Einkauf GmbH & Co. oHG	7.9%
Lidl	Schwarz Gruppe GmbH	6.7%
PLUS	Sperwer Holding B.V.	6%

In order to gather information about the supermarkets' CSR and purchasing policies, SOMO developed a detailed questionnaire which was sent to the five supermarkets studied in this report. The questionnaire contains questions regarding the following topics:

<sup>12</sup> Information about 2011 market shares of AH, Aldi, Lidl, Plus on the Distrifood website, <<http://www.distrifood.nl/Formules/>> (viewed 23 January 2011) and Levensmiddelenkrant, "C1000 en Jumbo verder als een formule", 26 April 2012 < <http://www.levensmiddelenkrant.nl/8600/c1000-en-jumbo-verder-als-een-formule> > (22 November 2012)

- A. General questions about the company and its Corporate Social Responsibility (CSR) initiatives.
- B. The company's policies to promote proper labour conditions in food supply chains – focusing on the production of fruit and vegetables in developing countries.
- C. The company's policies to promote fair trading relationships with producers and suppliers in food supply chains in developing countries.
- D. Specific questions about three different products<sup>13</sup> (green beans, mangos and orange juice) sourced from various regions.

None of the selected supermarkets agreed to answer the questionnaire. Therefore, the company profiles are largely based on publicly available information. Annual reports, policy documents and websites of the selected supermarkets were analysed in order to draw up the company profiles.

The CSR Frame of Reference of the Dutch CSR Platform<sup>14</sup> (MVO Platform, a network of 30 Dutch civil society organisations and trade unions of which SOMO is a member) and the UK Grocery Supply Code of Practice<sup>15</sup> were used as a benchmark (see annex 1) to analyse the CSR and purchasing policies of the Dutch supermarkets.

A draft version of the company profiles was sent to the supermarkets so that they could check the profiles for factual errors. In addition, the companies were invited to discuss the research results in a personal meeting. Lidl and Jumbo/C1000 agreed to discuss the draft profile in a personal meeting. The information that was shared by these companies was added to the profiles. Albert Heijn, ALDI and PLUS declined the invitation for a meeting. Aldi and Plus did, however, respond in writing to the review request and provided some additional information. Albert Heijn declined to make use of the review opportunity.

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13 The solicited answers regarding mango and orange juice aims to serve research work on these products that would be published later in 2013 and would not be discussed here.

14 Derived from: MVO Platform, "CSR Frame of Reference, April 2012, <[http://mvoplatfom.nl/publications-en/Publication\\_3738?set\\_language=en](http://mvoplatfom.nl/publications-en/Publication_3738?set_language=en) >

15 Competition Commission, The Groceries (Supply Chain Practices) Market Investigation Order 2009, <[http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2006/grocery/pdf/revised\\_gscop\\_order](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2006/grocery/pdf/revised_gscop_order)> (29 January 2013)

## 1.3. Normative framework

### 1.3.1. Labour rights

In the area of labour practices the primary normative basis is defined by the International Labour Organisation (ILO). The ILO sets international labour standards by adopting conventions which the ratifying countries have to implement in their legislation. After entering national legislation, the conventions are binding for the implementing country.

The ILO has qualified the following rights as ‘fundamental’: non-discrimination (ILO Conventions 100 and 111); freedom of association and recognition of the right to collective bargaining (ILO Conventions 87, 98 and 135); prohibition of all forms of forced labour (ILO Conventions 29 and 105) and prohibition of child labour (ILO Conventions 138 and 182).<sup>16</sup>

In the CSR Frame of Reference, the Dutch CSR Platform (MVO Platform, a network of 30 Dutch civil society organisations and trade unions of which SOMO is a member), describes what it expects of companies. In addition to the fundamental ILO conventions, enterprises are expected to comply with, as well as to respect and promote the following labour rights<sup>17</sup>: the right to a living wage (Article 23 Universal Declaration of Human Rights and ILO Tripartite Basic Principle, article 34); the right to a safe and healthy work environment (ILO Convention 155); the right to job security (ILO Tripartite Basic Principle, articles 24-28) and compliance with maximum hours of work (ILO Convention 1).

The ILO Conventions are not directly applicable to the international corporate sector. However, content from the ILO Conventions and Declarations has found its way into international standards, guidelines, operational principles and processes that elaborate on the concept of corporate social responsibility.

Guidelines and standards that are most commonly referred to in CSR policies include<sup>18</sup>:

- The OECD Guidelines for Multinational Enterprises (revised in 2011): guidelines to which OECD member states and associated countries have committed themselves and which determine the obligations of multinational enterprises located in these countries. All member states have National Contact Points, to which violations can be reported.<sup>19</sup>

16 International Labour Organization website, “Conventions and recommendations”, no date , <  
<http://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm> > (18 December 2012).

17 Derived from: MVO Platform, “CSR Frame of Reference, April 2012, <[http://mvoplatfom.nl/publications-en/Publication\\_3738?set\\_language=en](http://mvoplatfom.nl/publications-en/Publication_3738?set_language=en)>

18 MVO Platform, CSR Frame of Reference, April 2012 <[http://mvoplatfom.nl/publications-en/Publication\\_3738?set\\_language=en](http://mvoplatfom.nl/publications-en/Publication_3738?set_language=en) >

19 Organisation for Economic Co-operation and Development (OECD), “OECD Guidelines for Multinational

- The UN Guiding Principles on Business and Human Rights (2011): principles that clarify in further detail the roles that governments and companies are expected to play in terms of protecting and respecting human rights.<sup>20</sup>
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977): recommendations to member states and multinational enterprises in the areas of employment policies, equality and job security.<sup>21</sup>
- ISO 26000: a global standard that defines social responsibility for all types of organisations and describes it in more concrete detail.<sup>22</sup>

According to the Dutch CSR Platform the normative framework that applies to international business clearly states that enterprises have a responsibility to respect labour rights, human rights and the environment. This responsibility is distinct from government obligations. Even if governments do not translate international obligations regarding human rights into national legislation, enterprises are not allowed to take advantage of this. On the contrary, they are expected to make additional efforts to meet their social responsibilities.

### **1.3.2. Human rights due diligence**

Businesses have a responsibility to comply with internationally acknowledged human rights within the domain of their activities and business relations. In 2011, the United Nations Guiding Principles on Business and Human Rights were adopted. These principles describe in more detail what the corporate responsibility to respect human rights entails. A crucial element of the UN Guiding Principles is the responsibility of business to act with 'due diligence' to avoid infringing on the rights of others and to address adverse impacts with which they are involved.

Due diligence is understood as a business process through which enterprises actively identify, prevent, mitigate and account for how they address and manage their potential and actual adverse human rights impacts. The process should include assessing actual and potential impacts throughout their business operations, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Due diligence implies more than just an assessment of risks for the company; the purpose is

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Enterprises – Recommendations for Responsible Business Conduct in a Global Context", 25 May 2011, <  
<http://www.oecd.org/dataoecd/43/29/48004323.pdf> >

20 United Nations Human Rights Council, "Guiding Principles on Business and Human Rights: Implementing the United Nations Protect, Respect and Remedy Framework", A/HRC/17/31, 21 March 2011 <  
<http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf> >

21 International Labour Organization (ILO), "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, November 1977 <  
<http://www.ilo.org/public/english/employment/multi/download/english.pdf> >

22 International Organization for Standardization, ISO 26000:2010, Guidance on Social Responsibility.

to understand and address risks and abuses that the company's activities pose to rights holders, including in its supply chain and throughout its business relationships.<sup>23</sup>

## 1.4. CSR standards and initiatives

In this section the corporate social responsibility (CSR) standards and initiatives most relevant to the fresh fruit and vegetables sector are briefly discussed. It is important to be familiar with these initiatives to better understand the (possible) impact of the approaches that supermarkets currently take to ensure decent working conditions and fair trading relations in their fruits and vegetables supply chain.

To various extents all CSR standards and initiatives discussed here are used and/or endorsed by the supermarkets of which the CSR approaches are analysed and discussed later in this chapter. The Business Social Compliance Initiative (BSCI) is discussed in more detail than other initiatives because of its prominence among retailers in the Netherlands. For the same reason the presentation of the Dutch Sustainable Trade Initiative is more elaborate than that of others. The section ends with a short analysis of the similarities and differences between different relevant CSR initiatives.

### 1.4.1. Business Social Compliance Initiative (BSCI)

The Business Social Compliance Initiative (BSCI) is a business-driven initiative aimed at improving working conditions in the global supply chain. As of 2013, over 1000 companies have joined the BSCI.<sup>24</sup>

BSCI combines monitoring (through audits) and capacity building of participants and their suppliers (through workshops and training programmes).

BSCI members commit to implement the BSCI Code of Conduct as part of their business relations with suppliers. The BSCI Code of Conduct is based on fundamental International Labour Organization (ILO) conventions and other important Declarations of the United Nations, the OECD Guidelines for Multinational Enterprises and the UN Global Compact.<sup>25</sup>

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23 SOMO, "How to use the UN Guiding Principles on Business and Human Rights in company research and advocacy – A guide for civil society organisations", November 2012 < [http://somo.nl/publications-nl/Publication\\_3899-nl/](http://somo.nl/publications-nl/Publication_3899-nl/) > & United Nations Human Rights Council, "Guiding Principles on Business and Human Rights: Implementing the United Nations Protect, Respect and Remedy Framework", A/HRC/17/31, 21 March 2011 < <http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf> >

24 BSCI website, "About us", no date, < <http://www.bsci-intl.org/about-bsci> > ( 6 February 2013)]

25 BSCI website, "Our work – the BSCI code of conduct, no date < <http://www.bsci-intl.org/our-work/bsci-code-conduct> >, [accessed on 7 November 2012]

In 2007, BSCI broadened its scope from textile and garments to include the food sector. BSCI members need to make the following commitments<sup>26</sup>:

- Map all their suppliers in risk countries<sup>27</sup> and include two-thirds of the total buying volume or production sites from these countries in the BSCI process within six months after joining BSCI.
- After a period of three years, at least 50% of these selected producers should have received audit results<sup>28</sup> “Good” or “Improvements Needed”. “This means that, although these producers need to keep improving, none of them are in breach with ILO Fundamental Conventions.”
- After five years, 100% of the selected two-thirds of companies' buying volume or production sites in risk countries, should have received audit results “Good” or “Improvements Needed”.

According to the BSCI approach, members must communicate the BSCI code of conduct to their suppliers. In addition, BSCI members should ask their suppliers in risk countries to complete a self-assessment questionnaire. Once every three years, suppliers should undergo an external audit ('BSCI audit'). If non-compliances are found, a re-audit must take place within twelve months after the initial audit to check that all corrective actions have been implemented. If a company is still non-compliant, a second re-audit can take place. If no measurable improvements are visible after this second re-audit, BSCI encourages its members to reconsider the relation with the supplier.<sup>29</sup> As BSCI considers SA8000 (see section 1.2.6) as a best practice, BSCI audits should be conducted by SA8000 lead auditors of auditing companies accredited by Social Accountability Accreditation Services (SAAS).<sup>30</sup>

If a participant does not comply or not fulfil the membership requirements, BSCI's Supervisory Board (which consists of at least three regular members representing all regular members and one representative of the executive office) may decide to exclude or suspend membership of the BSCI.<sup>31</sup>

In 2010, BSCI suspended 46 companies and eventually expelled 18 companies that did not fulfil the membership commitments.<sup>32</sup>

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26 BSCI website, “Our work – the BSCI Commitment Formula, no date, < <http://bsci-intl.org/our-work/bsci-code-conduct/bsci-commitment-formula/bsci-commitment-formula> > [accessed on 7 November 2012]

27 145 countries are listed on the BSCI Risk countries list, including Morocco. BSCI, “BSCI Risk Countries list, applicable as of 1 January 2011.

28 BSCI audits can only be conducted by SA8000 lead auditors of auditing companies that have been accredited by Social Accountability Accreditation Services, BSCI website, “Our work – Monitoring”, no date, <http://bsci-intl.org/our-work/monitoring> > [accessed on 7 November 2012]

29 BSCI website, “Our work – Monitoring”, no date < <http://bsci-intl.org/our-work/monitoring> > (30 January 2013).

30 *ibid.*

31 BSCI, “BSCI system: Rules and functioning”, November 2009 < <http://www.bsci-intl.org/resources/rules-functioning> >

32 BSCI, “Annual report 2010 - Tackling the challenge of responsible sourcing”, June 2011 < <http://www.bsci-intl.org/resources/annual-report-bsci> >

Of the Dutch supermarkets under review, Ahold (Albert Heijn), Lidl and ALDI are BSCI members.

It should be noted that supermarkets that join the BSCI are free to determine which product groups they subject to BSCI audits. Hence fresh fruit and vegetable suppliers need not form part of the two-third of production sites that ought to be included in the auditing process. In addition, it is not clear if BSCI members meet the audit requirements. Of the supermarkets that are featured in this report, Ahold is the only company that reports on the number of BSCI audits it has undertaken. Ahold – a relative frontrunner in the sector - reported that by the end of 2011 it had subjected almost 20% of the identified suppliers in high-risk countries to BSCI (or equivalent) audits.<sup>33</sup>

Adding to the opaqueness of this initiative is the fact that for those not directly involved, e.g. consumers or researchers, it is never clear which specific producers or products are included in the BSCI process. According to a 2011 report of Consumers International, BSCI has had little impact in the food sector. The report mentions that although some progress has been made in recent years, “as a proportion of overall audits, those in the food sector are still a tiny proportion.”<sup>34</sup> BSCI’s 2011 annual report reveals that out of the 6442 BSCI audits conducted in 2011, 297 were conducted in the food supply chain. The number of audits at food suppliers has increased though; in 2010 only 121 audits were conducted in the food sector.<sup>35</sup>

#### **1.4.2. Dutch Sustainable Trade Initiative**

IDH (*Initiatief Duurzame Handel*, the Dutch Sustainable Trade Initiative) aims to “accelerate and up-scale sustainable trade by building impact oriented coalitions of front running multinationals, civil society organisations, governments and other stakeholders”.<sup>36</sup>

In June 2012 IDH announced it would start up a programme aimed at addressing sustainability issues in the fresh fruits and vegetables (FFV) sector. IDH states that many sustainability initiatives in the fresh fruits and vegetable sector have been started by individual organisations in the past but that these efforts are not enough to transform the sector. The IDH FFV programme builds on existing initiatives, making sure they are aligned and sets up new projects to achieve scale. Major Dutch retailers and traders have joined the programme, with the aim of sourcing 100% of fresh fruits and vegetables sustainably from Latin America, Africa, and Asia by 2020.<sup>37</sup> The term ‘sustainability’ is

33 Ahold, Ahold Corporate Responsibility Report 2011- Responsible Retailing, February 2012, pp. 17-18.

34 Consumers International, “Checked Out revisited”, 2011, < <http://www.consumersinternational.org/our-work/more/key-projects/supermarket-csr/key-information> > (24 January 2012).

35 BSCI, “Annual report 2011: Towards improved working conditions in factories and farms worldwide”, June 2012 < <http://www.bsci-intl.org/resources/annual-report-bsci> >

36 IDH website, “About IDH”, no date < <http://www.idhsustainabletrade.com/about-idh> > (13 December 2012).

37 Website IDH, <http://www.idhsustainabletrade.com/fruits-and-vegetables> viewed 1 November 2012

defined “based on existing standards such as BSCI, Rainforest Alliance, ETI, Fairtrade”.<sup>38</sup> The following organisations have committed to sourcing all fresh fruits and vegetables sustainably by 2020<sup>39</sup>:

- Supermarkets: Albert Heijn, C1000, Lidl, Jumbo, Superunie (a buying desk representing 13 Dutch supermarkets).
- Traders: The Greenery, AgroFair, Eosta, FairFields, Jaguar the fresh company, Nature's Pride, Staay Food Group and Van Oers United.
- Civil society organisations: ICCO, Solidaridad.
- Industry associations: Frugi Venta and Productschap Tuinbouw.

### **1.4.3. GlobalGAP**

GlobalGAP - GAP stands for Good Agricultural Practice - is a food safety and quality standard. GlobalGAP certification can be considered as an entry level certification as it is required widely by buying companies as a prerequisite for doing business with suppliers.

In addition to aspects such as responsible use of resources and animal welfare, the standard also includes provisions regarding workers' health, safety and welfare. However, while they are considered so called 'Minor Musts', upholding these rights is not absolutely necessary for successful certification.

In 2011, GlobalGAP introduced the GRASP (Risk Assessment on Social Practice) module. GRASP is a voluntary add-on module and does not form part of the accredited GlobalGAP certification.<sup>40</sup> The GRASP module aims to support farmers in demonstrating their compliance with internationally agreed labour rights. We could not verify if GlobalGAP was indeed mandatory for the producers reviewed. GlobalGAP was, however, indicated as a standard by the producers interviewed for this research.

### **1.4.4. Fairtrade**

With the Fairtrade certification, the Fairtrade Labelling Organisation (FLO) aims to create an alternative scheme for the relations between producers, importers and retailers, in favour of the (often disadvantaged) producers. Next to setting labour standards (core ILO labour rights) the system includes aspects such as guaranteed minimum prices for producers; price premiums on top of the market price for investment in social, environmental or economic development projects which are decided on democratically

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38 “Supermarkets and trading companies commit to 100% sustainable fresh fruits and vegetables”, IDH press release, June 21, 2012, signed by Dutch retail and European trading companies. Download from <http://www.idhsustainabletrade.com/fruits-and-vegetables> viewed 1 November 2012

39 “Supermarkets and trading companies commit to 100% sustainable fresh fruits and vegetables”, IDH press release, June 21, 2012, signed by Dutch retail and European trading companies. Download from <http://www.idhsustainabletrade.com/fruits-and-vegetables> viewed 1 November 2012

40 GlobalGAP website, “Risk Assessment on Social Practice”, no date, < [http://www.globalgap.org/uk\\_en/what-we-do/globalg.a.p.-00001/GRASP/](http://www.globalgap.org/uk_en/what-we-do/globalg.a.p.-00001/GRASP/) > (7 December 2012).

by producers within the farmers' organisation or by workers on a plantation; pre-harvest and pre-production financing and capacity building and knowledge transfer between producers.<sup>41</sup> With the exception of Aldi, all supermarkets reviewed for this report stock a number of Fairtrade-certified products.<sup>42</sup>

#### **1.4.5. Rainforest Alliance**

Rainforest Alliance (RA) is a certification scheme working under the auspices of the Sustainable Agriculture Network (SAN). In addition to setting core ILO labour rights, the SAN standard sets norms for the protection of wildlife, wild lands, and protection of the rights of local communities.<sup>43</sup> Albert Heijn stocks RA certified bananas and pineapples.<sup>44</sup> Lidl also sells RA certified pineapples.<sup>45</sup>

#### **1.4.6. SA8000**

Social Accountability International (SAI) is a non-governmental, multi-stakeholder organisation. Its mission is to advance the human rights of workers around the world.<sup>46</sup> SAI has developed the SA8000 standard, an auditable social certification standard for socially responsible employment practices.<sup>47</sup> SA8000 is mostly used in the textile & garment industry: 31% of all SA8000 certified units are textiles and apparel producers. Food & agriculture only represents 4% of the total number of certified facilities.<sup>48</sup> BSCI (see section 1.2.2), which is a popular CSR initiative among the supermarkets researched considers SA8000 as a best practice regarding social compliance auditing.

#### **1.4.7. Ethical Trading Initiative**

The UK-based Ethical Trading Initiative (ETI) is a multi-stakeholder initiative which aims to improve working conditions worldwide through sharing best practices and joint learning. By becoming a member of ETI, a company commits itself to adopt and implement the ETI Base Code and to undertake activities intended to promote respect for workers' rights and to achieve real improvements in working conditions within their

41 Fairtrade International website, "What is Fairtrade?", no date < [http://www.fairtrade.net/what\\_is\\_fairtrade.html](http://www.fairtrade.net/what_is_fairtrade.html) > (7 December 2012).

42 Milieudefensie, "Top 10 supermarktketens – Gemiddeld aantal fairtrade producten", 1 november 2012 < <http://www.milieudefensie.nl/ekotellingen/resultaten> > Note: this source refers to all fairtrade certified product not exclusively FFV

43 Sustainable Agriculture Network website, "SAN Principles", no date < <http://sanstandards.org/sitio/subsections/display/7> > (13 December 2012).

44 Store visits, Albert Heijn, Groot Kattenburgerplein & Jodenbreestraat, Amsterdam, April & December 2012.

45 Meeting SOMO and Lidl, Huizen, 5 December 2012

46 Social Accountability International website, "About SAI", no date, < <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=1365> > (13 December 2012).

47 Social Accountability International website, "SA8000 standard", no date < <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=937> > (13 December 2012).

48 Social Accountability Accreditation Services, "Certified facilities by industry", 30 June 2012, < [http://www.saasaccreditation.org/facilities\\_by\\_industry.htm](http://www.saasaccreditation.org/facilities_by_industry.htm) > (13 December 2012).

supply chain. The ETI Base Code covers key ILO labour rights. As of December 2012 over 70 companies have joined the ETI.<sup>49</sup> ETI is referenced by IDH as one of the standards by which it defines sustainable sourcing.

#### **1.4.8. Global Compact**

With more than 7000 business members, the United Nations Global Compact is the world's largest CSR initiative. Member companies commit to implement the Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption. Participating companies must issue an annual Communication on Progress which describes the progress made in implementing the ten principles.<sup>50</sup> However, there is no mechanism that verifies implementation of the ten principles by Global Compact participants. Ahold (Albert Heijn) is a Global Compact member.<sup>51</sup>

#### **1.4.9. The Global Reporting Initiative**

The sustainability reporting guidelines developed by the Global Reporting Initiative (GRI) are globally acknowledged to be an important voluntary tool that companies can use to facilitate and improve reporting on non-financial aspects of their operations.<sup>52</sup> GRI provides a consolidated reporting framework that builds on relevant internationally accepted legal frameworks, such as ILO Conventions, human rights conventions and OECD Conventions and the most widely used normative frameworks and principles, such as UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and ISO 26000.<sup>53</sup> Of the researched supermarkets Ahold uses the GRI Guidelines for its CSR report (assurance level B+, with B standing for intermediate reports and + for externally checked). Jumbo included a GRI reference table in its 2011 CSR report but the company did not indicate the application level.

#### **1.4.10. Discussion**

With the exception of GlobalGAP all the standards of the above listed initiatives cover the fundamental ILO labour rights.

Except for the UN Global Compact all initiatives include provisions regarding the right to a safe and healthy working environment and maximum working hours. The ETI Base Code is the only code that refers to 'regular employment'. The SA8000 code is the most

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49 ETI website, "About ETI – What companies sign up to", no date < <http://www.ethicaltrade.org/about-eti/what-companies-sign-up-to> > (13 December 2012).

50 United Nations Global Compact website, "About us", 1 December 2011 < <http://www.unglobalcompact.org/AboutTheGC/index.html> > (13 December 2012).

51 United Nations Global Compact website, "Participants & Stakeholders – Participant Information Ahold, no date, < <http://www.unglobalcompact.org/participant/12562-Ahold> > (7 November 2012).

52 SOMO, "Use of the Global Reporting Initiative (GRI) in Sustainability Reporting by European Electricity Companies", December 2012 <[http://somo.nl/publications-en/Publication\\_3918?set\\_language=en](http://somo.nl/publications-en/Publication_3918?set_language=en) >

53 CREM and Adelphi, "The State of Play in Sustainability Reporting in the European Union", April 2011.

outspoken about living wages stating that: “the company shall respect the right of personnel to a living wage”.<sup>54</sup> Rainforest Alliance and Fairtrade are the only initiatives reviewed here that devote attention to producers’ income. The Fairtrade system guarantees minimum prices and on top of that premiums for investment in social, environmental or economic development projects. Rainforest Alliance does not use minimum prices but, according to Rainforest Alliance, most farmers are able to leverage their certification to receive a price premium.<sup>55</sup>

The initiatives differ considerably regarding governance structure and their mechanisms for standard implementation, monitoring and verification. Fairtrade and Rainforest Alliance aim to guarantee decent working conditions through product certification allowing for ethical labels on (consumer) products. SA8000 allows for certification of producers not of products. With ETI the emphasis is on learning of, and sharing of best practices with, its members.

Corporate members must demonstrate progress towards implementing the base code and audits can be instrumental for this (there is however no ETI-recognised certification). BSCI combines a shared learning and training approach with producer/supplier auditing (however, it does not allow for BSCI certification). The Dutch Sustainable Trade Initiative mostly aims to support, develop and implement projects that foster sustainability improvements in supply chains. GlobalGAP is a product safety and quality standard. The GRASP module which it offers covers labour aspects but is an optional “add-on”.

With regards to monitoring compliance with the normative standards they aim to enforce SA 8000, Rainforest Alliance and Fairtrade rely on annual third-party audits. BSCI requires its members to subject their suppliers to (third-party) audits at least once every three years. ETI members have to submit an annual report in which they must describe, amongst others, how they assess working conditions at their suppliers and how they ensure that any improvements requested of their suppliers have been made. These annual reports will be reviewed by the ETI Board, and ETI will provide feedback to each company, identifying where progress has been made and where further action is required.<sup>56</sup> The United Nations Global Compact on the other hand relies exclusively on members’ self-assessments. BSCI is different from the other initiatives as it is principally a business driven initiative and has no multi-stakeholder governance. There is a multi-stakeholder council within the BSCI but decision-making is reserved for the industry representatives only.<sup>57</sup>

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54 Social Accountability International, “Social Accountability 8000”, SAI: 2008.

55 Rainforest Alliance, “The Rainforest Alliance Certified Sustainable Agriculture Program”, June 2009.

56 Ethical Trading Initiative website, “About ETI – What companies sign up to”, no date <  
<http://www.ethicaltrade.org/about-eti/what-companies-sign-up-to> > (28 January 2013).

57 SOMO, “Multi-stakeholder initiatives – A strategic guide for civil society organizations”, Amsterdam, March 2012, pp. 50.

## 1.5. Sourcing policies of Dutch retailers

In this section the sourcing policies of the five leading supermarkets in the Netherlands are discussed. For each supermarket a brief corporate profile, an analysis of (supply chain) transparency, an analysis sourcing policies and an overall discussion is presented.

### 1.5.1. Albert Heijn

#### Brief corporate profile

With a market share of 33.5<sup>58</sup>% and sales of € 10,506m<sup>59</sup> Albert Heijn is the leading food retailer in the Netherlands. Albert Heijn operates more than 850 stores in the Netherlands and employs around 110,000 workers. In 2011, Albert Heijn opened its first shop in Belgium and in 2012 the first Albert Heijn supermarket opened its doors in Germany. In the Netherlands, Albert Heijn expanded its number of outlets by acquiring 82 former C1000 supermarkets in 2012.<sup>60</sup>

Albert Heijn is part of the Ahold Group, an international group of branded supermarkets in the United States and Europe. In 2011, Ahold, headquartered in the Netherlands, operated 3,008 stores worldwide and had an operating income of € 1.3bn and net sales of € 30.3bn.<sup>61</sup>

#### (Supply chain) transparency

On a general level, Ahold is relatively transparent; its CSR and supplier policies are available on its website as well as its annual reports and CSR reports.

Like most companies, Albert Heijn - and its parent company Ahold - is not transparent about its supplier base. However, a number of suppliers of fresh products, including some from developing countries, are presented on the Albert Heijn website.<sup>62</sup> On the occasion of its 125th jubilee, Albert Heijn arranged for consumers to be able to visit at

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58 Distrifood, "Marktaandeel van Albert Heijn stagneert", 19 January 2012, <  
<http://www.distrifood.nl/Formules/Algemeen/2012/1/Marktaandeel-van-Albert-Heijn-stagneert-DIS141882W/>  
> ( 5 November 2012).

59 Includes sales of Etos and Gall & Gall brands, Ahold, "Ahold Annual Report 2011 – Reshaping Retail at Ahold", February 2012, pp. 28.

60 LevensmiddelenKrant, "AH krijgt er 70 ondernemers bij", 26 April 2012, <  
<http://www.levensmiddelenkrant.nl/8601/ah-krijgt-er-70-ondernemers-bij> > (6 November 2012).

61 Ahold website, "Financial Information – Key figures", no date, <https://www.ahold.com/Ahold.htm#!/Financial-information/Key-figures.htm> , (5 November 2012).

62 Albert Heijn website, "Video's AH leveranciers", no date, <  
<http://www.ah.nl/allerhande/#/video/?category=onze-leverancier&sort=meest-relevant> > (26 November 2012).

one of their 175 Dutch farmers and growers<sup>63</sup>, but most of the direct and indirect suppliers remain unknown.

In its 2011 Corporate Responsibility report Ahold states that in order to meet its sustainable trade targets for own-brand (private label) products, it needs to better understand the supply chain. Ahold reports that mapping its suppliers turned out to be more difficult than anticipated. To support the mapping process, Ahold implemented a Supplier Information Management System in 2011. Ahold reported that by the end of 2011, it had identified 565 direct suppliers in so called high-risk countries.<sup>64</sup> Ahold adds that the mapping exercise has not yet been completed.<sup>65</sup> It is thus not clear what the total number of its own-brand suppliers in high-risk countries is.

### **Fruit and vegetables suppliers**

Sometimes information about Ahold's fruit and vegetables suppliers from developing countries is available through its own communications.<sup>66</sup> From this information it is clear that Ahold is sourcing French beans from a Moroccan exporter called Geurnikako. A store visit in April and December 2012 confirmed that Ahold is sourcing from this supplier.<sup>67</sup> Despite declining to review the draft of this profile and of the the case study, Ahold did confirm sourcing Moroccan green beans from Van Oers United (VOU, parent company of Quality Bean Maroc).

### **Sourcing policies**

This section describes the set of policies Ahold upholds to promote decent working conditions in its supply chain. Next to presenting the normative standards the company sets it also discusses whether Ahold's purchasing policies provide an enabling environment for suppliers to comply with their standards.

### **CSR policy**

Ahold's corporate responsibility policy is based on five pillars: healthy living, sustainable trade, climate action, community engagement and people. In 2010, Ahold formulated a series of targets for each of its priority areas.<sup>68</sup> Ahold reports on progress towards these targets on an annual basis through its corporate responsibility report. Ahold uses the

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63 Agrico website, 'Vier telers van Agrico stellen hun deuren open voor publiek tijdens Open Dagen van Albert Heijn', < <http://www.agrico.nl/opendagen/>> (28 January 2013)

64 The list of high-risk countries is based on the definitions in the United Nations Human Development Index and the ILO Economic Security Index. Ahold, Ahold Corporate Responsibility Report 2011 – Responsible Retailing, February 2012, pp. 18.

65 Ahold, Ahold Corporate Responsibility Report 2011- Responsible Retailing, February 2012, pp. 17-18.

66 Eg. Corporate presentation, Ahold's approach to sustainability, No date, < [www.vettefeiten.nl/seminar/presentations/Sustainable%20private%20label%20products%20in%20practice%20Anne%20van%20der%20Wal%20of%20Ahold.pdf](http://www.vettefeiten.nl/seminar/presentations/Sustainable%20private%20label%20products%20in%20practice%20Anne%20van%20der%20Wal%20of%20Ahold.pdf)>

67 Store visits, Albert Heijn, Groot Kattenburgerplein & Jodenbreestraat, Amsterdam, April & December 2012.

68 Ahold website, "Corporate Responsibility – Our CR Strategy", no date, < <https://www.ahold.com/#!/Corporate-responsibility/Our-CR-strategy.htm> > ( 7 November 2012).

guidelines of the Global Reporting Initiative for its CSR report. However, under the section labour practices and decent work Ahold only reports on two out of the fourteen indicators. Under the section human rights, Ahold reports on five out of the nine indicators.<sup>69</sup>

Regarding the social aspects of sustainable trade, Ahold has set the following targets<sup>70</sup>:

- Source 100% of the six critical commodities for own-brand products in accordance with accepted industry certification standards for sustainable production by 2015.
- Ensure that 100% of own-brand suppliers in high-risk countries are audited on social compliance by 2012.
- Sourcing all fresh fruits and vegetables sustainably by 2020.

### **CSR initiatives and sustainability certification schemes**

To implement and/or support its socio-economic aspirations Ahold works with a number of sustainability initiatives:

- Since 2005 Ahold has been a member of the Business Social Compliance Initiative (BSCI).
- In 2010, Ahold became member of the United Nations Global Compact. However, as of 10 October 2012, Ahold is listed on the Global Compact website as “non-communicating” as it failed to submit its annual Communication on Progress.<sup>71</sup>
- Ahold is one of the signatories of the ‘Covenant sustainable fresh fruit and vegetables’ of the Dutch Sustainable Trade Initiative. The parties of this Covenant commit to sourcing 100% of their fresh fruits and vegetables sustainably by 2020.
- As a member of the business-driven Global Social Compliance Programme (GSCP), Ahold works towards the harmonisation of existing social and environmental codes and guidelines.
- Albert Heijn stocks a number of ethically certified and labelled products and has developed its own ‘Puur & Eerlijk’ (Pure and Honest) label which can reference one or more independent labels (certifications) brand. In 2011, 141 Fairtrade certified products were included in Albert Heijn’s assortment.<sup>72</sup> On a comparative note; the average Albert Heijn stores offers some 8,000 to 22,000 products.<sup>73</sup>

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69 Ahold, “Ahold Corporate Responsibility Report 2011- Responsible Retailing”, February 2012, pp.57-66.

70 Ahold website, “Sustainable trade”, no date, < <https://www.ahold.com/#!/Media/Sustainable-trade.htm> > (7 November 2012).

71 United Nations Global Compact website, “Participants & Stakeholders – Participant Information Ahold, no date, < <http://www.unglobalcompact.org/participant/12562-Ahold> > (7 November 2012).

72 Ahold, “Ahold Corporate Responsibility Report 2011- Responsible Retailing”, February 2012, pp. 25.

73 Albert Heijn website, “Feiten en cijfers”, no date < <http://www.ah.nl/artikel?trg=albertheijn/article.feiten> >, (28 November 2012).

### **Policies to promote decent work in the supply chain**

All Ahold suppliers should comply with the Ahold Standards of Engagement. The Standards of Engagement specify that Ahold suppliers “must observe and conform to the BSCI Code of Conduct or an equivalent standard acceptable to Ahold”.<sup>74</sup> Most core labour standards are included in the Ahold Standards of Engagement. However, the Standards of Engagement do not include provisions regarding a living wage and the right to security of employment.

Ahold aimed to have 100% of its own-brand suppliers in high-risk countries audited on social compliance in 2012. These suppliers should have undergone a social audit according to the BSCI or equivalent standard. Ahold reported that by the end of 2011, it had identified 565 last stage production sites in high-risk countries. Of those, 111 have been audited (almost 20% of identified suppliers: as Ahold reports that the supplier mapping has not yet been completed it is not possible to say what the total number of own-brand suppliers in high-risk countries is).<sup>75</sup>

No information is given about the results of those suppliers that have been audited on social compliance. The 2011 Corporate Responsibility Report includes one case of action undertaken by Ahold after reported abuses in Florida’s tomato fields<sup>76</sup> but it is not clear what Ahold’s general strategy is for dealing with non-compliances.

From the Standards of Engagement it is unclear whether its application extends to second and further tier suppliers. However, it is stated clearly that the suppliers and not Ahold itself are tasked with ensuring compliance with their code.

### **Grievance mechanism/ complaint procedures**

No information was found on the existence of a formal grievance mechanism that would allow suppliers or their staff or other stakeholders to file complaints with Ahold in the event they think that the standards set by Ahold are violated.

### **Policies to ensure fair trading conditions**

The Ahold Code of Conduct includes a section on “relationships with suppliers”. One of the clauses states that “employees must follow company procurement and purchasing guidelines and procedures when selecting and conducting business with suppliers and business partners”<sup>77</sup>. However, these procurement and purchasing guidelines are not publicly available. Hence, it is not clear what terms and conditions apply to trading relations with suppliers and if these terms and conditions and other policies that may be applied are conducive to Ahold’s CSR ambitions.

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74 Ahold, Standards of Engagement, no date.

75 Ahold, Ahold Corporate Responsibility Report 2011- Responsible Retailing, February 2012, pp. 17-18.

76 Ahold, Ahold Corporate Responsibility Report 2011- Responsible Retailing, February 2012, pp. 21.

77 Ahold, “Doing what is rights – Ahold Code of Conduct”, no date.

Media reports from September 2012 reveal that Albert Heijn's purchasing practices may seriously inhibit suppliers from being decent employers. In September 2012, Albert Heijn unilaterally decided to reduce its payments to all its suppliers by raising the payment discount it receives from its suppliers to with 2% to facilitate its expansion. Albert Heijn suppliers were informed about this decision via a letter sent to all of them on 3 September 2012.<sup>78</sup> Only after media attention and heavy protests Albert Heijn decided to suspend the arrangement for those suppliers that indicated that they would face major problems if the discount would be implemented.<sup>79</sup> It is not clear, however, if the letter was only sent to Albert Heijn suppliers in the Netherlands or to suppliers worldwide. In December 2012, Dutch media reported that a number of anonymous Ahold suppliers were, despite the announced suspension of the arrangement, confronted with this discount.<sup>80</sup>

### **Analysis/discussion**

Compared to the other Dutch supermarkets Ahold is relatively transparent; its CSR and supply chain policies are publicly available as well as its annual and corporate responsibility reports.

Ahold has set measurable targets in a number of CSR priority areas and reports on progress towards these targets in its annual corporate responsibility report.

The Standards of Engagement include most relevant labour standards but do not mention issues such as the right to a living wage and the right to security of employment. It is not clear if the Standards of Engagement apply to Ahold's entire supply chain, i.e. if they also extend to second and further tier suppliers. Moreover, it remains also unknown how Ahold handles non-compliances with its Standards of Engagement.

Ahold hardly provides information on its overseas suppliers and on the terms that govern its relations with them.

Through its membership (since 2005) of the BSCI, Ahold has committed to map all its suppliers in high-risk countries and have two-thirds of its suppliers audited on social compliance within six months after joining the BSCI. Ahold's 2011 Corporate Responsibility Report reveals that Ahold has not fulfilled the BSCI membership commitments as Ahold writes it has not yet fully mapped all its suppliers in high-risk countries. Only 20% of the identified suppliers in high-risk countries were subjected to audits by the end of 2011. No information about the due 2012 audits is so far available.

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78 NOS, "Albert Heijn eist meer korting", 10 September 2012, < <http://nos.nl/artikel/417120-albert-heijn-eist-meer-korting.html> > (6 November 2012).

79 NOS, "Albert Heijn schort korting op", 14 September 2012, < <http://nos.nl/artikel/418745-albert-heijn-schort-korting-op.html> > (6 November 2012).

80 Financieel Dagblad, "Albert Heijn zet zijn leveranciers na excuses alsnog voor het blok", 3 December 2012, <<http://fd.nl/ondernemen/158099-1212/albert-heijn-zet-zijn-leveranciers-na-excuses-alsnog-voor-het-blok>> (28 January 2013)

## 1.5.2. Jumbo

### Brief corporate profile

Jumbo Supermarkets is a fast expanding private company run and owned by the Van Eerd family. Jumbo operates according to the 'Everyday Low Price' formula - which means that periodic promotional discounts are eliminated to provide consistently lower than customary prices – and combines low prices with good service.

In 2009, Jumbo acquired Dutch supermarket chain Super de Boer (which had been the second largest supermarket in the Netherlands). Two years later, all C1000 stores (over 400) were bought by Jumbo. Until that moment C1000 had been the second biggest supermarket chain in the Netherlands with a market share of twelve per cent.<sup>81</sup> The Dutch competition authority (NMA) then ordered Jumbo to sell Jumbo or C1000 locations in 18 towns to competitors subject to NMA approval. Subsequently, 82 stores were sold to Ahold and 54 stores to Coop.<sup>82</sup> In the coming years all remaining C1000 stores under Jumbo management will be transformed to Jumbo stores. By 2015, all C1000 stores will have disappeared but now still operate under that name and C1000 still has a separate website.<sup>83</sup> With the acquisition of Super de Boer and C1000, the total number of Jumbo outlets has risen to roughly 600 and its market share to around twenty per cent.<sup>84</sup> Jumbo reported a turnover of € 2.5bn for the year 2011.<sup>85</sup> C1000 reported a turnover of € 4bn for the year 2011.<sup>86</sup> As of 2012, C1000 figures are integrated in Jumbo's financial results. As a result, Jumbo reported a turnover of € 3.6bn for the first six months of 2012 alone.<sup>87</sup>

### (Supply chain) transparency

Information about Jumbo's CSR policy and results thereof are published in annual CSR reports. These reports are available on the corporate website. The company does not provide any information about the suppliers it works with. The C1000 website also contained some information regarding C1000's CSR activities. C1000 also publishes an annual CSR report but this report does not contain detailed information regarding

81 Distrifood website, Formules – C1000, no date, < <http://www.distrifood.nl/Formules/C1000/> > (9 November 2012).

82 Website Netherlands Competition Authority, 'NMa: Acquisition of locations of supermarket chain Jumbo by two rivals cleared', 26 July 2012  
<[http://www.nma.nl/en/documents\\_and\\_publications/press\\_releases/news/2012/36\\_12\\_nma\\_acquisition\\_of\\_locations\\_of\\_supermarket\\_chain\\_jumbo\\_by\\_two\\_rivals\\_cleared.aspx](http://www.nma.nl/en/documents_and_publications/press_releases/news/2012/36_12_nma_acquisition_of_locations_of_supermarket_chain_jumbo_by_two_rivals_cleared.aspx) > (21 November 2012).

83 C1000 website, <http://www.c1000.nl/> (29 January 2013)

84 Levensmiddelenkrant, "C1000 en Jumbo verder als een formule", 26 April 2012 <

<http://www.levensmiddelenkrant.nl/8600/c1000-en-jumbo-verder-als-een-formule> > (22 November 2012).

85 Jumbo website, "Feiten en cijfers" <http://www.jumbosupermarkten.nl/Bedrijf/Over-Jumbo/Feiten-en-cijfers/> >, no date (22 November 2012).

86 C1000, "Duurzaamheidsverslag 2011", no date, < <http://www.c1000.nl/over-c1000/verantwoordelijkheid.aspx> > (23 November 2012).

87 Jumbo website, "Eerste helft 2012 succesvol voor Jumbo en C1000", 21 September 2012  
<http://www.jumbosupermarkten.nl/Bedrijf/Pers/Persberichten-2012/Eerste-helft-2012-succesvol-voor-Jumbo-en-C1000/> > (22 November 2012).

C1000's policies to ensure decent working conditions and fair trading relations in its supply chain.

### **Fruit and vegetables suppliers**

Jumbo and C1000 do not provide any information about the origin and volumes of the various fresh fruit and vegetables they sell on their websites or in the media.

In a meeting with a representative from Jumbo/ C1000 the company revealed that for C1000 Van Oers is one of the main fruits and vegetables suppliers. As for Jumbo, the Greenery is among the most important FFV suppliers.

However, the company explained that it is currently reorganising its fruits and vegetables purchasing. The company will bring the number of fruits and vegetables suppliers down from roughly forty-five to around seven.<sup>88</sup>

### **Sourcing policies for fresh fruits and vegetables**

This section describes the set of policies Jumbo upholds to promote decent working conditions in its fruits and vegetables supply chain. Further, it aims to describe if Jumbo's purchasing policies provide an enabling environment for suppliers to comply with these standards.

### **CSR policy**

Jumbo's CSR strategy is based on four pillars: energy, health, animal welfare and people. In 2011, Jumbo started to formulate measurable CSR targets. In a few areas Key Performance Indicators have been set (in the areas of energy and animal welfare). Jumbo aims to further implement this approach in 2012. Furthermore, in 2012, Jumbo and C1000's CSR policies will be integrated.<sup>89</sup>

The 'People' pillar includes Jumbo's work regarding sustainable trade. All Jumbo own-brand products must be 100% sustainable by 2015. Jumbo applies a supply chain approach whereby it aims to include all chain partners (this includes suppliers, packers, transporters, etc.).<sup>90</sup>

Jumbo reports about its CSR achievements in its annual CSR report. Jumbo has included a GRI reference table in its 2011 CSR report but it did not indicate to what extent the CSR report is in accordance with the GRI Guidelines (no application level is included). Under the section labour practices and decent work Jumbo indicates it reports on four out of the fourteen GRI indicators. Jumbo's GRI reference table does not include any human rights indicators.<sup>91</sup>

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88 Meeting between SOMO and Jumbo/C1000, 19 December 2012.

89 Jumbo Supermarkten, "MVO Jaarverslag 2011", June 2012,

<[http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7\\_Jaarverslag-2011.aspx](http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7_Jaarverslag-2011.aspx) >

90 Ibid.

91 Jumbo Supermarkten, "MVO Jaarverslag 2011", June 2012,

<[http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7\\_Jaarverslag-2011.aspx](http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7_Jaarverslag-2011.aspx) >

### CSR initiatives and sustainability certification schemes

- Jumbo is one of the signatories of the ‘Covenant sustainable fresh fruit and vegetables’ of the Dutch Sustainable Trade Initiative. The parties of this Covenant commit to sourcing 100% of their fresh fruits and vegetables sustainably by 2020.
- Certified products: C1000 sells a limited number of ethically labelled FFV such as Fairtrade bananas and mangos.<sup>92</sup>

### Policies to promote decent working conditions in the supply chain

According to Jumbo, sustainability is a structural issue in contacts with suppliers. Jumbo writes that its supply chain policy is based on existing guidelines such as the BSCI Code of Conduct and GlobalGAP (Good Agricultural Practice).<sup>93</sup> Jumbo’s supply chain policy is not publicly available, however. Therefore it is unclear what the scope of the policy is, i.e. if it also extends to second and further tier suppliers.

The general purchase conditions of BIJEEN – the sourcing organisation/buying desk that was established by Jumbo and C1000 in 2009 – include clauses regarding labour rights. With the restructuring of the C1000 and Jumbo sourcing departments, BIJEEN will cease to exist but the policy principles will remain the same.<sup>94</sup> The general purchase conditions include a paragraph on corporate social responsibility. This paragraph stipulates that suppliers “must devote attention to the environment and animal well-being and supervise the working conditions in which goods are produced and ensure that employees are treated fairly and respectfully”.<sup>95</sup> Most core labour standards are included in the general purchase conditions. However, they do not include provisions regarding a living wage and the right to security of employment, nor health and safety standards.

No information could be found with regard to capacitating suppliers to comply with these standards, i.e. by providing trainings. However, it is stated clearly that the suppliers and not BIJEEN or Jumbo are tasked with ensuring compliance with the code.

Jumbo explained that it will put more effort into verifying compliance with these normative standards. Jumbo does not wish to rely on one system, rather it aims to combine the best of existing standards and initiatives.<sup>96</sup>

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92 SOMO shop visits, November 2012.

93 Jumbo Supermarkten, “MVO Jaarverslag 2011”, June 2012,

<[http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7\\_Jaarverslag-2011.aspx](http://www.jaarverslagenjumbosupermarkten.nl/jaarverslag-2011/cDU7_Jaarverslag-2011.aspx) >

94 Meeting between SOMO and Jumbo/C1000, 19 December 2012.

95 BIJEEN, “General Purchase Conditions of Buyers’ Cooperative BIJEEN U.A.”, 1 May 2010, <<http://bijeem.nl/uk/downloads.html> >

96 Meeting between SOMO and Jumbo/C1000, 19 December 2012.

No information was found on a formal grievance mechanism that would allow suppliers or their staff or other stakeholders to file complaints with Jumbo in the event they think that the standards set by Jumbo are violated.

### **Policies to ensure fair trading conditions**

In a meeting with SOMO, Jumbo explained that following the acquisition of C1000, it is currently re-organising the sourcing department. The C1000 sourcing department will be integrated with the Jumbo sourcing department. BIJEEN, C1000 and Jumbo's buying desk, will cease to exist. Regarding the sourcing of fresh fruits and vegetables, Jumbo explained that it is currently bringing down the number of suppliers. Price and efficiency as well as sustainability considerations underlie this decision.

Jumbo does not maintain direct relationships with producers (with a few exceptions), but works with large traders such as the Greenery. Jumbo further explained that because of its 'Everyday Low Prices' strategy it is able to maintain steady relationships with suppliers. Because Jumbo does not apply periodic discounts, demand and prices are predictable year-round. This is one way in which Jumbo aims to ensure responsible trading relations. In addition, the company aims to build long-term relationships.

The above mentioned general purchase conditions include clauses regarding delivery, quality, traceability, liability, payment, etc. The elements included in the general purchase conditions first and foremost relate to transparency for suppliers in the commercial relations. Other more ethically normative elements that may help suppliers in being treated fairly by supermarkets such as forbidding forced contributions to promotions and restriction of de-listing tactics do not form part of these conditions.

In September 2012, days after Albert Heijn's announcement that it would unilaterally raise the payment discount it receives from its suppliers with 2%, it became known that Jumbo planned to enforce a payment discount of 1.25% to be applied retrospectively over the year 2012. Like Albert Heijn, Jumbo expects its suppliers to contribute to its expansion.<sup>97</sup>

### **Analysis/discussion**

Information about Jumbo's CSR policy is available through its annual CSR report. In addition, information is available on the corporate website.

According to Jumbo, its supply chain policy is based on existing international guidelines such as the BSCI Code of Conduct and GlobalGAP. However, except for the general purchase conditions no other publicly available policy documents could be found. CSR issues are integrated into the general purchase conditions. As such, key labour rights are

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97 NRC, "Ook Jumbo vraagt korting aan leveranciers", 18 September 2012 < <http://www.nrc.nl/nieuws/2012/09/18/ook-jumbo-vraagt-korting-aan-leveranciers/> > (28 January 2013).

a standard element in contacts with suppliers. It is not clear though how Jumbo monitors compliance with its standards, how it deals with non-compliances and whether it has a grievance mechanism in place. In addition, no information could be found with regard to capacitating suppliers to comply with these standards, i.e. by providing trainings. In addition, Jumbo's purchasing policy contains some elements that provide clarity on trading terms with suppliers whereas no (other) indications could be found that its sourcing policy promotes fair trading relationships with its suppliers.

Jumbo committed to source 100% of its fresh fruits and vegetables sustainably by 2020 by means of signing a Covenant of the Dutch Sustainable Trade Initiative. As this program is still in the development phase it is yet too early to ascertain its impact.

### **1.5.3. ALDI Netherlands**

This profile focuses on ALDI's policies to ensure decent working conditions and fair trading relations in its fruits and vegetables supply chain. ALDI declined to fill in the questionnaire regarding CSR and purchasing policies which was designed by SOMO for this research. In response to SOMO's review request, the company sent some selected information about its supplier policy. Therefore this profile is based on publicly available information and as a result many questions remain unanswered. In the following sections broad policy areas that are important for addressing the above mentioned goals are discussed. It is also generally indicated where gaps in information were found.

#### **Brief corporate profile**

ALDI Einkauf GmbH & Co. oHG (operating as ALDI) is a global discount supermarket chain headquartered in Germany. The chain is made up of two separate groups: ALDI Nord and ALDI Süd which operate independently from each other within specific areas.

ALDI stores can be found in 17 countries. In the Netherlands ALDI operates 494 stores which belong to the ALDI Nord Group. In 2011 ALDI had a market share of 7.9% in the Netherlands.<sup>98</sup>

#### **(Supply chain) transparency**

ALDI Netherlands does not publicly disclose information about its supplier base neither does its parent company ALDI Nord provide such information on its website or in the media. In general, ALDI's transparency is restricted to an absolute minimum. No annual reports, CSR reports or policy documents are published. In addition, the company does not disclose any financial results.

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<sup>98</sup> DistriFood website, "Formules – ALDI", no date, < <http://www.distriFood.nl/Formules/Aldi/> > ( 9 November 2012).

### **Fruit and vegetables suppliers**

ALDI does not provide any information on its website or in the media about its supplier base and the origin and volumes of different fresh fruit and vegetables.

### **Sourcing policies for fresh fruits and vegetables**

This section describes the set of policies ALDI upholds to promote decent working conditions in its supply chain. It also aims to describe whether ALDI's purchasing policies provide an enabling environment for suppliers to comply with such standards.

### **CSR policies**

ALDI Nord, parent company of the Dutch ALDI stores, does not have a corporate responsibility policy publicly available.

Very minimal information regarding corporate social responsibility is available on ALDI's Dutch website. Under the header "Quality and Responsibility" some information regarding sustainability initiatives in ALDI's coffee, tea and seafood supply chains is provided.

### **CSR initiatives and sustainability certification schemes**

In 2008 ALDI Nord and ALDI Süd both became member of the Business Social Compliance Initiative (BSCI).<sup>99</sup> It is not clear, however, if and how ALDI implements the BSCI membership requirements.

### **Policies to promote decent working conditions in the supply chain**

ALDI does not publicly disclose a policy aimed at ensuring decent working conditions in its supply chain. ALDI is a member of the Business Social Compliance Initiative (BSCI, see section 2.3.1). Through its membership of the BSCI, ALDI has committed to implement the BSCI Code of Conduct as part of their business relations with suppliers. In addition, BSCI requires its members to map all its suppliers in high-risk countries and have two-thirds of its suppliers audited on social compliance within six months after joining the BSCI. ALDI does not provide any information regarding the implementation of the BSCI membership requirements.

### **Policies to ensure fair trading relations**

There is no information publicly available about ALDI's policies to ensure fair trading relations. In a written reaction to a draft version of this report the company shared some information about the terms of trade that govern relationships between ALDI and its suppliers.<sup>100</sup>

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99 BSCI press release, "ALDI übernimmt soziale Verantwortung in der Lieferkette mit BSCI", 27 February 2008.

100 ALDI, Reaction to SOMO draft report, 2 January 2013.

The company writes that it highly values honesty and clarity. ALDI states that all its operations are in line with the Dutch law and that it also requires its suppliers to comply with the law.

ALDI aims to continue working with suppliers that meet the criteria (quality and accuracy) as set out by ALDI. The company indicates that it has built long-term relationships with most of its fruits and vegetables suppliers.

With regard to prices, the company writes that prices for fresh fruits and vegetables are negotiated every week, based on the market price. Prices for processed fruits and vegetables are negotiated on a half-year or yearly basis. Fluctuations in the market price are taken into account when determining the price. ALDI does not make retrospective price reductions.

ALDI writes that it guarantees clarity on terms of trade by providing suppliers with terms of delivery, order confirmations and, in some cases, with contracts. Payments are made in accordance with the agreed payment terms. The company adds that because of its clear terms of trade, suppliers seldom have complaints. If a supplier would have a complaint, this would be resolved between ALDI and the supplier. Every year ALDI informs its suppliers in writing that it does not accept gifts, favours or hospitality. The information that ALDI sent to SOMO about its purchasing policy mainly contains elements related to transparency in the commercial relations and includes only a limited number of other elements that may help ensure fair trading relations.

### **Analysis/discussion**

It is very difficult to assess ALDI's policies to ensure decent working conditions and fair trading relations throughout the supply chain, as the company does not publicly disclose any information in this regard. It is not clear which set of normative standards ALDI upholds to ensure decent working conditions in its supply chain and how ALDI promotes and verifies compliance with internationally agreed labour standards.

The only relevant information that could be found refers to ALDI's membership of the Business Social Compliance Initiative (BSCI) which it joined in 2008. However it is not clear if and how ALDI fulfils the requirements of the BSCI membership.

#### **1.5.4. Lidl Netherlands**

##### **Brief corporate profile**

Lidl Netherlands (hereafter referred to as Lidl) is a private company, owned by the German Schwarz Gruppe. Dieter Schwarz started his first Lidl supermarket, modelled after Aldi Süd and Aldi Nord, in Germany in 1973.<sup>101</sup> Nearly 10,000 Lidl supermarkets

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<sup>101</sup> "German billionaire Schwarz Seen Having Tax-Exempt Fortune", Bloomberg news, 24 October 2012, <http://www.bloomberg.com/news/2012-10-23/german-billionaire-schwarz-seen-having-tax-exempt->

can be found in 26 European countries.<sup>102</sup> Lidl reached estimated revenues of € 2.2bn in 2011.<sup>103</sup>

Lidl is a discount supermarket chain; offering products at mostly lower prices than regular supermarkets with correspondingly limited in-store service. Lidl exclusively sells own—brand products.

Lidl operates 357 stores in the Netherlands and employs more than 7000 workers<sup>104</sup>. With a market share of 6.7% (in 2011), Lidl is the fifth largest supermarket chain in the Netherlands.<sup>105</sup>

### **(Supply chain) transparency**

Lidl does not provide any information about its supplier base or the origin and volumes of different fresh fruit and vegetables on its website or in the media. In general, Lidl's transparency is restricted to an absolute minimum. No annual reports or CSR reports are published.

### **Fruit and vegetables suppliers**

Lidl does not provide any information on the suppliers or the production locations of its fruit and vegetables in publicly available documents. Store visits reveal that Lidl is buying Moroccan French beans from Van Oers United (Quality Bean brand).<sup>106</sup> In a meeting with SOMO, Lidl confirmed that Van Oers is amongst its fruits and vegetables suppliers, as well as Jaguar.<sup>107</sup>

### **Sourcing policies**

This section describes the set of policies Lidl upholds to promote decent working conditions in its supply chain. Further, it aims to describe if Lidl's purchasing policies provide an enabling environment for suppliers to comply with these standards.

### **CSR policy**

Little information about Lidl's CSR policies is publicly available. On its website the company provides a brief overview of its CSR activities. Lidl's CSR activities are

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fortune.html (1 November 2012).

102 "Lidl improvements drive Schwarz Group growth", Retail Week, 27 July 2012, <http://www.retail-week.com/international/lidl-improvements-drive-schwarz-group-growth/5039021.article> (1 November 2012).

103 Distrifood website „Formules – Lidl“, no date < <http://www.distrifood.nl/Formules/Lidl/> > (27 November 2012).

104 Website FNV Bondgenoten, "Ik werk in – Bedrijven - Lidl", no date, <

<http://www.fnvbondgenoten.nl/mijnbranche/bedrijven/lidl/> > (on 15 November 2012).

105 Distrifood website, "Formules: Lidl", no date < <http://www.distrifood.nl/Formules/Lidl/> > (7 November 2012)

106 Store visit, Lidl, A. Cuypstraat, Amsterdam 12-11-12

107 Meeting SOMO and Lidl, Huizen, 5 December 2012.

described on a website section called ‘On the way to a better tomorrow’. Focus areas are: healthy customers, climate, corporate citizenship, employees and assortment.<sup>108</sup>

Under the header ‘assortment’ Lidl describes the range of socially and environmentally certified products it sells.<sup>109</sup>

### CSR initiatives and certification schemes

- Lidl is member of the Business Social Compliance Initiative (BSCI). In a meeting with Lidl, the company explained that BSCI audits are mainly conducted at non-food suppliers (mainly textile and garment producers), fresh fruit and vegetable suppliers are not likely to be subjected to BSCI audits.<sup>110</sup>
- Lidl is one of the signatories of the ‘Covenant sustainable fresh fruit and vegetables’ of the Dutch Sustainable Trade Initiative. The parties of this Covenant commit to sourcing 100% of their fresh fruits and vegetables sustainably by 2020.
- Among Lidl’s assortment are Rainforest Alliance certified pineapples and Fairtrade-certified bananas.

### Policies to promote decent working conditions in the supply chain

In a letter to SOMO, Lidl writes that over the last few years the company, together with its suppliers, has invested in good socio-economic conditions in the supply chains of the products it sells. Lidl further writes that a sectoral approach is essential in improving social and environmental conditions in global supply chains. Lidl therefore decided to join the fresh fruits and vegetable programme of the Dutch Sustainable Trade Initiative (IDH).<sup>111</sup>

Lidl’s code of conduct is not publicly available but the company shared a copy of the code with SOMO. Lidl’s code of conduct is inspired by the BSCI Code of Conduct and contains provisions regarding: the prohibition of child labour and forced labour; minimum wages; maximum working hours; prohibition of discrimination; freedom of association and the right to collective bargaining and; the right to a safe and healthy workplace. Hence most key ILO labour standards are included Lidl’s code of conduct. However, the code does not include other important provisions such as a living wage and the right to security of employment.

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108 Lidl website, “Verantwoordelijkheid”, < [http://www.lidl.nl/cps/rde/xchg/lidl\\_nl/hs.xsl/5705.htm](http://www.lidl.nl/cps/rde/xchg/lidl_nl/hs.xsl/5705.htm) >, no date (14 November 2012)

109 Lidl website, “Fairglobe”, < [http://www.lidl.nl/cps/rde/xchg/lidl\\_nl/hs.xsl/21609.htm](http://www.lidl.nl/cps/rde/xchg/lidl_nl/hs.xsl/21609.htm) >, no date, (14 November 2012)

110 Meeting between SOMO and Lidl, Huizen, 5 December 2012.

111 Lidl, letter to SOMO, 2 November 2012.

All Lidl subcontractors and suppliers must live up to the code of conduct. The code of conduct is sent along with every contract Lidl signs with suppliers. Lidl suppliers must sign the code of conduct and return it to Lidl.<sup>112</sup>

Lidl uses the following mechanisms to verify compliance with the code of conduct<sup>113</sup>:

- CSR issues may be part of Lidl quality inspections.
- For a limited number of products Lidl works with certification schemes (for instance Fairtrade-certified bananas and Rainforest Alliance certified pineapples). Lidl aims to increase the number of certified products.
- BSCI audits: at the moment BSCI audits are mainly used for non-food products. In the future Lidl might also work with BSCI audits in its FFV supply chain.

If non-compliances are found, suppliers are asked to implement a corrective action plan. The code of conduct does not include a grievance mechanism for suppliers and/or their workers.

### **Policies to ensure fair trading relations**

Lidl works with a limited number of fresh fruits and vegetables suppliers and aims to build long-term relationships. The company maintains direct relationships with producers. Quality and economic considerations underlie this purchasing strategy. Lidl claims dealing directly with its producers and maintaining long-term relationships to enable Lidl to be a responsible chain partner.<sup>114</sup>

However, other than its business partner principles (see box below), Lidl does not publicly provide any information about how it aims to ensure fair trading relations. Lidl's business partner principles contain some very general principles that underlie cooperation between Lidl and its suppliers but it remains unclear what terms and conditions apply to contracts with suppliers and if these terms and conditions, and or other policies that may be applied, are conducive to Lidl's CSR ambitions.

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112 Meeting between SOMO and Lidl, Huizen, 5 December 2012.

113 Meeting between SOMO and Lidl, Huizen, 5 December 2012.

114 Meeting between SOMO and Lidl, Huizen, 5 December 2012.

**Lidl's business partner principles:**

"Our approach towards business partners is competitive and fair; we specify products and services clearly to avoid uncertainty and potential misunderstandings; we keep our promises and abide by our agreements. We expect the same from our business partners in return. Our word matters; we monitor agreed performance levels thoroughly; we negotiate competitively with focus on price and performance and are, in general, open to new business partners; we approach business cooperatively as partners and conduct ourselves accordingly; we communicate constructively and professionally at all times; we invite our business partners to improve their products and services; we are open to constructive ideas and assess their potential to enhance our business; we do not accept presents or personal favours from any business partner."<sup>115</sup>

**Lidl's long-term commitment towards suppliers:**

In July 2012, Lidl was ranked number one on the Dutch consumer's association (Consumentenbond) price-quality benchmark in fresh fruit and vegetables. In a reaction, Lidl said that its long-term commitment towards suppliers explains why the company is able to sell high quality fruit and vegetables for a competitive price.<sup>116</sup>

**Analysis/discussion**

There is little information available publicly about how Lidl works towards ensuring decent working conditions throughout its entire supply chain. However, the company did provide some insight in its CSR and supplier policies in a meeting with SOMO.

Lidl is a member of the Business Social Compliance Initiative (BSCI) and its code of conduct is inspired on the BSCI code of conduct. Lidl's code of conduct is a standard element of all contracts with suppliers. Compliance with the code is mainly verified through internal quality controls. Lidl aims to increasingly work with certified products as a means of assuring compliance with the normative standards it upholds.

Little is known about the terms of trade that govern Lidl's relation with its suppliers. Lidl's business partner principles contain some general values that underlie relationships with suppliers whereas no (other) indications could be found that its sourcing policy promotes fair trading relationships with its suppliers.

In June 2012, Lidl committed to source 100% of its fresh fruits and vegetables sustainably by 2020 by means of signing a Covenant of the Dutch Sustainable Trade Initiative. As this programme is still in the development phase it is too early to ascertain its impact.

115 Lidl website, "Gedragsprincipes in de omgang met handelspartners", <  
[http://www.lidl.nl/cps/rde/xchg/lidl\\_nl/hs.xsl/5308.htm](http://www.lidl.nl/cps/rde/xchg/lidl_nl/hs.xsl/5308.htm) >, (1 November 2012).

116 GF Actueel, "Lidl: afg-kwaliteit door vaste leveranciers". 30 juli 2012.

### **1.5.5. PLUS**

#### **Brief corporate profile**

PLUS is a cooperation of supermarket holders. In the Netherlands, 259 stores operate according to the PLUS formula, representing a market share of 6%.<sup>117</sup> PLUS is part of the Sperwer Holding. Sperwer Holding reported a turnover of the PLUS formula of € 1,97bn for the year 2011.<sup>118</sup>

#### **(Supply chain) transparency**

PLUS's CSR strategy is presented in brief on its website. In addition, the company reports on the results of its CSR activities in the annual report of holding company Sperwer.

#### **Fruit and vegetables suppliers**

Only a few fruit and vegetables suppliers are presented on the PLUS website<sup>119</sup>. Most of its direct and indirect FFV suppliers are not publicly disclosed.

#### **Sourcing policies for fresh fruits and vegetables**

This section describes the set of policies PLUS upholds to promote decent working conditions in its supply chain. Further, this section aims to describe if PLUS's purchasing policies provide an enabling environment for suppliers to comply with these standards.

#### **CSR policy**

According to PLUS, corporate social responsibility is one of its main brand values.<sup>120</sup> Its CSR policy is based on the following four pillars<sup>121</sup>:

- Responsible sourcing
- People and society
- The environment
- Healthy employees and customers

PLUS does not publicly disclose any detailed information about its CSR policy, however. Going through the information available on its website and in the annual report it seems that PLUS mainly works towards ensuring decent working conditions in its supply chain

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117 Data from 2011. Distrifood website, "Formules – PLUS", < <http://www.distrifood.nl/Formules/Plus/> > , no date, ( 9 November 2012)

118 Sperwer Groep, "Jaarverslag 2011", February 2012, pp. 3.

119 PLUS website, "Assortiment – telers van PLUS", no date, < <http://www.plus.nl/assortiment/telers> > (30 November 2012)

120 PLUS website, "Over PLUS – Waar wij voor staan", no date < <http://www.plus.nl/over-plus/onze-organisatie/waar-wij-voor-staan> > (11 December 2012).

121 PLUS website, "Over ons – Maatschappelijk verantwoord", no date, < <http://www.plus.nl/over-plus/duurzamer/mvo-plus> > (11 December 2012).

through certification schemes. PLUS offers the largest selection of Fairtrade-certified products out of all the Dutch supermarkets (102 Fairtrade-certified products per store on average).<sup>122</sup> For the product groups bananas and pineapples PLUS decided to exclusively sell the Fairtrade-certified variant.

### CSR initiatives and sustainability certification schemes

- Superunie, the buying desk (sourcing organisation) of which PLUS is a member, is one of the signatories of the ‘Covenant sustainable fresh fruit and vegetables’ of the Dutch Sustainable Trade Initiative. The parties of this Covenant commit to sourcing 100% of their fresh fruits and vegetables sustainably by 2020.<sup>123</sup>
- Fairtrade-certified products: PLUS exclusively offers Fairtrade-certified bananas and pineapples in its stores. In addition, PLUS also sells Fairtrade certified snow pea, haricot verts and sugar snaps.<sup>124</sup>

### Policies to promote decent working conditions in the supply chain

PLUS mostly seems to rely on certification schemes in order to ensure decent working conditions in its fruits and vegetables supply chain. However it is not clear how PLUS guarantees good working conditions for those product groups where there is no certified variant available or where it chooses not to work with a certified variant. No policy documents are available which describe the normative standards upheld by PLUS.

The code of conduct of Superunie – the sourcing combination/ the buying desk of which PLUS is a member – does include a paragraph on “Socially Acceptable Business Practice”. This code specifies that Superunie subscribes to the BSCI Code of Conduct (Superunie is not a member though) and that “Superunie (contractually) expects and requires of its suppliers that they also adhere to the provisions of the BSCI Code of Conduct”.<sup>125</sup> It is not clear if Superunie’s code of conduct applies to its entire supply chain, i.e. if it also extends to second and further tier suppliers.

The Superunie Code of Conduct also includes a paragraph on reporting violations of the Code. Suppliers, members, other business contacts and employees who are confronted with violations are requested to approach either Superunie’s management or their immediate superior. This policy section further stipulates that reports of violations will be

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122 Milieudefensie, “Top 10 supermarktketens – Gemiddeld aantal fairtrade producten”, 1 november 2012 < <http://www.milieudefensie.nl/ekotellingen/resultaten> >

123 Initiatief voor Duurzame Handel, “Fruits and Vegetables”, no date < <http://www.idhsustainabletrade.com/fruits-and-vegetables>> (10 December 2012).

124 PLUS website, “Over PLUS – Meer duurzaam – Fairtrade”, no date < <http://www.plus.nl/over-plus/duurzamer/fairtrade>> (11 December 2012).

125 Superunie, “Superunie Code of Conduct”, no date < <http://www.superunie.nl/index.php?id=54> >

treated confidentially and that the identity of the party making the report will not be made public.<sup>126</sup>

It is not clear how Superunie monitors compliance with the Code of Conduct and how non-compliances are dealt with. Nor is it clear whether PLUS sources (all) its fresh fruit and vegetables through Superunie. Although the involvement of the latter in the IDH programme can be seen as indicative that they are involved in sourcing fresh fruit and vegetables as well.

### **Policies to ensure fair trading relations**

Except for its general purchase conditions no other policy documents could be found that cover aspects of (fair) trading relations.

PLUS's general terms and conditions of purchase relate first and foremost to transparency in the commercial relations. They include provisions regarding, pricing, payments, delivery schedules and the formation of agreements.<sup>127</sup> Other more ethically normative elements that may help suppliers in being treated fairly by supermarkets such as forbidding forced contributions to promotions and restriction of de-listing tactics do not form part of these conditions.

### **Analysis/discussion**

PLUS presents itself as a supermarket committed to corporate social responsibility. This commitment is mostly visible in the wide range of ethically certified products in its assortment.

Information regarding PLUS's CSR ambitions and results thereof are published on the website as well as in the annual report of holding company Sperwer. There is not much information available on its policies relating to its suppliers however. The only relevant information was found in Superunie's (the buying desk of which PLUS is a member) code of conduct and in PLUS's general purchase conditions however it is unclear whether it applicable to FFV sourcing. The Superunie code specifies that suppliers must adhere to the BSCI code of conduct. It is not clear how Superunie or PLUS monitors compliance with these standards and how non-compliances are dealt with.

Plus (through its membership of Superunie) is committed to source 100% of its fresh fruits and vegetables sustainably by 2020. As this programme of the Dutch Sustainable Trade Initiative is still in the development phase it is currently too early to ascertain its impact.

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<sup>126</sup> Ibid.

<sup>127</sup> PLUS, "Algemene inkoopvoorwaarden van PLUS Retail B.V.", 10-5-2012, <<http://www.plus.nl/over-plus/onze-organisatie/organisatie>>

PLUS's purchasing policy contains some elements that provide clarity on trading terms with suppliers whereas no (other) indications could be found that its sourcing policy promotes fair trading relationships with its suppliers.

## **1.6. Discussion and conclusion**

This section summarises the key findings of the policy research.

### **1.6.1. Public availability of CSR and purchasing policies**

Ahold has made its supplier policy ('Standards of Engagement') and code of conduct available on its website. The other supermarkets do not publicly disclose either their CSR or supplier policies. For C1000 and Jumbo some relevant information could be found in the general purchase conditions of BIJEEN (the purchasing organisation/buying desk initiated by C1000 and Jumbo) that includes CSR issues. PLUS has also published its purchase conditions but these do not cover CSR aspects. The code of conduct of the sourcing organisation of which PLUS is a member (Superunie) does include CSR provisions. This policy document is available on the Superunie website. It should be noted that the supermarkets concerned are not specific about the applicability and hence the relevance of these two buying desk's codes for their FFV sourcing is unclear. Consequently, it is not clear whether the CSR provisions in it extend to these suppliers, if at all. Superunie participates in the IDH fresh fruits & vegetables programme and it can therefore be assumed that it sources fresh fruits and vegetables.

No publicly available policy documents could be found for ALDI or Lidl. The latter did however explain its approach regarding CSR and purchasing practices in a meeting with SOMO. At this same occasion Lidl also provided its CSR code of conduct.

### **1.6.2. Information on fresh fruit and vegetable suppliers**

Only two of the supermarkets (Albert Heijn and PLUS) that were sampled for this report publicly disclose information about a small number of fruits and vegetables suppliers they work with. Two other supermarkets shared some information about the fresh fruits and vegetables suppliers they work with upon request: Lidl mentioned Van Oers United and Jaguar as being among their fruits and vegetables suppliers. Jumbo/ C1000 said it had been working with Van Oers (C1000) and the Greenery (Jumbo) over the last few years.

ALDI did not provide any information about where they source their fresh fruits and vegetables.

### **1.6.3. Normative standards and their implementation**

As a normative basis for their supply chain policies most supermarkets in this research refer to the code of conduct of the Business Social Compliance Initiative (BSCI). Ahold, ALDI and Lidl are members of the BSCI and therefore the BSCI code of conduct should be part of their agreements with suppliers. CBL, the Dutch supermarket industry association that all researched supermarkets are member of, is also a member of the BSCI. In addition, Jumbo, while not a member of the BSCI, refers to the BSCI code of conduct as a basis of its supply chain policy. Superunie, the sourcing combination of which PLUS is a member, subscribes to the BSCI code of conduct and requires its suppliers to comply with the code.

In addition, Ahold and Lidl have developed their own codes of conduct, which include the BSCI code of conduct standards. The BSCI code of conduct covers core ILO Conventions but does not reference the right to security of employment nor does it cover any economic aspects to ensure fair trading relations (except anti-bribery provisions) and/or fair prices to producers.

Whereas there is some clarity on the normative standards supermarkets aim to uphold, it remains largely unclear how supermarkets monitor compliance with them. In addition, it is often unclear whether codes of conduct apply to the entire supply chain, including second and further tier suppliers. Equally, it remains unclear how supermarkets deal with non-compliances. Ahold offers the most information in this respect by communicating about the number of suppliers that are subjected to social compliance audits. ALDI and Lidl have - through their membership of the BSCI - committed to include two-thirds of their suppliers from defined risk-countries in the BSCI auditing process. For ALDI it is unclear how they live up to this membership requirement. In a meeting with SOMO, Lidl said that it mainly monitors compliance of its FFV suppliers with its code of conduct through internal inspections, whereas its BSCI audits focus on textile and apparel suppliers only. In addition, for a number of products, Lidl works with certification schemes. For the remaining supermarkets, (Jumbo/ C1000 and PLUS) no information could be found regarding code monitoring or handling of non-compliances.

Three out of the five supermarkets have publicly committed themselves to source 100% of their fresh fruits and vegetables sustainably by 2020 by means of signing a Covenant of the Dutch Sustainable Trade Initiative. The initiative and its members are, however, not clear on their current practices (baseline level). As such there is no information on the percentage of FFV suppliers that are now conforming to certain standards. In addition as this programme is still in the development phase it is too early to assess its commitments and ambitions.

### **1.6.4. Certification**

The market for ethically/sustainably labelled fruit and vegetable products is still relatively marginal.

In the Netherlands, supermarkets are by far the largest consumer channel for these products. The share of ethically/sustainably labelled fruit and vegetables of total fruit and vegetable sales in supermarkets is not likely to be higher than the overall share of ethical foods in all foods, which was 4.5% in 2011.<sup>128</sup> In turn a big chunk of this share is captured by organic products. The organic standard system does not guarantee that labour conditions and fair commercial practices are any different from regular fruit and vegetables.

While the market for ethically/sustainably labelled fruit and vegetable products is still small, retail sales of this segment in Dutch supermarkets grew by 5% from 2010-2011.<sup>129</sup> The higher share of ethically labelled products has been boosted in part by some retailers not stocking non-ethically labelled alternatives any more in certain FFV product categories such as pineapple and bananas (see Plus profile).<sup>130</sup>

Except for ALDI, all researched supermarkets stock a number of ethically labelled fruit and/ or vegetables.

Albert Heijn, C1000 Lidl and PLUS all sell a selected number of Fairtrade/ Rainforest Alliance certified fruits. It should be noted that in Dutch supermarkets ethically labelled fresh vegetables are not, or hardly, available (disregarding environmental labels) as compared to fruit. PLUS is the only supermarket that sells a number of Fairtrade certified vegetables (haricot verts, peels and sugar snaps).

One can conclude that for more than 95% of FFV available, Dutch consumers are dependent on the ethical policies applied by supermarkets and not on independent ethical labels.

### **1.6.5. Ensuring fair trading relations**

Not much information could be found regarding the supermarkets' policies to ensure fair trading relations. Jumbo/C1000's purchasing conditions include provisions regarding quality, delivery, payments, etc. Other more ethically normative elements that may help suppliers in being treated fairly by supermarkets, such as prohibiting forced contributions to promotions and restriction of de-listing tactics, do not form part of these conditions. PLUS has also published its purchase conditions on the website. These purchase conditions contain some elements that provide clarity on trading terms with suppliers. Whereas clarity of terms can be conducive of fair trading relations no (other) indications could be found that its sourcing policy promotes fair trading relationships with its suppliers. In a written reaction to a draft version of this report ALDI shared some

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128 Disaggregated figures were not available for this study. However FFV are one of the most import categories among ethically labeled food.

129 Ministry of Economic Affairs, Agriculture and Innovation, Monitor Duurzaam Voedsel 2011, <<http://www.rijksoverheid.nl/bestanden/documenten-en-publicaties/rapporten/2012/06/06/monitor-duurzaam-voedsel-2011/monitor-duurzaam-voedsel-2011.pdf>> (27 January 2013).

130 Ministry of Economic Affairs, Agriculture and Innovation, Monitor Duurzaam Voedsel 2011, <<http://www.rijksoverheid.nl/bestanden/documenten-en-publicaties/rapporten/2012/06/06/monitor-duurzaam-voedsel-2011/monitor-duurzaam-voedsel-2011.pdf>> (27 January 2013).

information about the terms of trade that govern relationships between ALDI and its suppliers. However, its purchasing policy mainly contains elements related to transparency in the commercial relations and includes only a limited number of other elements that may help ensure fair trading relations. The other supermarkets (Ahold and, Lidl) do not publicly disclose any purchasing policy documents.

#### **1.6.6. Conclusion**

For more than 95% of FFV available in Dutch supermarkets, Dutch consumers are dependent on the ethical policies applied by supermarkets and not on independent ethical labels. All of the supermarkets assessed in this study have developed codes of conduct that apply to their suppliers and that refer at least to core labour rights. However supermarkets are not very clear, or transparent, about the implementation thereof. In addition only two of the researched supermarkets used the Global Reporting Initiative (GRI) to report on CSR issues and on labour rights the reporting was incomplete. As a result many important aspects of their approach, such as the application and verification of their codes along the supply chain, remain opaque.

Indeed, the leading supermarkets in the Netherlands (except for Aldi) have implicitly acknowledged their current approaches are inadequate. They did so when they committed publicly to sourcing all of their FFV sustainably by 2020 through the Dutch Sustainable Trade Initiative (IDH), and by defining sustainable sourcing as sourcing in accordance with norms and implementation systems that are more ambitious than most of their current approaches.

In addition there is little evidence from publicly available policy documents that supermarkets are very serious about guaranteeing fair commercial practices with their suppliers.

## 2. Socio-economic issues in Morocco's green beans production for the Dutch market

### 2.1. Introduction

This chapter assesses and discusses working conditions in export oriented green bean production in Morocco. Also the fairness of commercial practices between Moroccan green bean producers and their European clients is examined. The chapter begins with a description of the methodology used for this aspect of the study. The next section elaborates on the import and consumption of green beans in the Netherlands. In the following sections the case study is presented. The chapter ends with a brief conclusion.

### 2.2. Methodology

The case study research was conducted to review labour conditions and commercial practices at leading exporters of green beans in the west part of the Souss Massa Draa region, which covers Agadir, Taroudant, Inezgane-Ait Melloul, and the Chtouka Ait Baha Province in Morocco. Scoping research had indicated that two companies - Quality Bean Maroc (QBM) & Guernikako - were or would likely be supplying European supermarkets, and Dutch supermarkets in particular. For the other six selected producing companies no data were available to indicate their customer base. They were selected because it was established in an initial screening by the research team in Morocco that they were the most important producers of green beans in the region.

Desk research, as well as field research in Morocco, was conducted between April 2012 and October 2012. The literature review provided information on production, labour, and migration in Morocco. During field research, 89 workers (packing house and field labourers) from four leading French bean producing companies in the region - Alamo, Terre Agronomique, Guernikako and Quality Bean Maroc (QBM) - were interviewed about their working conditions.

The gender composition of the sample was carefully selected to reflect that of the workforce and the nature of the work. The respondents were mostly women (65%). Of the sample, 61% was people working on the farms and 39% workers employed in preparation and packing plants. Respondents were employed by the following companies with the number of respondents (in brackets) reflecting the importance of the company in question in terms of production, export and the number of workers

employed: Alamo (22), Terre Agronomique (18), Guernikako (21) and Quality Bean Maroc (28).

The research, guided and commissioned by SOMO, was led by Bouchelkha Mohamed, professor at the Ibn Zohr University Agadir. He was assisted by a team that included Boulberj El Houssaine, Regional General Secretary of the FNSA (National federation of agricultural trade unions) Souss Massa, El Arabi Mehdi, Chief engineer at ORMVA (regional office for agricultural development of Souss Massa) and Iziki Omar (Independent technical expert in horticulture).

Respondents were recruited and interviews were arranged in a way that workers could speak freely and anonymously outside of the workplace. In addition to interviews administered with a questionnaire, two focus group interviews and four in-depth interviews with workers were conducted to collect more corroborated and in-depth information. The research team also interviewed and held meetings with representatives of the Labour Inspectorate, local authorities, civil society (local development associations, the Moroccan Human Rights Association (AMDH) and trade unions.

The management of the four companies selected for review of labour conditions, plus of four other leading green-bean-producing companies (Emporio Verde, Arbagri, Agro Montsia and Shahrazd), was also contacted by the researchers, to obtain details on the terms of trade that govern their commercial relations with supermarkets. No research was performed on working conditions at the latter companies.

Of the eight companies contacted with this request, four companies, among which one that was reviewed for labour conditions, agreed to provide (some) information for this research, mostly in the form of interviews. The management of all the companies, except one that did not provide any information on commercial practices, was later allowed to review the results of the study to allow correction of factual errors and comments. Two companies, QBM and Alamo, commented on the reports that were sent to them. Their comments are presented in this report where they were deemed relevant for this study by the authors.

Top line findings relating to labour conditions at the four producing company examined to this end are presented in the table of Annex 2. This table also includes the relevant company comments on them from the 'right to reply' procedure.

Of the interviewed workers, 52% were union members. This relatively large percentage was partly due to the fact that QBM gives more freedom to trade unions and does not limit their activities. Also, unionised workers were recruited more easily by the researchers. They were more inclined to agree with being interviewed and trade union involvement in, and support to, the research team entailed better access to unionised workers. These factors have led to the representation of unionised workers in the sample being much higher than is common in the general population of agricultural workers in

Morocco which is only about 6%. Whereas this high trade union representation might have influenced the outcome of the interview results to some extent the results of the focus group interviews did not show differences in responses between unionised and non-unionised workers.

## 2.3. Import and consumption of green beans in the Netherlands

The common bean (Latin: *Phaseolus vulgaris*) is an extended family of bean varieties that includes Green beans. Green beans are a popular vegetable in the Netherlands: the fresh beans are sold in supermarkets throughout the year. Green beans are in the top 10 of Dutch household spending on fresh vegetables (see table below).

**Table 2: Top 10 of household spending on fresh vegetables, per household, in Euros, 2011**

Vegetable	2006 (€)	2011 (€)	Percentage of total 2011
Salads	19,10	19,92	11%
Tomatoes	15,99	18,99	11%
Stir fry / stew / wok fry	8,02	12,28	7%
Bell pepper	8,79	10,21	6%
Cucumber	10,07	8,18	5%
White mushrooms	7,61	7,84	4%
Green beans	7,51	7,73	4%
Carrot	7,08	7,18	4%
Onions	6,12	7,14	4%
Chicory	7,28	6,72	4%
<b>Total top 10</b>	<b>97,57</b>	<b>106,19</b>	<b>60%</b>
<b>Total all fresh vegetables</b>	<b>169,61</b>	<b>176,41</b>	<b>100%</b>

Source: Productschap Tuinbouw, 2012<sup>131</sup>

Among Dutch vegetable growers who produce summer vegetables such as cucumber, lettuce, tomato and spinach, green beans are a popular crop. In 2011, 20% of the area used for growing summer vegetables was reserved for green bean production; more than for any other summer vegetable.<sup>132</sup> When Dutch growers cannot produce sufficient vegetables competitively due to unfavourable climate conditions – green bean seeds are

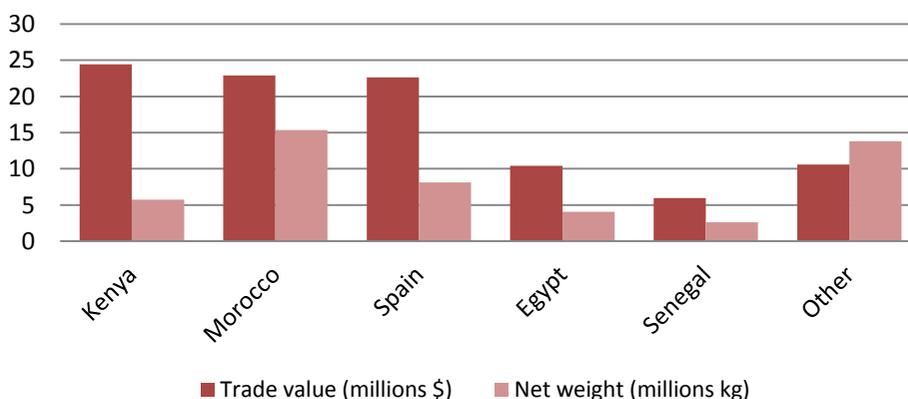
<sup>131</sup> Productschap Tuinbouw, "Marktmonitor Groenten en Fruit Nederland 2012. Consument en supermarktverkoop." PT 2012-10, March 2012, <<http://www.nfofruit.nl/himprojectfolder/nfo/uploads/miscellaneous/Rap%20PT%202012-10%20Marktmonitor%20NL%20consument%20en%20supermarkt.pdf>> (2 January 2013)

<sup>132</sup> Centraal Bureau voor de Statistiek, July 2, 2012, <<http://www.cbs.nl/nl-NL/menu/themas/landbouw/publicaties/artikelen/archief/2012/2012-zomergroenten-2011.htm>> (6 October 2012).

only sown in spring and harvested between mid-July and mid-October – the Netherlands imports large quantities of fresh vegetable produce, including green beans. Green beans are imported from both EU and non-EU countries. Nearly 50 million kg of fresh or chilled beans were imported into the Netherlands in 2011.<sup>133</sup> The majority is destined for fresh consumption. To illustrate, the Dutch processing industry imported nearly 13 million kg of green beans in 2010.<sup>134</sup> In other European countries, supermarkets also import green beans from non-EU countries during the periods of the year during which European farmers cannot produce green beans competitively. It should be noted that the Netherlands also re-exports a share of the green beans it imports to other EU countries. Green beans imported to the Netherlands are also obtained from countries such as Kenya and Spain. The volume of imported Moroccan beans, however, is twice as high as Kenyan or Spanish volumes (see figure 1).

**Figure 1: Origin of imported beans in the Netherlands, 2011**<sup>135</sup>

## Origin of imported beans in the Netherlands, 2011



Source: Comtrade<sup>136</sup>

<sup>133</sup> UN Comtrade database,

<<http://comtrade.un.org/db/dqBasicQueryResults.aspx?y=2011&px=HS&cc=070820&r=528>> (11 January 2013)

<sup>134</sup> Productschap Tuinbouw, “Nederland: Industriële verwerking van verse groente en fruit in 2011”, PT 2012 – 17, August 2012, <<http://tuinbouw.nl/project/industri%C3%ABle-verwerking-verse-groente-fruit-2011>> (2 January 2013)

<sup>135</sup> Data refers to a variety of bean species: *Vigna* spp. and *Phaseolus* spp., shelled or unshelled, fresh or chilled; HS code 07 08 20. *Vigna* spp. includes azuki and mung beans, which are sold after drying and are therefore unlikely to be represented in this figure of fresh and chilled beans. Asparagus beans are also included in this genus however, the Netherlands imports only minor quantities of this variety. *Phaseolus* spp. includes next to Green beans and flat beans also butter beans, kidney beans and other varieties. As the latter are mostly traded in dry form trade in fresh or chilled *Phaseolus* and *Vigna* is expected to comprise mostly Green beans and to a lesser extent flat beans. Sugar snap beans and broad beans are grouped in other genuses (*Pisum* and *Vicia*, respectively) and are therefore not included in the figure.

## 2.4. Green bean production in Morocco

### 2.4.1. Volumes and value

Agriculture contributed to 14% of Morocco's GDP in 2010.<sup>137</sup> The sector receives much attention from the government: a programme entitled 'Maroc Vert' aims at strengthening the sector. The programme aims to turn agriculture into the main lever of economic growth in a 10- to 15-year time period. Modernisation of Moroccan agriculture by aggregation of farmers, encouraging private investments, enhancing collaboration between various stakeholders, aiming at sustainable growth and development of the sector, and reformation of the sector's frameworks are the main aims of the programme.<sup>138</sup> Morocco is now still in the midst of the implementation of this programme, which is funded by, amongst others, the World Bank. The programme is expected to achieve its objectives by 2020.<sup>139</sup>

The Souss Massa Draa region in central Morocco is the country's most important region for agricultural production. Despite its limited water resources, the region is very suitable for agriculture thanks to its favourable temperatures. Domestic as well as international markets derive large volumes of fresh fruit and vegetables from the region. In 2010, Morocco produced 160,000 tonnes of green beans.<sup>140</sup> Three quarters of this amount were exported: 119,000 tonnes of beans were shipped abroad during that year. They had a trade value of US\$ 132m.<sup>141</sup> Nearly all these beans were produced in Souss Massa Draa. According to the Moroccan Ministry of Agriculture and Marine Fisheries, in the period 2009-2011, around 78% to 80% of Morocco's exported green beans were grown in the Souss Massa Draa region.<sup>142</sup>

In 2010, 99% of Morocco's exported green beans were sold to EU countries. The main destination countries, Spain, Germany, and the Netherlands, received 94% of all of Morocco's exports of green beans. It should be noted that not all of these beans are

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136 UN Comtrade database,

<<http://comtrade.un.org/db/dqBasicQueryResults.aspx?y=2011&px=HS&cc=070820&r=528>> (11 January 2013)

137 African Economic Outlook, Morocco, 2012, p.4.

<<http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Morocco%20Full%20PDF%20Country%20Note.pdf>> (2 January 2013)

138 Plan Maroc Vert, Agence pour le Développement Agricole (ADA), no date,

<[http://www.ada.gov.ma/Plan\\_Maroc\\_Vert/plan-maroc-vert.php](http://www.ada.gov.ma/Plan_Maroc_Vert/plan-maroc-vert.php)> (27 December 2012).

139 Website Jeune Afrique, "Le Plan Maroc vert gorgé d'investissements", 28 April 2010,

<<http://www.jeuneafrique.com/Article/DEPAFP20100428074821/maroc-agriculture-environnement-investissementJeuneAfrique.html>> (27 December 2012).

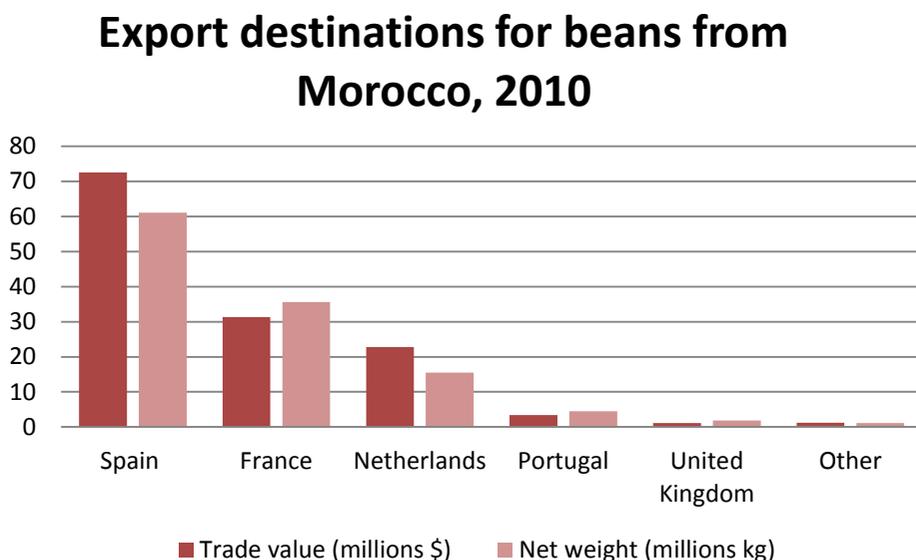
140 FAOSTAT website, "Top Production Morocco" (graph), 2010, <<http://faostat.fao.org/site/339/default.aspx>> (11 January 2013)

141 FAOSTAT website, "Top Exports Morocco", 2010. <<http://faostat.fao.org/site/342/default.aspx>> (11 January 2013)

142 Ministry of Agriculture and Marine Fisheries, 2011.

consumed in these destination countries. All above-mentioned countries also export beans.

**Figure 2: Export destinations for beans from Morocco, 2010<sup>143</sup>**



Source: SOMO based on Comtrade database data<sup>144</sup>

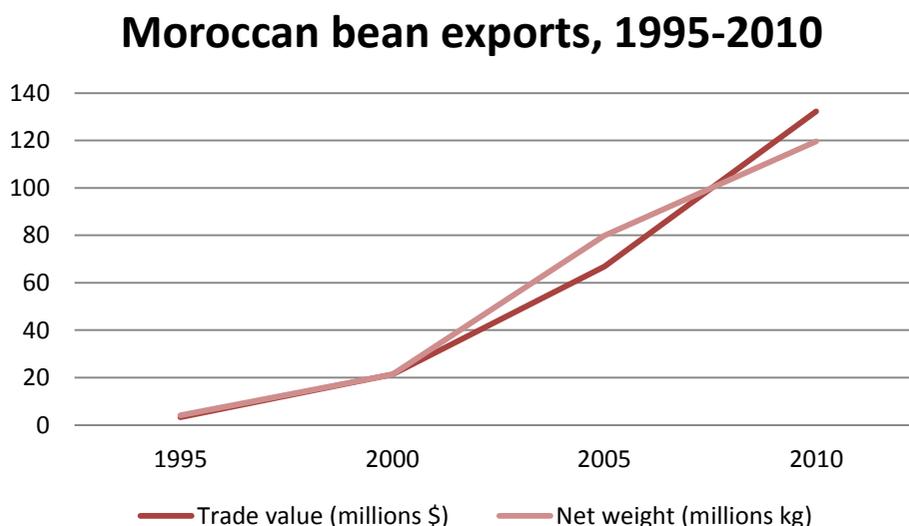
Over the years, Moroccan export of green beans has increased drastically. Since export started, trade was always focused on Europe. Two decades ago, trade in green beans from Morocco was marginal. Today, European supermarkets are structurally supplied by Moroccan producers.

143 See footnote 5

144 UN Comtrade database,

<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=070820&px=HS&r=504&y=2010&p=ALL&rg=2&so=9999> (11 January 2013)

Figure 3: Moroccan bean exports, 1995-2010<sup>145</sup>



Source: SOMO based on Comtrade database data<sup>146</sup>

Export-oriented agricultural production in Souss Massa Draa offers employment to many workers. The migration of job seekers has contributed to the region's population growth for several decades. A large part of the workforce consists of young female workers who have migrated from other regions to Souss Massa Draa in order to find employment. Many employees sustain extended families that can include their own children, parents, grandparents, siblings, and other relatives. Poor economic opportunities in their home regions drive workers to seek employment in Souss Massa Draa.

However, despite the availability of more jobs than some other regions, poverty in the Souss Massa Draa region is still higher than the national average. In 2007, the most recent year for which statistics were available, 9% of the population lived on or below the national poverty line. In Souss Massa Draa, this number was nearly 13%.<sup>147</sup> However, poverty may have declined since 2007, because levels dropped considerably between 2004 and 2007,<sup>148</sup> and Morocco's economy has hardly been affected by the global

145 See foot note 12

146 UN Comtrade, database, <<http://comtrade.un.org/db/dqBasicQueryResults.aspx?cc=070820&px=HS&r=504&y=2010&p=ALL&rg=2&so=9999>> (2 January 2013)

147 Haut-Commissariat au Plan website, "Carte de pauvreté 2007" <[http://omdh.hcp.ma/Carte-de-la-pauvrete-2007\\_a185.html](http://omdh.hcp.ma/Carte-de-la-pauvrete-2007_a185.html)> (27 December 2012) or Haut-Commissariat au Plan, Royaume du Maroc, "Dynamique de la pauvreté au Maroc, 1985-2007", <[http://www.hcp.ma/downloads/Niveau-de-vie-et-pauvrete\\_t11884.html](http://www.hcp.ma/downloads/Niveau-de-vie-et-pauvrete_t11884.html)> (2 January 2012).

148 Ibid. pp.9-11.

financial crisis and Arab spring.<sup>149</sup> A continuation of this trend of diminishing poverty is therefore conceivable.

## 2.5. Working conditions

### 2.5.1. Worker population demography

The labour force recruited by Moroccan green bean growers is predominantly young: more than half of the interviewed workers were no older than 30. Hardly any workers over 45 years were interviewed. According to the results of an official survey from 2007, two thirds of residents in the areas where the workforce is concentrated were migrants. Roughly half of the population of these areas consists of migrants who have lived there for less than ten years.<sup>150</sup> Lack of employment in their regions of origin and other difficult economic and social conditions are the main reasons for the departure of workers to Souss Massa Draa. The poorest of the poor are increasingly looking for work in this sector of the economy in the hope of improving their living conditions.

Sponsorship is a crucial mechanism for finding a job in the area under study. Older workers (men and women) ask family members or friends to come and join them. The survey also showed that companies use intermediaries and the contacts of older workers to recruit women from distant regions.

In rural Morocco, illiteracy levels are high: only 56% of people over 15 years of age can read and write.<sup>151</sup> Of the interviewed workers, only 21% have enjoyed secondary or higher education, while 44% have received no formal education at all.

Single people accounted for more than half of the sample. In addition to young unmarried women and men, the interviewed workers included many single mothers. This is very common in the Chtouka area, where most agricultural workers are concentrated. Married people accounted for about a third of the workers interviewed. Many have children but have no marriage certificate and are not officially registered as married. According to members of associations and local authority representatives who were interviewed, this creates problems when enrolling the children in school. By western standards the married couples in this workforce have a high number of children: 56% have only one or two children, while 44% have three or four.

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149 African Economic Outlook, Morocco, 2012, pp. 2-3.

<<http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/PDF/Morocco%20Full%20PDF%20Country%20Note.pdf>> (2 January 2013)

150 Haut-Commissariat au Plan, 2007. "Etude sur les conditions sociales au niveau de la commune d'Ait Amira." Direction Régionale Souss Massa Drâa.

151 CIA World Fact Book, Literacy. <<https://www.cia.gov/library/publications/the-world-factbook/fields/2103.html>> (11 January 2013)

The high proportion of women in the agricultural workforce also relates to the relatively higher number of divorcees and widows. Social prejudices often result in women leaving their families and finding refuge in agricultural work. There is a slightly higher number of widows and divorcees in the population of workers than in the total population.<sup>152</sup>

The field survey showed that most workers (82%), both men and women, are financially supporting their relatives. Most workers send money to their extended family every month. The number of dependents varies between 2 and 12, with 58% having 5 or more dependents.

### **2.5.2. Employment documents**

Work that is offered to agricultural workers in this region is usually of temporary nature and as such many workers work on a 'temporary' basis for years. There are on-going disputes between trade unions and employers as to whether or not agricultural work can be called temporary, because Morocco's agricultural production season lasts for at least ten months per year.

Although Moroccan law requires that all workers get at least temporary contracts, this study found that workers often do not receive any contract. Agreements regarding employment tend to be made verbally. This makes workers insecure about the continuity of employment. When they have a written contract, it is a fixed-term contract. It can be renewed continuously for years and workers are never provided with a copy. This is not in accordance with the law. Not only should all contracts be in writing, the Labour Code also stipulates that if an employee signs four six-month contracts with a company, that it shall be considered a permanent contract if the worker continues to be employed by the same company. However, all companies sampled violate this article with most of their workers.

There has been a trend towards issuing employment cards in recent years, in the wake of trade union struggles and in particular because articles 23, 24 and 25 of the Labour Code require that employment cards and other relevant documentation be issued to workers. Some employers issue an employment card that says 'seasonal'. However, this is not legal. Cards should include information about the employee and the employer, the wage and the date when they were first employed by the company. The latter indicates whether the employee has already worked for the company, not whether he is permanent or not. Of the companies reviewed for this study Terre Agronomique and Guernikako do not provide employment cards. At Alamo and Quality Bean Maroc, cards have been provided since 2012.

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152 Haut-Commissariat au Plan website, "Recensement Général de la Population est de l'Habitat, 2004", <[http://www.hcp.ma/Recensement-general-de-la-population-et-de-l-habitat-2004\\_a633.html](http://www.hcp.ma/Recensement-general-de-la-population-et-de-l-habitat-2004_a633.html)> (2 January 2013)

The Labour Code<sup>153</sup> states that all employees should receive pay slips, but 39% of interviewed workers do not receive any. The companies Guernikako and Terre Agronomique do not provide pay slips to their workers at all. A big majority of the 61% who do receive pay slips only started to receive them during the last 12 months. These workers were employed at Quality Bean Maroc and Alamo. Supposedly, workers who are aligned with the trade union have better chances of receiving their pay slips. As the number of workers affiliated with the trade union was relatively high in the group of interviewed workers, it is likely that the percentage of workers who do receive pay slips is lower among the rest of the population of workers.

### 2.5.3. Salaries and social security

Morocco sets a general minimum wage level, named the *Salaire Minimum Interprofessionnel Garanti*, or SMIG, which represents 2.555 Moroccan Dirham (DH) gross per month; an amount of approximately € 230. In the agricultural sector, another minimum wage applies: the *Salaire Minimum Agricole Garanti*, or SMAG. With 1,655 DH gross per month (€ 150), the SMAG is considerably lower than the SMIG.

Net monthly salaries of the workers are provided in the table below. These salaries include payments for overtime. As net salaries are only slightly (6%) lower than gross salaries it is clear from the table that even including overtime the vast majority of the respondents have monthly incomes around or just below minimum wage levels.

**Table 3: Monthly salaries**

Net monthly amount (Moroccan Dirham)	Monthly amount (Euro)	Percentage of workers that is being paid this amount
1400 – 1700	125.83 – 152.79	78%
1700 – 1800	152.79 – 161.78	11%
> 1800	> 161.78	11%
Total		100%

Source: Bouchelka et al.

Table 4 below shows distribution of net hourly salaries reported by the respondents per net salary level category range. Employees report their salaries in net amounts as these are the amounts they receive and those who work without contracts or payslips never even get to see their gross salaries.

153 Maroc website, "Le nouveau code de travail 2004", 6 May 2004', <<http://www.maroc.ma/NR/rdonlyres/9A951844-BCA6-4468-9EFD-7460E229E00F/0/codedetravail.pdf>> (3 February 2013)

**Table 4: Net salary per hour**

Hourly amount (Moroccan Dirham)	Hourly amount (Euro)	Percentage of workers that is being paid this amount
< 7.5	< 0.67	9%
7.5	0.67	38%
8.0	0.72	11%
9.0	0.81	21%
9.5	0.85	13%
>9.5	> 0.85	8%
Total		100%

Source: Workers' interviews

The SMAG is based on a 48-hour work week, with a minimum gross hourly salary of 7.57 dh; while the higher standard of the SMIG is currently stated at a minimum gross hourly salary of 11.70 dh/h in an 48 hours' work week. Because a net salary of 7 dh is equal to a gross hourly salary of 7.47 (a net payment of 9 dh/h is 9.56 dh/h gross) it becomes clear that 9% of the workers interviewed claimed to receive hourly wages that are a fraction below agricultural minimum wage levels. However reported net wages levels were captured in rounded estimates hence they might just as well be on minimum wage levels.

Workers indicate that salaries are too low and do not keep up with livelihood costs. They have difficulties meeting the needs of themselves and their families. The income is mostly managed on a day-to-day basis and is neither planned nor administered by the employees. Therefore, many employees do not have an exact idea of their spending. One worker states: "On my current wage, it is difficult to meet the needs of my wife and children. When I go and see them every fortnight in Ouled Teima, I have to pay the rent, the butcher's bill and the grocer's bill as well as cover my own expenses while I am at work. It is difficult to make ends meet."

Also compared to national benchmarks the current SMAG of DH 1,655 (€ 150) is a very low income level. In 2004, which is the most recent year for which national poverty line data is available, Morocco's *Haut-Commissariat au Plan* has defined the poverty line at DH 1745 per month for an average rural family (6.4 members).<sup>154</sup> Families depending on an amount of DH 1745 to DH 2618 are considered 'vulnerable'.<sup>155</sup>

Since 2004, wages of most interviewed workers have not increased, yet costs of living have. Wages are not adjusted to inflation: workers at Guernikako and Terre Agronomique testify that their wages have not increased for years. Only at Quality Bean

154 Haut Commissariat au Plan, Maroc, "Pauvreté, développement humain et développement social au Maroc" September 2004. p.5.

155 Ibid.

Maroc and Alamo, a few privileged workers have seen their salaries rise.<sup>156</sup> Nowadays, the Moroccan unions interviewed consider a monthly € 500 (DH 5,590) as a reasonable minimum wage to sustain a worker and her/his relatives.

Most workers, even those with a large family of their own, also need to financially support their own parents, and sometimes even siblings, to various extents. Young and single workers sometimes manage to send two thirds of their monthly income to their parents and siblings that depend on them. Some families who live near their workplace and who have more than one family member working also have been able to save and make plans for the future.

According to workers themselves, there is no sex discrimination in attribution of salaries to workers.

### **CNSS**

The Caisse Nationale de la Sécurité Sociale (CNSS) is Morocco's national social security fund. Employers are expected to register their employees with the CNSS and need to contribute to the fund for every employee. In return, a CNSS card (*carte de travail*) is provided to employees. The possession of the CNSS card gives holders the right to monthly childcare benefits as well as other social and health care benefits.

Of the interviewed workers, 77% were registered at the CNSS. At Guernikako, Terre Agronomique, and Alamo, some workers are not registered. For others, registration came late. At Quality Bean Maroc, all workers were registered in 2012 after protests by workers. With the support of trade unions, numerous workers have learned that their employers have not registered their employees, and that several employers do not pay the required fees for their employees. Of one million workers in the agricultural sector, only 6% is registered at the CNSS. Non-registered workers have no right to receive a monthly family allowance, which amounts up to 600 DH. According to trade unions, in Morocco's agricultural sector, employers only rarely comply with labour legislation and the requirement to pay social security contributions. According to regional trade union officers interviewed for this research, most employers violate the law with impunity.

The trade unions refer to three main reasons for this state of affairs:

- The power of the big agricultural companies, which want far more flexibility and insist on the 'seasonal' character of agriculture in order to avoid paying social security contributions. The regional branch of the UMT trade union and other trade unions share this analysis.
- Weak monitoring and enforcement by the authorities, which see agriculture as the engine of economic development and support the big companies with generous subsidies and tax exemptions.
- The very high rate of illiteracy among agricultural workers at the national level, especially women (more than 80%), and the low rate of trade union membership.

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156 QBM's parent company VOU noted that its workers receive wages that are 12% above the SMAG (field workers) and 5% above the SMIG (packing house workers). This means that field workers have wages that are just above the poverty line. Van Oers United, reaction to SOMO, e-mail 28 January 2013. However it should be noted that both the SMIG and SMAG have increased since the time the research was conducted which is reflected in these figures. As a result only the SMAG is somewhat higher at QBM.

#### **2.5.4. Work hours and holidays**

##### **National regulation**

In Morocco, a standard work week includes 6 work days, each of which has 8 hours of work. This results in the Moroccan national standard of a 48-hour work week. Depending on the amount of work years an employee has worked for a company, the employee has a right to 18 to 21 days of paid annual leave.<sup>157</sup>

A working day should not exceed 10 hours and overtime should not exceed 100 hours per worker per year. The first 100 hours per year above the limit on working hours is counted as legal overtime. The law also states that the weekly rest day is compulsory, except for during a period of one month per year.

This situation is not entirely in line with internationally agreed labour standards (see boxed text next page):

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<sup>157</sup> Doing Business website, "Employing Workers in Morocco", June 2012, <<http://www.doingbusiness.org/data/exploreconomies/morocco/employing-workers/>> (2 February 2013)

### **The International Standards: the Hours of Work Convention and the Forty-Hour Week Convention**

The International Labour Organisation (ILO) of the United Nations recognises the need to regulate working time in order to protect workers and their families. The Hours of Work (Industry) Convention (No.1) of 1919 states that 'the working hours of persons employed in any public or private industrial undertaking or in any branch thereof [...] shall not exceed eight in the day and forty-eight in the week, 'whereby this number of hours may be exceeded in case of accident, actual or threatened, or in case of urgent work to be done to machinery or plant, or in case of "force majeure", but only so far as may be necessary to avoid serious interference with the ordinary working of the undertaking.' Despite the possibility for employers to occasionally make employees work overtime, 'the average number of hours worked per week, over the number of weeks covered by any such agreement, shall not exceed forty-eight.'<sup>158</sup> Typically, convention No. 1 is taken as a guideline for working time in all sectors, and is interpreted as setting a maximum of 48 hours of work per week, plus a maximum of 12 (voluntary) hours of overtime.

In 1935, the Forty-Hour Week Convention (No. 47) was adopted. The convention does not specifically aim at a specific sector. It states that a forty-hour work week should be applied in such a manner that the standard of living is not reduced in consequence, and that ratifying countries should take or facilitate measures to secure this end.<sup>159</sup>

In 2010, the ILO published its Code of Practice on Safety and Health in Agriculture. This recommends that 'daily and weekly working hours should be arranged so as to provide adequate periods of rest which, as prescribed by national laws and regulations, or approved by labour inspectorates or collective agreements, where applicable, should include:

- A. short breaks during working hours, especially when the work is strenuous, dangerous or monotonous, to enable workers to recover their vigilance and physical fitness;
- B. sufficient breaks for meals;
- C. daily or nightly rest of not less than eight hours within a 24-hour period; and
- D. weekly rest of at least a full calendar day.'

It also states that 'extended workdays (over eight hours) should be contemplated only if:

- A. the nature of the work and the workload allow work to be carried out without increased risk to safety and health;
- B. the shift system is designed to minimize the accumulation of fatigue.'<sup>160</sup>

Morocco has never ratified Conventions No. 1 or 47 and has not integrated the frameworks provided by the conventions and the Code of Practice in its national

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158 International Labour Organisation website, "C001 – Hours of Work (Industry) Convention, 1919 (No.1)", <[http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100\\_ILO\\_CODE:C001](http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C001)> (2 February 2013).

159 International Labour Organisation website, "Co47-Forty-Hour Week Convention, 1935, ( No. 47)", <[http://www.ilo.org/dyn/normlex/en/f?p=1000:55:0::NO::P55\\_TYPE,P55\\_LANG,P55\\_DOCUMENT,P55\\_NODE:CON,en,C047,%2FDocument](http://www.ilo.org/dyn/normlex/en/f?p=1000:55:0::NO::P55_TYPE,P55_LANG,P55_DOCUMENT,P55_NODE:CON,en,C047,%2FDocument)> (27 December 2012).

160 International Labour Organisation, Code of practice on safety and health in agriculture, 2010, <[http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---safework/documents/normativeinstrument/wcms\\_161135.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/normativeinstrument/wcms_161135.pdf)> (2 February 2013).

regulations. Internationally agreed labour standards are more conservative in defining the amount of work hours per week than Moroccan regulation.

### **Work hours, workload and overtime**

Working time in agriculture is distributed into periods in accordance with the needs of cultivation. This allows employers to increase working time in periods of peak activity. During these periods, workers find it difficult to ensure they receive payment for all the hours they work overtime.

According to 85% of respondents, a normal working day is eight hours. However, the working day can be longer or shorter depending on the season and company demand for workers. Workers are often expected to work overtime. During the high season<sup>161</sup>, from February to April, most workers at production as well as packing sites work up to 14 hours per day. A smaller yet significant percentage of 15% of respondents structurally works between 9 and 14 hours per day. This is especially so at some packing plants, such as at Alamo, where the working day can total 14 hours (see boxed text). This clearly exceeds legal limits.

#### **Long working days in the Alamo pack house**

“The work takes up all our time, there is no time to do anything else. I wake up at 6.10 a.m., get breakfast ready and then work from 7 a.m. until 12 p.m. Then I go back to the ‘sector’ [our accommodation] for one hour which is not enough time to get food ready and rest.

Work continues from 1 p.m. until 5 p.m. and then again from 7 p.m. until midnight, that is 14 hours of work in total. I am paid 9 dh/hr and 10 dh/hr for nights. The management added one dirham for nights after the union demanded this. I have so far received no paid leave and no assistance at holidays.”

The collective agreements between employers and worker representatives permit task-based shifts, that is, workers can finish work when they have completed their duties. These task-based shifts are common on the farms. Generally, this means that they work 5 hours per day rather than 8. In such instances workers do receive the same wage as when they would work 8 hours a day. Employees who work on a task basis were not interviewed for this research as interviewing activities took place in a period during which this type of work is not available.

Most workers do not request overtime themselves, but for a significant number of workers, overtime does occur. Of all interviewed workers, 39% of respondents indicate they work overtime. In this group of workers who work overtime, 59% of respondents claim that they expose themselves to punishment if they refuse overtime and 80% claim

<sup>161</sup> In Morocco green beans production usually has two production cycles. One that starts in July and ends in November, and one that starts in January and ends in May. During these two periods there are a couple of weeks of high season in which most green beans are picked and packed. The busiest time is however from February to May.

that they are afraid of refusing overtime. The most common punishment is to lose certain benefits (for example allocation to the less difficult tasks, managers close their eyes to certain behaviour) but workers can also suffer harassment from managers and risk dismissal for refusing the work. This was reported by workers from all companies. The overtime situation at QBM was described as normal (acceptable).<sup>162</sup> The workers at other companies considered the situation as either demanding (Guernikako) or too demanding (Terre Agronomique & Alamo).

In general more than half of respondents (53%) thought that their jobs were too difficult and that they were overworked. Packing plants operate at a particular pace and level of productivity and workers who cannot keep up are punished. All workers are expected to work at the same speed.

The duration and number of breaks differs from one company to another and depends on to what extent employees work overtime. In general, the total duration of breaks per day varies between 30 minutes and one hour, according to 72% of respondents. More than 56% of respondents think that the breaks are not long enough. The survey also highlights the lack of facilities for meal breaks on the farms: 67% of respondents say there is nowhere to take breaks. When canteens exist, they are reserved for company personnel and managers.

### **Maternity leave and holidays**

The survey reveals that when companies learn that a female employee is found pregnant, she has high chances of being fired. In doing this, employers are violating women's rights to maternity leave. The law provides for 14 weeks, that is, 98 days of maternity leave. Instead, it is common for female workers to quit their jobs forcedly and return to their employers after having given birth. The survey shows that Quality Bean Maroc (QBM) performs better than its competitors. QMB is the only company covered by this study that provides its packing plant workers with 90 days of maternity leave. In addition, the packing plant workers are entitled to an extra benefit of up to 2000dh (€ 179.50) if the mother is a member of the local social welfare association. QBM's farm workers are not entitled to the extra benefit, but pregnant women are allowed 90 days leave.

Seasonal breaks vary between 15 days and two months. This annual leave is not always voluntary: workers are often dismissed during the two months of low agricultural activity. 62% of respondents testify they receive no pay during annual leave. Quality Bean Maroc and Guernikako do provide (occasional) holiday payments, while Alamo and Terre Agronomique pay no holiday allowance.

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<sup>162</sup> The QBM does not recognize that workers are compelled to work overtime. Van Oers United, reaction to SOMO review request, e-mail 28 January 2013

Workers experience difficulties finding a balance between the demands of their employers and the expectations of their families. During certain times of the year, particularly at Aid Lekbir (Feast of the Sacrifice), many workers are expected by tradition to buy the traditional sheep for offering and cover the costs of the feast. However, the companies do not take the specific needs of this occasion into consideration and make no gesture of support to their workers. In interviews, workers indicate that employers' concern for workers' private affairs is minimal. Workers express they feel a lack of respect and consideration from employers, which they claim is even more disturbing to them than the lack of any material or financial benefits provided by employers during Aid Lekbir.

### **2.5.5. Facilities**

#### **Transportation**

Complaints of workers on transportation conditions are rife. Almost all the field workers are transported to and from work by company vehicles. The vehicles are often unsafe and unfit for transportation of humans. A worker complains: "We are often piled on top of each other in a lorry, like animals, men and women together."

Interviewed workers are worried about the accidents that occur during worker transport. The Moroccan Human Rights Association (AMDH) that was interviewed for this study confirms that accidents occur frequently during transport of agricultural workers. They illustrated that in 2011 and 2012 traffic accidents occurred in Souss Massa Draa involving farm worker transport in which there were, respectively, three and five casualties.

Many of the roads and tracks are in poor condition, even though there have recently been efforts to improve them following an increase in the number of accidents and casualties. Another problem is the poor driving skills of the drivers employed by the companies. Some companies in the region have recently started to provide adequate means of transport for their employees: buses are now being used in the Chouta province in Souss Massa Draa. The companies described in this report do not provide these safer alternatives, and vehicle safety is insufficient in all companies. However, at Alamo, a proper, new vehicle was bought recently. Quality Bean Maroc acknowledges its poor performance on this issue and has announced that it will start providing its workers with adequate transportation within the next half year.<sup>163</sup>

#### **Accommodation**

The lack of facilities for incoming flows of migrant workers has resulted in the appearance of poor quality housing in the region under study. The so-called Douars (small neighbourhoods) that contain or consist of such sometimes chaotic and unplanned housing developments are given the names of the geographical (Hmer,

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163 Van Oers United, reaction to SOMO, e-mail 28 January 2013

Demnat) or ethnic (Laarab) origins of the dominant population. Of the interviewed workers, 32% live in their own accommodation, generally close to the workplace and often in nearby douars, as in the case of QBM workers. 28% of workers interviewed pay between 100 and 500 dh per month to rent accommodation. While agricultural companies do not invest in such facilities, all these workers have water and electricity thanks to initiatives taken by local associations. Areas heavily populated by agricultural workers, however, are not yet connected to a public sanitation network. Nearly nine out of ten households therefore use septic tanks.<sup>164</sup>

Some of the respondents in the survey live at the workplace, in the so-called sectors located within the packing plants themselves. This category, which accounts for 34% of respondents, is mainly composed of women from outside the region. Two or three women share a room, but this can increase to five, depending on an employer's needs for workers. They have access to water, electricity and other services such as a grocer and sometimes a prayer room. No rent has to be paid for this type of accommodation.

A former Terre Agronomique employee testifies: "In 2006, working conditions at Terre Agronomique started to deteriorate. They built sectors to provide accommodation for workers. At first, we thought it was a good idea to live so close to work and not have to travel to work and back, but it meant we were exploited much more. They were able to make us work until very late at night."

### **Child care facilities**

If their children are not taken care of by the grandparents, workers often face difficulties finding child care facilities. None of the companies has a day care facility. QBM has an agreement with a local association and contributes towards the management of the establishment of a day care facility. The company pays the association an annual fee of 70,000dh to run the day care facility. In exchange, the association reserves 30% of places for children of parents working at the packing plant.

Workers at other companies can rely on the services of the *mourabbia*. *Mourabbia* is an Arab word that means 'teacher'. These *mourabbia* are older women who can no longer work in agriculture for various reasons. Therefore, they are available for babysitting and childcare services for working mothers in their own home. The *mourabbia* looks after the children for a monthly wage that varies between 150 and 200dh, which is between 9% and 13% of the SMAG for each child.

### **2.5.6. Health and safety**

Morocco has not ratified ILO Convention 155 on occupational safety and health. However, article 304 of Morocco's Labour Code requires agricultural companies with 50

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<sup>164</sup> Haut-Commissariat au Plan, "Etude sur les conditions sociales au niveau de la commune d'Ait Amira", 2007

employees or more to establish an independent medical service to deal with occupational health. There are indications that most employers in agriculture do not comply with the Labour Code's provisions on health and safety. Apart from the safety problems related to transportation (see 3.3.5) various occupational health problems were reported by the workers interviewed.

Although a majority of respondents at all companies confirm their employer provides "places for treatment and consultations", they add that these places are completely unequipped and are therefore useless. Companies sometimes contract a doctor to attend the workplace once every fortnight. However, respondents claim this is not helpful due to limited availability of these doctors. According to workers, doctors are only available during breaks and there is not enough time for the doctor to hold proper consultations with workers. Workers are dissatisfied with the consultations as they call them ineffective. Also, workers need to finance medication and treatment themselves. 79% of workers believe their employer is not interested in the state of their health, which they believe is the reason why the companies do not make any contribution to the cost of health care or provide any health monitoring services. Only at QBM medical services were reported to be more or less adequate. At the three other companies, workers considered the services ineffective.

An Alamo worker testifies: "If a woman gets ill, she takes a taxi and goes on her own to get treatment at her own cost. There is a company health centre but it is useless, there is nothing there. However, since the union became active, management pays more attention to us if we are ill."

A particular problem for the agricultural workers is exposure to the pesticides used on the crops. Most respondents say they are unaware of the hazards and the risk of accidents related to the products they used when carrying out their work (87%). Only 44% claim they wear protective clothing and other personal protective equipment (PPE) such as masks and gloves. Some women said that they often do not wear a mask when applying phytosanitary products. Others claim they often continue working in the greenhouses during pesticide spraying with no preventive measures taken. The older respondents said they now realise that this causes health problems (especially respiratory problems, according to some statements).

Companies do not require workers to wear protective clothing and masks during spraying, at least not systematically. Respondents often claim they are only made to use protective clothing and equipment when foreigners visit the company to inspect the operations. Of survey respondents, 61% said they suffered from allergies (skin, respiratory symptoms), while 16% suffered from illnesses that could be related to changes in temperature (too hot for those working in the greenhouses and too cold for those in the packing plants).

Of the companies studied in this research, Quality Bean Maroc stands out for the quality of its prevention services and the attention it pays to health care (nurse permanently on duty, regular consultations, contracts with a private clinic, etc.). PPE are only available adequately at QBM. The other companies sampled also have PPE available but in insufficient quantities.

## **2.6. Labour relations**

### **2.6.1. Trade union rights**

Of the workers interviewed, 52% were union members. This relatively large percentage was due to the fact that QBM has a relatively tolerant attitude towards trade unions, the fact that unionised workers are more inclined to speak and be recruited by the research team (see methodology section). At other companies, the situation is quite different. To illustrate, the recent organisation of a trade union branch for workers at Alamo met fierce opposition from the company. Workers report that trade union members are seen as criminals. Managers allegedly use every means possible to try and intimidate them and create a tense atmosphere between them and other workers who are not union members, by favouring the latter. Other agricultural companies, such as Terre Agronomique and Guernikako, have a bad reputation in labour movement, local authority and civil society circles for not allowing freedom of association. It has never allowed workers to organise and immediately disrupts any attempts to do so.

Discrimination against union members is common. According to trade unions interviewed, there is no lack of examples of union members, men and women, who have been dismissed in the agricultural sector in the region: members of the former union branch at the Alamo packing plant; the whole trade union branch dismissed in 2007 by Guernikako; the dismissal of some union members by Quality Bean Maroc in 2012; the expulsion of 98 workers by SAADA, owned by Guernikako since 12 July 2006, following the creation of a union branch. Similarly, in 2006 and 2007 all trade union members at Emporio Verde were expelled by the company.

Most workers are unaware of their rights: 65% of respondents expressed ignorance of their employment rights. Workers indicate that union membership is important in order to improve one's working conditions.

A worker testifies: "I only started to understand my rights recently, thanks to the union (FNSA/UMT), which I joined in 2012. [...] Recognition of my rights depends on negotiations with the company management."

When asked about sex discrimination, one worker explains: "Men and women are not segregated, but the company management does discriminate against union members. The management treats union members as criminals. They use every opportunity to

punish us.” Workers often do not have access to information about their employment rights and themes that are of importance to workers. This issue relates to the factors such as:

- Company recruitment policy (geographical origin, preference for women)
- Isolation of workers at work
- Pressure and threats
- The ease with which companies can dismiss workers (employers do not comply with the already flawed Labour Code)
- High rate of illiteracy

The same factors partly explain why attempts to demand rights remain limited.

Union members channel their demands through their union branch, while the others, if they have the courage, talk to their line manager (generally the chargehand or team leader). Among the difficulties mentioned by respondents with regard to demanding their rights are:

- The lack of an adequate framework for communication between workers and company representatives.
- Unwilling company attitude
- Miscommunication
- Poor organisation of workers
- Lack of solidarity among workers
- Illiteracy among workers
- Division among workers, no sense of unity
- Pressure and discrimination against union members (fear of dismissal)

The recruitment of workers from outside the region and especially distant regions such as Khénifra and their accommodation in *sectors* (workers’ hostels) facilitates control of the workforce. According to respondents, women are often recruited because they are considered to be submissive. A worker who was employed by Terre Agronomique for ten years explains: “The boss went to look for women mainly in the Khénifra region, then to Demnat [at 600 and 400 km distance from Terre Agronomique’s location in Ait Amira].

In order to prevent any form of organisation, the boss recruited workers from these faraway regions who did not know anybody locally and would be unable to complain to the authorities. [...] Even if someone reports what happens to the authorities at the company, they will do nothing because the boss has a lot of influence.” The former Terre Agronomique employee claims that no formal organisation was possible at Terre Agronomique, because: “Anyone who even thought about trade union organisation was threatened with dismissal.”

The management of Terre Agronomique and Guernikako does not negotiate with trade unions. At Alamo, the first steps are being made towards negotiations with the unions. Administrative authorities facilitate the dialogue. Quality Bean Maroc has a dialogue with the active unions at the company. There are, however, no negotiations (collective bargaining) and dialogue is only more or less formalised with the best-represented union. The much smaller and more critical union by contrast has occasional meetings with the management only.<sup>165</sup>

Relationships between workers and employers are generally bad at Terre Agronomique and Alamo. They are described as 'relatively normal' at Guernikako, and 'relatively good' at Quality Bean Maroc.

### **2.6.2. Disputes**

According to the respondents, the following factors influence labour relations and cause disputes between employers and employees:

- No or partial registration with the CNSS
- No pay slip or employment card
- Failure to comply with working time regulations, overtime pay
- No pay rises
- No freedom of association (unions)
- Working conditions, including transport
- Lack of respect and dignity (some focus groups said this was the main source of conflict)
- Respondents also deplored the lack of services, such as a day care facility and an adequate health care system
- Management failure to make "gestures" that could improve their relations with the workforce.

The existence of a social welfare association and the initiatives it takes for workers was seen as an expression of goodwill that contributes to improving living conditions. Most respondents (76%) felt that protesting was the most effective way of achieving change. However, many of them dare not put this into practice. Arguments for this were: fear of corrective measures/dismissal, fear of not being strong enough, unfavourable conditions and trade union organisation being too inexperienced. Only 42% of the respondents claim that working conditions have improved in recent years. Improvements mentioned relate among others to social security registration, obtaining employment cards, pay slips and trade union registration trade union organisation. However, these limited improvements are only true for a few companies. For instance at QBM

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<sup>165</sup> QBM's parent company VOU noted: freedom of association is guaranteed and respected in all cases. As a large group of workers (450 persons) is represented by a major union and much less so by a smaller union (only 30 members), it is logical that the most intensive dialogue is maintained with the best-represented union. Van Oers United, reaction to SOMO review request, e-mail January 2013

improvements were reported especially at the packing station. These improvements also relate to social welfare association activities and access to health care.<sup>166</sup>

## 2.7. Commercial relations and practices

### 2.7.1. Producers and clients

Many of the farms and processing facilities in Souss Massa Draa are owned by foreign investors, some of which collaborate with Moroccan investors. Because of historic and economic reasons, most of these foreign investors are Spanish or French. They do not need to pay any tax on their revenues. Land is usually rented from land owners.

Green bean producers such as Quality Bean Maroc, Alamo, Terre Agronomique and Guernikako all produce their own beans. However, Quality Bean Maroc is also supplied by smaller, local producers. The entire green bean production of these major companies is intended for export. All of these major green bean producers are Spanish. The exceptions are Quality Bean Morocco, a Dutch company, and Shahrazad and Terre Agronomique, which both are Moroccan companies. Spain is the most important destination for beans produced by the companies in this research. Destinations as declared by interviewed managers at the companies are presented in the table below.

**Table 5: Share of total company green bean production exported to various EU destinations per company**

Company / Destination	Quality Bean Maroc <sup>167</sup>	Terre Agronomique	Guernikako	Alamo	Agro Montsia	Emporio Verde	Arbagri
The Netherlands	35%	-	unknown percentage	-	-	10%	-
Spain	-	20%	unknown percentage	100%	100%	10%	100%
United Kingdom	5%	-	unknown percentage	-	-	40%	-
Germany	20%	30%	-	-	-	30%	-
Other	20% (Belgium), 20% (Italy, France & Switzerland)	50% (France)	-	-	-	10% (Portugal)	-

Source: Information from company management. Percentages are rough approximations.

Negotiations with customers are conducted either directly or through intermediaries. Spanish companies use Spanish intermediaries. According to Quality Bean Maroc

<sup>166</sup> Van Oers United. Sent SOMO its sustainability report 2012 that provides examples of the ways the company aims to improve social services. It is out of the scope of this research to discuss these in detail.

Van Oers United, reaction to SOMO review request, e-mail 28 January 2013

<sup>167</sup> Survey Van Oers United (Quality Bean Maroc's Dutch parent company), SOMO, January 2013

representatives, its parent company in the Netherlands deals with all commercial transactions and negotiations with the supermarkets and its local administration does not have information on these aspects of the business. Quality Bean Maroc's Dutch parent company Van Oers United, which also has several other production companies in Africa<sup>168</sup>, indicates that it negotiates directly with supermarkets.<sup>169</sup>

### **Profitability**

For this study agro-economic studies from the *Institut Agronomique et Vétérinaire Hassan II* (Agadir) were consulted to be able to roughly estimate profitability of the production of green beans in Morocco. These studies used detailed information on various costs and incomes at Guernikako and Quality Bean Maroc. The calculations based on this information indicated that green beans production for the export market is profitable.<sup>170</sup> The lowest profit rate, including fixed and variable costs, and cost for packing and transportation was estimated at 10% for green beans production in open fields. Profit rates for production in greenhouses were higher.<sup>171</sup> It should be stressed that these figures are indicative only as not all costs were clearly specified. For instance there was no reference to the cost of freight insurance and customs. Also, according to Van Oers United, margins are much lower.<sup>172</sup>

### **2.7.2. Commercial practices**

The distribution and sale of produce generally follows a standard pattern: orders, negotiations, delivery and payment. Conditions of payment often allow payment within three months. According to representatives of producing companies, the terms and conditions of commercial agreements between partners rarely change after having been agreed with. Two of the four companies that agreed to be interviewed on this matter in Morocco replied that there is never any retrospective change in the agreements made with their trading partners. Two of the companies said there had been such change, yet only once.

The most common changes after deals have been concluded concern quality, payments and sometimes volumes. Buyers sometimes complain about disappointing quality of produce, whereas suppliers can be confronted with non-compliance with payment terms. Various other issues might cause difficulties with foreign customers. These can be transport issues, strikes and holidays that delay deliveries. Some companies also say that competition between suppliers can result in them losing a customer.

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168 Van Oers United website, "Onze-activiteiten", <[www.vanoersunited.nl/pages/onze-activiteiten#text](http://www.vanoersunited.nl/pages/onze-activiteiten#text)> (25 January 2013)

169 Survey Van Oers United.

170 M. Bouaskiounne & A. Oujijane, Etude technico-économique de l'haricot en sol et hors sol, (Agadir : IAV. Hassan II. Complexe Horticole d'Agadir, 2008-2009)

171 Ibid.

172 Van Oers United, SOMO multi-stakeholder meeting on FFV, Amsterdam, 5 February 2013. In this meeting they referred to a couple percent.

Terms of service are usually confirmed or documented in writing (contract or email). They include statements on:

- Quality of products (including: compliance with, or certification to certain quality standards)
- Volume
- Means of transport
- Delivery times
- Transport and insurance (covered by the producing company)

Information provided by Van Oers United<sup>173</sup> largely confirms the information provided by the companies in Morocco: problems with clients (supermarkets) rarely occur (once a year at most) and if they occur they relate to conflicts over price and quality. Trading relationships with supermarkets are generally long-lasting. In trade negotiations, agreements are made regarding quality of produce, specification of produce, operational details, approximate volumes (agreement on bandwidth), deliveries (frequency and volumes), prices, sustainability, communication and marketing. Important information is always included in written contracts.

Companies claim that social, economic and environmental impacts are in principle covered by certification systems such as GlobalGAP. However, in the GlobalGAP system, upholding workers' rights is not absolutely necessary to achieve certification (see section 1.4.3). The responding companies in Morocco claim that no other CSR standards are structurally followed or audited. Van Oers United (also see boxed text below), that is also member of the IDH programme (see section 1.4.2), indicated that its production in Morocco (QBM) as well as its production in Senegal and Ethiopia is third party certified against the ETI standard (see section 1.4.7).<sup>174</sup> Workers interviewed were unaware of any ethical demands or policies of supermarkets or traders that should benefit them: 86% of respondents know nothing about ethical standards of production.

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173 Ibid.

174 Ibid.

### **Differences in working conditions between producers**

What has led producers being better employers than others was not assessed systematically in this research. Indications are that the Quality Bean Maroc/Van Oers United management is more ambitious in this respect than other producers. QBM is the only producing company reviewed that actively and publicly communicates on CSR.<sup>175</sup> Also, of all the producing companies reviewed QBM is the only company that seems to be ethically certified. This ETI certification is not formally recognised by ETI itself but companies can contract auditors to assess their compliance with the ETI base code. QBM has indicated that such third party inspections are of relevance for them for their UK customers.<sup>176</sup>

## **2.8. Conclusions**

The economic position of producers is stable, with steady commercial relationships, attractive growing conditions and decent profit margins. While there sometimes are disagreements on for example price and quality the interviewed suppliers indicated that buying supermarkets only rarely violate commercial agreements. Hence no indications of structural abuse of supermarket buyer power were found.

By contrast, abuse of the work force is structural in the sector. Labour conditions for workers in the fields, greenhouses and packing stations are in need of serious improvement.

Salaries of workers are too low. Most workers interviewed receive monthly wages, including overwork payments, which are around or below Morocco's official agricultural minimum wage level (SMAG) which equals salaries on or below national poverty line levels. Whereas this does not formally violate the relevant ILO convention (Minimum Wage Fixing Convention, 1970, No. 131) it does not constitute a living wage as is referenced in ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, article 34.

Workers at all companies work on average 8 hours a day 6 days a week. Working days can be up to 14 hours in high-season. In some cases, however, workers indicated having to work 14 hours a day structurally. Working more than 10 hours a day is not in line with national regulation. Working more than 60 hours a week structurally is against international regulations and standards. A large group of workers need to work overtime of which a large majority indicates that is not voluntary. ILO conventions (29 and 105) that prohibit all forms of forced labour indicate that as long as national overtime regulations are not violated there is no violation of ILO conventions either (Convention, 1957 (No. 105), 2007, para 132). Hence, except in the cases of extremely long working

175 Van Oers United website, "Kwaliteit, environmental en sociaal-ethische standaarden", <<http://www.vanoersunited.nl/pages/kwaliteit-environmental-en-sociaal-ethische-standaarden#text>> (30 January 2013)

176 Van Oers United, SOMO multi-stakeholder meeting on FFV, Amsterdam, 5 February 2013.

days there seems to be no clear violation of this labour right. Nevertheless the convention No. 29 (Article 2) prohibits extracting labour from workers under the threat of penalties; and this is exactly what workers fear. Hence the situation is clearly problematic also from the perspective of this labour right.

Trade union rights (ILO Conventions 87, 98 and 135), however, are clearly at stake. Most companies sampled are hostile towards trade unions. In the worst case they are not allowed at all, in the best case there is no dialogue with the most progressive union and no collective bargaining.

The ILO health and safety convention (ILO Convention 155, art. 16) is violated as well with dangerous worker transportation and workers being exposed to agrochemicals as the result of PPE not always being adequately available and not used (systematically). There often is inadequate workplace health care as well.

National labour regulation is impeded because contracts, employment cards and CNSS registration are often not provided.

Medical care, child care facilities, transportation, personal protection equipment (availability and use), accommodation, work hours, salaries and contracts need to be revised urgently. Companies also need to invest heavily in establishing better relationships with workforce and unions.

Among the companies that were screened for labour conditions, the Dutch company Quality Bean Maroc clearly performs better than its competitors in terms of respecting labour rights and the levels of medical and social services it provides its workers. Nevertheless, improvements are clearly needed here as well.

## 3. Discussion and conclusion

### 3.1. Introduction

Based on the research into Dutch supermarkets' CSR policies (Chapter 1) and field research on green beans suppliers in Morocco (Chapter 2), this chapter analyses what the impact of the CSR policies is.

### 3.2. Commercial relations and CSR policies of retailers

This study aimed to look at the reality behind the sourcing policies of Dutch supermarkets. It was established that two of the eight selected green bean producers in the field research (QBM & Guernikako) were supplying three of the five selected retailers in the Netherlands (Albert Heijn (AH), Jumbo/C1000 & Lidl) (see boxed text).

#### **Commercial relations between supermarkets and producers**

This study aimed to look at the reality behind the supermarkets policies. The most convincing way to do this is to look at conditions at, and for, FFV producers that are, and have been, supplying the selected supermarkets. As supermarkets are reluctant in providing information on their supplier base this is easier said than done.

SOMO collected information through desk study, store visits and correspondence with supermarkets to be able to establish commercial relations between Dutch supermarkets and Moroccan producers. From this information, which is provided in detail in Chapter 1, the following is clear:

- Three supermarkets – Jumbo/C1000, Albert Heijn and Lidl – source green beans from Quality Bean Maroc (QBM), subsidiary of the Dutch company Van Oers United (VOU).
- Ahold also sources green beans from Guernikako.
- Plus does not source green beans from Morocco but from Egypt.
- It is unknown whether Aldi sources green beans from Morocco.

Despite the albeit limited sample (2x3) for the verification of company policies, the researchers believe the findings are representative of the impacts of supermarkets policies in FFV supply chains.

The company codes and policies of the three retailers which are the focus of this discussion all refer to the Business Social Compliance Initiative (BSCI) code of conduct. Two of the supermarkets, AH and Lidl, are even BSCI members. However, the supplier they share, QBM, did not report having been audited against the BSCI standard. It is unclear whether Guernikako is audited against BSCI or any other standard.

### 3.3. Realities behind supermarket CSR policies

QBM does business with all three supermarkets under review. Of the four companies screened for labour conditions in Morocco, QBM is definitely the best employer in terms of working conditions. Nevertheless, also at this company problematic working conditions were found. Trade union rights are under pressure as none of the active unions are engaged in collective bargaining with the company and the smaller progressive union is not involved in formal dialogue either. Workers do not feel free to refuse overtime work. Wage levels are below the national poverty line and are considered too low by workers and the unions. Worker transportation organised by the company is dangerous and should improve; as is also acknowledged by the company itself. Despite good availability of personal protective equipment (PPE) they are not used systematically when agrochemicals are applied. According to the UN Guiding Principles on Business and Human Rights, supermarkets that source green beans (and other produce) have a responsibility to pay close attention to producer compliance with essential labour rights and to address them appropriately. However, there is no evidence that this responsibility is being met in this case.

The conclusion is the same for AH's sourcing from Guernikako. This producer was among the worst employers sampled, only doing better than Terre Agronomique, a company for which no connections with Dutch retailers could be established. Guernikako has no active trade unions and is hostile to trade unions; wages are low and sometimes below agricultural minimum wage levels; overtime is mandatory; worker transportation is dangerous, personal protective equipments are inadequately available and are not used systematically when agrochemicals are applied; not all workers are registered with the social security fund (CNSS); and workers are not provided with the documentation they are legally entitled to (payslips and worker registration).

### 3.4. Why supermarket CSR policies seem to fail

The majority of green beans exported from Morocco is sold in European supermarkets. These supplies have become structural and there is evidence that supermarkets have long-lasting relationships with Moroccan producers. All these factors increase the possibility of supermarkets having some clout among these producers with which they would be able to demand respect for labour standards at the production sites. However, from this research there is no evidence that supermarket CSR approaches have had any impact. Workers are not aware of labour rights demands being made by buying supermarkets. Important labour standards that buying supermarkets aim to uphold with their codes are being violated.

So if it does not appear to be due to lack of influence, why is it that supermarket CSR approaches do not seem to have any impact? It is difficult to answer this question as not

all the information is on the table. However, in at least one case there is evidence that their codes were communicated. QBM is the only company that was reviewed for labour conditions and that also responded to our questions in relation to commercial relations. QBM noted (in general terms) that sustainability norms are part of its agreements with supermarkets. In addition, while there is no evidence in the case study that compliance with their (BSCI) code of conduct was audited at QBM, this company has been third party audited (and certified) against the ETI standard<sup>177</sup>, a code that is similar to BSCI. However, despite supermarket CSR standards being applicable to its production and also having been verified independently, this study picked up on quite a number of workplace problems at this company, as discussed previously.

Apparently even in cases where supermarket CSR policies are implemented properly they nevertheless can fail in doing what they should do. There are a number of factors in play but an important cause may be that audits often do not reveal the reality of the problems that workers are confronted with. Indeed according to the UK's ETI, "there is overwhelming evidence that the predominant approaches to auditing that companies have adopted, which typically involve commissioning third party auditors to carry out inspections, followed by 'corrective action plans', are failing to deliver any real change to workers' lives."<sup>178</sup> At QBM, for instance, the workplace problems this study signalled may have not been picked up in audits or they were considered to be compliant with the code. And, some issues are signalled by workers in our study that are indeed not explicitly required in retailers' codes (and in even in more stringent codes) at all.

Security of employment for example is an international labour right and formalisation of employment is central to this right. However, in Morocco it was found that employment is not formalised in contracts and that employment cards and pay slips are often not issued. Similarly and related to the right of security of employment is the seasonal status of most workers in this industry. Their jobs are not acknowledged as regular work but as seasonal work, despite the arguably perennial nature of it. This situation causes problems, as the large majority of workers interviewed do not receive any pay during their leave and are not entitled to annual incremental wage increases. Also gender sensitive labour rights and services such as paid maternity leave and non-availability of day care centres (QBM is the exception here) were found to be lacking in reality and in codes of retailers. These issues and rights might be addressed when retailers' codes explicitly acknowledge such problems.

Similarly the low wages paid to workers are clearly problematic as well. Although some standards such as BSCI, Fairtrade and ETI acknowledge the importance thereof in their codes to various extents, in practice no retailer code, or certification system for that

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177 This certification is not acknowledged by ETI (see Chapter 1)

178 Ethical Trade Initiative, website, "Auditing working conditions", <<http://www.ethicaltrade.org/in-action/issues/auditing-working-conditions>> (30 January 2013)

matter, *guarantees* living wages. There usually is a reference to minimum wages or average sectorial level wages. As most of the low wages levels recorded in this study are roughly in line with national minimum wage levels there is no clear violation of standards here. However, recorded wage levels are very low indeed and clearly need improvement. As a result Moroccan trade unions are arguing for Agricultural Minimum wages (SMAG) to be at least aligned with overall national minimum wage levels (SMIG).

Freedom of association and the right to collective bargaining as well as freedom from forced labour were found to be clearly at risk in the producing companies that supply the three Dutch supermarkets. QBM has a dialogue with one trade union and meetings with another but it does not bargain collectively with them. Geurnikako does not tolerate unions at all. At both companies workers generally do not feel free to refuse overtime work. These are fundamental labour rights that are upheld by supermarkets in their codes in theory, however, in practice they are violated or at risk of being compromised.

This study, SOMO's 'Bitter Fruit', as well as a number of others, have demonstrated that complicated and/or sensitive issues such as trade union rights and mandatory overwork can be picked up with the proper approach. There seems to be no good reason why companies that are serious about guaranteeing decent working conditions could not be aware of such precarious working conditions either. In any case these problems are now again visible and in need of remedy. Effectively remedying problematic labour conditions in FFV production in developing countries is likely to be difficult and will take time. However, acknowledgment and detailed knowledge of workplace problems in FFV supply chains is a necessary first step in being able to address them.

### **3.5. Fair trading relations**

This study found no evidence of abusive buying practices of supermarkets, e.g. very late payments, having impacted working conditions for FFV workers. Producers did report a few irregularities in commercial relations which, however, were not frequent. Yet this does not necessarily mean that such problems do not exist as fear to report abuses are a well-known problem. Abusive buying practices are reportedly widespread (see introduction). The nature of commercial relations is a delicate topic, as the research team also experienced in the interaction with the companies. The study was unable to assess whether specific commercial demands by, and/or agreements with supermarkets, for example concerning changes in the specific volumes of green beans to be shipped, the price producers receive for it, or sudden/unilateral changes made to the delivery times, impacted the conditions for workers negatively. However there are indications in the literature that retail buying practices can negatively impact working conditions (see introduction).

This study's assessment of Dutch supermarket sourcing policies indicates that retailers in the Netherlands can do more to prevent their demands from impeding suppliers' ability to ensure decent working conditions. They could do so for example by incorporating more specific standards in their codes for suppliers. These standards should aim to prevent abusive buyer power practices by for example forbidding late payments or excessively short-term notice for higher volumes of supply and retrospective payment reductions. They could also train and reward their buying staff and buying agencies to this end.

### 3.6. Recommendations

The authors propose the following recommendations.

Supermarkets should:

- ❑ Exercise proper due diligence by investigating and addressing workplace related problems in FFV supply chains rigorously and independently.
- ❑ Be more transparent regarding their supplier base to allow external scrutiny of working conditions and commercial practices.
- ❑ Allow a multi-stakeholder approach to identify, address and remedy problematic working conditions and commercial practices.
- ❑ Make sure that their buying practices are not preventing improvements to working conditions in their supply chains. When participating in a voluntary code of conduct on commercial practices, ensure that the code and its implementation mechanisms also cover non-EU suppliers.
- ❑ Adopt the most ambitious CSR/global standard systems (certification) for all FFV from developing countries and not only for a selection of products.
- ❑ Improve the transparency about the application of the adopted CSR standards and remedies taken in case breaches have been found. Use the Global Reporting Initiative as a basis to report on CSR policies and their implementation.
- ❑ Advocate for better regulation, and enforcement thereof, in FFV exporting developing countries as well as in their own countries.

## Annex 1

Normative and analytical framework used for assessing supermarket sourcing policies. For labour rights the CSR Frame of Reference of the MVO Platform was used (column 1). The UK Grocery Supply Code of Practice was used as the foundation of the fair trading relations benchmark (column 2).

Labour rights	Aspects of sustainable purchasing policies
Right to collective bargaining (ILO Convention 98)	Commitment to an on-going relationship with suppliers.
Freedom of association (ILO Convention 87 and 135)	Contracts or written buying commitment statements.
Prohibition of forced labour (ILO Conventions 29 and 105)	Commitment to treat suppliers fairly and lawfully.
Prohibition of child labour (ILO Conventions 138 and 182)	Clarity on terms of trade.
Work hours and overtime stipulations (ILO Convention 1)	Quality required .
'Living wage' (ILO Tripartite Basic Principle, art. 34)	Quantity required.
Prohibition of discrimination (ILO Conventions 100 and 111)	Delivery schedule.
Occupational health and safety (ILO Convention 155)	Suppliers have clarity on payments and delays.
Right to security of employment (ILO Tripartite Basic Principle, art. 24-28)	Price that will be paid.
Living wage (ILO Tripartite Basic Principle, art. 34)	How many times per year these aspects are negotiated and agreed.
	Payment of suppliers on time and according to agreed written terms of trade.
	Possibility of pre-financing.
	Clarity on pricing mechanisms
	Suppliers' contributions for promotions and new product launches is voluntary.
	Forbidding 'below cost' selling, including the costs of meeting required standards.
	Forbidding retrospective price reductions.
	Forbidding de-listing tactics as means to create better terms of trade such as lower prices.
	Risk assessment of potentially adverse social impact of purchasing practices down the supply chain

	Complaints mechanism for suppliers in the event of a dispute and a commitment to follow-up without retaliation on such complaints.
	Forbidding soliciting gifts, favours or hospitality and accepting gifts or money.
	Not obliging suppliers to use preferred third parties (packaging, transport, etc.).
	Uni-lateral changes to terms.
	Retrospective changes made either after an agreement has been reached, or after product has been delivered.

## Annex 2

This table presents topline results relating to working conditions at the four companies examined to this end. Each row presents a specific right or labour issue. The responses of the two companies that agreed to respond to the findings are printed in italic.

Provisions, labour, rights, social securities	Companies			
	QBM	Guernikako	Alamo	Terre Agronomique
Employment card	Yes, company began to issue cards to all workers in 2012. <i>Measures being taken to issue cards to all employees.</i>	No cards are provided.	Cards issued to some workers in 2012, upon first employment <i>Cards are now issued to all workers who presents themselves with photographs.</i>	No cards are provided.
CNSS	Yes. However, some workers with more than two years' service were only registered in 2012.	Delays in registration and some workers not registered.	Delays in registration and some workers not registered. <i>Employees registered. The company has never been fined.</i>	Delays in registration and some workers not registered.
Payslip	Yes.	Not provided to workers.	Yes.	Not provided to workers.
Employment contract	Verbal.	Verbal.	Verbal. <i>Only for newly recruited workers. The older ones do not want to sign.</i>	Verbal.
SMAG (Minimum wage for the agricultural sector)	Respected. <i>QBM pays wages that are significantly higher than the lawful minimum wages and is one of the few companies that respect the difference</i>	Respected.	Respected.	Respected.

	<p>between SMIG and SMAG. SMAG concerns the minimum salary for field workers, SMIG is the minimum salary for the industrial sector which comprises our packing facilities.</p> <table border="1"> <thead> <tr> <th>Lawful</th> <th>QBM</th> <th>QBM</th> <th></th> </tr> <tr> <th>MAD/HR</th> <th>MAD / HR</th> <th>%&gt;</th> <th>average</th> </tr> </thead> <tbody> <tr> <td>SMAG</td> <td>7.57</td> <td>8.49</td> <td>12%</td> </tr> <tr> <td>SMIG</td> <td>11.7</td> <td>12.24</td> <td>5%</td> </tr> </tbody> </table>	Lawful	QBM	QBM		MAD/HR	MAD / HR	%>	average	SMAG	7.57	8.49	12%	SMIG	11.7	12.24	5%			
Lawful	QBM	QBM																		
MAD/HR	MAD / HR	%>	average																	
SMAG	7.57	8.49	12%																	
SMIG	11.7	12.24	5%																	
Long service bonus	To some extent. The company is trying to include all workers.	Not respected.	To some extent for trade union members but not for the majority of workers. Exists and depends on length of service.	Not respected.																
Annual holiday pay	Yes	Yes	No Yes. 9 days per six months. But workers are asking for 18 days at once.	No																
Freedom of association	Relative freedom. However, the company tends to prefer some (largest) trade unions to others. Freedom of association is guaranteed and respected in all cases. As a large group of workers (450 persons) is represented by a major union and much less so by a smaller union (only 30 members), it is logical that the most intensive dialogue is maintained with the best-represented union.	The union's presence is not tolerated at all. The company fired all union members in 2007. Since then, there are no union members working for the company.	Exists but trade union members are subjected to restrictions. The company respects trade union rights.	The union's presence is not tolerated at all.																
Dialogue with the unions	Yes. Dialogue with the most representative union. It is logical that we maintain a more intensive dialogue with the best-represented union. This does not imply that we have any preference for any of the unions present. We do not influence the choice of our workers	Absent.	Dialogue under the aegis of the administrative authorities; they are taking the first steps	Absent.																

	<i>for any of the unions.</i>		towards dialogue. <i>Exists.</i>	
Labour relations	Fairly good. <i>Atmosphere/working relationships are good.</i>	Normal.	Bad. <i>Union members do not respect the boss.</i>	Bad.
Transport for workers	Inadequate. <i>The company recognises that this is problematic. It has proven difficult to organise efficient and safe transport facilities. The issue has 'absolute top priority' and the company expects to have reached significant improvements within 3 to 6 months.</i>	Inadequate.	Inadequate. <i>We do not have a new clean lorry.</i>	Inadequate.
Personal Protective Equipment (PPE): use and policy	Complete range of materials available, but not utilised in a systematic manner. <i>Available.</i>	Some materials available, but not utilised in a systematic manner.	Some materials available, but not utilised in a systematic manner	Some materials available, but not utilised in a systematic manner.
Information on work accidents	More or less. <i>The company provides good information (notice boards, posters).</i>	No.	No. <i>The company declares work accidents.</i>	No
Health care	More or less satisfactory.	Yes, but inefficient.	Yes, but inefficient. <i>Doctor on duty on Fridays.</i>	Yes, but inefficient.
Childcare facility	Yes, available to some workers.	No.	No. <i>For married women. Not many places for single mothers.</i>	No.
Working time	Normal.	Demanding.	Too high (packing plant).	Too much.
What happens if workers refuse overtime	Problems with the manager. <i>The company respects the regulations in force. No pressure is put on employees; occasional overtime is performed in consent with workers.</i>	Punishment.	Punishment. <i>No, we have no overtime pay. Those who want to do overtime do so of their own free will without asking for a</i>	Punishment.

			<i>higher rate of pay.</i>	
Maternity leave	Yes.	No.	No. <i>No cases known.</i>	No.
Improvements to working conditions	Efforts being made at the packing plant.	No.	No. The company does have means of transport, which are not in use.	No.
Improvements in social welfare	Mainly yes. <i>The company organises many activities for workers. Also, the company is entirely run by Moroccan employees; while growing along with the company, hundreds of employees have been able to improve their personal welfare significantly in the past years.</i>	No.	No.	No.

## Spilling the Beans

### Precarious work in Morocco's green beans production for Dutch supermarkets

Fresh fruit and vegetables (FFV) are available all year round to Dutch consumers. They are accustomed to being able to buy fresh fruit such as pineapple and mango, but also vegetables, such as asparagus and green beans, any time during the year. Most of this fruit and a small share of fresh vegetables originate in developing countries. Dutch supermarkets are the gateway of this increasing supply of fresh fruit and vegetables (FFV) from developing countries to Dutch consumers, of whom 75% buys fruit and vegetables in Dutch supermarkets. As working conditions are generally poorer in developing countries compared to developed countries, the increasing volume of FFV from these countries also entails a higher risk for Dutch supermarkets of becoming complicit to violations of labour rights, especially if they do not have proper policies and mechanisms in place to avoid them.

Leading Dutch supermarkets follow specific approaches for ensuring decent working conditions and business-to-business fair commercial practices in their fresh fruit and vegetables supply chain. The Centre for Research on Multinational Corporations (SOMO) conducted research to compare these approaches with the actual conditions for workers and producers in Morocco that supply several of these supermarkets with green beans.

The verification of supermarket policies with the case study in Morocco shows that there is a clear disconnect between labour standards that supermarkets uphold and the harsh reality for green beans workers. It is recommended that supermarkets exercise proper due diligence by investigating and addressing workplace related problems in FFV supply chains independently and more rigorously.

