

GUIDELINE FOR

Orange Juice



Our goal is to switch
100 per cent of the
REWE and PENNY
private labels
to certified orange juice
by the end of 2025.



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Source: Maurice Ressel / Fairtrade Max Havelaar

I. UNDERSTANDING AND SCOPE

As a leading international trading and travel and tourism company, REWE Group is aware of its special role as an intermediary between manufacturers, service providers and consumers¹. The production of REWE Group private label products has an impact on people (social), animals and nature (ecological). REWE Group's customers expect and should be able to trust that REWE Group, as a trading company, is aware of its responsibility in the supply chains of its private labels and addresses the effects. In its "Guideline for Sustainable Business Practices", REWE Group acknowledges its environmental and social corporate responsibility. The values described therein form the foundation for the responsible actions of the company (REWE Group 2011).

REWE Group promotes more sustainable orange juice production and aims at improving the social, ecological and economic conditions in the production of orange juice. The company addresses this task by purchasing sustainably produced orange juice products, carrying out projects at the origin, entering into a cross-industry dialogue and improving transparency along the value chain. This holistic concept enables REWE Group to make an impact on the sustainability of orange juice production. The requirements, measures and goals are defined in the present guideline.

REWE Group also would like to make its employees and partners in the supply chain aware of the importance of a more sustainable orange juice production and uses this guideline to point out measures and individual goals.

The scope of the guideline covers all pure orange juice articles which are sold under the REWE Group private labels in Germany by REWE and PENNY. Mixed juices such as multivitamin juice do not fall within the scope of application. On the basis of the systematic sustainability commitment described here, the PRO PLANET label² can be awarded to compliant products.

The present guideline defines a binding framework for REWE Group's actions and the business relationships with contractual partners. Defined requirements and targets are consistently reviewed, and new measures and targets are agreed as required. In addition, the guidelines are updated on the basis of current trends and developments.

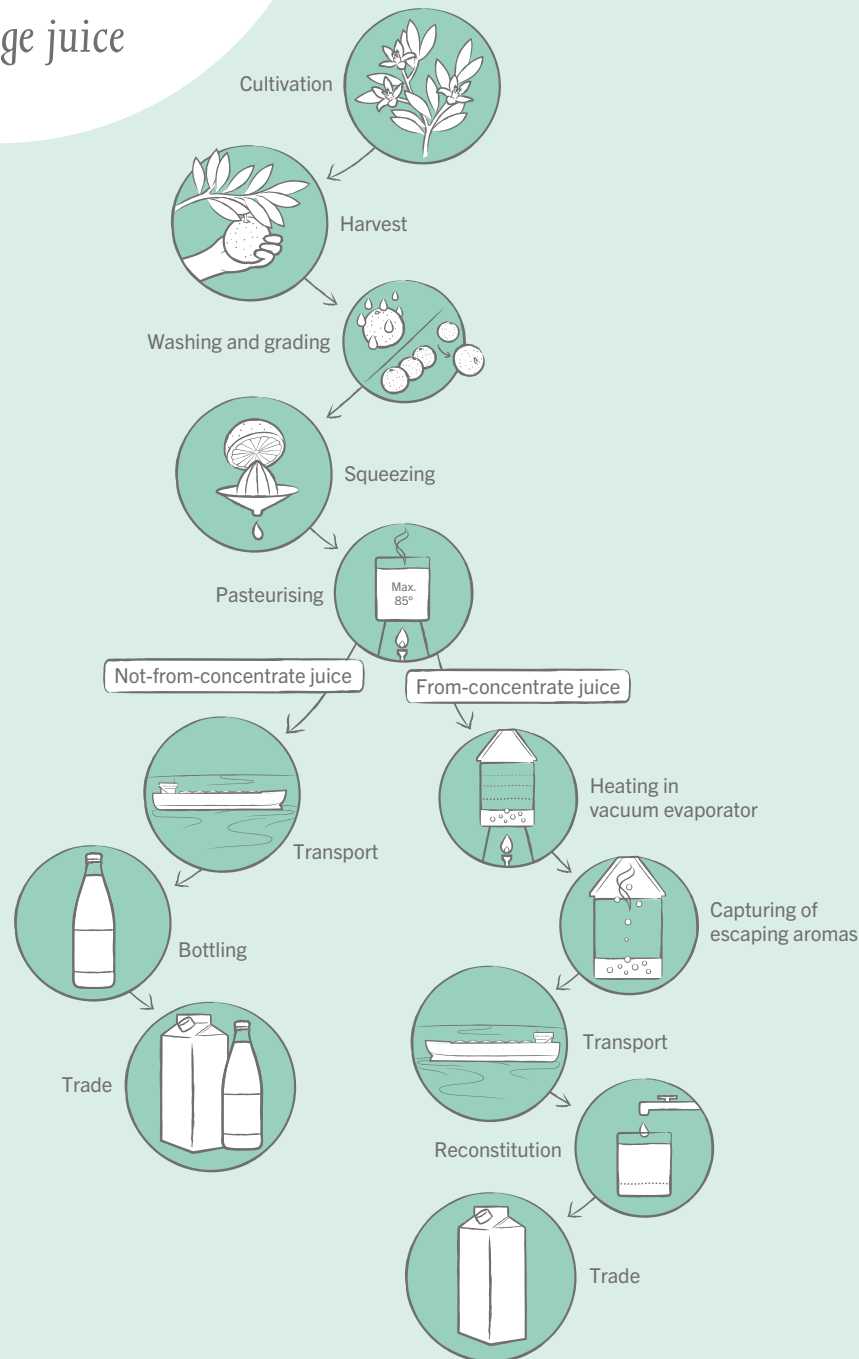
II. ISSUES IN THE VALUE CHAIN OF ORANGE JUICE

Orange juice is the most popular fruit juice worldwide. With a per capita consumption of 7.4 litres – directly behind apple juice. The amount corresponds to about one third of the entire fruit juice consumption in Germany which was 22.1 litres per capita in 2017. When it comes to orange juice from concentrate, Germany ranges second worldwide with 167,000 tonnes despite a downward trend: Over the past ten years, the consumption of orange juice declined by one third while the demand for direct juice has increased

¹ To improve the text's readability, the masculine form will be used to refer to both genders. All references to persons apply to both genders.

² The PRO PLANET label was developed by REWE Group as an orientation in order to promote more sustainable consumption on a broad scale.

Value chain of orange juice



[Verband der deutschen Fruchtsaft-Industrie (Association of the German Fruit Juice Industry), 2018].

Citrus fruits thrive best in the tropics, in subtropical regions as well as in Mediterranean climate. They require a lot of sun and warm temperatures. In great heat, the trees require intensive irrigation, while frost during flowering time can destroy the entire harvest. Almost 80 per cent of worldwide orange juice exports, including the majority of orange juice offered in Germany, come from Brazil (Trans- Fair 2014). The region around Sao Paolo, the so-called citrus belt, is the most important growing region in Brazil.

The fruits of an orange tree ripen at different times. Often a tree bears flowers and fruits at the same time. This is why oranges are usually picked by hand. After washing and grading, the fruit is squeezed in largely fully-automated juice factories. For preservation, the fresh juice is heated for a short time (pasteurised). This is where the process chain parts, depending on whether direct juice or concentrated juice is produced. The chilled direct juice is exported to Europe on tankers. If it is processed into concentrate, the juice is heated in a vacuum evaporator and reduced to about one sixth of its volume. Escaping aromas are captured. After shipping, the concentrate is then blended with the supplied aromas and water and bottled in filling plants. From here, the orange juice then enters trade and reaches the consumers (Öko-Test 2018: 32).

Orange cultivation and orange juice production are facing complex social and ecological challenges. The topic of sustainability is especially important in the orange sector. This was also revealed by a study published in 2013 by the NGO Christliche Initiative Romero e.V. and the workers' union ver.di pointing out problems and need for action within the value chain of orange juice (Christliche Initiative Romero Christian Initiative Romero 2017: 3). The key issues will be illustrated below.

2.1 Social issues

Orange trade and orange juice production in Brazil are characterised by high market concentration. The majority of juice is pressed in the factories of only three large corporations which serve about 90 per cent of the country's orange juice market. These corporations own plantations and ships for exporting the orange juice products themselves (Stiftung Warentest 2014: 30-31). The companies' oligopoly, the market power of large plantations and the world market prices for orange juice which strongly fluctuate at times have a direct and even existential impact on the economic situation of smaller plantations, smallholder farmers, factory workers and pickers. Many smallholder farmers and smaller plantations have had no choice but to give up orange cultivation completely in the recent past (Fairtrade/TransFair e.V. 2018).

The work on conventional orange plantations is hard and often dangerous. Working conditions can be precarious despite the legal framework. Even if there is a minimum wage in Brazil, real wages are often below the living wage³, as the market situation described often drives down the price below the actual production costs (Fairtrade/TransFair e.V. 2018).

High performance pressure means that is not uncommon for workers to work 10 hours a day. The people employed at the plantations are frequently prohibited from forming a workers' union. Smaller producers in particular often have no or only insufficient access to technologies and research results, limited possibilities to obtain technical advice and market information (Fairtrade/TransFair e.V. 2017).

Various studies have highlighted the danger of forced labour in Brazil. Both in cultivation and in the juice processing industry, employers rely on fixed-term employment contracts and temporary work, especially in times of increased workloads during the harvest period (Stiftung Warentest 2014).

Discrimination, especially against women, constitutes a problem: Unlike the male workers, the majority of female factory workers are employed under fixed-term contracts. In addition, they are often victim of psychological, physical or sexual abuse (Christliche Initiative Romero & ver.di 2013: 30).

³ A living wage includes for example expenses for a balanced diet, housing, education, health, clothes and reserves for unforeseen events.

The size of the orange sector makes it difficult to make general statements about the individual problems in the entire industry, however. Moreover, the political and legal situation in Brazil is currently undergoing changes due to the developments in the recent past.

2.2 Ecological issues

On large plantations, oranges are cultivated on an industrial scale on an area of several thousand hectares. These monocultures are highly susceptible to plant diseases and pests. This is why they have to be treated with pesticides in conventional agriculture (TransFair 2014; Fava Neves et al. 2012: 67).

Especially new diseases, e.g. the citrus greening disease, are difficult to control. This disease is caused by a bacterium and can affect all types of citrus trees. After first appearing in Asia, citrus greening has spread across the globe, causing massive damage in all orange growing regions (Citrus Pest & Disease Prevention Programme 2018).

Brazil's very large agricultural sector makes it the largest user of pesticides in the world. The intensification of cultivation on orange plantations – for example through a denser tree population per unit area – and the spread of new diseases mean that greater use is being made of fertilizers and pesticides. Pesticides in turn have a negative impact on biodiversity, especially on bee populations. The lands bordering the plantations are also affected (Fava Neves et al. 2012: 78).

Harvesting requires relatively little energy, as most of it is done manually. Energy consumption for transport and further processing have a significant impact on the energy balance. The juice processing industry requires energy for boilers, generators and cooling. Since Brazil has a comparatively high share of renewable energies in its energy mix, the juice industry mainly uses energy from biomass, such as biogas from sugar cane (Knudsen et al. 2011: 174). Greenhouse gas emissions are mainly generated in processing, transport and export (Knudsen et al. 2011: 75).

III. MANAGEMENT APPROACH OF REWE GROUP

Through a clear strategic commitment and appropriate measures, REWE Group aims to actively contribute to reducing and eliminating ecological, social and economic effects in the orange juice supply chain.

Sustainability is firmly anchored in REWE Group's corporate strategy. For REWE Group, this means: Promoting more sustainable product ranges and ensuring fair treatment of partners and suppliers, acting in an environmentally and climate-conscious manner, assuming responsibility for its employees and taking responsibility for contributing to a sustainable society.

Within the sustainability strategy, the "Green Products" pillar bundles all activities aimed at making purchasing and production processes more sustainable and thus developing more sustainable product ranges. REWE Group's customers expect and should be able to trust that REWE Group, as a trading company, is aware of its responsibility in the supply chains of its private labels and addresses the effects. Through all activities in the "Green Products" pillar, REWE Group would like to fulfil these expectations and has developed a strategy with which the effects can be identified and evaluated in order to take effective countermeasures.

The strategy is implemented through a comprehensive management approach that defines the principles and instruments for carrying out the measures. All levels of the management approach are oriented towards the three defined fields of action:

- People,
- Animals,
- Environment.

These fields of action are dealt with at three levels, which form the management approach:

Internal management

The aim is to further integrate sustainable procurement into REWE Group's purchasing processes in order to take sustainability aspects into account in every purchasing decision. The company lays the foundation for concrete activities through strategic and organisational projects. For example, REWE Group contributes to internal awareness by providing risk analyses and briefings, coordinating binding targets with the purchasing departments and providing training on sustainability topics. Internal reporting enables continuous further development within the individual sustainability topics. External communication creates transparency vis-à-vis stakeholders.

Supply chain management

Risks in the supply chain are allocated to the three areas of "People", "Animals" and "Environment". REWE Group addresses the sustainability risks that arise with regard to these fields of action in the supply chain in a targeted manner through systematic supply chain management which is characterised by close cooperation with suppliers and commitment at the production site and raw material production level. As a first step, REWE Group's supply management increases, where required, transparency along the supply chain for the private label products. In this way, risks can be identified and prevented more easily or at least reduced.

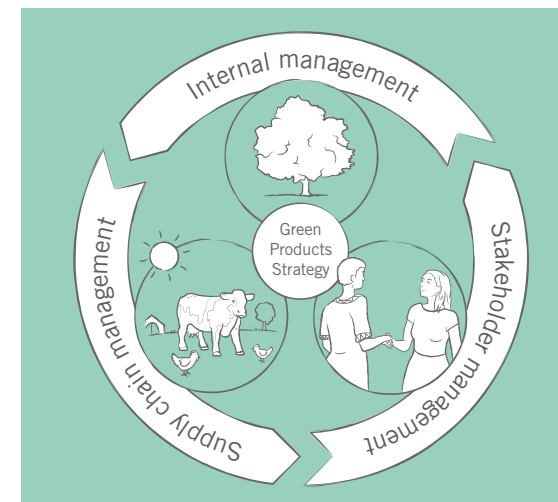


Fig.: Management approach and fields of action of the "Green Products" pillar

Moreover, we promote the integration of sustainability as part of supplier evaluation and create concrete rules to implement sustainability throughout the supply chain by sensitising and obliging contractual partners. As far as this is stipulated in the specifications, the requirements are also an integral part of the supplier contracts and are checked by REWE Group's Sustainability Department in the purchasing process.

Audits and standards are intended to improve sustainability on a broad basis. If the requirements are not met, the further procedure is discussed and decided on the grounds of a recommendation by the Sustainability Department. REWE Group reserves the right to impose sanctions in the event of deliberate gross non-compliance with the requirements. In principle, however, REWE Group relies on individual measures and sustainability projects for supplier development. For example, training programs are aimed at reducing effects along the supply chain in a targeted manner. Existing systems are used in audits and, above all, in training courses in order to pool own strengths with other partners and to bring about joint improvements.

Stakeholder management

The challenges for dealing with sustainability risks in the production of private label products are often rooted in global trading structures and influenced by political and social conditions. Good stakeholder management is therefore an important starting point for identifying the relevant topics and implementing the sustainability strategy. REWE Group engages in a continuous exchange with stakeholders such as the Sustainability Advisory Board or NGOs that are relevant to the subject. REWE Group also organises regular dialogue events.

Other important elements include participation in external events, multi-stakeholder forums, industry initiatives, partnerships, commitment to the further development of sustainability standards and monitoring relevant developments at political and regulatory level. For example, REWE Group has been a member of the Juice CSR Platform since 2016 and is involved in the Steering Committee. The platform was launched as a sustainability initiative specifically for the fruit juice industry. Its aim is to support European fruit juice producers in integrating CSR measures into their corporate strategies and thus to achieve a long-term sustainable contribution along the global fruit juice value chain for all stakeholders.

Consumer education also plays an important role in stakeholder management. Consumers need to understand the importance of more sustainable products in order to keep them on the market in the long term. With this in mind, REWE Group informs its customers about the origin and particularities of its orange juice private label products.

Label organisations & certifications

REWE Group is committed to more sustainable orange juice production through national and international initiatives and works with various standards and certification systems.

The most important organisations are Fair-trade and Rainforest Alliance. The certification systems ensure high standards in orange cultivation and a more transparent supply chain. The EU organic logo also plays an important role, as it can only be used if EU organic farming legislation has been complied with.

REWE Group
promotes

**MORE SUSTAINABLE
PRODUCT RANGES,**

ensures

FAIR DEALINGS
with partners and suppliers,
acts in an

**ENVIRONMENTALLY
AND CLIMATE-
CONSCIOUS**

manner, assumes responsibility for
its employees and takes responsibility
for contributing to

VIABLE SOCIETY

Fairtrade: The Fairtrade label stands for improved working and living conditions for farmers and employees in agricultural production in Africa, Asia and Latin America. Compliance with international standards is monitored by independent bodies. Fixed minimum prices and premiums for joint projects should offer farmers and employees greater planning security and create fair trading conditions. Child labour and forced labour are prohibited. Comprehensive environmental criteria include cultivation guidelines, waste and water management, as well as measures to protect the climate and biodiversity. Deforestation and the use of genetically modified plants are prohibited. Fairtrade maintains a comprehensive prohibition list for pesticides in the conventional sector and also promotes organic farming. The Fairtrade producer networks advise and train local producers and implement projects.

Rainforest Alliance: The organisation works at the interface between business, forestry and agriculture to meet social and environmental challenges. The power of the markets is used to make supply chains more sustainable. Producers can achieve a higher price by selling certified products. Rainforest Alliance focuses on environmental and social criteria. The emphasis is on preserving biodiversity and securing a sustainable livelihood by changing land use practices and business practices. Responsible entrepreneurial action and value-oriented consumer behaviour are further key topics.

EU organic logo: The logo identifies products from organic agriculture that have been produced in accordance with the guidelines of the EU Eco-Regulation. Organic agriculture refrains from using chemical synthetic pesticides and fertilizers, among other things, in order to promote the preservation of biodiversity and protect the climate. The rules cover both cultivation and processing and trade, and compliance is verified by regular checks.

German organic label: The best-known organic label in Germany, the “Bio” label, identifies foodstuffs that have been produced and inspected in accordance with the criteria of the EU Eco-Regulation. The use of the label is voluntary and can be used/deployed in addition to the EU organic logo. It stands for organic agriculture and value-preserving food processing.



Source: Maurice Ressel / Fairtrade Max Havelaar

Naturland: The organic cultivation association Naturland defines strict guidelines for the cultivation of organic food for its members. These guidelines focus on a holistic approach, sustainable management, nature and climate protection in practice, securing and preserving soil, air and water as well as consumer protection. With its guidelines, Naturland also covers areas that are not regulated by the EU organic logo – for example human rights and employment requirements such as free choice of workplace, freedom of assembly and access to trade unions, equality, children’s rights and health and safety are also taken into account for certification. The association operates internationally and promotes organic farming worldwide.

PRO PLANET Label: With the PRO PLANET label, REWE Group has developed a reliable orientation aid for consumers. Besides orange juice, the label is used for other products and specifies in concrete terms the social or ecological added value offered by the respective product. As part of the PRO PLANET label awarding process, REWE Group aims to analyse and systematically reduce problems in the value chain. A clearly regulated award process, accompanied by an independent advisory board, ensures that the PRO PLANET label stands for effective improvements. Thus, the PRO PLANET label enables a purchase decision based on comprehensive information and helps to promote more sustainable consumption across the board.

IV. REQUIREMENTS AND MEASURES

REWE Group has laid down the basic values that apply to all business relations with its contractual partners in its Guideline for Sustainable Business Practices covering human rights, labour and social standards, environmental protection and animal welfare⁴. With the requirements described below, REWE Group specifies the basic principles set out in the guideline for orange juice suppliers of private labels.

REWE Group works together with certification systems to achieve more sustainable orange juice production. These support farmers in managing their business more efficiently, socially and ecologically. In addition, REWE Group is involved in a project at the origin to support farmers through the “help to self-help” principle. REWE Group also promotes transparency in the supply chain.

⁴ Animal welfare concerns do not play a significant role in orange juice products.

Source: Maurice Ressel / Fairtrade Max Havelaar



4.1 People

All business partners in the supply chain for private labels are contractually obliged to comply with the minimum requirements such as internationally and nationally applicable laws and the core labour standards of the International Labour Organisation (ILO) and to commit themselves to the Guideline for Sustainable Business Practices. The suppliers of the private labels of REWE Group are obliged to ensure compliance with the core principles along their supply chains as well.

This entails an obligation to respect the following principles in particular:

- Any form of discrimination is prohibited. Business partners undertake not to exclude or favour persons on the basis of their gender, origin or other reasons.
- All companies in the supply chain must regularly (at least monthly) pay their employees minimum national wages.
- Business partners must ensure that working hours are in line with the legal or industry standard national working hours.
- The business partners comply with occupational safety regulations in accordance with national law and international standards.
- All business partners allow employees to exercise their right to freedom of association and collective agreements.
- Business partners must ensure that no children are employed at their production sites. The national laws and standards defined by the ILO apply here. The business partners must ensure fair and respectful treatment of employees. Any form of forced or compulsory labour or human trafficking must be excluded by the business partners.

REWE Group requires its suppliers to fully disclose their entire supply chain. The Fairtrade certification systems and the Rainforest Alliance certification program offer traceability and transparency.

Rainforest Alliance demands at least the statutory minimum wage for orange growers. Fairtrade guarantees minimum prices based on one tonne of the raw material traded, ensuring income in the face of fluctuating world market prices. In addition, the Fairtrade premium supports social, economic and ecological joint projects of the respective cooperatives. Both labels also ensure regular working hours for employees.

The certification programs are committed to protecting the health and safety of employees on the orange plantations through various measures.

They also promote the right of employees to organise themselves and provide access to systematic complaint management.

Fairtrade and Rainforest Alliance promote the equal participation of men and women. Furthermore, there is a ban on discrimination on the farms. Specific training opportunities, access to hygiene articles and initiatives for financial independence to support women are also offered.

Source: Maurice Ressel / Fairtrade Max Havelaar



Projects at the origin: Safeguarding the livelihood of small-scale orange growers

In order to strengthen the economic situation, especially of small-scale orange growers, REWE Group has established a special partnership with four Fairtrade smallholder organisations. The direct target group consists of around 260 farmers, employees and workers as well as managers and technical consultants from the producer organisations COOPERSANTA, SALZANO, Coacipar and Coperfarm in the Brazilian citrus belt in the states of Paraná, São Paulo and Rio Grande do Sul.

The project contributes to higher incomes and better living and working conditions for orange growers in line with the principle of “help to self-help”. Training programs are aimed at raising the orange growers’ awareness of more efficient, social and ecological business practices. The focus is on more sustainable cultivation practices, improved safety and health conditions and strengthening the respective organisational structures for more self-determination. Integrated pest control, tree disease management and soil protection are also part of the project.

The project led to the development of products for the PARADISO and REWE Beste Wahl private labels in the REWE and PENNY sales lines that bring commitment from the origin to the shelf. Both products have a segregated supply chain so that their origin can be traced back to the cooperatives. Fairtrade juices offer great growth potential due to increased consumer demand. The aim of the project is therefore to expand Fairtrade sales in order to improve the living conditions of farmers in the long term.



4.2 Environment

The protection of natural resources and the diversity of species are important concerns for REWE Group. For this reason, it is also committed to environmentally friendly and resource-preserving production conditions in its supply chains. Business partners in REWE Group's private label supply chains are required to use resources such as energy, chemicals or water efficiently and to minimise emissions.

With the help of various climate protection projects, the certification systems Fairtrade, Rainforest Alliance and Bio-Siegel ensure a reduction in greenhouse gases on the one hand and support orange farms in adapting to the effects of climate change on the other.

Rainforest Alliance's holistic pest control program allows orange growers to use only controlled biological and chemical pesticides in accordance with the Rainforest Alliance Standard for Sustainable Agriculture. In addition, measures are taken to preserve the ecosystems on the farms. Regular training, check-ups and appropriate protective equipment help farmers to use pesticides in a health-preserving manner. The Fairtrade certification system provides regular training on integrated pest management to reduce the use of pesticides to a minimum. If they use pesticides, farmers are obliged to choose the most ecologically compatible variant that is economically and technically feasible. Fairtrade specifically promotes alternatives to pesticides such as glue traps and preventive measures like the cultivation of mixed crops.



Source: Maurice Ressel / Fairtrade Max Havelaar

V. OBJECTIVES

- **Objective 1: More sustainable orange juice.** REWE Group has set itself the goal of switching 100 per cent of its REWE and PENNY private label articles to certified orange juice by the end of 2025. For this purpose, it uses the certifications according to Fairtrade, Naturland and Rainforest Alliance as well as the EU organic logo and the German organic label.
- **Objective 2: Transparency up to the producer.** REWE Group strives to make information about the origin of individual orange juice products visible to its customers in the future.
- **Objective 3: Living wages and income.** REWE Group has set itself the goal of working towards living wages and income with other companies and stakeholders.

Our aim is to contribute to improving the social, ecological and economic conditions in orange juice production.

We are committed to a more sustainable orange juice production.

VI. REPORTING AND COMMUNICATION

REWE Group is convinced that transparency and the provision of comprehensive information are vital for a more sustainable design of supply chains and can contribute to an improvement in living and working conditions at source. REWE Group reports regularly and publicly on the progress made in implementing the measures and achieving the goals outlined. This is done through press releases, via the REWE Group website or via the sustainability report of the Group. Separate reports are prepared on specific topics. REWE Group also runs communication campaigns for its customers in order to raise their awareness for more sustainable orange juice production.

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Corporate Responsibility
50603 Cologne, Germany

Phone: +49 221 149-1791

The dialogue on the topic of orange juice is of great importance to us. Please do not hesitate to contact us with suggestions and questions at: nachhaltigkeit@rewe-group.com

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