

Fairtrade Position on:

# The role of voluntary sustainability standards (VSS) in human rights and environmental due diligence (HREDD) legislation



## 1. HREDD regulation is needed to address human rights and environmental violations

Voluntary sustainability standards (VSS) have contributed to moving forward the sustainability agenda and, along with the rightsholders and companies they partner with, have contributed to some advances in making business more sustainable. Fairtrade, established over three decades ago, has been a pioneer in calling for action on the human rights and environmental violations in global supply chains.

However, as VSS are voluntary, we cannot alone raise the bar for all companies and bring about the transformative change that is needed. Vigorous legislation and its thorough implementation is needed to ensure that all businesses respect human rights and the environment. VSS can innovate, pilot and share their experience with all stakeholders but not replace legislation.

*To strengthen farmers', workers' and their communities' rights, Fairtrade calls for national, regional, and global regulation, as part of a smart mix of measures. Regulation is needed to ensure that companies conduct transformative due diligence and invest in the mitigation and remediation of any human rights abuses and environmental harms to which they contribute or cause.*

## 2. VSS can support companies' HREDD work

Many companies, especially many SMEs, need support in implementing HREDD in a meaningful manner. Robust and rightsholder-driven VSS, whose approach is in line with the UN Guiding Principles on Business and Human Rights (UNGPs), can support up- and downstream companies in several steps of the HREDD work. The key strength of Fairtrade, for example, is our close collaboration with farmers, workers and their organisations, so we can support companies in rightsholder-driven mitigation, ceasing and prevention of adverse impacts.

However, **the responsibility for establishing and running the due diligence process always lies with the company**, as laid out clearly in the UNGPs and the OECD Due Diligence Guidance for Responsible Business Conduct. Even where companies seek an external partner for some DD steps or are part of a VSS, they remain responsible for selecting an appropriate and competent partner and integrating the outcomes to the DD process. The partner, for its part, is responsible for the agreed task and for communicating the scope and impact of its work accurately and transparently. Such partners can include robust VSS.

*Fairtrade can support business partners and suppliers at each step of the HREDD process. We offer, for example, expertise and guidance on salient human rights issues in global agricultural supply chains, as well as training, programmes, standards and auditing to address those issues. We work to augment the voice of producers and workers and foster dialogue among supply chain partners.*

## 3. VSS are a development tool; they are not a guarantee for zero violations

HREDD calls for continuous improvement and long-term commitment, not for box ticking exercises. VSS can support this ambition. Fairtrade is, for example, constantly piloting new approaches and encouraging continuous improvement among its corporate partners in addressing workers' low wages and farmers' low incomes.

VSS can help address the root causes of human rights violations and reduce the risk of violations, but we cannot guarantee violation-free supply chains. VSS need to refrain from overclaiming.



*Fairtrade addresses the root causes of salient human rights and environmental violations through producer empowerment and the promotion of living incomes, living wages and fairer purchasing practices. In addition to certification, Fairtrade has staff in Africa, Asia and Latin America, who offer farmers and workers ongoing support and training. Further, our advocacy, campaign and awareness raising work aims for transformative changes in consumption patterns, business practice and public policy.*

#### 4. HREDD laws should set out objective criteria for reliable VSS

HREDD laws should set out objective criteria that can be utilized in assessing the UNGP alignment of VSS. Such criteria could draw on [EU public procurement directive](#) (article 43.1c), [ISEAL Credibility principles and Code for standard setting](#), and the alignment assessments of the [OECD Centre for Responsible Business Conduct](#).

These criteria could include that VSS shall:

- Involve rightsholders and civil society,
- Have inclusive and transparent standard setting,
- Have a credible assurance system with ISO17065 accreditation,
- Encourage HREDD and continuous improvement among supply chain partners,
- Have processes to identify and address the root causes of human rights and environmental violations, including rightsholder disempowerment and unequal value distribution in supply chains,
- Accept their accountability for driving impact and utilize independent impact research to develop their scheme on an ongoing basis.

*Fairtrade's highest decision-making body is composed of 50% of Southern producers and our Standards are set via extensive rightsholder engagement. Fairtrade's sole certifier, FLOCERT is ISO17065 accredited. We have a settled ongoing process to support and learn from research on our impacts.*

#### 5. HREDD should be expected of VSS as well

VSS have a wide influence on what kind of business is considered responsible and sustainable, and concrete leverage over our corporate partners. All VSS should recognize our own responsibility to avoid causing, contributing or being linked to human rights and environmental harms. **VSS should thus have an obligation to undertake ongoing HREDD.**

If a VSS causes or contributes to a human rights or environmental harm, the UNGPs expect it to contribute to remediation. Where VSS is only linked to the harm, it is not responsible for remediation, but still needs to utilise its full leverage to facilitate corrective measures and remediation by the responsible actors.

We acknowledge that some responsibilities also entail legal liability. The current policy discussions about the scope of HREDD responsibilities and liabilities is important to clarify the roles of different business-related organisations, including VSS, in reducing violations in global value chains. Fairtrade agrees with EU Justice Commissioner Didier Reynders that a regulation without sanctions is not regulation.

*Fairtrade has made a [Human Rights Commitment](#) and is currently conducting an assessment of its own human rights impacts. The [Fairtrade Code](#) lays out our policies and procedures on ethical issues ranging from whistleblowing to safeguarding of children and vulnerable adults.*

*We often find our leverage over corporate partners limited, but seek to build it through close engagement, diverse partnerships and policy advocacy. Fairtrade is committed to further improving the transparency of its work and collaborating with other VSS for sector-wide improvements.*

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