|  |  |
| --- | --- |
| **Consultation document for Fairtrade stakeholders:**  **Human Rights and Environmental Due Diligence in the Fairtrade Trader Standard** | |
| Consultation Period | 19 June – 17 August 2023 |
| Project Manager | Oksana Forkutsa, Senior Project Manager  Eleonora Gutwein, Head of Standards |

**PART 1 Introduction**

**General introduction to the standards review project**

Fairtrade Standards ensure fairer terms of trade between farmers and buyers, protect workers’ rights, and provide a framework for producers to build thriving farms and organisations. Producers and traders must meet the applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standard & Pricing (S&P) is responsible for developing Fairtrade Standards. The procedure as outlined in the [Standard Operating Procedure for the Development of Fairtrade Standards](https://files.fairtrade.net/SOP_Development_Fairtrade_Standards.pdf) is designed in compliance with all requirements of the [ISEAL Code of Good Practice for Setting Social and Environmental Standards](https://www.isealalliance.org/sites/default/files/resource/2017-11/ISEAL_Standard_Setting_Code_v6_Dec_2014.pdf). This involves wide consultation with stakeholders to ensure that new and revised standards reflect Fairtrade International’s strategic objectives, are based on producers’ and traders’ realities and meet consumers’ expectations.

You are kindly invited to participate in the consultation to review the [Fairtrade Trader Standard (TS).](https://files.fairtrade.net/TS_EN.pdf) Please provide your input to the proposals suggested in this document and, where possible, add any explanations or examples to illustrate your statements. The proposed changes to the Fairtrade Trader standard are presented in **Part 2.**

**Please submit your comments to** [**standards-pricing@fairtrade.net**](mailto:standards-pricing@fairtrade.net) **by 17 August 2023.** If you have any questions regarding the draft standard or the consultation process, please contact [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net)

**Background**

This consultation paper presents the proposed changes to the Trader Standard, following the first exploratory consultation with traders between early August and mid- November 2022. More than 550 stakeholders participated in workshops and 265 via the online survey.

Building on the outcomes of the first round, this second consultation includes technical proposals specifically about Human Rights and Environmental Due Diligence (HREDD) for discussion with stakeholders.

Following the consultation round S&P will compile your comments into a paper which will be emailed to all participants and which will also be available on the Fairtrade International website.

For specific standard review objectives and information about the process and timelines [please check the project assignment](https://files.fairtrade.net/standards/Project-Assignment-HREDD-TS-HL_EN.pdf).

# HREDD in Fairtrade Standards

Respect for human rights and the environment is central to Fairtrade, and our vision for HREDD is explained in detail [here.](https://www.fairtrade.net/standard/hredd-approach-in-fairtrade-standards) To render business fairer, all actors in supply chains are nowadays expected to perform HREDD and to cooperate with one another. Essentially, HREDD is a process of reducing human rights and environmental risks linked to the particular supply chain and operations.

Fairtrade’s commitment to human rights is currently reflected in the producer and trader standards which refer to multiple International Labour Organization (ILO) conventions. There are rising expectations that all supply chain actors should prevent and mitigate human rights and environmental risks and harms by strengthening their due diligence processes.

The idea that business organisations have a responsibility to perform HREDD and also to support the due diligence work of their supply chain partners was agreed by the UN Human Rights Council in 2008. This responsibility was clarified in the [UN Guiding Principles on Business and Human Rights](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf) (UNGP) in 2011. Following this, national laws were passed – including the German Supply Chain Act, the French Duty of Vigilance and Dutch Child Labour Due Diligence law [among others](https://www.focusright.ch/en/rising-expectations#world-map) - which make HREDD mandatory for many companies operating in these countries.

Our aim is to support Fairtrade certified companies to thrive in this new business environment, where HREDD is becoming the global norm. Companies will find it easier to start strengthening their HREDD measures step-by-step *before* business partners or regulations demand fast progress and high investment.

Fairtrade is far more than just a certification scheme and the HREDD proposals for Fairtrade generic standards are complemented by our support for supply chain actors on their HREDD journey, including:

**Advocacy** - Fairtrade works together with partners to influence in political and societal discussions so that HREDD laws take into account the needs of producers and workers in the producing regions. Laws should ensure that HREDD costs are shared among supply chain actors and not borne solely by farmers and producers.

**Economic sustainability** - Fairtrade Premium and pricing mechanisms aim to cover the costs of sustainable production and allow for sustainable livelihoods. Prices which build on these principles of economic sustainability are essential to enable respect for human rights and environmental protection in production.

**Living Wage and Living Income** - Research, advocacy and projects which show what decent incomes and wages are in particular supply chains and origins - and how they can be enabled via prices, organisational development, productivity and sustainable trading - are an essential part of Fairtrade’s approach to HREDD.

**Support for producer organisations and worker self-organisation** – through its Producer Networks (PNs), Fairtrade supports producer organisations and worker self-organisation to develop HREDD capacity and agency.

**Project and Programme work** – Fairtrade brings supply chain partners together and enables dialogue and joint projects which aim to improve human rights in agricultural production.

**Why is HREDD important for Traders?**

Fairtrade works with more than 4,000 trading and processing companies across the world which fall under the certification scope of the Trader Standard. Global supply chains are confronted with multiple environmental and social challenges such as deforestation, water pollution, gender discrimination and low wages and incomes. Such issues can only be addressed if all supply chain actors, including small and medium-sized traders, do their part when implementing the HREDD. Traders can also gain direct benefits from undertaking HREDD, such as:

* **Enhanced wellbeing:** HREDD is about enhancing the wellbeing of employees, suppliers and local communities. This fosters greater employee satisfaction and more stable business relationships, and reduces the risk of conflicts with local communities and civil society organisations.
* **Better employee relations:** when a company performs HREDD, including social dialogue with its employees, it is better placed to recognise relevant and feasible ways of responding to employees’ needs and expectations.
* **Opportunities to prioritise:** HREDD offers a generally accepted way to define priorities for corporate sustainability work. Companies can focus on the most serious issues first before addressing others.
* **Market access:** in order to comply with sustainability reporting, HREDD and other related laws, large retailers, brands and processors need suppliers which also conduct HREDD and share the results with their buyers.
* **Gaining support from buyers:** when you have identified the most serious human rights and environmental issues in your operations and supply chains, your buyers should support you to address them. International due diligence guidance is very clear that HREDD is about collaboration.

**Acronyms and definitions**

|  |  |
| --- | --- |
| DD | Due diligence |
| EU | European Union |
| FI | Fairtrade International |
| FMP | Fairtrade Minimum Price |
| FP | Fairtrade Premium |
| GMB | Group Mass Balance |
| GPM | Global Product Manager |
| HL | Hired Labour |
| HLS | Hired Labour Standard |
| HREDD | Human rights and environmental due diligence |
| ILO | International Labour Organization |
| MB | Mass Balance |
| NFO | National Fairtrade Organization |
| NGO | Non-Governmental Organizations |
| PN | Producer Network |
| PO | Producer Organization |
| SPO | Small-scale Producer Organization |
| TS | Trader Standard |

**The target groups of this consultation are:**

* Licensees, retailers and traders certified (or interested in becoming certified) under the Fairtrade Trader Standard.
* Small Producer Organisations (SPO) producers already certified (or interested in becoming certified) under the Fairtrade Standard for SPOs.
* Hired Labour Organisations (HLO) producers already certified (or interested in becoming certified) under the Fairtrade Standard for HLOs.
* PNs, National Fairtrade Organisations (NFOs), Fairtrade International, FLOCERT, NGOs, trade unions, researchers, etc.

Stakeholders are invited to comment on the proposed requirements for the Trader Standard and where possible to provide suggestions for further improvement.

If you are a producer organisation, the PNs may organise workshops and collective discussions about this consultation. For more information please contact your PN.

Trader organisations, licensees or retailers will be contacted by their respective NFO (or PN for trader organisations in the South), or by Fairtrade International, with an invitation to participate in workshops, online webinars or one-to-one exchanges.

How much time you spend answering the questionnaire depends on how detailed your answers are. Your input is very important, so please take your time - we very much appreciate detailed answers. The online version saves itself automatically so you do not need to answer all in one go and can return to the questionnaire later.

**Confidentiality**

All responses will be treated with care and kept confidential, and the results of this consultation will only be communicated in aggregated form. All feedback will be analysed and used to draw up the final proposal. However, when analysing the data we need to know which responses are from producers, traders, licensees, etc., so we kindly ask you to provide us with information about your organisation.

**PART 2 Draft Standard Consultations**

This consultation is divided into the following sections:

Table of Contents

[HREDD in Fairtrade Standards 2](#_Toc138103801)

[Information about your organisation 6](#_Toc138103802)

[1. Five steps of HREDD procedure in the Fairtrade Trader standard 8](#_Toc138103803)

[STEP 1: Commit and embed 10](#_Toc138103804)

[STEP 2: Identify 14](#_Toc138103805)

[STEP 3: Address and remediate 20](#_Toc138103806)

[STEP 4: Track 28](#_Toc138103807)

[STEP 5: Communicate 30](#_Toc138103808)

[2. Transition period and application of the revised standard 30](#_Toc138103809)

[3. General comments and feedback 31](#_Toc138103810)

# Information about your organisation

Please complete the information below:

**Q0.1 Please provide us with information about your organisation so that we can analyse the data precisely and contact you for clarifications if needed.**

**The results of the survey will only be presented in an aggregated form and all respondents’ information will be kept confidential.**

Name of your organisation

FLO ID

Country

Name of contact person

Email of contact person

**Q0.2 Are your responses based on your personal opinion or are they a collective opinion representing your organisation?**

Individual opinion

Collective opinion, representing my organisation / company

**Q0.3 What is your responsibility in the supply chain? Please tick all that apply**

Producer

Exporter

Importer

Manufacturer/Processor

Licensee

Retailer

Brand owner

Other, specifcy in the box (e.g. trade union, researcher, NGO, PN, NFO, FLOCERT, FI)

**Q 04 What is your main Fairtrade product? Please select one product.**

**If you trade/produce multiple products,** please select the last option and provide more information in the comment box.

Banana

Cane sugar

Cereals

Cocoa

Coffee

Fibre crops (including cotton)

Fresh fruit (other than banana)

Flowers & Plants

Fruit juices

Gold

Herbs and Herbal teas & Spices

Nuts

Oilseeds and oleaginous fruits

Prepared and Preserved Fruit and Vegetables

Tea

Vegetables

I don’t know / Not relevant to me

Other or multiple products (please specify here which products, also if composite products, etc):

**Q05 If your company is a Fairtrade certified organisation, please select below:**

**A: Your company’s role in Fairtrade supply chain and under which traceability system your company operates:**

***Please tick all that apply, as applicable to the product (s) selected above***

Fairtrade payer (*i.e. responsible for paying the Fairtrade Price and/or Premium*)

Fairtrade conveyor (*i.e. responsible for conveying the Fairtrade Price and/or Premium from the*

*payer to the producer*)

Company that sources directly from the producer

Company that is not sourcing directly from producer and is netiher Fairtarde Payer nor Conveyor

Trading under Fairtrade Sourced Ingredient model

Trading under Mass balance (single site mass balance)

Trading under Mass balance (group mass balance)

Trading under physical traceability

I don’t know / Not relevant to me

None of the above (please specify here):

**B: Select the categories below that describe your organisation most accurately:**

**Annual turn over: Staff number (Including all entities)**

**Less than €10 million**

**€10- €50 million**

**over €50 million**

**I don’t know / Not relevant to me**

**Fewer than 50 staff**

**50-249 staff**

**More than 250 staff**

**I don’t know / Not relevant to me**

**Space for comment**

# Five steps of HREDD procedure in the Fairtrade Trader standard

**Kuva, joka sisältää kohteen diagrammi

Kuvaus luotu automaattisesti**Building on the [OECD Due Diligence Guidance for Responsible Business Conduct](https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf) Fairtrade will require all certified organisations to undertake the HREDD process in five steps:

1. **Commit** to respecting human rights and the environment and **embed** this commitment in all its operations.
2. **Identify** the salient human rights and environmental issues linked to its operations and value chains.
3. Take action to **address and remediate** those issues.
4. **Track** progress.
5. **Communicate** about this work to stakeholders.

HREDD is an ongoing process and even if the overarching principles of HREDD apply to all companies, there are differences in how companies are expected to carry out their duties, depending for example on their size and role in the supply chain.Typically, there are overlaps in the implementation of these steps.

Due diligence laws target large companies, based on number of staff and turnover, and the UN guiding principles on HREDD stipulate that due diligence measures can be proportional to the size, risk level, ownership and structure of the company.

During the first consultation round many stakeholders indicated that they are already implementing at least one of the HREDD steps. There were divided opinions about applying HREDD requirements in the Trader Standard, with some responses suggesting that the capacity of an organisation to implement HREDD does not necessarily correlate to size or the number of staff. One of the preferred options for categorising traders in relation to HREDD was whether a stakeholder is a first buyer or not, and another preferred option was for requirements to apply equally to all supply chain actors and to ensure connectivity, information flow, differentiating applicability by staff and turnover (as stipulated in the EU Comission Recommendation[[1]](#footnote-2)).

The proposed new requirements of the Trader Standard are built on the key underlying principle of stakeholder engagement and a hybrid approach which differentiates requirements for different kinds of traders.

**Stakeholder engagement** is essential for traders implementing each of the due diligence steps. The most important stakeholder group is ‘rights-holders’ - the people whose rights your business may impact, including farmers, workers, and people living close to your production facilities. Companies are expected to seek meaningful, two-way communication and to be open to adapting their decisions based on stakeholder views.

We do not propose a stakeholder engagement as a separate step or a requirement in the Trader Standards, preferring instead that stakeholder engagement should be integrated as an underlying principle. The main purpose of the rights-holder engagement is that companies make efforts to hear rightsholder and stakeholder perspectives at every step of the HREDD process.

**Differentiated requirements for different kinds of traders.** Traders who buy directly from producer organisations (First Buyers) are best placed to support human rights and environmental initiatives at production level, as well as to participate in remediating any harms to which they may have contributed to - for example as a result of low prices. Based on the outcome of the first consultation round, proposals in this consultation suggest a hybrid approach to reflect the EU Commission recommendation and the existing definitions of trader role in the Trader Standard:

|  |  |
| --- | --- |
| **Small trader** | <50 staff and ≤ €10m annual turnover |
| **Medium-sized** | <250 staff and ≤ €50m turnover |
| **Large traders** | above 250 staff and more than €50m turnover |
| **First Buyer** | Fairtrade Price & Premium payer and/or Conveyor and / OR sources directly from producer |

For the first three categories, passing the maximum threshold of either staff or annual turnover in the category group, would be used to categorize an organisation. For example, if an organisation meets the number of annual turnover for ‘small trader’ but number of staff matches the ‘medium-sized’ trader, this organizations falls into the ‘medium-sized’ trader organisation. The applicability of requirements to a trader organisation depends on organisation’s staff size, turnover and the role in the Fairtrade supply chain.

This table below indicates how the five HREDD steps correspond to the new proposed TS requirements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **HREDD process step** | **Fairtrade proposed requirements** | **Applicable on year of certificatoin** | | | **Applicable to** |
| **0** | **1** | **3** |
| ***COMMIT*** | *Written commitment to respecting human rights and the environment* |  |  |  | all traders |
| *Awareness raising* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| *Compliance with national law* |  |  |  | all traders |
| ***IDENTIFY*** | *Risk assessment* |  |  |  | all traders |
| *Human rights based grievance mechanism* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| *Human rights based grievance mechanism for small traders* |  |  |  | small traders, except First Buyers |
| *Raising awareness about grievance mechanism* |  |  |  | all traders |
| ***ADDRESS & REMEDIATE*** | *Human rights and environmental policies* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| *Action plan* |  |  |  | all traders |
| *Participatory planning* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| *Remediation procedure* |  |  |  | all traders |
| *Dialogue with supply chain actors* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| *Support for suppliers* |  |  |  | medium, large traders, and First Buyers (regardless of the size) |
| ***TRACK*** | *Tracking* |  |  |  | all traders |

The proposed changes to requirements corresponding **to each step are explained in the next sections.**

**Kindly note that each proposal on changes to the standard includes:**

* ‘**Rationale**’ and ‘**Implication**’ - for anyone falling under the scope of the Trader Standard. The proposed requirements are assigned a number – 0,1,3. This number represents the year of certification in which an organization has to be compliant with this requirement.
* **‘Implications for producers**’ - applies to respondents providing feedback from the producer point of view (i.e. SPO/HLO/CP) and in that section is referred to as ‘you’. This is for producers to better assess any implications from activities or measures proposed in the requirements applicable to their buyers.

# STEP 1: Commit and embed

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The first step of HREDD is for your company to commit publicly to respecting human rights and the environment and to conducting due diligence. At this step, all companies are expected to implement measures related to **commitment and awareness raising.**  The commitment can be shared with business partners and other stakeholders to show how your company avoids harm to people or the environment. For its successful implementation, it is necessary to:   * **Sensitise management and staff:** get support from senior management or the owner, and to inform staff working on environmental or social issues. * **Draft and sign a commitment at the most senior level of your company:** a written commitment provides clarity on the goals and future work of your company. * **Align your company’s operational policies and procedures with the commitment** and embed it into your existing management systems, in order to:   + respect all internationally recognised human rights[[2]](#footnote-3)   + conduct due diligence and collaborate with your suppliers in addressing human rights and environmental challenges   + inform sustainable purchasing practices, foster long-term business relationships, and work towards living incomes and living wages   + facilitate the remediation of harms you cause or contribute to * **Assign responsibilities:** a senior manager should have oversight, and a manager or expert should lead the development of your HREDD process. Both managerment and staff should know what lines of accountability exist, understand how the commitment to human rights and environment relates to their own work, and develop their practices accordingly. * **Raise awareness:** your management and staff should understand the commitment, and suppliers and other stakeholders should be aware about your commitment to HREDD. Activities may include training led by staff or external experts; producing educational resources (infographics, videos); and holding or participating in information and education events. Your commitment should be available online and shared externally, to inform your business partners and other stakeholders.   **The proposed changes include three new requirements which correspond to HREDD Step 1 “Commit and embed”:**   * 1. **A NEW Core/Year 0 requirement concerning written commitment to respecting human rights and the environment.**   **NEW Written commitment to respecting human rights and the environment**   |  |  | | --- | --- | | **Applies to**: all traders | | | **Core** | You have a written commitment to respect human rights and environmental sustainability in which you commit to conduct due diligence and:   * collaborate with your suppliers and rightsholders in addressing human rights and environmental challenges * have sustainable purchasing practices which favour long-term business relationships * work towards living incomes and living wages * provide for or cooperate in the remediation of harms you cause or contribute to * align your operational policies and procedures with the commitment and embed the commitment into your existing management systems   Your written commitment:   * refers to internationally recognised human rights * is informed by internal and/or external expertise * is approved and signed at the most senior level of the company | | **Year 0** | | **Guidance**: the written commitment provides clarity on the goals and future work of your company and does not have to be extensive.  To do this, you need to:   * sensitise management and staff * draft and sign a commitment * assign responsibilities * raise awareness.   Internationally recognised human rights include those contained in the [International Bill of Human Rights](https://www.ohchr.org/en/universal-declaration-of-human-rights) and the [ILO Declaration on Fundamental Principles and Rights at Work](https://www.ilo.org/declaration/lang--en/index.htm). If you operate in conflict areas, it is best practice to commit to heightened due diligence in those areas.  For more details, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** traders need to express their commitment to respect human rights and the environment in order to meet this responsibility.  **Implications:** for all traders, a compulsory compliance with a requirement for written commitment as of Year 0 of certification. This can be a short standalone statement or part of your value statement, sustainability policy or Environmental, Social and Governance (ESG) statement. You may also use guidance developed by external experts or reach out to experts to comment on yours. This commitment needs to be approved at the most senior level of your company. Check the sample commitment on pages 8-9 in the [A Guide for Small- and Medium-sized “First-buyers”](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)  **Implications for producer organisations**: in Fairtrade supply chains, your buyer commits to due diligence which enables collaboration and engagement with you to address human rights and environmental challenges. This also includes a commitment to sustainable purchasing practices, for example by prioritising long-term business relationships, or cooperating on the remediation of your organisation’s activities.  **Question 1.1-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 1.1-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 1.1-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 1 requirement on raising awareness about a trader’s commitment to respecting human rights and the environment**   **NEW Awareness raising**   |  |  | | --- | --- | | **Applies to:** Medium, large traders and First Buyers (regardless of size) | | | **Core** | You train your board, management, staff members and workers about your commitment to respecting human rights and the environment, and its implications for your operations.  You inform your immediate suppliers and subcontractors. | | **Year 1** | | **Guidance**: it is best practice to make the commitment publicly available online. For more details, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** raising awareness among managers and staff will ensure they develop their practices according to the commitment. Sharing this statement with stakeholders will provide clarity about, for example, your company’s purchasing and remediation practices.  **Implications:** for medium and large traders, and “First Buyers” (regardless of their size), a compulsory compliance as of Year 1 of certification on raising awareness about their commitment to human rights and the environment. Awareness-raising activities and measures for their own staff to clarify how the commitment is reflected in the distribution of roles, responsibilities and accountabilities, and how it is connected to their work. Publish the commitment online in line with best practice.  **Implications for producer organisations**: Fairtrade buyer(s) will proactively inform you about their commitments to respect human rights and the environment, for example by sharing a link to the commitment on their website, or in other ways.  **Question 1.2-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 1.2-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 1.2-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core Year 0 requirement on compliance with national law**   **NEW Compliance with national law**   |  |  | | --- | --- | | **Applies to**: all traders | | | **Core** | There are no indications that your company violates the national legislation of the country where your organisation is legally established and operates on the topics covered by this Standard. | | **Year 0** |   **Rationale:** in the HREDD related requirements, compliance with national legislations is often referred to as a pre-condition. Current Trader Standard requirement refers to labour laws, ILO conventions (3.1.1.) and specifically to environmental law (3.2.1).  **Implications:** non-compliances for not abiding with national law will be issued. All trader organisations would need to have good knowledge of the applicable national laws in the county where they operate.  **Implications for producer organisations**: no direct implications  **Question 1.3-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 1.3-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 1.3-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**  **3.1**  **Question 1.4. Do you see any additional implications in relation to the implementation of proposed requirements under Step 1: Commit and embed?** |

# STEP 2: Identify

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The second step in the HREDD process is to identify the most serious and common – or “salient” –human rights and environmental risks and problems linked to your organisation and your supply chains.  There are two key tools for identifying and tracking human rights and environmental risks and problems:  1. Risk assessment  2. Grievance mechanism  **Risk assessment**  HREDD risk assessment is about **risks and harms to people and the environment.** Some risks might be more prominent in your supply chain and others in your own operations.  A systematic risk assessment aims to identify and analyse negative impacts on your rights holders (workers, farmers or others) and the environment which are connected to your operations, sourcing areas and field of production.  This assessment can benefit greatly from the inputs of external experts such as trade unions or civil society organisations (CSOs), and from your stakeholders (rights holders, suppliers and buyers).To achieve meaningful dialogue with stakeholders, you need to build trust to avoid misinterpretation or misunderstanding of their risks and challenges. Engaging in joint project or advocacy work on the root causes could be helpful.  It’s important to note, that:   * the assessment is not about legal, reputational or commercial risks to your business * while human rights and environmental risks and problems may not always be caused by you, you can only manage them if you first recognise and document them * root causes can include poverty, unfair division of value in global supply chains, limited public services, discrimination and environmental calamities   Your risk assessment needs to be updated regularly (at least every three years) and before introducing changes to your operations such as market expansion. Your risk assessment can consist of **four steps:**   1. **Mapping the human rights and environmental risks** that are common in your operations, sourcing and production. You need to consider internationally recognised human rights and environmental issues.   When assessing sourcing areas, you may find it useful to consult the [Fairtrade Risk Map](https://riskmap.fairtrade.net/) which was developed to support HLOs and SPOs in assessing their human rights and environmental risks.   1. **Assess the risks relating to your specific operations and supply chains.** These are risks that your organisation or business partners are causing, are contributing to or are linked to, so you have some leverage to influence them. 2. **Identify and further assess at least three of the most salient challenges.** To identify the most salient issues you need to consider their scope (how many people are affected), their scale ( how seriously the problem affects people), and their irremediability (the difficulty of providing remedy to the people affected). 3. **Identify the groups of people most vulnerable to the identified risks and harms.** Whilst poverty or other challenges may be widespread and affect everyone in your sourcing areas, the aim is to identify the *most* vulnerable groups - for example, migrant workers who may not speak the local language or know local laws, or indigenous people and other minority groups. See more examples on page 12 of the [Guide for Small- and Medium-sized “First-buyers”](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf).   **Grievance mechanism**  A grievance mechanism is a formal process for receiving and responding to complaints from workers, staff, local community members and other individuals, groups and partners**.** These complaints**:**   * allow you to respond to concerns and incidents early, before the problem grows bigger * provide information about emerging risks and problems, so that you can consider strengthening your related policies and practices   These complaints could include, but are not limited to these examples:   * inadequacy of health and safety equipment in your premises * sexual harassment at a company event * poor labour practices by your subcontractors or job brokers * unfairness of quality claims * excessive use of water resources causing challenges for the local community * breaches of Fairtrade standards   It is essential that the complaints procedure a) allows for anonymous complaints to be made in written and verbal form and b) ensures that those making complaints face no retaliation or harm.  **If you already have a procedure** for handling some complaints, you can integrate the existing procedure into a broader grievance mechanism which also covers human rights and environmental impacts.  **If you don’t already have one, you will need to develop a grievance** mechanism to be followed once a complaint is received. You can start with a simple procedure and improve the mechanism over time by asking complainants, staff or business partners for feedback. Your grievance mechanism can be an early warning system that supports your risk assessment.  **The proposed changes include four new requirements and the deletion of one current requirement that correspond to HREDD Step 2: Identify**   * 1. **A NEW Core/Year 1 requirement to conduct a human rights and environmental risk assessment and deletion of current VBP requirement 3.2.4 on management of environmental impacts**   **NEW Risk assessment**   |  |  | | --- | --- | | **Applies to:** all traders | | | **Core** | You conduct a human rights and environmental risk assessment at least every 3 years.   1. Map the risks and challenges common in your own operations and supply chain, considering external data and research. 2. Engage your largest immediate Fairtrade suppliers and workers to assess the risks and identify at least three of the most salient issues relating to your specific operations and supply chain~~.~~ 3. Assess these most salient issues and their root causes. 4. Identify vulnerable groups of people who are or could be impacted.   You strengthen your assessment methods over time.  The results of your assessments cannot be used to put pressure on supplier (s), nor do you make it a condition of purchase. | | **Year 1** | | **Guidance:** best practice is when you have one common or shared risk assessment, for example between a producer and first buyer or trader/supplier.  Acknowledging your risks and challenges allows you to address them before they grow bigger, and builds your credibility among business partners and other stakeholders. Include child labour and forced labour in your salient issues if Fairtrade or another reliable source has indicated these are a high risk in your country or sector.  In any organisation or society, some groups of people are disadvantaged. These may include, for example, migrant workers, women and girls, young people, minorities, indigenous peoples etc.  In addition to suppliers and staff you can engage, for example, community members, buyers, local authorities and trade unions.  The [Fairtrade Risk Map](https://riskmap.fairtrade.net/) can offer relevant data and research findings for the first step. For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **~~Requirement 3. 2.4 NEW 2017~~****~~Management of environmental impacts~~**   |  |  | | --- | --- | | **~~Applies to:~~** ~~All traders, except cotton FSI traders after ginning stage~~ | | | **~~VBP~~** | ~~You~~ **~~understand and act to minimize~~** ~~your direct negative environmental impacts related to Fairtrade products with regard to land use and biodiversity, water use, energy use (including carbon footprint), wastewater effluents, emissions to air, waste, nuisances and incident prevention.~~ |   **Rationale:** regular risk assessment enables trader organisations to identify and evaluate actual and potential adverse risks and address them before they grow bigger.  **Implications:** for all traders, a compulsory compliance as of Year 1 of certification to undertake regular risk assessments (at least every three years). The identification of the most salient issues and most vulnerable groups of people must be carried out using a rights-holder engagement approach.  **Implications for producer organisations**: as a supplier, your buyer may involve you in their human rights and environmental risk assessments. Such engagement should be open and transparent, and your feedback on improving the risk assessment of your buyer is needed. The [Fairtrade Risk Map](https://riskmap.fairtrade.net/) may also support your engagement.  **Question 2.1-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 2.1-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 2.1-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 0 requirement for a human rights based grievance mechanism**   **NEW Human rights based grievance mechanism**   |  |  | | --- | --- | | **Applies to:** Medium, large traders and First Buyers (regardless of their size) | | | **Core** | You have a grievance mechanism which allows workers, suppliers and other individuals and groups, including third parties, to anonymously raise complaints of injustice, harm or fraud linked to your company, including environmental harms. The grievance mechanism:   * is accessible in the languages spoken in your operations and the language most common in your supply chain, and supports both written and verbal complaints * respects the anonymity of the complainants and protects them from retaliation, threats or harm * ensures decisions are taken by a trained, diverse and impartial committee, following a clear, time-bound procedure and keeping all parties informed about progress * allows for appeals * ensures follow up actions are implemented in a timely manner at the appropriate level and unit/committee of your company. * ensures a confidential, rights based handling of sensitive grievances such as sexual harassment * aligns with internationally recognised human rights and national laws   Where you are unable by yourself to remediate the harm in full, you seek to engage other private, public or civil society actors.  If relevant, you report human rights violations to the appropriate national agencies. | | **Year 0** | | **Guidance**: a grievance mechanism is meant to help you to hear about and address grievances early, before they grow bigger. It is best practice to review and update your grievance mechanism regularly, based on your analysis of the complaints and dialogue with key stakeholders.  If relevant, you report human rights violations to the appropriate national agencies.  If there is a shared grievance mechanism for your sector or country, which fulfils this requirement, you can participate in that mechanism instead of establishing your own. For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** having a grievance mechanism in place is essential for identifying human rights and environmental risks. It acts as an early warning system supporting the risk assessment, as it is a formal process for receiving and responding to complaints from stakeholders.  **Implications:** for medium and large traders and “First Buyers” (regardless of their size) a compulsory compliance as of Year 0 of certification to have a rights-based grievance procedure that is in line with internationally recognised human rights guidance and national laws. The grievance procedure has to be followed for every complaint received. Organisations where this procedure does not yet exist can start with a simple structure and improve it over time. For guidance on grievance procedures, see page 14 of [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)  **Implications for producer organisations**: as a supplier, you may raise complaints of injustice, harm or fraud using the grievance mechanism.  **Question 2.2-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 2.2-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 2.2-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 0 requirement on Human Rights Based Grievance Mechanism applicable to small traders**   **NEW Human rights based grievance mechanism for small traders**   |  |  | | --- | --- | | **Applies to:** small traders, except First Buyers | | | **Core** | You have a written procedure for managing any complaints of injustice, harm or fraud relating to your organisation. The procedure specifies timeframes. You handle and document complaints in line with this procedure and communicate your follow-up actions to all parties involved. Your procedure includes provisions to prevent retaliation, threats or harm against people who file complaints. | | **Year 0** | | **Guidance**: if there is a shared grievance mechanism for your sector or country, which fulfils this requirement, you can participate in that mechanism without establishing your own. | |   **Rationale:** having a grievance mechanism in place is essential for identifying human rights and environmental risks. It acts as an early warning system supporting the risk assessment, as it is a formal process for receiving and responding to complaints from stakeholders.  **Implications:** it is compulsory as of Year 0 of certification for small trader organisations which are not First Buyers to implement a written grievance. For detailed guidance on the typical steps of a grievance procedure, see page 14 of [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)  **Implications for producer organisations**: no implications.  **Question 2.3-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 2.3-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 2.3-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 1 requirement to raise awareness about the grievance mechanism**   **NEW Raising awareness about the grievance mechanism**   |  |  | | --- | --- | | **Applies to:** all traders | | | **Core** | You inform your workers and immediatesuppliers about the grievance mechanism, and take annual measures to make the mechanism known and accessible to workers, immediate suppliers and other stakeholders.  You improve the mechanism and your operations to prevent future harms through regular analysis of grievance cases, in dialogue with key stakeholders including your immediate suppliers and trade unions. | | **Year 1** | | **Guidance**: you can make information about your grievance mechanism available online.For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** workers, suppliers and other stakeholders need to know about the grievance mechanism and how to use it.  **Implications:** compulsory as of Year 1 for all trader organisations to raise awareness among their workers and immediate suppliers about the grievance mechanism.  **Implications for producer organisations**: your buyer will have to inform you about their grievance mechanism. Your feedback could improve this mechanism.  **Question 2.4-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 2.4-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 2.4-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**  **Question 2-5. Do you see any additional implications in relation to the implementation of proposed requirements under Step 2: Identify?** |

# STEP 3: Address and remediate

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The third step of the HREDD process is to take action to address the most salient issues you have identified through your risk assessment. More specifically, these actions can aim to prevent, mitigate, stop or remediate adverse impacts.  You can undertake three general activities:   1. **Develop and implement policies for each of the salient issues**.   A policy sets out a company’s goals, general principles and procedures relating to a specific issue. Policies are helpful to guide your company’s decisions and activities.  There is no defined template but it commonly includes the purpose of the policy, definitions of terms, general principles guiding the policy, responsibilities, procedures or step-by-step instructions – for example, for monitoring, reporting and remediation.   1. **Develop and implement an action plan setting out concrete actions to implement these policies.**   An action plan specifies the actions you will take to implement the policies. It can be a simple table of tasks, each with a deadline, budget and responsible person.  Actions will be more effective if you consult with experts, stakeholders, staff and immediate suppliers. Keep your plan simple and realistic, with clear and concrete actions which are easy to implement and achieve.  ***Examples of prevention and mitigation actions:***   * raising awareness about the policies on a particular risk or problem, or about the vulnerability of a specific group of people, etc * training staff on environmentally sustainable practices or labour rights * improving access to information and ensuring it is available to your staff * in collaboration with your suppliers, developing a mutual code of which outlines buyer and supplier responsibilities, with the aim of reforming your purchasing practices  1. **Take measures to remediate serious human rights and environmental harms.**   Remediation means correcting a mistake or, in the context of HREDD, correcting a harm to someone’s human rights. You need to undertake remediation if you identify cases where a person’s human rights have not been respected.  Note that remediation is only meaningful when the victim(s) find it meaningful.  You have a responsibility to participate in remediation if you have either caused or contributed to a human rights violation. Other actors are also expected to participate in remediation, including state agencies with duty to protect human rights, or other companies which may have contributed to the harm, for example through low prices.  **Key remediation steps include:**   * seek to end the violation, for example by reversing it (inappropriate termination of work, etc.) or safely withdrawing the impacted affected person from the situation (forced labour, sexual harassment, etc). * support the affected person(s), for example by reimbursing costs, finding alternative employment, providing schooling or training, giving financial or non-financial compensation, or through other activities the victim(s) deem appropriate.   The aim is to rehabilitate victims by returning them to a good, healthy life.   * take actions to prevent the violation from happening again, i.e. any of the prevention or mitigation activities listed above. * consider applying appropriate disciplinary measures against the offender(s), for example by giving the offender a formal warning or, for a serious violation, suspending them from work.   The effectiveness of your actions may depend on the nature of the problem, its root causes, operating environment, capacity of your company and many other factors. It is advisable to devise actions in collaboration with suppliers, industry peers, multi-stakeholder initiatives or CSOs.  **The proposed changes include six new requirements corresponding to Step 3: Address and remediate.**   * 1. **A NEW Core/Year 3 requirement to develop and implement human rights and environmental policies**   **NEW Human rights and environmental policies**   |  |  | | --- | --- | | **Applies to:** Medium, large traders and First Buyer (regardless of their size) | | | **Core** | You develop and implement policies on:   * the three most salient issues identified through your risk assessment, and * sustainable purchasing   These policies relate to both your own operations and your supply chains. You communicate the policies to your management, workers and suppliers.  You review and revise the policies at least every six years. | | **Year 3** | | **Guidance**: you may have several policies or just one policy that integrates these issues. For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)  It is best practice also to communicate the policies to subcontractors. | |   **Rationale:** defining yourpolicies on sustainable purchasing and on the most salient human rights and environmental issues will help you to address those issues.  **Implications:** compulsory for medium and large traders and First Buyers (regardless of size) as of Year 3, to develop and implement policies that guide the company’s decisions and activities regarding the identified risks for its own operation and for the supply chain. Policies have to be communicated to all relevant parties and revised at least every six years.  **Implications for producer organisations**: you will be informed about your buyer’s policies on sustainable purchasing and the most salient issues identified during their risk assessment process.  **Question 3.1-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.1-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 3.1-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 3 requirement to develop and implement an action plan to mitigate, prevent and remediate salient issues**   **NEW Action Plan**   |  |  | | --- | --- | | **Applies to:** all traders | | | **Core** | You develop and implement an action plan to mitigate, prevent and remediate your salient issues, including at least the issues covered by your policies.  For the identified salient issues, you develop an action plan for one type of activity from the list below   * dialogue and collaboration with your suppliers, other companies, public authorities and/or civil society actors * awareness raising and training for your management and staff on the salient human rights and environmental issues * support for your suppliers (see requirement “*Support for suppliers*”)   You have at least three types of activities in your action plan.  For large and medium companies and First Buyers, this action plan is informed by dialogue with suppliers (see requirement “*Dialogue for suppliers*”).  The plan is revised annually to keep it up to date~~.~~ | | **Year 3** | | **Guidance**: activities can include provision of services; improvement of tools, facilities or processes; partnerships with local organisations; or negotiations with local authorities etc.  Awareness raising can be through presentations, discussions and meetings; posters and leaflets; and training programs including sketches and roleplay.  For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** action plans set out the concrete actions that organisations will take in the short term to prevent, mitigate, stop and remediate the most salient human rights and environmental issues identified.  **Implications:** it iscompulsory as of Year 3 for all traders to develop the action plan. The action plan could be a simple list of tasks, each with a deadline, budget and responsible person. You are advised to analyse the issues, their root causes and the effectiveness of proposed activities. For more details on related activities and an example of action plan, please refer to page 14 and Annex 2 of [[A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)  **Implications for producer organisations**: you will be informed about your buyer’s action plan, including a list of proposed actions on sustainable purchasing and remediation.  **Question 3.2-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.2-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 3.2-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 3 requirement for participatory and inclusive planning when preparing an action plan**   **NEW Participatory planning**   |  |  | | --- | --- | | **Applies to:** Medium, large traders and First Buyers (regardless of their size) | | | **Core** | You consult your staff and suppliers, internal and external experts, to identify effective activities when you prepare your action plan.  Your current action plan is approved by your Board. You share the implementation report from previous plans with the Board. | | **Year 3** | | **Guidance**: relevant experts and stakeholders may include community members from your operational areas and representatives from trade unions, CSOs, local and government authorities, research institutions etc. For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** consulting with internal and external experts, staff and suppliers assists trader organisations to identify effective measures to address and remediate adverse impacts.  **Implications:** it iscompulsory as of Year 3 for medium and large traders and “First Buyers” (regardless of their size) to engage and consult with stakeholders to prepare the action plan. This plan, together with the implementation report, needs to be approved by the Board.  **Implications for producer organisations**: you will be engaged in activities regarding your buyer’s action plan and will be expected to make suggestions about the most effective activities to address the identified issues.  **Question 3.3-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.3-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 3.3-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 1 requirement to have a procedure for remediation if human rights or environmental violations are identified**   **NEW Remediation procedure**   |  |  | | --- | --- | | **Applies to:** all traders | | | **Core** | You have a written procedure to guide your remediation work relating to human rights or environmental violations caused or contributed to by your organisation. You provide for, or cooperate in, the remediation of any case found.  You engage your buyers and/or public authorities. | | **Year 1** | | **Guidance**: remediation measures can have many goals, including:   * ending the violation * ensuring the prolonged safety of the affected person(s) * restoring the person(s) or environment to the situation prior to the violation * enabling compensation or other remediation that corresponds to the significance and scale of the violation * preventing further cases   Remedy may include withdrawal of the person(s) from the situation, restitution, rehabilitation, financial or non-financial compensation, apologies, punishment of wrong-doers and projects to prevent future violations. When determining the remedy, the affected person(s) and their representatives need to be consulted, unless this puts their safety and security in jeopardy.  Your buyers and/or public authorities may have a responsibility to cooperate in remediation. You may also engage non-governmental organizations.  You also have a responsibility to provide for or cooperate in remediation, when you have contributed to a harm. Please see requirement “*Support for suppliers”* related to this.  For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** if a trader has caused or contributed to a human rights violation, it has a responsibility to participate in remediation. A written procedure will guide remediation work and related collaboration with buyers and public authorities. This procedure outlines responsibilities for any case in which the trader company has caused or contributed to a human rights or environmental violation.  **Implications:** it iscompulsory as of Year 1 for all traders to develop a written procedure to guide their work on remediation of any human rights or environmental violations.  **Implications for producer organisations**: if the harm caused or contributed to is at producer level, your buyers have to cooperate in remediating it.  **Question 3.4-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.4-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 3.4-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 1 requirement for dialogue between supply chain actors (i.e. dialogue for suppliers)**   **NEW**  **Dialogue with supply chain actors**   |  |  | | --- | --- | | **Applies to:** Medium, Large traders and First Buyers (regardless of their size) | | | **Core** | You enable dialogue and collaboration with your suppliers regarding human rights and environmental harms in your supply chains.  You present your action plans and remediation activities and invite suppliers to present theirs. | | **Year 1** | | **Guidance**: your suppliers' priorities and plans inform your risk assessment, policies and action plans, as well as the type and level of support you provide for your largest suppliers (see requirement *Support for Suppliers*).  It may also be useful to invite public authorities and/or civil society organisations to join the dialogue. For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** when action plans and remediation activities are collaboratively agreed between a trader and their suppliers, it ensures more effective mitigation and remediation activities to address the identified issues.  **Implications:** it iscompulsory as of Year 1 for medium and large traders and First Buyers (regardless of size) to engage with their suppliers and collaborate to achieve effective activities, and to inform their risk assessment, policies and plans for mitigation and remediation.  **Implications for producer organisations**: you engage and collaborate with your buyers, and seek to agree the type and level of support your buyers can provide for your human rights and environmental activities.  **Question 3.5-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.5-2: If you do not agree with the proposed wording, please provide your rationale here:**  **Question 3.5-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**   * 1. **A NEW Core/Year 1 requirement to support suppliers on prevention, mitigation and remediation**   **NEW Support for suppliers**   |  |  | | --- | --- | | **Applies to:** Medium, Large traders and First Buyers (regardless of their size) | | | **Core** | You support your suppliers with the costs of prevention, mitigation and remediation. You engage with the suppliers to agree a mutually acceptable type of support. Your support is either direct or through a partnership.  You do not put pressure on suppliers to accept the type of support, nor do you make this support a condition of purchase. | | **Year 1** | | **Guidance:** support can be in the form of funding, facilitation of external funding or partnerships, etc., and must not affect pricing. It is additional to the Fairtrade Minimum Price and Fairtrade Premium. You agree the terms and conditions in advance and in writing with the producer.  A mutually agreed support is when for example you include the interpretation of salient risks from your suppliers and incorporate them into your own action plan and support in those areas that the supplier indicated as necessary.  If your immediate supplier is a producer organization, they may have included costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.  Remember that where you have contributed to adverse human rights impacts, for example through low pricing, you have a responsibility to provide for or cooperate in remediating those adverse impacts.  For further guidance, please see [A Guide for Small- and Medium-sized “First-buyers”.](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf) | |   **Rationale:** a mutually acceptable type and level of support to suppliers builds trust and effective implementation of due diligence activities.  **Implications:** it iscompulsory as of Year 1 for medium and large traders and First Buyers (regardless of size), to support their suppliers with the costs of prevention, mitigation and remediation in a mutually acceptable way.  **Implications for producer organisations**: you need to engage with your buyer to agree the acceptable type and level of support to cover the costs of prevention, mitigation and remediation. In case you have included the estimated costs on implementation of HREDD activities into your Development Plan or Premium Plan, you may refer to this document in your communication with buyer.  **Question 3.6-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 3.6-2: If you do not agree with the proposed wording, please provide your rationale and suggestion here:**  **Question 3.6-3: Do you have any suggestion on feasible approach how support with HREDD costs could be provided?**  **a % of the total volume you regularly source from your immediate supplier**  **a % of estimated HREDD costs provided to you by your immediate supplier**  **I don’t know / Not relevant to me**  **I have another proposal. *Please specify in this box***  **Question 3.6-4: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**  **Question 3-7. Do you see any additional implications in relation to the implementation of proposed requirements under Step 3: Address and Remediate?** |

# STEP 4: Track

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| The fourth step of HREDD is tracking, to check whether your activities have been effective. Traders should track progress to:   * learn whether their HREDD activities are actually working and effective * identify and continue best practices * change ineffective activities   You need to track  **your own activities** and **any changes in your salient challenges** during the past year.  Examples of indicators for tracking progress in due diligence activities include :   * number and topics covered in awareness raising activities (e.g. covered in Step 1) * salient risks and vulnerable groups of people identified through risk assessment (e.g.covered in Step 2) * number and type of grievances received, resolved and still open (see Step 2) * policies and activities implemented to tackle the most salient risks identified (see Step 3) * number and type of serious human rights violations identified and victims supported (without mentioning names) (Step 2 & Step 3) * type and amount of support received from external partners (Step 3)   To track changes in the biggest human rights and environmental challenges, you need regularly to:   * check whether the biggest risks and harms are becoming more or less common and serious by using the same indicators and methods as in your risk assessment (including discussions with internal and external stakeholders) * analyse the information you have gained through your grievance mechanism   **The proposed changes include one new requirement corresponding to Step 4: Track.**   * 1. **NEW Core/Year 3 requirement for tracking due diligence activities**   **NEW Tracking due diligence activities**   |  |  | | --- | --- | | **Applies to:** all traders | | | **Core** | You define and implement annual measures to track the implementation and effectiveness of your due diligence activities.  You document and use the lessons learned to improve these activities.  You report key lessons learned to your Board annually. | | **Year 3** | | **Guidance**: in case a Board is not in place, reporting to senior management is sufficient.  For implementation of tracking you could use:  - the implementation report of your previous action plan  - risk assessment indicators relating to your salient issues  It is best practice to draw on feedback from suppliers and other internal and external sources, and to pay particular attention to impacts on most vulnerable groups or people. For small traders, it is sufficient to conduct tracking on the basis of staff knowledge. | |   **Rationale**: tracking helps your organisation see whether your activities have been effective, to identify and continue good practices, and to change ineffective activities. Tracking also serves your organisation and helps you improve your operations before problems show in audits, or before your buyers or other stakeholders complain.  **Implications**: to track due diligence effectiveness, all traders first need to have conducted the first three HREDD steps (commit, identify, address and remediate). There is no need to report all tracking data to anybody else. The tracking must be done earnestly. For organisations that already have a monitoring and evaluation system, it makes sense to incorporate HREDD tracking into it.  **Implications for producer organisations:** no implications.  **Question 4.1-1: Do you agree with the requirement text?**  **Agree**  **Disagree**  **Undecided**  **I don’t know / Not relevant to me**  **Question 4.1-2: If you do not agree with the proposed wording, please provide your rationale here:**  **Question 4.1-3: Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?**  **No**  **I don’t know / Not relevant to me**  **Yes, please name the certification/initiative**  **Question 4-2. Do you see any additional implications in relation to the implementation of proposed requirements under Step 4: Tracking?** |

# STEP 5: Communicate

|  |
| --- |
| The last step of HREDD is to communicate to your stakeholders what your salient issues are, how you have conducted due diligence, and what impact your activities have had.  Active communication can make you a valuable partner to both your buyers and your suppliers.  However, Fairtrade is not yet proposing related changes to the Trader Standard which relate to Step 5. To ensure that all stakeholders are well informed at the time of consultation, and that communication requirements will be fully aligned with the changes relating to HREDD steps 1-4, we will undertake this consultation during 2024.  **If you would like to make any suggestions on this topic, or you already implement Step 5: Communication in your due diligence procedure and would like to share your experience, please use this comment box.** |

# Transition period and application of the revised standard

Fairtrade suggests that HREDD requirements in the revised Trader Standard are applied as of January 2025. This leaves traders a transition period of at least one year, given that the revised standards will be published in January 2024.

# General comments and feedback

In this section you are invited to provide additional feedback on any of the requirements in the [Fairtrade Trader Standard](https://files.fairtrade.net/TS_EN.pdf) or provide general comments. If you are referring to a particular requirement or a section title in this consultation document, please include the requirement number or section title with your comments where possible.

|  |  |
| --- | --- |
| **Topic / requirement number/Section title** | **Comments or feedback** |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

If you need more information before commenting on this document, please do not hesitate to contact [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net)

When you have finalised your feedback, please save your document **in MS Word** format (*do not convert to PDF*) and **send** to [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net) by 17 August.

If you have any problems or need additional support, contact us at [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net).

1. Definition by EU Commission Recommendation 2003/361 <https://eur-lex.europa.eu/EN/legal-content/glossary/small-and-medium-sized-enterprises.html>. [↑](#footnote-ref-2)
2. This includes the rights contained in the [International Bill of Human Rights](https://www.ohchr.org/en/universal-declaration-of-human-rights) and the [ILO Declaration on Fundamental Principles and Rights at Work](https://www.ilo.org/declaration/lang--en/index.htm). [↑](#footnote-ref-3)