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Consultation Results Synopsis Information to Stakeholders on the Outcome of the Human Rights and Environmental Due Diligence in the Trader Standard	
To	Stakeholders
Consultation Period	19 June 2023 – 28 Aug 2023
Project Manager Contact Details	Oksana Forkutsa, Senior Project Manager Eleonora Gutwein, Head of Standards standards-pricing@fairtrade.net

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PART 1 Introduction

1.1. General Introduction

Fairtrade International’s Standards & Pricing (S&P) would like to thank all stakeholders for the time and effort they have put into participating in the consultation of Human Rights and Environmental Due Diligence (HREDD) in the Trader Standard (TS) .The consultation concluded on the 28 August 2023 with a total of 244 participating stakeholders via the online survey and over 600 participating via workshops and webinars. Thanks to these replies, Standards & Pricing (S&P) has gained a good understanding of critical issues and concerns including potential solutions. Together with the results of the research carried out by S&P, this information provides the basis for the final proposal to be presented to the Standards Committee (SC). The SC decision on the final standard will be taken in full knowledge of stakeholders’ comments.

This document aims to present the outcome of the consultation in the most transparent way possible without disclosing confidential stakeholder information.

Should you have any queries or remarks concerning this report, please contact: standards-pricing@fairtrade.net .

1.2. Executive Summary

The purpose of this project is to strengthen HREDD requirements in the Fairtrade Trader Standard in order to emphasize responsibility of trader organizations to carry out the due diligence procedure on Human Rights and Environmental issues, in alignment with similar practices required from producer organizations, to comply with mandatory due diligence regulations and to build a path of continuous improvement and collaboration among supply chain actors.

Below a summary of the consultation topics and an overview of the responses per topic:

Topic and Explanation	Consultation responses – main outcomes
<p>Step 1: Commit</p> <p>The first step of HREDD is for 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.</p> <p>There were three new requirements proposed in this section:</p> <p>Proposal 1.1. NEW Core/Year 0 on written commitment to respecting human rights and the environment</p> <p>Proposal 1.2. NEW Core/Year 1 requirement on raising awareness about a trader’s commitment to respecting human rights and the environment EW Core/Year 0 on</p>	<p>Stakeholders overall agreed to introduce proposed requirements on Step 1.</p> <p>On proposal 1.1</p> <ul style="list-style-type: none"> ▪ commitment to be time-bound, published, to include how committed points will be implemented as well and other. ▪ most traders found commitment to actively work towards Living Wages/Living Income and long-terms purchasing or business relationships very challenging and auditing of LW/LI is unclear. ▪ suggestion is that implementation of commitment is flexible, allowing variations in the format of commitment, i.e. accepting that commitment can be reflected in (multiple) different documents rather than as a consolidated single statement. ▪ the scope of commitment to remediation activities to be within the supply chain. <p>On proposal 1.2:</p>



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<p>written commitment to respecting human rights and the environment</p> <p>Proposal 1.3 NEW Core /Year 0 requirement on compliance with national law</p>	<ul style="list-style-type: none"> ▪ to improve clarity introducing definition for subcontractors, to change applicability so that awareness taking place on Year 0 and make more explicit that key groups to have knowledge and access to companies' due diligence processes and policies. ▪ Overall number of traders raised concern about the costs for implementation, especially those that either have small team or those who operate a lot if external parties, e.g. subcontractors etc. <p>On compliance with national law (proposal 1.3) stakeholders were overall in agreement and suggested small changes to improve clarity of the scope of legislations.</p>
<p><u>Step 2: Identify</u></p> <p>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</p> <p>There were four new requirements and deletion of 1 current requirement proposed in this section:</p> <p>Proposal 2.1 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</p> <p>Proposal 2.2 NEW Core/Year 0 requirement for a human rights based grievance mechanism</p> <p>Proposal 2.3 NEW Core/Year 0 requirement on Human Rights Based Grievance Mechanism applicable to small traders</p> <p>Proposal 2.4 NEW Core/Year 1 requirement to raise awareness about the grievance mechanism</p>	<p>While overall there was agreement on proposed changes in Step 2, opinions were divided within proposals questioning applicable scope and practicality.</p> <p>On proposal 2.1 requirement to be improved adding more of elements on environmental risks, as well as clarifications and definitions to understand ‘salience’. One of the suggestions is that risk prioritization to be done rather based on severity (scale, scope and irremediability) and the likelihood, so companies rather assess which adverse impacts to be addressed first</p> <p>On proposal 2.2 majority agreed with the proposed change and suggested to allow more flexibility on the grievance mechanism in place and avoid being too prescriptive and not practical, specifically when it comes to making it available in languages of the supply chain and accessible to workers of suppliers. Some suggested the applicability to change to Year 1.</p> <p>On proposal 2.3 majority agreed with the proposed change and some recommended to move applicability to Year 1 and further improve clarity of the requirement, adding that it requires a person or a team to implement the mechanism, some timeframes to ensure mechanism is appropriately implemented.</p> <p>On proposal 2.4 most of stakeholders overall agreed however some concerns were on practicality of this requirement including lack of clarity on the scope of stakeholders that awareness raising should include. Suggestions on improvement included addition of timelines and mechanism to improve this over time.</p>
<p><u>Step 3: Address and remediate</u></p>	<p>Overall there was agreement on proposed changes in Step 3 however also strong concerns were raised by external and internal stakeholders about feasibility to implement</p>



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<p>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.</p> <p>There were six new requirements proposed in this section:</p> <p>Proposal 3.1 NEW Core/Year 3 requirement to develop and implement human rights and environmental policies</p> <p>Proposal 3.2 NEW Core/Year 3 requirement to develop and implement an action plan to mitigate, prevent and remediate salient issues</p> <p>Proposal 3.3 NEW Core/Year 3 requirement for participatory and inclusive planning when preparing an action plan</p> <p>Proposal 3.4 NEW Core/Year 1 requirement to have a procedure for remediation if human rights or environmental violations are identified</p> <p>Proposal 3.5 NEW Core/Year 1 requirement for dialogue between supply chain actors (i.e. dialogue for suppliers)</p> <p>Proposal 3.6 NEW Core/Year 1 requirement to support suppliers on prevention, mitigation and remediation</p>	<p>requirements on supply chain dialogue and support to suppliers.</p> <p>On proposal 3.1: while there is an overall agreement, suggestions are to allow flexibility on required policies and the scope of policies. Many don't find it reasonable for policies to focus on specific risks due to nature of risks to change over time and their relevance for multiple suppliers withing the supply chain.</p> <p>On proposal 3.2: the action plan concept was found very confusing as well as the applicable scope. Further suggestions for better implementation to align it with other requirements including support for suppliers and overall enhance the role of suppliers in this process.</p> <p>On proposal 3.3: suggestion is not to require the action plan to be approved by the Board and consider deleting this requirement because it implementation overlaps with previous requirement. Opinions were also divided on whether to include external experts in this process.</p> <p>On proposal 3.4: stakeholders questioned the feasibility as it's not clear how it would be assessed if an organization is contributing. Suggestion is to move applicability to later time or also allow proper transition time for this requirement. The scope seem to also overlap with requirement on supply chain dialogue.</p> <p>On proposal 3.5: dialogue with suppliers received a big number of concerns from certified stakeholders especially when it comes to presenting action plans and inviting stakeholders to present theirs, because of sensitive and confidential information thus suggestion is to focus more on collaboration. Implementation of this may in the end remain on papers and not practical or leading to any impact, especially when it comes to complex supply chains.</p> <p>On proposal 3.6: while there was agreement on this requirement in general, there was no clear agreement on type and form of support that could be provided and how transparency on provided support would be ensured. Many traders flagged strong concerns about feasibility to provide such support.</p>
<p><u>Step 4: Track</u></p> <p>The fourth step of HREDD is tracking, to check whether your activities have been effective.</p> <p>There was one new requirement proposed:</p>	<p>There was overall agreement on this requirement. Concerns were flagged from stakeholders on reporting to the Board, challenges related to lack of direct access to producers. Many stakeholders referred to currently existing reporting tools, but not necessarily the elements how progress is tracked and if they are tracking it within timelines. On this there is a request to provide more guidance or metrics how tracking could be measured and ways to avoid breaching the confidentiality agreements.</p>



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Proposal 4.1 new Core Year 3 requirement on tracking due diligence activities.	
Step 5 : communicate	There was no proposal consulted but stakeholders were invited to leave their input as suggestions on this step

1.3. Way Forward

Based on the results of this consultation, S&P will develop proposals to be presented to the SC in November 2023 for decision making.

The table below describes the progress to date and next steps:

Activity	Timeline
Scoping	Nov 2022 - March 2023
Research	Nov 2022 – May 2023
Consultation	June- Aug 2023
Analysis of consultation responses and drafting proposal to the SC	Sep-Oct 2023
SC decision	November 2023
Publication	Q1 2024

1.4. Abbreviations

EU	European Union
FMP	Fairtrade Minimum Price
FP	Fairtrade Premium
HLO	Hired Labour Organization
HLS	Hired Labour Standard
HREDD	Human rights and environmental due diligence
ILO	International Labour Organisation
LI	Living Income
LW	Living Wages
NFO	National Fairtrade Organization
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
PN	Producer Network
SPO	Small Producer Organization
TS	Trader Standard
UNGPs	United Nations Guiding Principles on Business and Human Rights

PART 2 . Draft Standards Consultation - Outcome

2.1. Consultation process

The consultation in survey format was published online in Survey Hero and was also available in word format on the Standards section of the Fairtrade website. Both links were sent to all certified traders Hired Labour Organisations (HLS), Small Producer Organizations (SPOs) and other relevant stakeholders. In



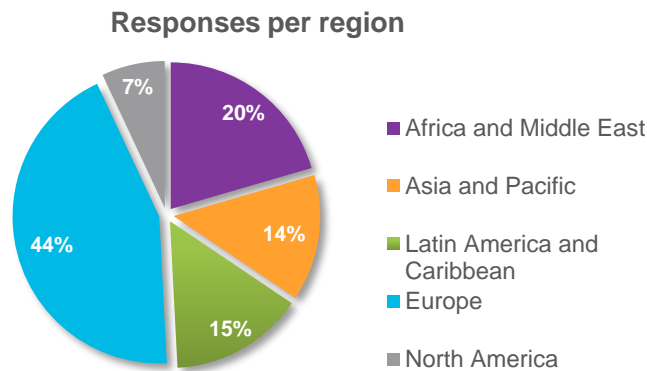
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In addition, [introductory videos](#) were uploaded to facilitate the participation in the consultation. The survey was open for 60 days and a 2 week extension was given after the deadline. In addition to the possibility to give written feedback, S&P, PNs and National Fairtrade Organisations (NFOs) conducted webinars and workshops that enabled verbal feedback and group discussions of topics.

For each of the topics consulted this report considers the responses provided via the online survey and the responses provided in workshops in a summarized way in order to protect anonymity.

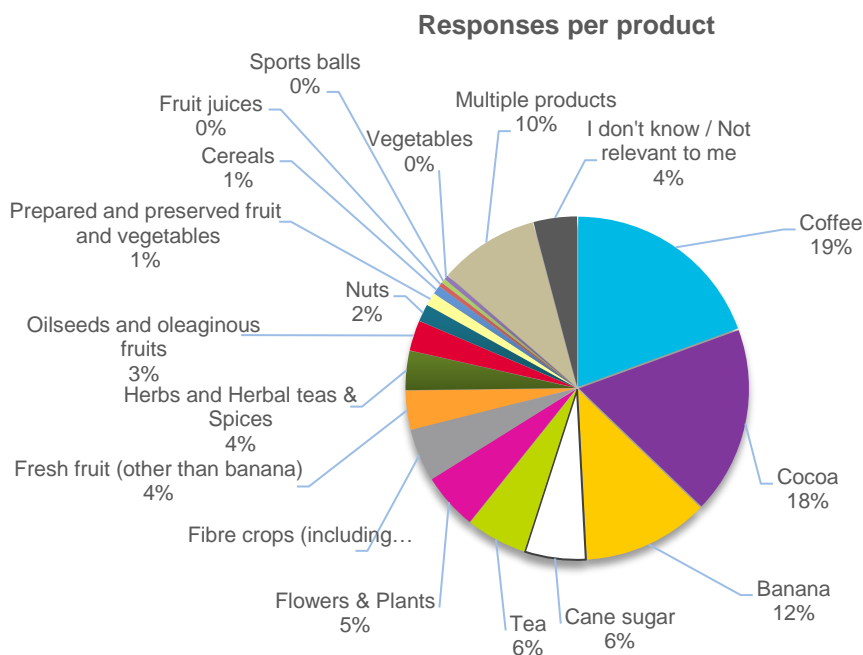
2.2. Participants

Online participants



In total 244 stakeholders participated via the online tool or provided written responses to the questionnaires. Per region the highest participation came from Europe (44%), followed by Africa and Middle East (20%) and 15% and 14% from Latin America and Asia respectively.

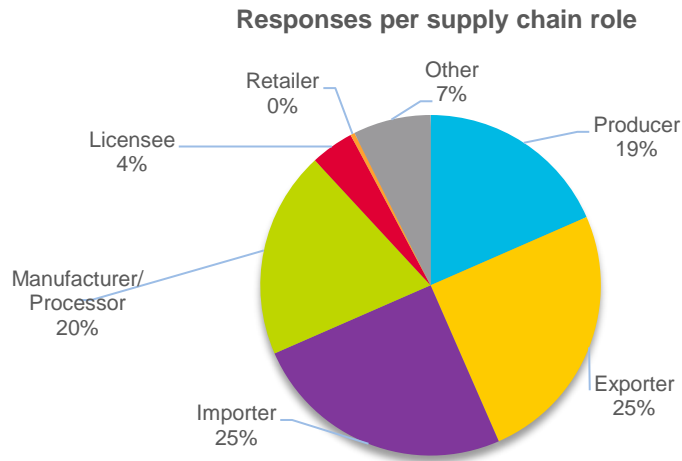
The chart below shows the proportions of participants by product groups, with the largest groups representing coffee (19%), cocoa (18%), banana (12%) and multiple products (10%).





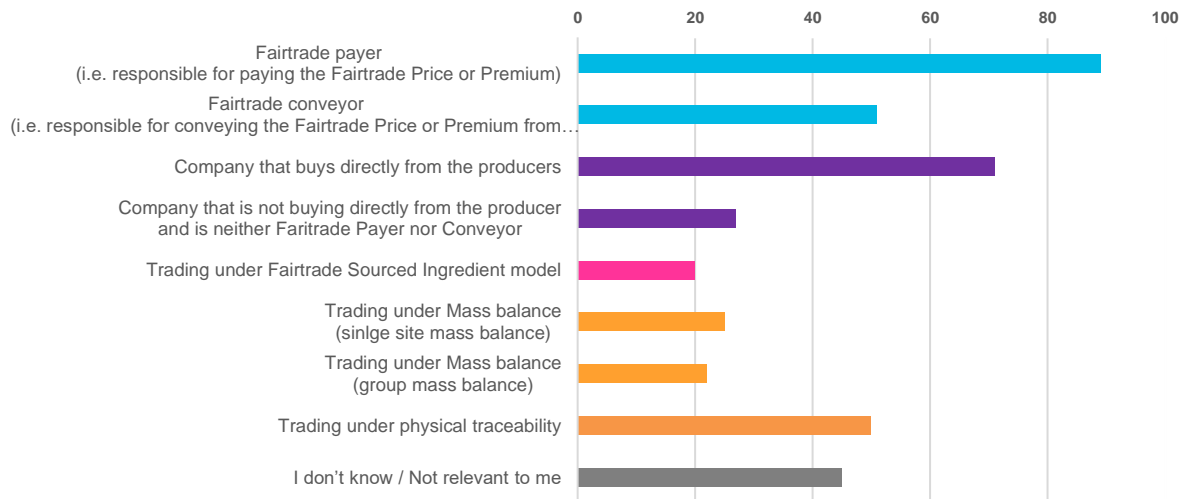
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Looking at the distribution per responsibility in the supply chain, in the following chart below, the highest participation came from Trader organizations, specifically from Exporter and Importer categories (25% each) followed by Manufacturer/Processor and Producer (20% and 18% respectively).



For the chart below on trader role in Fairtrade supply chain, there were 187 trader and producer & trader role organizations who provided inputs and selected one or more categories for their organization in Fairtrade supply chain. Most of the respondents indicated that they are either Fairtrade payer and /or sourcing directly from the producers.

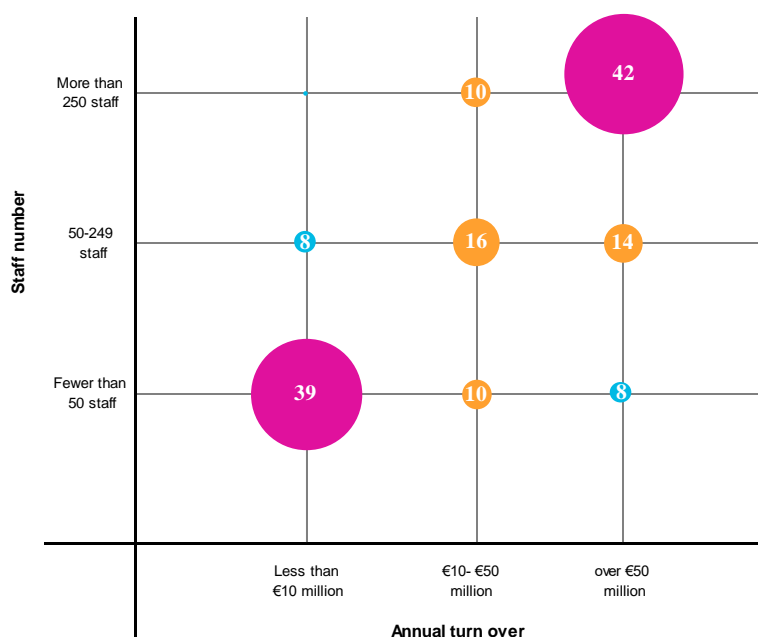
Trader and Producer/Trader role organizations per Fairtrade category*



*due to overlap of multiple categories that were chosen by a single respondent, numbers do not represent single category choice

The next chart below displays overview of descriptive information from participating organizations based on their provided numbers of “Annual turnover” and “Staff number”. This chart represents inputs from 149 organizations that fall under category of certified trader or certified producer & trader roles.

Responses on description of trader organization



Most of organizations that responded to this question - are either those with annual turnover of over 50 EUR million and employ more than 250 staff, or those with less than 10 EUR million and employ fewer than 50 staff.

Following the proposed approach on categorization of trader organizations (see table below) the results presented above can also be interpreted as out of 149 organizations that provided information on their staff and annual turn over - 76 match the 'large trader', 34 match the 'medium size' and 39 match the 'small trader' organizations.

Small trader	<50 staff and \leq €10m annual turnover
Medium-sized	<250 staff and \leq €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

Workshop and webinar participants

Besides the opportunity to provide feedback through online consultation, S&P together with PNs organised 29 workshops and webinars in all producer and trader regions. A total of 845 participants joined the workshops and 121 engaged in webinars.

The table below gives a summary of the workshops

Country	Total number of organizations	Nr of participants
Argentina	8	9
Belize	4	13
Bolivia	11	14



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Brasil	24	42
Chile	7	7
Colombia	115	145
Costa Rica/Panama	13	26
Dominican Republic	45	57
Ecuador	61	70
El Salvador	6	12
Guatemala	19	24
Honduras	26	66
Mexico	34	45
Nicaragua	23	42
Paraguay	9	12
Peru	125	167
India (Kolkata & Bangalore)	24	24
Sri Lanka	40	40
Kenya	9	12
Cote d'Ivoire	17	18
Total	620	845

The table below gives a summary of the webinars where mostly trader organizations participated

Region/Country	participants
Europe (mix)	22
UK	10
Canada	15
Latin America	40
South East Asia	15
South Africa	13
Japan, New Zealand, Australia	6
Total	121

Please note that we have not combined the participation numbers in the written survey with the participation in the workshops and webinars as it is possible that some workshop participants also participated via the online questionnaire.

2.3. Consultation Outcome

This section presents the aggregated and high level outcomes of the consultation. For each question, after the topic description, the consultation outcomes are presented in two steps: input received through written responses followed by the input received through the workshops. Due to the different dynamics of the two main methods of providing feedback, it is more transparent to keep the results of the workshops separate to the written feedback.

For the analysis of the information received through workshops, the responses are aggregated as much as possible although given the qualitative nature of the discussions this was not always feasible. Also, it is important to point out that since not all respondents responded to all questions and not all topics were discussed in all workshops; this is reflected in the analysis.



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In the analysis of the responses the Standards Team tried to identify aggregated trends per topics. In addition, the team strived to capture areas of common agreements or divergence of views to summarize main opportunities/concerns.

The CLAC provided a summary report of all the workshops conducted in the 16 countries as well as the detailed feedback from all the workshops. They also analysed the results by bringing together the product networks, National Coordinators, operational team and CECLAC.

Step 1: Commit

Introduction of topic and overall aim of the proposal:

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
 - 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 management 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.

There are 3 proposed changes in this section

1.1 A NEW Core/Year 0 requirement concerning written commitment to respecting human rights and the environment.



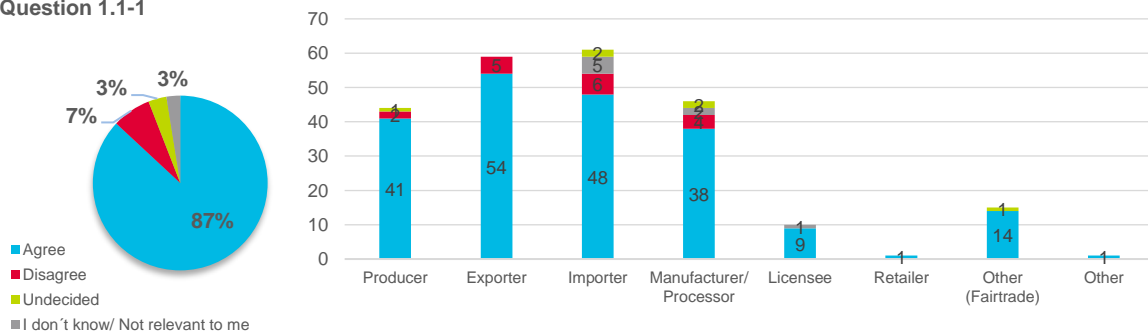
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NEW Written commitment to respecting human rights and the environment

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:
Year 0	<ul style="list-style-type: none"> - 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 <p>Your written commitment:</p> <ul style="list-style-type: none"> - refers to internationally recognized human rights - is informed by internal and/or external expertise - is approved and signed at the most senior level of the company
<p>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:</p> <ul style="list-style-type: none"> • sensitise management and staff • draft and sign a commitment • assign responsibilities • raise awareness. <p>Internationally recognised human rights include those contained in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. If you operate in conflict areas, it is best practice to commit to heightened due diligence in those areas.</p> <p>For more details, please see A Guide for Small- and Medium-sized “First-buyers”.</p>	

Written feedback:

Question 1.1-1



206 (87%) agreed with the proposal. Producer organizations expressed strong support and in addition highlighted importance on visibility of commitment to pay price and premium. An exporter suggested to make it more explicit that commitment includes fixed timelines for each item in the requirement text. Other suggestions from this responding group are:

- to replace ‘favour’ with ‘aim’, because eventually the goal is to rather have stable business relationships and that long-term suppliers should not be prioritized over new ones with a difficult start.
- strengthen ‘favour long term business relationships’ by specifying that there should be a document as a prove of this
- to include ‘commitment’ into HR policy that is then communicated to farms or suppliers



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A Fairtrade member also mentioned that requirement on commitment need to be explicit about concrete financial support otherwise this would be a tick box exercise and contracts would not be analysed on the aspect of contribution to LW/LI. A commitment in place to be assessed based on concrete measurable points.

17 (7%) disagreed and overall questioned the practicality of proposed changes, referring to either need of adding or deleting points in the requirement text:

- replace 'living wage' with 'minimum wage'.
- move points from the guidance to the requirement text (sensitize management and staff, draft and sign commitment, assign responsibilities, raise awareness among suppliers)
- commitment to be publicly available - is more effective
- require an explanation how it will be implemented and how often the progress should be reported (e.g. annually)
- keep long term business relationship and LW/LI initiative as a recommendation instead of compliance criteria since these could be challenging and not representatives for whole business.
- scope of commitment to full value chain on the due diligence duty, i.e. for companies to do due diligence for all upstream and downstream activities.
- allow flexibility because commitment is not always a one stand-alone document
- guidance of requirement to refer to the UNGPs and the OECD Guidelines or to require a commitment to the OECD Due Diligence guidance for responsible business conduct or that this is to be recognized as equivalent.

On the LW/LI work, a suggestion is for requirement to focus on 'how' this will be done. Therefore the standard should require - a living wage or living income gap analysis that is combined with a time-bound action plan to close the gap and for trader to publicly report about this annually; also, the gap analysis should be gender-disaggregated, i.e. to ensure gender justice by establishing and closing the gender pay gap and by making an analysis of the root causes of gender injustices with an action plan to tackle those. A number of traders from Europe and North America expressed a different opinion on LW/LI, highlighting it would be challenging for them to commit to long-term purchasing relationships and LI/LW. Overall this group of respondents share views that commitment towards human rights should not go together with "actively working towards living income/ living wage" or a "collaboration with suppliers" on LI/LW.

Overall many had concern on how this requirement would be audited.

3% responded 'undecided'. An EU importer mentioned it was not clear what 'work towards living incomes and living wages' means, and specified that paying money to close gaps always requires support from the retail and end consumer but importers can only promote living wage and assess the gaps. A North America importer found that 'work towards living wages' is vague and it's not clear what 'work' means and the repercussions and that in fact it may have legal implications.

An importer suggested that requirement allows commitment in different documents rather than a consolidated in a single policy or statement, and to change 'Provide for or cooperate in the remediation of harms you cause or contribute to' – into- '*Provide for or cooperate in the remediation of identified harms in your supply chains*'.

Feedback from webinars and workshops

Overall participants from the Africa region were in agreement and in the West Africa workshop participants preferred to get back in the filled out survey online after internal consultation with their teams.

Stakeholders from Asia region (India and Sri Lanka) did not express strong disagreement with the proposal.

69% of the participants from the Latin America region were in agreement with the proposal. The following suggestions were provided by those who disagreed with the requirement:



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- to replace the term "*develop procurement practices*" with "*implement practices, which ensure sustainable procurement that support long-term business relationships*".
- change applicability to Year 1 to allow for adequate progress of the due diligence process.
- appoint a person or committee responsible for implementing due diligence and its follow-up.
- to better understand how requirement would be audited, they suggested to provide more clarification on the terms and to come up with indicators for evaluation of success/progress on following: "to collaborate" (suggestion to replace this with 'invest or finance'); "to work towards living incomes and wages;.
- to separate the requirement, with the written commitment in Year 0 and the implementation of the proposed actions in Year 1, in order to avoid misinterpretation.
- the level of commitment and involvement that buyers must have with their suppliers needs to be more explicit to make sure there is equal participation of all actors in the chain

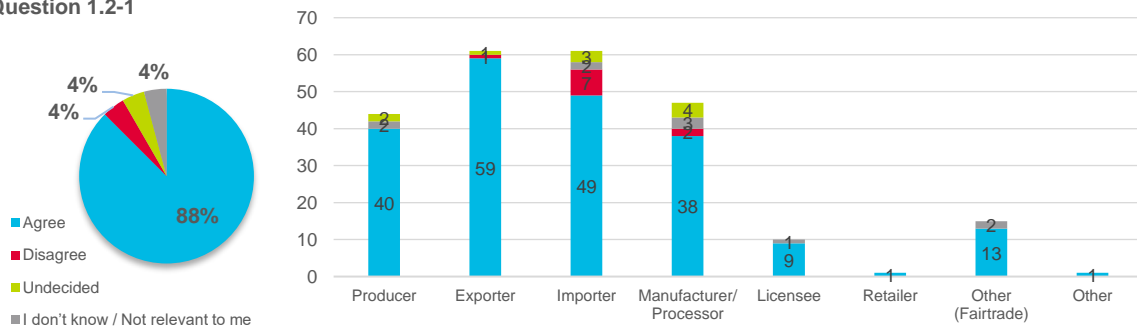
1.2 A NEW Core/Year 1 requirement on raising awareness about a trader's commitment to respecting human rights and the environment

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.
Year 1	You inform your immediate suppliers and subcontractors.
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" .	

Written feedback:

Question 1.2-1



210 (88%) respondents are in agreement with the proposal and clarified that the trader should be flexible in how training on the commitment and its implementation is conducted. In addition a suggestion is that that instead of sending an email with a link to buyers' website, it'd be good if commitment statement is visible within the FLOCERT platform. The training scope should include existing legislations on HREDD that apply to each trader, at least to the board and management of those traders that would help to identify the legal frameworks in which they are operating, the corresponding requirements and needs to improve their HREDD processes.

10 (4%) respondents disagreed, (exporters) stating that such requirements should rather apply to producers, others (importers) did not see the point of informing suppliers and contractors. Overall respondents have divided opinion and further added:



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- demonstrating compliance with this requirement will be a challenge, as awareness raising events may not all be easily documented for review (importers). a more explicit explanation that training and sensitization may occur in many forms
- to change into *'All employees receive role appropriate training about your commitment to respecting human rights and the environment, and its implications for your operations'* (importer)
- trainings should also include trade unions, workers committees, and producer organizations and should be gender-sensitive and pay special attention to ensuring women can participate in the trainings
- add that key groups have knowledge of and access to companies' due diligence processes and policies. Key groups, i.e. buyers/procurement staff - to be part of training, training should not be limited to sustainability departments
- add rationale for why board has to be trained and why this requirement is not applicable to small traders

10 (4%) were undecided and mentioned that such measures are covered (/done) by producers and with only 2 persons in the workforce it is a challenge for them to implement it. A Canada manufacturer/processor mentioned that while they agree with requirement on signed statement and its public availability, they find starting all interactions with new vendors would be unnecessary and just a performative step.

10 (4%) responded I don't know / Not relevant to me, where a manufacturer/processor was not clear if it would be required to inform all suppliers or only the ones linked to Fairtrade certification.

Feedback from workshops and webinars

Overall participants from the Africa region were in agreement and in the West Africa workshop participants preferred to get back in the filled out survey online after internal consultation with their teams. Some participants flagged that implementation of awareness raising would be challenging, because it raises stakeholders' expectations and require more costs.

Stakeholders from Asia region (India and Sri Lanka) were overall in agreement with the proposal, and also raised concerns about the costs to inform immediate suppliers and contractors.

79% of the participants from the Latin America region were in agreement with the proposal. The following suggestions were provided by those who disagreed with the requirement :

- to include reference to digital media, e.g. whatsapp, digital networks, others. which are more accessible to producers and requirement should not be limited to online publishing only.
- it is proposed that the requirement on awareness-raising is proposed to be in Year 0 and on commitment in Year 1, so that awareness-raising is done first.
- to define better about commitments in relation to awareness raising that should be assumed by the traders, e.g. continuous training processes, responsible person
- training implies much more than awareness raising (e.g. costs, commitments) for a process that is just starting, therefore suggestion is to replace it with 'to inform'
- to include shared responsibility in the requirement

1.3 A new Core Year 0 requirement on compliance with national law.

NEW Compliance with national law

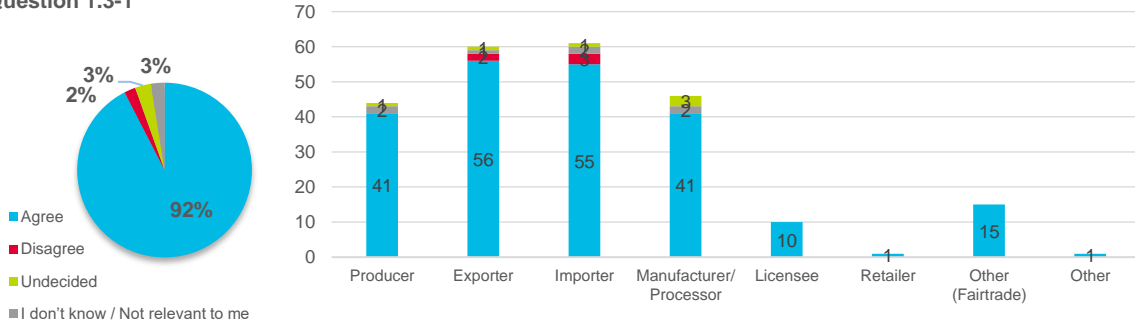
Applies to: all traders	
Core	There are no indications that your company violates the national legislation of the country where your organisation is legally established and operates on the topics covered by this Standard.



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Written feedback:

Question 1.3-1



220 (92%) respondents agreed with the proposal. Further they mentioned that ‘no indications’ is not specific enough and suggested to add ‘no indication of lobbying against upcoming human rights and environmental legislation’. Also, that auditors would understand local legal requirements on and get trained on regular basis. An NFO respondent suggested that compliance with national law might also refer to national and EU HREDD legislation (e.g. the German Supply Chain Law or the Swiss Child Labour Regulation) which might be relevant for the assurance provider to consider in its assessment on HREDD performance of traders.

5 (2%) respondents disagreed, where an exporter suggested to rephrase requirement into “*Your company complies with national legislation on matters covered by the Fairtrade Standard in the event and where national legislation is less stringent than a requirement of the standard, the requirement of the standard will prevail.*” While other exporter mentioned that this should not be a core requirement because it should be sufficient to commit to comply with Human rights through a written policy framework. An importer recommended to define ‘indications’ better. Some other respondents understood compliance with national law would include countries where they are sourcing and thus expressed their disagreement.

7 (3%) respondents were undecided, because they find it is not possible to demonstrate compliance with this requirement and that it’d only relevant where non-compliance is identified, and further suggested to rephrase it into “*Your company can demonstrate awareness of applicable national legislation and there are no indications of violation*”.

Another stakeholder mentioned that audit assignment might become more challenging to audit traders based in producer regions.

Feedback from workshops and webinars

In Africa region workshops participants mentioned that compliance with national laws can be a challenge, because some law are outdated and /or contradicting each other.

Participants in Asia region were concerned about the scope of laws that fall into the scope of this requirement. Suggestion is to add list of standard topics on which the compliance with laws would be evaluated in the audit.

93% of the participants in the Latin America region were in agreement with the proposal. Participants suggested to add compliance with national legislation of its suppliers (producers) and to replace the term "organisation" with "company". Further the term "evidence" should be clarified. Overall their concern was about the scope of legislations, flagging that current requirement is very broad and there are many issues to comply with the legislation, so it is almost impossible to be in full compliance with the current legislation.



1.4 Additional implications in relation to the implementation of proposed requirements under Step 1: Commit

Lack of experience/ lack of capacity

- implementation is challenging because it is very difficult for every stakeholder to know the applicable laws and regulations (Asia exporter).
- when it comes to sustainable purchasing, within an organization it could lead to conflict between different teams – e.g. sustainability / Environmental, social, and corporate governance (ESG) / Corporate social responsibility (CSR) teams and commercial colleagues. To some extent the standard should inform and drive coherence in organisation practice, beyond most senior leader sign off e.g. what Key performance indicators (KPIs) would signal genuine implementation.

Cost implication

- exporter & manufacturer/processor from Costa Rica mentioned while requirements are not very new, the implementation and verification mechanisms may incur increase in costs making organizational structure more expensive. Suggestion is to introduce gradual implementation and gradual increase in applicable scope, such as e.g. a certification is not implemented in 10 work centres simultaneously but gradually.
- increased costs when required to comply with the living wage (Asia trader).
- cost implication of undertaking the work and embedding it within stakeholders (UK trader).

Need for strong & reliable collaboration between stakeholders

- proper collaboration between suppliers to provide information
- setting up specific role/person/department that would be in charge

Need for clarity on applicable supply chain scope / actor

- 'Value chain' is used once in the introduction, but afterwards 'supply chain' . Suggestions is to refer to value chain everywhere, in line with international standards.

No clarity on scope (supply chain - company's operations)

- focus should be on the current content of company's policies, rather than Fairtrade being overly prescriptive on the reference to due diligence of those policies.
- not clear why would this apply to organizations based in Europe, where there are already national and EU laws that prevent violation of human rights.
- commitments to human rights and environmental due diligence across the full supply chain are ensured via enterprise-wide corporate governance activities, however a connection between those pursuits and Fairtrade coffee purchasing is not clear.

Implications on auditing

- introduce gradual move from commitment to HREDD procedure specifying in details how the full OECD circle is implemented by the certified organization, so that not every step is considered as a separate measure/activity.
- in case a company operates in many different countries and intentionally violating the national legislation in a country where they operate, it will not provide any indication by itself
- not clear how would awareness raising (proposal 1.2) be evaluated by auditor , e.g. whether it was sufficient or not
- in case of countries with heightened risk – not clear how compliance with national law or ILO conventions etc. would be checked for traders
- appreciation is required from certifiers that policies and commitments would be for all of sourcing i.e. including Fairtrade and non-Fairtrade certified sourcing.

Other comments:

- LI, LW / Climate change and deforestation should be discussed separately and that Living wages Gap should be filled up with the Support of Brand Only and continuous business to be provided by brand with commitment mutually.



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- requirements on Step 1 have to be enhanced, so that first steps embed policy: Commitments should include an outline of how HREDD will be implemented – e.g. concrete activities / milestones against a timeline (e.g.: by 2024, we have integrated human rights into our buying policy) and requirements follow the OECD Guidelines and UNGPs as closely as possible, and followed by many companies already.
- more attention to gender-sensitive HREDD, by integrating it in the text or at least in the guidance.

Implications raised by respondents from respondents of Fairtrade member organizations:

- when it comes to ‘national legislation’, assurance provider to factor in that HREDD legislation could be included in laws (e.g. German Supply Chain Law)
- clarify further the traders’ size definitions, i.e. providing more example when two reference values conflict & give an explanation of what exactly the categories are based on.
- develop guidelines, templates and training materials to support traders

Results of inputs provided to the question “***Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?***” are consolidated in the [Annex 1:](#)

Step 2: Identify

Introduction of topic and overall aim of the proposal:

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. **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](#) which was developed to support HLOs and SPOs in assessing their human rights and environmental risks.



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2. **2. 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.
1. **3. 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).
2. **4. 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”](#).

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

In this section during the consultation it was proposed to introduce 4 new requirements and delete 1 requirement:

2.1 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.
Year 1	<ol style="list-style-type: none"> 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.



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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.

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](#) 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"](#).

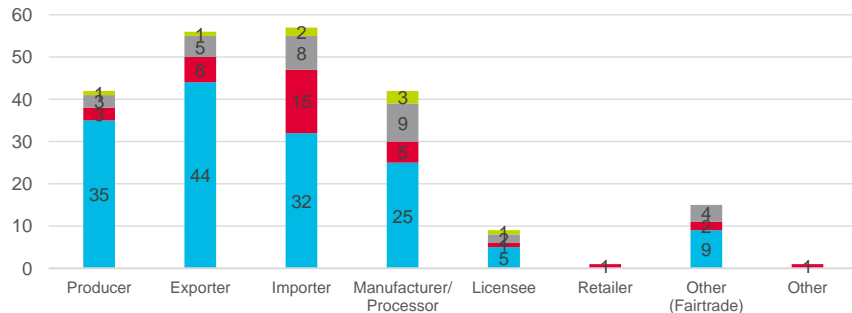
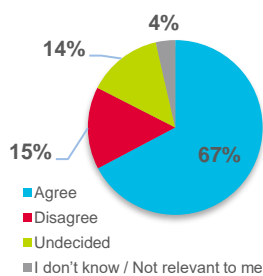
Requirement 3. 2.4 NEW 2017 Management of environmental impacts

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.

Written feedback:

Question 2.1-1



150 (67%) respondents were in agreement with the proposal, however further highlighted that in practice there could be still many challenges to implement it. In addition, they suggested:

- to replace the term 'salient' by 'outstanding' or 'most important'.
- to incorporate ecological perspective in step 3 of the suggested risk analysis, as the text only mentions affected people and does not take any ecological perspective.

Importers (Ireland & Germany) suggested to rather follow a risk-based approach, and for Fairtrade to provide platform that allows to share information between retailers/brands, traders and farms i.e.

- o engaging individually with their most important suppliers is lot of extra work (also for producers), thus suggestion is to have a 'scoring' system to assess the risk and determine the issues to focus remediation on.
- o not possible to duplicate tools and do several risk assessment at the same farms/suppliers thus, risk assessment could be done first at region that is most at risk and then others in order to prioritize resources.

Respondents from Fairtrade member organizations mentioned that traders are obliged to act on HREDD also outside of their Fairtrade supply chains, but that the basis and subject of certification is limited to



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Fairtrade (in points 2-4) and that size of a supplier / volume should not define the saliency of a risk and further recommended to improve the requirement:

- to be clear that it is about salient risks in Fairtrade supply chains, i.e. "Fairtrade suppliers must be consulted", which does not limit trader to identify & address a salient issue outside Fairtrade supply chains.
- to define 'largest suppliers' or clarity on how communication with largest suppliers to be evaluated, e.g. how many of largest suppliers and workers do trader organizations need to consult
- consider that smaller suppliers may have higher risks (by virtue of smaller capacity)
- change "largest immediate fairtrade suppliers" into "immediate Fairtrade suppliers with the largest risks"
- "...at least every 3 years" should be complemented by "...or if the context changes in such a way that the risks also threaten to increase".

34 (15%) respondents disagreed and mentioned it is confusing when it requires to involve all suppliers.

A recommendation is rather that traders should involve stakeholders in a transparent way in their operation area when conducting human rights and environmental risk assessment, so that stakeholders are free to provide feedback on risk assessment for its improvement in subsequent years.

Other group of stakeholders (exporters and importers and retailers from EU) had similar views as those who agreed. Some found that requirements overall are not in line with OECD guidelines/UN Guiding Principles when they refer to 'largest suppliers' and fixed (3 years) for risk assessment and instead, and recommended that these should refer to adverse impacts that a company causes or contributes to, which cannot be deprioritized. All potential and actual adverse impacts should be identified, and then a company can prioritize salient issues for more in-depth assessments and interventions. The standard should refer to the "ongoing" human rights due diligence process, including impact assessments, whether or not a fixed review period is mandated on top of it as a minimum threshold.

Further they made suggestions for specific changes, such as:

- add clarity based on which criteria the risk should be prioritized as most salient.
- change frequency to carry out risk assessment from 3 years to 5, or from 3 years to annually or every 2 years because the risks could significantly change (a war breaks out in a sourcing country, or global pandemic etc). The prioritized type of risks and timelines set to address those risks would be indication for audit, and at least whenever *'the enterprise makes significant changes, such as operating in or sourcing from a new country; developing a new product or service line that varies significantly from existing lines; changing the inputs of a product or service; restructuring, or engaging in new forms of business relationships (e.g. mergers, acquisitions, new clients and markets).'*
- on 'largest suppliers prioritization' - to refer to all suppliers instead of the largest. Otherwise a small group of large Fairtrade suppliers would be burdened with inquiries from multiple buyers, while smaller Fairtrade suppliers fall out of scope and will not have say. Which suppliers to engage with - should be based on a risk prioritization, and / or there should be a representative sample required. For example, more guidance would be needed for global companies (with different FLOIDs) if one risk assessment for the entire company would be sufficient.
- to revise the approach to prioritize focus/scope or selection of stakeholder group when adverse impacts to be addressed first. So that prioritization to be done based on severity (scale, scope and irremediability) and likelihood. Further organizations should communicate transparently why not all impacts can be addressed and about which impacts have been prioritized and why.
- company's own purchasing practices to be included in the assessment of roots causes
- to define 'vulnerable groups' referring to gender as at least of the key considerations
- define specific time for strengthening the assessment methods over time
- provide clarity what is the evidence that would be checked on engagement of suppliers



- last point in requirement could lead to risk of conflict, because evaluations could be used to guide purchasing decisions if it's understood that a supplier could jeopardize the system with risks that were identified.

Overall many mentioned that their assumption is that Fairtrade suppliers fall in the low risk category when they are certified and did not understand why now certified suppliers to be included in the due diligence process/ risks assessment. Stakeholder mentioned that Fairtrade could offer greater support via producer networks with the opportunity to speak to Fairtrade workers on a regular basis, by developing anonymised reports to share insights from workers in specific sector / country. Similarly, a North America trader shared that they rely on information from Fairtrade on risk assessments and that currently they contract credible entities to do this for them.

Some Fairtrade member organization respondents who disagreed with this proposal recommended that this is applicable as a voluntary best practice for traders that do not trade in the EU or that they get a longer transition time (2 years). A respondent from a research NGO, mentioned such requirement to be applicable on Year 0, and annual risk assessment in place.

31 (14%) were undecided and also mentioned they lack clarity on related evidences that would be required in the audit. Exporter from Sri Lanka stated that the requirement should keep in the scope only immediate Fairtrade suppliers or producers because it would not be possible to convince to participate in similar procedures all the non-Fairtrade suppliers.

Some of North America and UK traders mentioned this would be too costly to implement. Also, stating that if a trader is to conduct risk assessments of the Fairtrade producer it devalues the Fairtrade certification, as it puts it onto the Trader to uphold the Fairtrade standards. It would not be feasible to setup a mechanism for local people/seasonal worker to a) know their rights & grievance process; b) to contact trader and c) for trader to intervene with the very limited resource. Other suggest to revise 3 years cycle to be done annually.

Fairtrade member organization respondents stated that the risk assessment should rather vary depending on the size of trader where for small traders it should be enough to consult Fairtrade risk map. Some of them suggested to clarify:

- what kind of workers were meant (trader or supplier)
- how salience of 3 risks is determined and how to strengthen assessment methods
- more explicit reference to the types of human and environmental risks that are compulsory to consider in the assessment, e.g. inadequacy of health and safety equipment, etc including the environmental risks - biodiversity, water use, etc.

From assurance/certified perspective it's important to define 'largest suppliers' and to introduce a timeline in the statement 'you strengthen your assessment methods overtime'.

Feedback from workshops and webinars:

Participants in the Africa region were overall in agreement with the proposal and those with producer & trader were familiar with common risks in their areas/regions. The terms salience and definition of vulnerable groups needs to be more clarified. Otherwise the challenge is to be subjective as to difference in the approach of trader and producers / suppliers.

Overall participants in the Asia region were in agreement with the proposal and those with producer/trader role were more familiar with risk assessment and the type of common risks identified in their region / sector. Participants in India were concerned requirement refers to at least three of the most salient issues. They find this limiting or in other case could be imposing to look and identify issues that their assessment actually does not capture. Also participants questioned how risks assessment on



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different topics, e.g. environmental vs social could be carried out, specifically which of these to be prioritized into '3' most salient.

58% of the participants in the Latin America region were in agreement with the proposal. Suggestions or concerns provided include:

- current wording makes it easy for traders to carry out the risk assessment without the involvement of their suppliers.
- the requirement should allow for the option to analyse risks through other referral bodies at local or regional level.
- requirement should refer/include procedure that protects the commercial or customer pressure relationship.

Their suggestions to improve requirement include: replacing the term "assess..." with "identify...", assessment to be annual, mapping scope to all suppliers (not only immediate), and trader organization to align their risks with producer organizations; add (underlined points) in "You update and improve your assessment method every three years"; "*The results of your assessments cannot be used to pressure your suppliers to immediately address identified risks and does not impose any purchasing conditions on them*".

2.2 A NEW Core/Year 0 requirement for a human rights based grievance mechanism

NEW Human rights based grievance mechanism

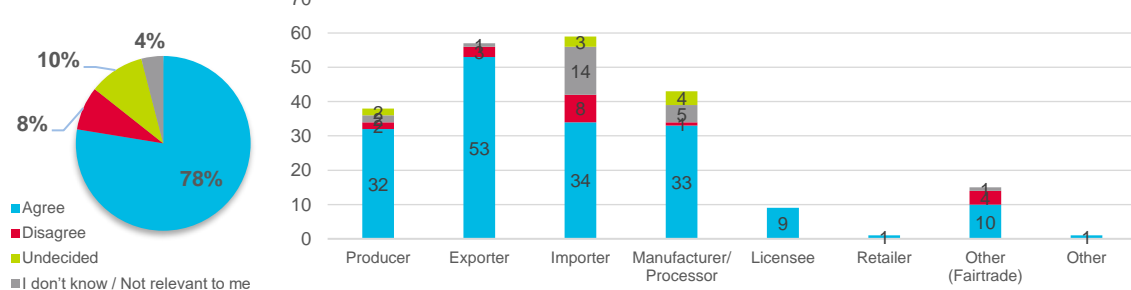
Applies to: Medium, large traders and First Buyers (regardless of their size)	
Core	<p>You have a grievance mechanism which allows workers, suppliers and other individuals and groups, including third parties, to anonymously raise complaints of injustice, harm or fraud linked to your company, including environmental harms. The grievance mechanism:</p> <ul style="list-style-type: none"> • 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 <p>Where you are unable by yourself to remediate the harm in full, you seek to engage other private, public or civil society actors.</p> <p>If relevant, you report human rights violations to the appropriate national agencies.</p>
Year 0	
<p>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.</p> <p>If relevant, you report human rights violations to the appropriate national agencies.</p> <p>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".</p>	



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Written feedback:

Question 2.2-1



173 (78%) of the stakeholders agree with the proposal. An importer mentioned in addition that this should be at the level of sector initiative, not a company initiative. An NFO respondent suggested that this requirement should also refer to a sector-wide or regional grievance mechanisms as long as these meet the requirements. They find that with such regional or sector-wide grievances, it would be of a less burden for traders and ensure that producers don't have to navigate a chaotic landscape of individual grievance mechanisms. Their suggestion is to rephrase the requirement into "You have or participate in a grievance mechanism". Another stakeholder suggested to rephrase into "you maintain a list of the complaints received and the corresponding measures taken to address them. In case no / too few grievance have been registered, you analyse why and try to remediate obstacles for grievance mechanism functionality."

18 (8%) stakeholders disagreed explaining that it is very complex to set up , requires to involve experts if it is intended to be meaningful. Respondents flagged about cost of operating an internationally available grievance mechanism that should be available in the many languages spoken in a specific supply chain. When it comes to implementing an effective grievance mechanism, it would take a lot of sensitisation to reassure workers in supply chains to have trust in and confidence to use the grievance mechanism. Several stakeholders recommended that grievance mechanism is established at a neutral level, e.g. Fairtrade or producer networks. This would have the advantage that there would be a single, neutral grievance body for producers. They find that Fairtrade is well placed to develop a grievance mechanism that is internationally recognized and could then cascade such intel to buyers in the supply chain to capture risks in HREDD risk assessment, and for buyers to leverage their relationship with Fairtrade producers to support and engage in remediation (where applicable). Some other suggestions include:

- replace "if relevant, you report human rights violations to the appropriate national agencies" "Report to or refer to appropriate authorities and/or expert organisations as per grievance mechanism and always in the case of a criminal offence"
- make more explicit that grievance mechanism is accessible to women and vulnerable groups. i.e. not only anonymity and protection against retaliation but also the accessibility;
- replace "harm or fraud linked to your company" to "harm or fraud linked to your company or to which your company is directly or indirectly causing or contributing too."
- Add environmental harms/fraud in the reporting to national agencies on HRs violations

A Fairtrade member organization respondent suggested to keep this as a voluntary practice for trader that do not trade in the EU. This is not only because it is costly but also there is confusion around the required processes of the mechanism and the intended audience. The sample/example templates would be of use to demonstrate that grievance mechanisms don't have to be costly/complicated. One of the ideas is to replace this requirement with the proposed requirement for small trader (proposal 2.3). Others from this stakeholder group suggested to make this requirement applicable on Year 1.

23 (10%) were undecided and highlighted that this should be in the interest of every actor operating along the supply chain to investigate the conditions of their workers. Similar to other stakeholders group



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an EU importer referred to the need for a grievance mechanism within the Fairtrade model because they don't find themselves in the right position to know local laws and unions in producer regions. This was opinion was shared by other stakeholders including those from North America where e.g. an importer employs only 10 people but falls in the category of medium size trader organization. Also they find that joint mechanisms are more effective in reaching rightsholder in producing countries.

While one other stakeholders found requirement too prescriptive and also questioned how this would work for external third parties, the EU importer mentioned that this would not serve the purpose as it'd just be done on paper that could be checked by auditors/certifiers and that they are outsourcing the grievance mechanism to National OECD office.

Suggestions: to clarify the scope, if applicable to all products all suppliers then they expect a business to split into Fairtrade and conventional and for requirement to be applicable as of Year 1.

They find that producers should also inform their staff/workers about how to deal with potential complaints - either within the producer's organisation itself or beyond that towards the buyer/trader but then its not clear how such responsibility is shared between producer and trader.

Feedback from workshops and webinars:

Overall participants in Africa and Asia region were in agreement with the proposal. Many referred to existing grievance mechanisms in place. A suggestion was made to share internationally recognised human rights or include it in the guidance section.

81% of the participants in the Latin America region agreed with the proposal. Suggestions and concerns raised by those who did not agree include:

- to include a maximum timeframe for the attention and handling of the complaint.
- add clarity regarding the mechanism and channel of communication with suppliers
- to clarify the term "diverse" and the scope of "impartiality", i.e. the Committee should be represented by all parties
- clarify is grievance committee includes officials of the trader's company, as they may be subject to pressure from management.

2.3 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

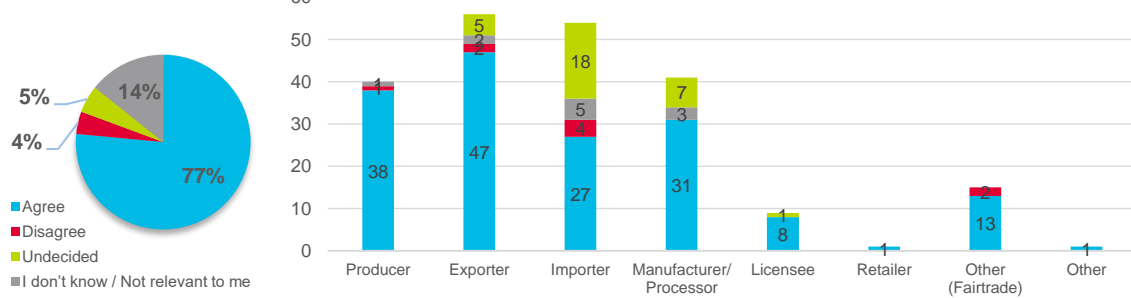
Applies to: small traders, except First Buyers	
Core	You have a written procedure for managing any complaints of injustice, harm or fraud relating to your organisation. The procedure specifies timeframes. You handle and document complaints in line with this procedure and communicate your follow-up actions 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.	

Written feedback:



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Question 2.3-1



166 (77%) stakeholders agreed with the proposal. The EU Licensee/Retailer mentioned that it should be a requirement that within that written procedure a specific person/role in the company responsible for the complaints process. Also this stakeholder recommended for requirement to apply on Year 1 and allow to participate in sector-wide or regional grievance mechanisms as long as these meet the requirements which for small traders could be more crucial to avoid overburdening them.

9 (4%) disagreed with the proposal where an exporter from Africa region suggested to clearly define “complaint/injustice”. An EU importer mentioned that it would be possible to agree if this could be outsourced like with other certifications (Rainforest Alliance), otherwise it would lead to many trade disputes. An NFO respondents suggested for requirement to apply on Year 1.

11 (5%) were undecided on the proposed change and mentioned that the scope was not clear (Fairtrade products or All suppliers). Another importer mentioned that for them, without origin locations, they would lack resources and knowledge to remediate any grievances if they were to arise.

31 (14%) answered I don't know / Not relevant to me, and mentioned that the mechanism should also gender-responsive and consider vulnerable grievance raisers. An EU trader suggested to refer to environmentally based complaints and expressed concerns why would it be expected that there is no implications for producer organizations.

Feedback from workshops and webinars:

71% of participants in Latin America region were in agreement with the proposal and those who did not agree proposed that the requirement should apply to all traders, including 1st buyers and others further provided the following suggestions:

- to implement the requirement together with a risk assessment.
- add that the maximum response time as part of the complaints procedure as 3 months, including communication to the parties involved.
- Add to require an impartial committee or responsible person.
- it should be clear in the requirement that producer organizations can make complaints without consequences or sanctions. In addition, list the provisions that guarantee: accessibility, anonymity, confidentiality.
- to include the term "providers" in the requirement.

2.4 A NEW Core/Year 1 requirement to raise awareness about the grievance mechanism

NEW Raising awareness about the grievance mechanism

Applies to: all traders

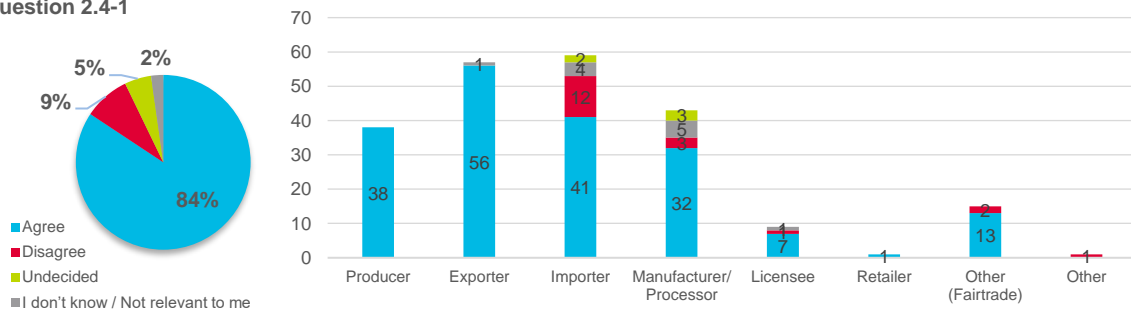


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Core	You inform your workers and immediate-suppliers about the grievance mechanism, and take annual measures to make the mechanism known and accessible to workers, immediate suppliers and other stakeholders.
Year 1	You improve the mechanism and your operations to prevent future harms through regular analysis of grievance cases, in dialogue with key stakeholders including your immediate suppliers and trade unions.
<p>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".</p>	

Written feedback:

Question 2.4-1



188 (84%) agreed with the proposal however an importer/retailer mentioned that the standard in their view should aim to increase benefits for producers and with this proposal that focuses on company’s own employees and direct suppliers it is a missed change to support joined grievance mechanisms and commitments to remediate violations.

19 (9%) disagreed where an importer expressed concern as if they are best placed to ensure that grievance mechanism is available to workers in supply chains. Also they questioned practicality referring to the cost of operating and internationally available grievance mechanism that is available in many languages spoken in their supply chain. Suggestion is thus for Fairtrade to operate such grievance mechanism. Other trader mentioned that mandatory annual information to immediate-suppliers would trigger a flood of information and thus not necessarily be target-oriented. The concern is on the scope not being clear, e.g. who would be the key stakeholder for importer and which unions could be considered for supply chains with more than one tier. Their further suggestions for improvement are:

- change requirement applicability to Year 2, and not annual but every 5 years
- for mechanism to be improved there should be clear action plan with timelines to promote continuous improvement.
- mechanism to be accessible to and trusted by women (e.g. <https://www.oxfamapps.org.uk/grievance-mechanism-toolkit>)
- reference could be made to improving the mechanism with contributions from key, identified stakeholders.
- to clarify – if it’s "to take annual measures" or "to take measures on a yearly basis"
- add clarification to 'trade unions' - *where applicable/available/practiced*
- to define 'stakeholders'
- If improvement of mechanism to be audited, then there should be clarification what would be evaluated.
- to delete "including their immediate suppliers and trade unions".
- (opposite to above) traders should also inform trade unions, be them at company level, local or national level, and other organizations that represent rightsholders, such as workers committees, and who could file grievances on behalf of rightsholders

Other group of respondents strongly disagreed to introduce this requirement. An importer/retailer expressed strong concern on how such mechanism to be installed and measured in a meaningful way. A



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Manufacturer/Processor expressed similar concern on requirement being too difficult to fulfil, as all grievance cases are protected (data protection by law). Another mentioned that trainings every year would not be feasible and it should not refer to any number.

A respondent from NGO/Research suggested not to limit it to 'immediate suppliers' and require all suppliers should be addressed, especially producer organisations.

11 (5%) were undecided, mentioned they would have to rely on individuals/senior members of supplier partners to disseminate their policies because they are not present at origin.

Feedback from workshops and webinars:

In webinars with EU and North America stakeholders they were asked to share measures that organisation takes to ensure that the grievance mechanism is known to workers and to suppliers. Participants mentioned code of conduct and induction for new joiners, complaints questionnaires, whistleblowing policies, supplier code of conduct and some also mentioned posting it on internal website and advertising in training.

Majority of the of the participants in the Africa region were in agreement with the proposal. Some participants with trader and producer role referred to existing grievance mechanism and related processes. Some raised it would be a challenge to involve third parties.

Majority of the participants in the Asia region were also in agreement. Participants also shared how they make sure that grievance mechanism is known to workers / suppliers, by having committees in place, registration forms, reporting box and process that allows anonymity. For workers some reported they display policies and provide awareness training and for suppliers the share the policy and have procedure on needs basis.

76% of the participants in the Latin America region agreed with the proposal. Suggestions and concerns raised by those who did not agree include:

- include "*You report, validate or confirm that the other party has received the related information...*".
- requirement to apply on Year 0
- specify the periodicity of the mechanism, e.g. every six months or annually. Or every 3 years.
- replace the term "immediate suppliers" by "suppliers" only.
- implementation is complex if approached on an annual basis.
- traders need the support of the whole network with monitoring tools, information gathering and training so that they can reach out to their customers.

2.5 Additional implications in relation to the implementation of proposed requirements under Step 2: Identify

Exporters/Manufacturers:

- every industry would need to have their own grievance handling committee/internal committee and frequent training
- apart from grievance mechanism, to also have a severity assessment and referral pathways. Suggestion to make clear that some grievances should always be reported to the appropriate authorities if they are serious criminal offences.
- for companies with wide range of actions, would make simultaneous implementation more difficult and costly. For example, risk assessments cannot be carried out simultaneously on human rights and environmental issues because of the range of action. There should be time/space to address all.

Importer:

- grievance mechanism might become another way to deal with commercial disputes, quality claims etc. e.g. a supplier can claim they are unfairly treated and need to pay quality claims bringing this up as a human rights issue. It's important to prevent such situations.



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- grievance can be qualified as opportunism. E.g. inviting people/communities to share their grievances may result in 'bringing up old cases' that have been already resolved by the high court and there is a risk that personal problems may be falsely related to the company.
- concern about prescriptive nature of the clauses and the associated costs and time required to implement. May not be best placed to operate with this mechanism and would rather suggest a more collaborative approach between buyers/traders, producers, Fairtrade and other relevant stakeholder such as CSOs and NGOs.
- to align new Cocoa requirement 3.2.4 and grievance requirements
- suggestion for Fairtrade to signpost to existing national / other grievance mechanisms that are relevant / credible for the commodities/countries of operation.

Manufacturer/Processor-Retailer

- grievance mechanism is a useful tool but without guidance documentation it is challenging, i.e. LW has been mentioned, and could be a grievance, but it's not clear what constitutes a LW at any point in the chain and who would be deciding when e.g. a mill employee brings up a grievance to trader/retailer about a supplier how should they engage without overstepping into attempting to manage/tell the mill what to do.
- scope of the requirement needs to be more clearly defined - to understand which suppliers, and business entities will be included within the risk assessments.

Fairtrade member organization respondents:

- divided suggestions on whether the scope should apply to Fairtrade supply chain only, or not.
- in 2.1. the expectation is that suppliers are open to discuss risks and local challenges but its not clear how do we prevent cut & run, apart from principles of disengagement in the guide.

Additional feedback from trader organizations is that Fairtrade should revise its approach on many issues, because every company has their own polices and must obey by the rules in their part of the world. One set of rules for all will not work. Another trader stated that with proposed changes they find that Fairtrade is decentralising a part of the audit to importers/traders. Creating platforms for data sharing-cooperation on risk assessment and grievance mechanisms might be the only practical way to prevent general issues. A suggestion from an NGO/Research – to require mapping all supply chains to increase transparency and dialogue between supply chain partners, which would be useful to improve cases when traders (e.g. retailers) do not have any information on their complete supply chain.

• **Additional implications for step two from Latin America region**

Stakeholders were also asked whether they see any additional implications in relation to the implementation of proposed requirements under Step 2: identify. Below is a summary of the feedback provided :

- any implied cost for producers should be reflected in the Fairtrade price.
- a contradiction between requirement 2.3 Grievance Mechanism, where first buyers are excluded, and req. 2.4 Awareness of Complaints Mechanisms, where all traders are included.
- buyers must take responsibility for conducting risk analysis, as well as implementing financing with suppliers for identified risks.
- consider external bodies as mediators and verifiers e.g. FLOCERT should support with the measurement of indicators for monitoring complaints.
- the term "allow appeals" in requirement 2.2 Grievance Mechanism is complex and not precise because it does not specify how appeals should be made.
- Suggestion is to simplify the requirements and unify them.
- Risk assessment and complaints procedures should not create additional burdens that may discourage traders from joining.

Results of inputs provided to the question “***Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?***” are consolidated in the

[Annex 1](#):



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Step 3: Address and remediate

Introduction of topic and overall aim of the proposal:

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.

2. 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

3. 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.



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In this section there were six proposals consulted:

3.1 A NEW Core/Year 3 requirement to develop and implement human rights and environmental policies

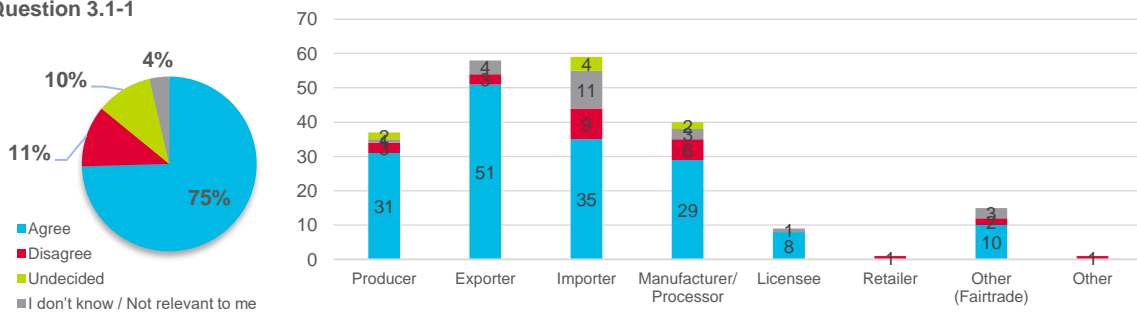
NEW Human rights and environmental policies

Applies to: Medium, large traders and First Buyer (regardless of their size)	
Core	You develop and implement policies on:
Year 3	<ul style="list-style-type: none"> - the three most salient issues identified through your risk assessment, and - sustainable purchasing <p>These policies relate to both your own operations and your supply chains. You communicate the policies to your management, workers and suppliers.</p> <p>You review and revise the policies at least every six years.</p>
<p>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".</p> <p>It is best practice also to communicate the policies to subcontractors.</p>	

Written feedback:

164 (75%) stakeholders agreed to the proposal. Stakeholders who agreed questioned if the three most salient issues change over time, because this is not reflected in the standard and is not clear what/how this to be addressed (by importer) and that selecting the first three risks that deem salient does not seem appropriate (to producer). The latter further recommended for prioritization to refer to development of one or more prevention or remediation measures.

Question 3.1-1



Fairtrade member organization respondents agreed and suggested to improve requirements:

- to make clear/explicit that policies on salient issues are part of the general HREDD and should be based on the risk assessment, but not limited to Fairtrade supply chains. And that then based on these policies, Fairtrade specific action plans should be developed (3.2).
- move - communication to sub-contractors - from 'best practice' to requirement
- change year 3 to earlier time

25 (11%) stakeholders disagreed with the proposal. Producers find that this must be reviewed more frequently to match the risk assessment. Policies and action plans should address the level of severity and all high severity levels of risks should be integrated into policies regardless of their number. Alternatively, the action plan should take into account all risks in terms of Human Rights and the environment but execution could be done by priority.



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Many traders were concerned about “3 risks” – e.g. what would happen when there are more than 3 issues identified or if one trader could only identify 2 and the other 6 within same supply chain. Overall trader share the opinion that it should not be about developing policies but about developing 'action plans for addressing the most salient risks' and also not about a fixed number of risks but rather about the fact if one can demonstrate that the identified risks – are indeed the salient risks.

EU importer suggested that policies should potentially address all human rights and environmental impacts. While UK importer mention that it may not be appropriate to develop a policy (even) for all three issues, as some of the issues could be out of companies' control or may require actions of suppliers that are unreasonable. They find policy – a heavy tool and can do their work without having a policy. Others stated they can't develop policies specifically designed to address the top three issues in each supply chain for items that they purchase, because they buy a diverse array of agricultural, manufacturing, and packaging materials. Fairtrade should avoid being overly prescriptive, as this may result in a focus on policy drafting instead of on meaningful due diligence. Most salient issues could differ in the supply chain vs own business, the focus should be on the supply chain to be beneficiary to producers. Thus companies should be able to prioritize on their activities tackling the risks, instead of writing policies. Suggestions from others included:

- review cycle should allow to incorporate emerging best practice, given pace of change in the community.
- change requirement applicability on Year 3 to earlier timelines, because this requirement is key to drive compliance across a supply chain.
- policies could be updated whenever necessary (as per the international guidelines)
- rightsholders and their representatives (trade unions, cooperatives) should be consulted in the development of the policies to ensure that their needs are actually addressed.
- risks and suppliers should be prioritized based on the risk presented
- require companies to have a company-wide policy that covers all relevant human rights, and within this policy traders to prioritize which impacts to tackle first based on saliency (scope, scale, irremediability) and then could develop specific policies to tackle these salient risks
- 6 year cycle is too long, as reality changes quickly

Some of Fairtrade member organization respondents suggested for this requirement to apply as a voluntary best practice to non-EU traders. They are also concerned about how this will be audited, specifically if salient issues will be identified outside of Fairtrade supply chains, thus the scope should be limited to Fairtrade supply chains. Otherwise for a company that operates in complex supply chains with non-Fairtrade-able products it would be challenging to comply and there will be limited benefit if they do not trade in the EU markets. An NGO/Research respondent agreed with the proposed requirement as policies should be in place but from the beginning, so it should apply on Year 0 (in case a risk has been identified) and policy revisions should be conducted on an annual basis, if a revision is necessary.

23 (10%) stakeholders were undecided and to many stakeholders in this group the scope was not clear, i.e. as to whether it applies to Fairtrade products or to all. One of the stakeholders stated they already comply with CSRD however can only comply with proposed requirement if risk assessment would be required for all producers (not only Fairtrade). The focus should be rather on the implementation than on policies. It is rather more relevant to commit to sustainable purchasing practices however for identified salient issues – there should be an action plan and this could happen that within their business's HREDD approach, the salient issues may not be linked to Fairtrade sourcing. A UK trader disagreed with proposal because they find that a policy, is generally a permanent document and human rights risks evolve and adapt. One other stakeholder mentioned that traders in Japan in general have limited Fairtrade business activities and thus salient issues may not be linked to Fairtrade.

Other Fairtrade stakeholder suggested that 'supplier/ supply chain' scope should be define and mentioned it would be very challenging for traders to develop & implement the policy including action plan, if a trader is based in an importer country and either don't know their full supply chain well (due to fact of not being



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informed by their suppliers) or because supply chain is complex e.g. when they source from exporters and exporters source from a number of various producers.

Feedback from workshops and webinars:

In webinars with EU and non-EU traders, participants had divided opinions. Some found that developing policies would be beyond their scope, others find this as an important step. Participants also had concerns about how this would be verified.

In Africa and Asia regions participants were asked to categorize if implementation of this requirement would be challenging and in all workshops this requirement was not the priority for challenge.

61% of the participants in the Latin America region were in agreement with the proposal. The following suggestions were provided:

- the timeframe for review and modification of policies should coincide with risk assessment review times of at least every year or 3 years.
- the requirement needs to indicate that policies and guidelines consider specific actions aimed at working with your suppliers and supply chain. Suggestion-to include: "You develop and implement policies built with your suppliers...".
- add "reporting", not just developing and implementing.
- change the period of the requirement to Year 1, in the same way as producers are asked to do.
- change into: all risks that Fairtrade prioritizes along with the risk analysis of your suppliers.
- define "sustainable sourcing" and its scope (e.g. environmental, economic or social purpose).
- to include subcontractors in the scope of the requirement.

3.2 A NEW Core/Year 3 requirement to develop and implement an action plan to mitigate, prevent and remediate salient issues

NEW Action Plan

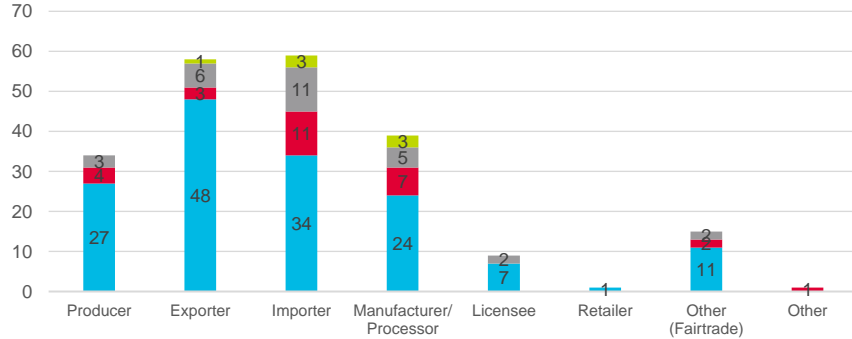
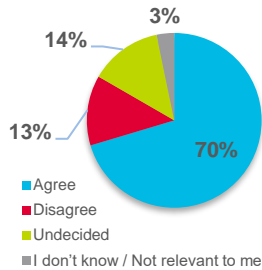
Applies to: all traders	
Core	You develop and implement an action plan to mitigate, prevent and remediate your salient issues, including at least the issues covered by your policies.
Year 3	<p>For the identified salient issues, you develop an action plan for one type of activity from the list below</p> <ul style="list-style-type: none"> • 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") <p>You have at least three types of activities in your action plan.</p> <p>For large and medium companies and First Buyers, this action plan is informed by dialogue with suppliers (see requirement "Dialogue for suppliers").</p> <p>The plan is revised annually to keep it up to date.</p>
<p>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".</p>	



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Written feedback:

Question 3.2-1



152 (70%) stakeholders agreed to the proposal. However their concerns were about how the requirement can be implemented when they do not have direct contact with producers. Most of other additional comments were provided by Fairtrade member organizations and suggested the following:

- to develop action plan template for small traders who are not first-buyers. Because especially for small traders (not first-buyers) it is not clear if purchasing within the Fairtrade system covers the above mentioned activities (dialogue & collaboration, training sessions for awareness raising & training)
- add to the requirement that results of action plan should be monitored and those results should be shared with the concerned stakeholders (workers, suppliers ...)
- improve clarity on the scope, that actions to be taken within Fairtrade Supply Chains.
- improve requirement text, to be more clear about how many separate and cumulative actions and activities need to be taken. Suggestion to change into: "*Your action plan must include at least one activity per identified salient issue from the list set out below ...[.]. You have at least 3 activities...*" (not 3 types of activities) so that at least 3 salient issues must be addressed in the action plan
- Improve clarity that producers should be informed about buyer’s action plan, there should be more interactions between supply chain actors while addressing risks in Fairtrade supply chains.
- Require at least 2 salient issues in Fairtrade supply chain are addressed

Without proposed changes there is a possibility that traders could prioritize risks outside of Fairtrade supply chains because according to some (traders) Fairtrade intervention covers to some extent risk mitigation and prevention. An NGO respondent this requirement should apply at earlier timeline.

28 (13%) stakeholders disagreed questioning the specific number of activities in the action plan, feasibility to implement (e.g. due to small staff), time for review that is not aligned with other requirements, confusing wording in relation to action plan and that if plan to refer/include all three types of activities it would make this very challenging and inefficient for implementation. Mandatory support of suppliers will eventually lead to negative consequences regarding the business relationship. Suggestion is to keep 3 types of activities as a recommendation and 3 years for review frequency.

An importer & NGO respondent flagged that the action plan should be developed together with rightsholders and not just suppliers, and not only large and medium-sized traders to consult with their suppliers but all. Also, it’s important that “action” is not pre-determined nor determined by the company/trader alone based on a limited list of actions. Traders should not simply pick and choose the (type of) activity that is easiest to implement (likely training of own staff) but choose the types of activities that are most suitable to address the salient issue.



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An importer from France disagreed that the expectation is that each supplier to receive an action plan which would make it not scalable. Suppliers should be prioritized for remediation based on the prioritized risk/scale of risk.

A North America manufacturer/processor flagged that they expect their sourcing partners to identify and remediate issues and that their sustainability strategies do not include every material that they purchase, but only Fairtrade products. Since they buy a variety of raw and manufactured materials, this proposed requirement extends beyond the reasonable threshold for partnership with Fairtrade.

Fairtrade member organization respondents suggested to keep this requirement as voluntary best practice for traders that do not trade in the EU. Another concern is on applicable scope – ‘all traders’, when 3.1 (developing the policies) only applies to medium or large traders and first buyers. It is also not clear how small traders would be expected to develop action plans to mitigate against issues outlined in policies that they have not been asked to identify and how would small traders be expected to influence global traders or salient issues in their supply chains.

Other suggestions:

- the amount of actions has to be dependent on what is actually necessary.
- applicability of year 3 is too late, it should start from year 0 (as soon as an issue has been identified).
- to be applicable only to large and medium sized traders and first buyers

Finally, if the goal is to not have salient issues then why would one be expected to invent issues in order to comply. Another respondent mentioned that for them it is already a common practice that trader sites are audited against social standards such as SMETA or BSCI and audit frequency is based on risks, at least every 2 years.

29 (14%) stakeholders disagreed because the applicable scope was not clear to them (i.e. Fairtrade products or all products), or they do not find it useful for their company or completely not feasible because of complexity of their supply chain (Italy & UK traders, mentioning 19 origins) which would become an obstacle to purchasing due to time and cost . One stakeholder mentioned they overall support inclusion of concrete activities and action plans that would be a valuable tool to prevent and mitigate, however instead of introducing the new approach with 3 policies, 3 topics, one action etc, standard should recognize the risk assessment and mitigation approaches of companies that already exist and in some ways may even go beyond what Fairtrade proposes. With a similar view UK importer mentioned that instead of prescriptive wording there should be flexibility to allow for more collaboration on remedial action plans e.g. when a trader play supportive role in the situation when they work with several buyers and/or be lead by their supplier. Suggestion in this group was that stakeholder can be informed of the action plans and mitigation rather than consulted.

Feedback from workshops and webinars:

In webinars, some participants from UK (importers), Latin America region (exporters) and India (exporters) have flagged that among all requirements under Step 3, action plan would be challenging for them to implement.

Participants in the Africa region had divided opinions where some participants found that sharing the action plan is useless.

61% of the participants from the Latin America region were in agreement and others expressed following concerns and suggestions:

- to include "at least one action plan for each type" and do not make it optional.
- specify the scope of the "support to your suppliers", such as: financial support, consultancy, among others.



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- the statement to include: "You implement an action plan to mitigate and prevent, and measures to remedy serious violations should they occur"
- requirement to be explicit that if there are complaints or allegations prior to the development of the Action Plan, these should be addressed immediately. Also that the Action Plan should consider the risks identified by your suppliers.
- to define a co-investment indicator and include the term "co-financing".
- to include stakeholders in addressing risks and in the elaboration of the Action Plan.
- add timeframes for implementation of the activities mentioned in the Action Plan
- the term "problems" to replace with "prioritised risks" and the term "collaboration" with "engagement".
- there should be flexibility with regard to what type of activity should be addressed but do not limit the number of problems to be addressed.

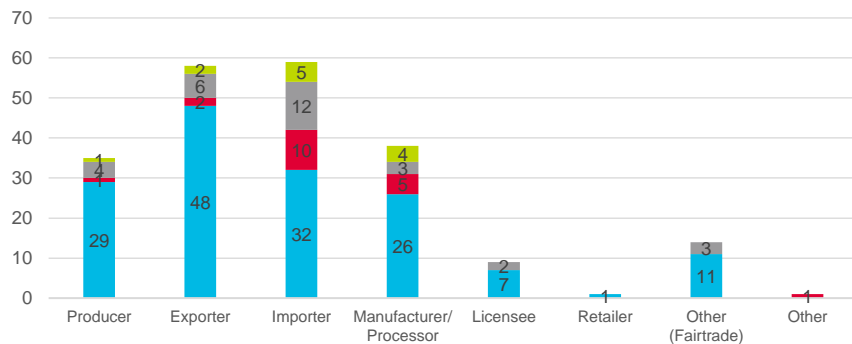
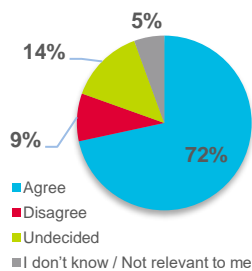
3.3 A NEW Core/Year 3 requirement for participatory and inclusive planning when preparing an action plan

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.
Year 3	Your current action plan is approved by your Board. You share the implementation report from previous plans with the Board.
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" .	

Written feedback:

Question 3.3-1



154 (72%) stakeholders agreed with the proposal. Further they flagged to add clarity on how different stakeholder groups are to be consulted, and if there any concrete expectations regarding the content and/or frequency of the implementation report. Fairtrade member organization respondent finds that this would incentivise traders to ensure that dialogue is taking place and requirement is easier to audit. Therefore, specific suggestion is to link this requirement more explicit with Fairtrade suppliers adding a reference value (to consult 2 or 3 biggest/smallest Fairtrade suppliers) and "if needed external experts". An NGO respondent agreed with the proposal but finds Year 3 applicability is too late.



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19 (9%) stakeholders disagreed with the proposal stating that it would not be possible to get action plan approved by the Board of Directors (Japan, manufacturer/processor) or that it would be too onerous because Boards have many responsibilities over many commodities (France, importer). Others mentioned they already comply with CSRD and see no reason in addition to do more work to comply with proposed requirement. Specifically, North America manufacturer flagged that building action plans that are responsive to the risks in every supply chain falls beyond the reasonable scope for partnering with Fairtrade. In addition stakeholders suggested the following:

- either to completely remove 'internal and external experts' or make sure it's not mandatory
- to include labour unions, women's organisations, etc. I.e. Rightsholders and stakeholders (who of course can be experts as well, but do also have a stake)
- (instead of approved by Board), the Board should be notified in the most serious cases of human rights abuses (forced labour) and gross environmental violations and approved by senior management/managing director.
- Proposal 3.3. is an explanation for implementation of 3.2, thus the current requirement could be removed when combined with 3.2 which would reduce number of requirements.
- to be applicable from year 0

30 (14%) stakeholders were undecided due to unclear scope (Fairtrade products or all), or similar to the group above – could not agree to have the action plan approved by the Board. One stakeholder suggested instead of 'participatory planning', to expand the scope to e.g. "companies approach on risk prevention and mitigation". Others flagged this whole proposal is not feasible to implement in complex supply chain. UK importer suggested to avoid being too prescriptive and to improve wording allowing for more flexibility to collaborate on remedial action plans. It may not be appropriate to consult all of the identified stakeholders in the preparation of all action plans.

Fairtrade member organization respondents suggested for this requirement to apply as a voluntary best practice for traders who do not trade in the EU and that in Japan such requirement may be too strict as there is no law in that defines responsibilities for human rights due diligence.

Feedback from workshops and webinars:

In webinars, traders from Switzerland, UK, India and Latin America countries selected 'participatory planning' as a challenging to implement among other requirements under Step 3.

68% of the participants from the Latin America region were in agreement and others expressed following concerns and suggestions:

- change requirement to one of the options:
 - "*You consult and agree with your staff, suppliers and internal and/or external experts to identify, prioritise and include effective activities when preparing your Action Plan*".
 - "*You engage, design, develop and build your Action Plan with your staff and suppliers, as well as external parties that can provide support*".
 - Consultation process to consider views of your staff and suppliers and included in the Action Plan before it is drafted
 - "suppliers should be informed of the results of the Action Plan".
 - Replace "is approved by the Board" with "is approved by the highest decision-making body", depending on the type of company, society, cooperative, among others.
- Action plan to be updated on an annual basis
- There should be a process to involve producer organizations
- Suggested that trader publishes the Action Plan in public places, e.g. website. In addition, the trader should provide a means to receive suggestions and/or recommendations within a time period.

3.4 A NEW Core/Year 1 requirement to have a procedure for remediation if human rights or environmental violations are identified

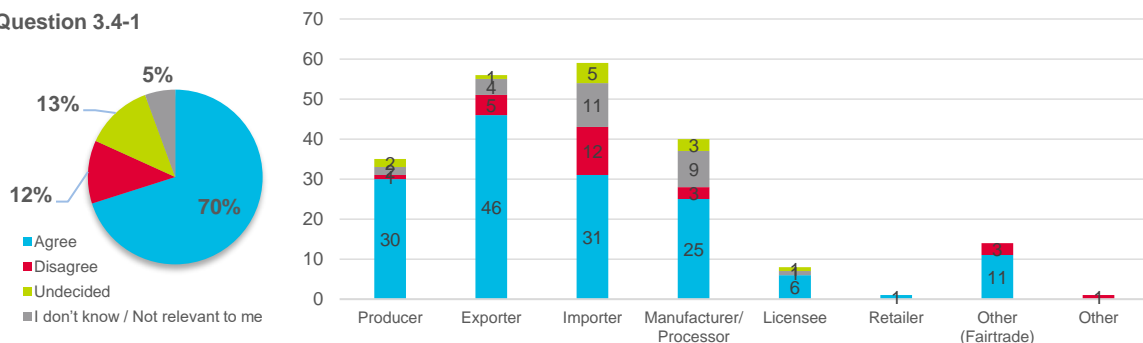
NEW Remediation procedure

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	
<p>Guidance: remediation measures can have many goals, including:</p> <ul style="list-style-type: none"> - 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 <p>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.</p> <p>Your buyers and/or public authorities may have a responsibility to cooperate in remediation. You may also engage non-governmental organizations.</p> <p>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.</p> <p>For further guidance, please see A Guide for Small- and Medium-sized "First-buyers".</p>	

Written feedback:

150 (70%) of respondents agreed and suggested to add "*any case found in which you have caused or contributed*", to make sure traders are not overburdened by all cases. An exporter from Latin America flagged that engaging with public authorities would be complex and sensitive due to political context. A North-America importer expressed concern as to why is this applicable to North America buyers and also suggested to change the last point on "public authorities" into – "*engage Public authorities only when is legal requirement*".

Question 3.4-1



25 (12%) stakeholders disagreed stating that either they find it's not their responsibility (e.g. exporter from Mauritius), or that they needed further clarification to avoid confusion on what is needed and suggest to align this wording with OECD (<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>), e.g. "*You provide for, or cooperate in, the remediation of any case found.*" to change and align with guidelines into "*when appropriate*". Instead of requiring to have remediation procedure, suggestion is that focus is on proof of remediation and a remediation process.



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- add a requirement: you annually report on the number of remediation cases you were involved in and how many were solved.
- provide clear guidance on how to assess if an organization contributes to any harm or is (only) related to a harm.
- to be applicable from year 0 (as soon as a violation has been identified).

Some stakeholders find that it is impossible to prepare a precise procedure for violations in advance and instead it would be only possible to define responsible persons who will deal with these issues when they occur. Suggestion for corrective action plan - to align with UNGPs, LkSG, because there is no one-size fits all solution for remediation.

US Importer and Manufacturer/Processor mentioned they would only cooperate with remediation activities and rely on Fairtrade certification of the producer organization to oversee identification and remediation of suspected or actual wrongdoing. So that if zero tolerance criteria are violated, Fairtrade is to take appropriate action to suspend or revoke that entity's certification and cease supplying that material to traders until the issue is resolved.

Fairtrade member organization respondent suggested for this requirement to be applicable on year 2 or 3, or allow this time to adjust (as a transition time). Another respondent here recommended this requirement to be voluntary for non-EU traders, and explained that companies in their regions would not sign this. They also suggest to define clearer:

- how contributions to environmental violations be understood, for example, would a plastic coffee lid contribute an environmental violation
- what 'provide for or cooperate in' means. e.g. how it is defined in EU legislation
- what 'caused or contributed to' means. suggestion that it is something reasonably within their control (e.g. they contributed to violations if they paid less than the FTMP)

12 (5%) responded 'I don't know / It's not relevant to me', explaining that its difficult to adjust prices from producers to buyers and implementation of this requirement requires the awareness of each stakeholder or because it just not clear (no example) how they could contribute to violations when they have no presence in the countries of production (EU importer). Many EU and Non-EU traders agreed that a general procedure might not work well in the sense that identified human rights violations are too heterogenous in nature. For example, every pricing negotiation (even if prices remain stable) could be taken as a reason e.g. for letting workers at the producer organization work over-time and not getting paid fairly. As a big grey area, it requires a neutral party to mediate in cases of disagreement on responsibilities. Also it's not clear up to what amount the remediation should do and if any insurance would cover this if violation takes place despite carried out due diligence.

Several stakeholders flagged about overlap of proposed requirement on remediation procedure (here) with action plan for remediation and with requirement 'supply chain dialogue'.

Feedback from workshops and webinars:

In general, the participants from Africa and Asia regions were in agreement but wanted more clarity on the term cooperate and when found it challenging to implement, explained that this is because of the diversity of the stakeholders participating the planning and for establishing remediation. It would be difficult to come one decision.

64% of the participants in the Latin America region agreed to the proposal and the majority were not in agreement. The following concerns and suggestions were raised :

- to specify the type of cooperation to be provided for remediation and who is involved
- to include the statement "full and comprehensive remediation cannot depend exclusively on companies and requires the participation of the State as a guarantor of rights".



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- Consider adding clarification - if a case arises, funding should be provided to suppliers for remediation.
- buyers to report on their progress to the Org. and the means to measure it should be in place.
- to establish and define timelines for resolution and remediation of cases.
- Change the second statement to "You involve your suppliers, buyers and local authorities.

3.5 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.

Year 1 You present your action plans and remediation activities and invite suppliers to present theirs.

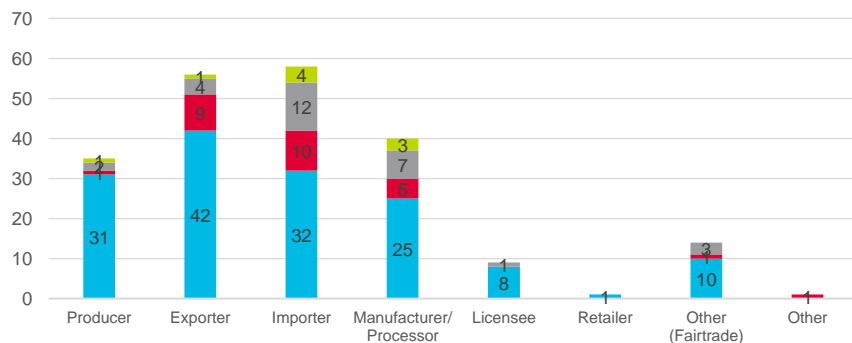
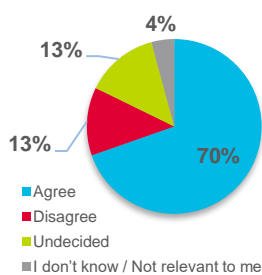
Guidance: your suppliers' priorities and plans inform your risk assessment, policies and action plans, as well as the type and level of support you provide for your largest suppliers (see requirement *Support for Suppliers*). It may also be useful to invite public authorities and/or civil society organisations to join the dialogue. For further guidance, please see [A Guide for Small- and Medium-sized "First-buyers"](#).

Written feedback:

149 (70%) stakeholders agreed with the proposal. While the chart represents the choices of different stakeholder groups, the below comments of those who agreed were provided mostly by Fairtrade member organization respondents. All other stakeholders, including traders and producers have provided their comments that explain their reasons to 'disagree' with this proposal.

Those from EU region, further suggested to add more clarity in the requirement that explains the purpose of the dialogue is to improve better understanding of each other's challenges and risks, to eventually make sure that risks are addressed jointly. Overall their point is that traders should understand this would improve effectiveness of the measures they undertake and add stability to their supply chain. It's important to consider feasibility to carry out such dialogues by large traders, who can not have this for all suppliers. Thus suggestion to introduce some reference value or the criteria for stakeholder group, to indicate which stakeholders must be involved considering logistical challenges. It's not clear to them how action plans could be aligned in the chain, because traders that belong to the same supply chain may have different focus.

Question 3.5-1



Further their suggestions are:

- make clear reference to Fairtrade suppliers



- to align on timelines, if development of action plan is to be on year 3, it's not feasible to present this in year 1.
- regarding the reference value/stakeholder group size and type, the following options suggested:
 - o a reference value for the number / selection of suppliers, either geographically (for each of the supplier countries / regions) or sectoral (for each commodity they trade e.g. 3 suppliers)
 - o by volume (the largest and smallest, as these are particularly vulnerable, suppliers need to be included in the dialogue e.g.)
 - o limit this requirement to top 10 suppliers or largest suppliers covering 80% of turnover,
 - o most risky suppliers according to risk assessment (since smaller supplier are particularly vulnerable).
 - o exchange with 2-3 suppliers per region or commodity.

An importer suggested to replace 'enable' with 'you engage in dialogue and collaboration'.

27 (13%) stakeholders disagreed with this proposal. Stakeholders with exporter/manufacturer role have expressed disagreement because they find this requirement in facts stipulates to put pressure on suppliers and contradicts with intention of requirement. Specifically requiring to present action plans and inviting stakeholders to present theirs, because these include confidential information, especially when it comes to individual remediation. Instead of action plans a policy document could be used.

EU importer mentioned that for a given supply chain, suppliers and trader should work together on action plans if they have identified the same risks - there is no value for each to identify and develop separate action plans for stakeholders from the same supply chain. Other EU importers questioned how it would guarantee an open dialogue if there are high commercial dependencies and that shared information between importer and exporter is assumed to be very theoretical and they find it as if they are required to audit the suppliers. EU manufacturers stated it is difficult to define the type and level of support, and others either mentioned that they do not share such information to suppliers or that suppliers would not share such information with them. The other suggestions are:

- add wording/examples to the rationale
- change applicability to Year 3, to align with proposal on Action Plan (year 3)
- the requirement should mainly focus on first buyers.
- add timeline how often at a minimum such engagement should be repeated, e.g. maximum as 3 years between the engaging event
- improve wording to avoid top-down approach, into: *'Come up with an action plan or remediation activity together with your supplier to help remediate the identified issue'*
- to replace: *"You present your action plans and remediation activities and invite suppliers to present theirs"* by *"Collaborate and initiate dialogue on action and remediation plans when its impact on suppliers and other stakeholders is significant"*.
- to add: *"You also invite stakeholders and rightsholders to have an active role in this dialogue and you ensure that women (and women's representatives) are able to actively participate. If necessary, you provide financial, technical or other support to ensure the active participation of these groups as they might face particular barriers."*

Overall many traders find implementation of this requirement as very challenging, causing too much administration and increased cost. Their opinion is that eventually implementation may remain on paper because conversations with suppliers are taking place anyways, but it should not be an obligation to ask suppliers to share their biggest risks. Stakeholders trust for Fairtrade to ensure this dialogue is happening at the right tier of supply chain, e.g. between farm owners and workers, or between cooperative and farmers etc.



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29 (13%) stakeholders were undecided because the scope was not clear, i.e. if this requirement would apply if the identified risk is not in the Fairtrade supply chain. Others stated the supply chain structure is very complex and they don't have the tools to carry out such activity properly. One of the importers with complex supply chain suggested that the only feasible way would be to do it for key suppliers. However many raised serious concerns regarding confidentiality when it comes to sharing data about violations with companies who (according to them) have no need to know about these violations.

A Fairtrade member organization respondent suggested for such requirement to be applicable as voluntary for Non-EU traders and are concerned about increased burden put on trader to collaborate with all their customers.

From the certification perspective, the concern is that it's not clear what auditor would need to check on 'enable dialogue' and the scope expected when it comes to 'suppliers'. For example if 'written invitation to dialogue to the immediate supplier' was not answered/ no proof of any response, it's not clear if this would this be enough as a proof for compliance check

Feedback from workshops and webinars:

Participants in workshops expressed many concerns with implementation of this requirement. Both in Africa and Asia regions they found it one of the most challenging and that in such dialogue it's for largest suppliers to play crucial role. Participants in Africa also flagged that implementation should come from perspective of highest risk, and suggested to improve wording from 'present' to 'share'. Dialogue can't happen with all suppliers, it needs to be the direct suppliers.

71% of the participants in the Latin America region agreed to the proposal. The following concerns and suggestions were raised :

- change the first sentence into "You promote continuous dialogue with your suppliers in the supply chain and contribute to the implementation of actions proposed by producers to avoid harm to human rights and environmental damage".
- Flagged contradiction between the requirement that proposes a period of Year 1 and the requirement on participatory planning that is applicable on Year 3. It is proposed that the two requirements start from Year 1 . either both to start on year 1 or both on year 3
- add direct invitations to suppliers for discussion sessions at least once every 3 years, with interpretation into different languages
- add: "You undertake to financially support the actions set out in the suppliers' Action Plans, once they are known, especially when there is correspondence in the actions defined in these plans". Specify that this contribution should not come from the FT Premium.
- the commitment of the parties needs to be established and the person responsible for monitoring and communications needs to be defined. This should not be a compliance criterion, but a good practice criterion.

3.6 -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.
Year 1	You do not put pressure on suppliers to accept the type of support, nor do you make this support a condition of purchase.



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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.

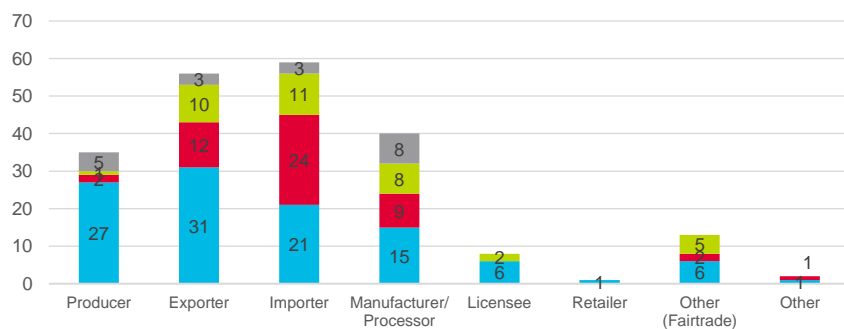
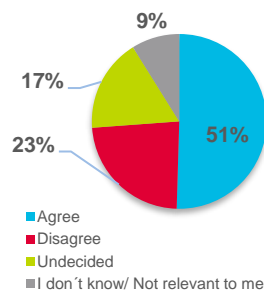
If your immediate supplier is a producer organization, they may have included costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.

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"](#).

Written feedback:

Question 3.6-1



108 (51%) stakeholders agreed with the proposal. Similar to previous proposal, the chart represents the choices of different stakeholder groups but the below comments of those who agreed were provided mostly by Fairtrade member organization respondents. They indicated importance to have this requirement or a similar alternative in the standard. Having these (and producer) requirements would ensure the HREDD requirements are implemented at the producer level.

The suggestion is to further improve requirement relating it to Fairtrade suppliers and adding explicit link with other requirements, and to consider other points:

- link this requirement to “action plan” and “dialogue” (e.g. requirement 3.2. etc.) to make sure all refer to the same suppliers;
- change wording/language in 3.2 and 3.6 – to differentiate ‘optional support’ in 3.2 and mandatory support in 3.6
- revise applicability (Year 1), e.g. current proposal for 3.2 action plan is Year 3 where there is a reference to provide support.
- limit this requirement to a certain number of Fairtrade suppliers.
- to clarify if this requirement is limited only to identified salient issues

An EU trader recommended that level of support should be somehow proportional to the size of the organization or the purchase.

50 (23%) stakeholders disagreed with proposal, where an exporter from Africa and Middle East region stated that for suppliers to develop a sustainable way over long term, first buyers must disengage from supporting and financing them. While another exporter from the same region was of an opposite opinion stating that it is medium and large brand owners who should be responsible for supporting and working with their suppliers and producers. For an exporter with function limited to product logistic, cost of prevention, mitigation and remediation is too high. Another exporter here mentioned that besides additional costs to trader, it does not feel like this requirement is about partnership because a pressure is exerted on traders and disallowed on suppliers. Overall exporters agree that this is not a well balanced approach because they understand it that the addressed party (trader) is then responsible for 100% of



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the relevant processes and that instead, a supplier should rather use the internally generated funds to implement Fairtrade requirements.

EU importers were of the same opinion that it's too costly, and Fairtrade participation is already very high. They find that monitoring or implementation of any action or remediation activity is difficult or nearly impossible to achieve without any consequences. All risks can not be tackled financially and implementation of this requirement could bring strong disagreement on what kind of support is offered and on the allocated budget. Those who have multiple producers find it impossible to support all suppliers at the same time. The following other comments and suggestions were provided:

- reword into: "you offer support to your suppliers you prioritised in your action plan and engage based on mutual written agreement".
- should not be about cost sharing but about sharing efforts/support. Participation in costs could be limited only to cases when the issue is caused by the buyer or where buyer was involved.
- introduce prioritization of supplier/stakeholder for whom support to be provided
- depends on the size and economic situation of the supplier and should be fixed individually
- improve guidance, it is unclear whether FP could be used
- the wording "support your suppliers with costs" directly infers financial costs which is then contradicted by the guidance
- consider business background of producers, e.g. some producer organizations are multinational organizations (especially among HLOs).
- this cost should be either at the payer level or absorbed by all traders, not just those defined
- not clear what action is needed by the trader to show compliance, e.g. if a supplier will not accept support, is it enough to show the offer was made without affecting trader compliance. Current wording is contradictory, that support must be provided but then states that traders do not put pressure on to accept.
- allow choosing which suppliers to work with, First Buyers should not support the costs of prevention, mitigation and remediation - it should be assumed by different stakeholders in the supply chain
- support can not be mandatory and this goes against the prioritization of OECD guidelines.
- Keep requirement applicable as best practice only

Fairtrade to ensure clarity for traders on the following:

- how costs should be assigned/split, to ensure that all buyers contribute
- how money should be transferred, to ensure that it will only be used for the intended purposes
- would the contribution/money be spent on prevention programs, mitigation OR even offsetting harm done
- if this is similar to offering pre-financing to support suppliers or is it rather offering direct funding to suppliers

Overall many traders strongly disagreed stating Fairtrade is already much more costly than other schemes. Also, they cannot support all suppliers to mitigate their (and therefore traders') risks. Others mentioned that mutual agreement is often hard to find and that Fairtrade should stick to OECD guidelines for MNEs.

Fairtrade member organization respondents find requirement not practical, e.g. the wording implies that licensees engage with their suppliers (the trader) for mutually acceptable support which would mean that in some cases a medium sized company is supporting a large trader. Many licensees do not know who their producers are, so this may not work out and flagged that such burden is a red flag for North America businesses/

37 (17%) respondents were undecided, where an exporter clarified that if similar support is provided from their next buyer as part of standards they could consider supporting suppliers. While other exporter



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mentioned they work with many suppliers (packing materials/can suppliers/carton/boxes etc), who are not all Fairtrade certified and it would not be feasible to convince all suppliers, especially non-Fairtrade.

One of the Fairtrade member respondents suggested to transfer the funds to a common fund and distribute them from the fund to the producers. Partnership needs to be feasible through an NFO, e.g. contribution to a fund and that cost of remediation activities should be shared among all actors of the supply chain. Other mentioned it would increase cost for traders and they may leave Fairtrade.

Feedback from workshops and webinars:

Majority of participants in webinars shared many concerns in relation to implementation of this requirement referring to financial (in)capacity of their organization

Majority of participants in Asia and Africa workshops find this requirement most challenging to implement because it would be financially not feasible and also it was not clear which kind of support is required, would be difficult to come to a mutual agreement and to sure that the targeted party is benefited

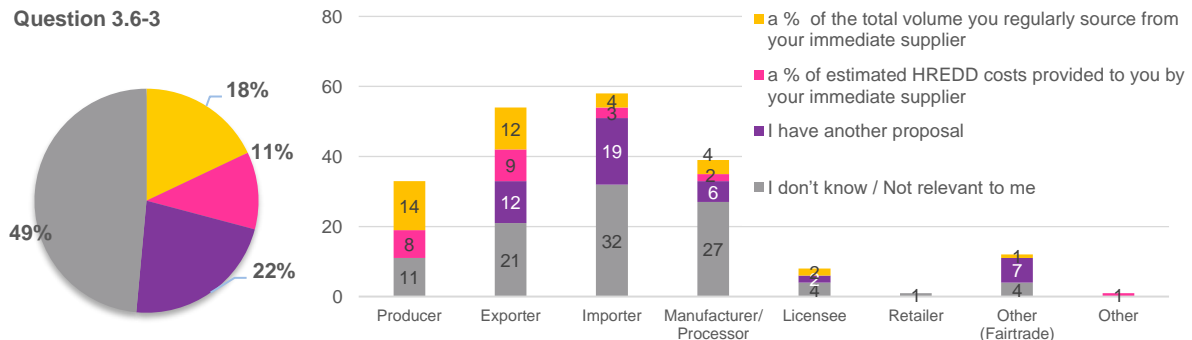
52% of participants in Latin America workshops agreed with this proposal and further suggested:

- to specify in the guidance that the type of trader's support is not only limited to costs, but also includes financial contributions, training, materials, subsidies, others and to clarify how this can be obtained.
- Pass the guidance as a requirement text
- Change the sentence to "You do not pressure or condition producers to accept the type of support, nor do you make this support a condition of purchase or with a market price, sales volume, or commercial conditions, which go in the direction of decreasing the income of both the PPOs and the individual producers from sales".
- Strengthen control measures so that traders do not discount the cost of due diligence elsewhere, e.g. discount for quality, transport, cost of analysis, contamination.
- clarify the term "mutually acceptable" and how it will be audited. and remove the term "financial facilitation", "additional" and make sure this should be in addition to Premium or Minimum Price.
- Replace the term "support" with "commitments" and the text "You support..." with "You commit to co-finance your suppliers...".

3.6-3: Do you have any suggestion on feasible approach how support with HREDD costs could be provided?

Written feedback:

Question 3.6-3



242 respondents replied to this question. Out of 4 proposed options, 100 (49%) respondents replied 'I don't know/Not relevant to me', which was followed by 46 (22%) who answered 'I have another



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proposal', then 37 (18%) who chose the option 'a % of the total volume that is sourced from immediate supplier' and 23 (11%) 'a % of estimated HREDD costs provided by immediate supplier'.

Those that chose '**another proposal**', suggested the following:

- mutually agreed goal between both parties.
- as a fixed part into the minimum price to make sure retailers/ consumers pay the cost. Free funds from donors and social lenders can be allocated to this as well.
- % of Fairtrade Premium
- a fee in the contract
- depends on salient risks and also what other support the supplier may receive already.
- up to negotiation between trader and immediate supplier, provided that it is clearly documented.
- a % of the total transaction that customer or clients in the country destination pay for the product.
- allow traders to choose the type of support - either financial or in-kind or both, support to be project based (e.g. some suppliers may need more support than others even though their sales volume could be lower).
- through collective Fairtrade Producer Networks based on income from fee and public-private projects.
- depending on type of remediation work to be completed: e.g. how many producers, if it is it a systemic issue (would require collaborative change) or individually identifiable root cause.

There were also trader that stated such funding approaches should not be prescribed in a certification standard and that there needs to be sufficient ability to discuss case-by-case.

Stakeholders find that retailers must be required to support producer organizations with the cost for HREDD. A fixed cost component that is applicable to all traders is necessary, ideally via pricing (increased FT Minimum Price and ideally also a fixed Premium). However the risk is that new FMP would lead to significant increase of price for every product .Thus their suggestion is to encourage traders to enter pre-competitive collaboration, when a fixed (HREDD) price could be negotiated into a retailer price. Other suggested to refer to existing tools such as Climate Academy or Producer Network support on the ground, as a support with HREDD costs. Otherwise there will be fewer brands choosing to be certified.

Traders with multiple suppliers would find it challenging, and it's not clear if the intention is that trader to support traders.

Feedback from workshops and webinars:

Participants in Latin America workshops had divided opinions on proposed options, where 40% were in favour of the option when % had to be provided by the supplier and 30% were in favour of % of total sourced volume. The rest suggested alternative options:

- % to be agreed with the trader.
- in-kind support, e.g. hiring of professional staff in Due Diligence for 1 year.
- should be agreed in the Action Plans established in the previous dialogues,
- should be a voluntary contribution.
- to combine options 1 and 2, i.e. the co-financing should be an estimate of the costs of the Plan, but depending on the volume that is purchased.
- rather to have a specific policy focused on pricing, which contributes to costs and develop projects with fundraising, governmental entities.



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Additional implications in relation to the implementation of proposed requirements under Step 3: Address and Remediate

Cost implications

- (SPO/Exporter) remediation costs could be a problem if the cooperative does not have a sufficiently certified market and in addition - intervention of external experts also has a cost. It is therefore necessary to ensure that the cooperative can afford them.
- (Exporter) cost and confidentiality implication
- (Importer) after inflation, costs of compliance will impact again final consumer who eventually might not be able to afford Fairtrade products, reducing the impact
- customers will be prompted to drop Fairtrade and go for lighter certifications or other solutions, because of high costs and efforts
- (non EU manufacturer) administratively heavy, expensive and loosely defined as to resolution, particularly for medium sized businesses

Unbalanced efforts / producer & trader risks:

- HREDD creates more obligations for small producer organizations, while creating opportunities for consulting and NGO's for providing extra services on risk assessment platforms, grievance platforms, landscape approaches. If this service could be offered on a collective platform by Fairtrade International, open to non-fairtrade (at a cost) and Fairtrade certified (at a somewhat reduced cost) organizations, this would create a model of income generation to support HREDD requirements at the PO level.
- already a high price for Fairtrade products. When the price gets too high because of extra remediation, not possible to sell the products anymore
- trader and supplier might not agree what type of support is acceptable
- traders will select only the producers without any or the less risks and thus low or no costs (i.e. cut&run)

Unpractical requirements / standard scope

- (importer/retailer) approach is too theoretical, requirements are too prescriptive and will not necessarily ensure a quality implementation of due diligence and remediation solutions. Due diligence cannot be undergone with all suppliers every year. Instead in order to achieve scale, suppliers should be prioritized, based on risk.
- traders should make investments in remediation in the highest risk areas, not with every single supplier. Fairtrade should favour depth with certain suppliers, presenting the highest risks, instead of breadth.
- consider how far small (first) buyers really have a sphere of influence on the supplier on this topic.
- supporting suppliers with the costs of prevention, mitigation and remediation should involve small Producers' groups and/or Cooperative of growers but not large companies (HLOs)

Alternative suggestions on provision of support:

- (Exporter) there should be another incentive for clients to support - rather than obliging them, for example: in publications or institutional bulletins that mention their support for producers.
- producers to define the top-three HREDD issues and that the Fairtrade standard require producers to use 60% of the premium to address these issues.
- rather look into finding more systematic approach on collaboration, there should be some benefit compared to current silo approach each company does/could take in following this process. Fairtrade is supposed to connect the dots in such a way that SPOs feel empowered to connect their customers, not penalised when transactional purchasers from Fairtrade producers avoid collaboration
- current sourcing strategy is that sourcing partners assume this responsibility on (importer/manufacturer) behalf to identify, address, and remediate the key environmental and



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human rights issues in our supply chain. Delegating this responsibility to experts, like certification schemes who have boots on the ground, is a much more effective approach to delivering meaningful impact

Fairtrade member organizations responses:

- all requirements should be voluntary best practice for North American companies
- entirety of the HREDD integration into standards is contingent and dependent on the agreement to support for suppliers throughout the supply chain in order to ensure adequate financing of PO measures. This may require ensuring that such costs can in turn be recovered by Traders from the Retailers.
- not clear that we only refer to risks in Fairtrade supply chains in the identification and prioritization of salient issues which has implications for this step as well.

Results of inputs provided to the question “**Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement**” are consolidated in the

[Annex 1:](#)

Step 4: Track

Introduction of topic and overall aim of the proposal:

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

In this section one change was proposed:

4.1 A new Core Year 3 requirement on tracking due diligence activities.

NEW Tracking due diligence activities

Applies to: all traders	
Core	



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Year 3	<p>You define and implement annual measures to track the implementation and effectiveness of your due diligence activities.</p> <p>You document and use the lessons learned to improve these activities.</p> <p>You report key lessons learned to your Board annually.</p>
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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

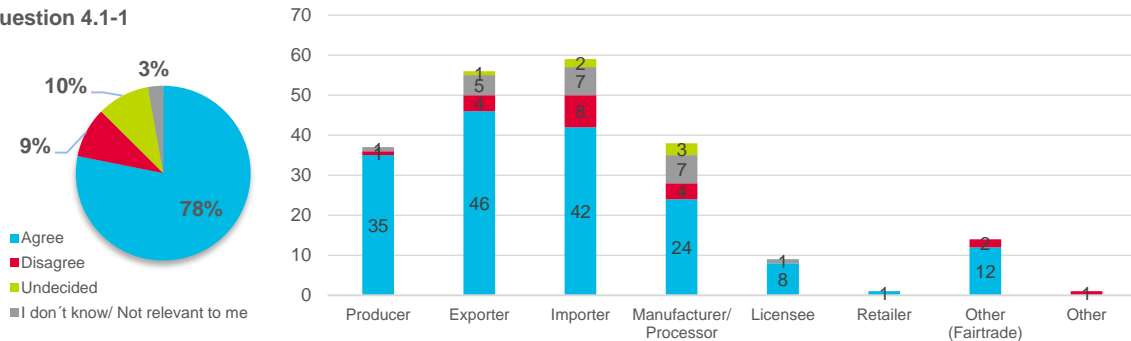
It is best practice to draw on feedback from suppliers and other internal and external sources, and to pay particular attention to impacts on most vulnerable groups or people. For small traders, it is sufficient to conduct tracking on the basis of staff knowledge.

Written feedback:

168 (78%) of stakeholders agreed, and EU importers further suggested that requirements should include also the public reporting (considering anonymity in case relevant) which would enhance accountability. An NFO respondent suggested to add: "*According to the results, you amend and improve your HREDD actions plans and activities*".

20 (9%) respondents disagreed because they find this requirement should be defined very specifically in any improvement plan which would make this requirements measurable and verifiable. Regarding "reporting to the Board", there was a suggestion to allow flexibility to report to relevant staff or top management rather than board, so that it's applicable within the established governance (when it's serving this purpose). Other mentioned that it is not possible to expect that Board will be engaged in the tracking of individual challenges to the implementation of due diligence and expecting this on an annual basis could be a challenge too.

Question 4.1-1



An EU importer disagreed because they find measuring of implementation can also be done within the risk management tools and should not make it necessary to setup an extra reporting. Another EU importer flagged it would lead to an increased costs for work that nobody is paying, because tracking from a 6000 km distance progress on any projects is notably difficult and also because an importer (trader) is not the owner of the company they source from. However a different stakeholder mentioned they already report monthly to their board about CSR activities as part of CSR strategy and suggested that they would measure their due diligence action as part of CSRD.

North America importers had divided opinions when one mentioned that due to lack of time they would not be able to track other organizations while another importer agreed to track only to the extent where they are directly involved with such activities. While a manufacturer/processor from this region mentioned they already have a tracking system and metrics in place, however they rather rely on Fairtrade and other responsible sourcing partners to define and track key due diligence metrics and to deliver insights to this trader on an annual basis and concluded that this requirement should not apply to them because they



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find it's the role of Fairtrade. This should be taken by voluntary certification standards as a challenge to their value proposition to customers.

It is not clear how these measures can be tracked and reported on without breaking confidentiality agreements. Some stakeholders flagged importance to have a best practice or guidance on how to track and that in the guidance section of the requirement to be more clear on who is understood under "external partners".

21 (10%) stakeholders were undecided and this included exporters and importers, who stated they do not have such capacity and no expertise within their organization, and that considering the complexity of (their) supply chain and the tools available, the effort required seems too onerous

6 (3%) stakeholders found this not relevant to them explaining their response that tracking is reported according to what is real in the field and not with the auditor's thinking that could be different from what is in the field and are very concerned it would be difficult for stakeholders to be able to report it in real terms. EU manufacturer/processor mentioned that this is not relevant to them but should be relevant and applicable to their suppliers (i.e. importers) and that knowing that this requirement is introduced, would enable them to buy with complete confidence.

Another stakeholder recommended for this requirement to be applicable rather to medium and large first buyers.

Feedback from workshops and webinars:

In Latin America region 86% agreed with the proposal. Those who did not agree suggested the following:

- replace "Council", "Board" by "By the highest decision-making body", depending on the type of company, company, cooperative.
- include a requirement to communicate on the follow-up and actions of the Plan to suppliers, which are related to these actions.
- To define methods of verification and constant monitoring
- replace the term "problems" with "prioritised risks".
- include suppliers.
- to reword the requirement to include the statement "You establish a Monitoring and Evaluation System with indicators and also include suppliers in the communication on lessons learned".

4.2 Additional implications in relation to the implementation of proposed requirements under Step 4: Track

Below is a summary of the feedback provided :

- communication to include - monitor the implementation of actions and re-plan any actions not carried out. Actions not carried out are due to force majeure beyond the control of the commercial player.
- Integrate scoring or minimum acceptable thresholds or provide more precise indicators.
- add rates for each year of monitoring to enable co-operatives to be guided on the progress to be made.
- all risks to be much more paperwork, red tape, and zero results, and it's not clear how Fairtrade would find more impact with this change
- there is a need to allow more flexibility on formats-e.g. if reporting fits into the existing processes the focus can be put on content and impact instead of adopting a strict format
- a requirement to define clear goals and roadmaps (timelines) is missing.
- clarification needed re the scope of "lessons" – i.e. would we need to track both internal and external improvements
- concern if all legal implications of confidentiality been considered



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- there might be confusion with the names of operators (which differ from the names of certified operators). There is a need of more information for traders regarding their support for others - for whom and how it will be checked
- tracking should also be the basis for the continuous dialogue with suppliers and should also be mentioned in the respective requirements.

Results of inputs provided to the question “***Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?***” are consolidated in the

[Annex 1](#):

Step 5 Communicate

The step to communicate was not included the consultation but stakeholders were asked to make any suggestions on the topic. A few respondents (EU traders) mentioned that they are already communicating and see no issues with this requirement. Some gave examples when they used Sustainability report, Code of Conduct and other relevant documents on their website. Other mentioned that reporting and communication is crucial in HREDD, but there should be a set a minimum level for the type and detail of information that has to be made public. Below is a summary of other feedback provided :

SPO respondents:

- Long term partnership should facilitate and enable the communication of the progress observed within the framework of the HREDD
- HREDD communication should take place prior to implementation.

Exporter respondents:

- communication could be considered however it is very difficult to do in the field, because stakeholders only focus on their own interests"
- can not go beyond a policy approved by the Management and Board and circulated to producers.
- training workshop should be held and tools and guidelines should be developed to implement the regulatory requirements.
- a practical and simple way of communicating would be if communication is incorporated into companies' sustainability reports so as not to overburden companies with new reports.
- maturity of the communities or stakeholders should be taken into account because (in some cases) information could be used to discredit the company, which leads to resistance to further communication.

Importer respondents:

- communication is already covered in other requirements (different forms for internal and external reporting) and these already link strongly to the 'communicate' step.
- regarding the salient issues – it's necessary to clarify if this is regarding a specific supplier and supply chain or analysed in general regarding whole business as a trader with all international chains
- communication requirements to be shared urgently to accelerate common identification, remediation opportunities.
- it would be difficult for many companies to gather all documents and to revise them regularly. Thus suggestion is to look less into the national initiatives and rather provide Fairtrade guidelines and templates for completion.



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Fairtrade member organization respondents:

- there is a need to ensure there we can gather information (even aggregated) that would allows us to prove and communicate on the progress of Fairtrade channels in terms of HREDD.
- from a commercial point of view we should be able to communicate which Fairtrade certified chain already progressing on HREDD (e.g. action plans have been signed, risks – identified, some number on remediation measures and investments made by stakeholders etc).
- define which information is key for us to report on the improvement of Fairtrade actors and of the Fairtrade system on HREDD, what information would we be able to receive and which information can be asked by FLOCERT auditors
- giving companies information presented in easy in understanding way will be huge support.

Participants in Latin America workshop suggested:

- results should be communicated between Producer Organisations, which are in the same region, in order to jointly address future solutions.
- annual reports should be submitted on the actions carried out in order to make the impacts and progress visible.
- Fairtrade's support is requested by providing formats or facilitating their implementation.
- General comment: consider longer transition period for the implementation of the requirements and that many requirements are very complex to fulfil and do not establish clear indicators, evidence and processes for their achievement. the requirements should make it clear that co-financing, technical support, non-refundable resources, projects, etc., should be oriented towards direct support to producers (suppliers) because they are the most vulnerable groups.

General comments:

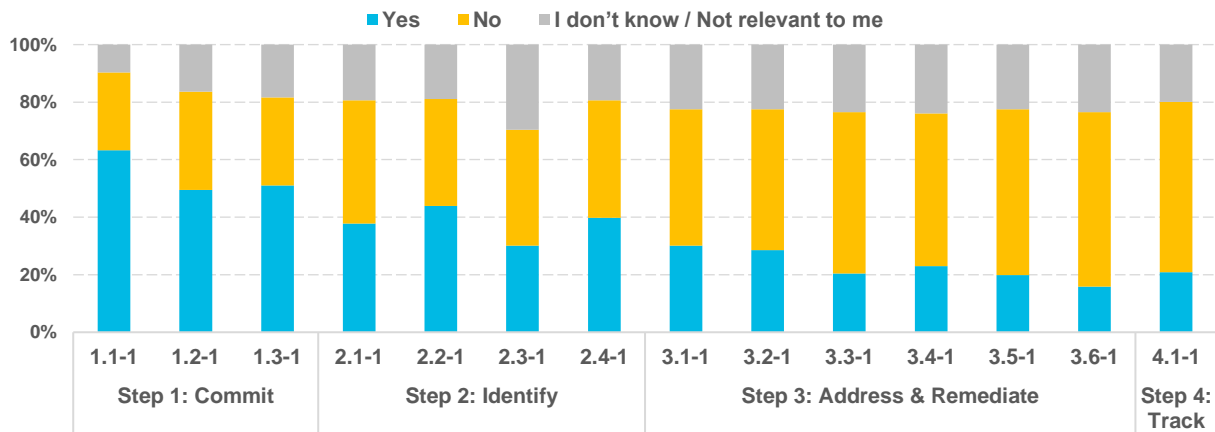
Comments that were related to the topics covered in this consultation were included in the respective sections. Topics that were not related to standards (e.g. pricing issues, use of Fairtrade Marks) were forwarded to the relevant colleagues.



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Annex 1: Overview of responses to the question “Does your organisation have other certifications or memberships of sustainability initiatives that have a similar requirement?”

The chart below shows an overview of responses from traders and producer & trader respondents to all questions. 194 trader and producer & trader role organizations responded that according to their knowledge, proposed requirements are already existing in over 40 other certifications or memberships. Below is the list with all mentioned certifications/memberships. It’s important to note that all information below was not validated and displays results based on the opinion and expertise of respondents.



Certification name	Number of times a certification / membership is mentioned
Rainforest alliance	552
ORGANIC/BIO/ECOCERT / Naturland	123
SMETA	75
SEDEX	45
Supplier code of conduct/ Code of Ethics	36
BSCI	33
Fair for life	30
Global GAP	29
ISO 9001-2015 and/or ISO 14001-2015 and/ or ISO 22000 and or ISO 50001	29
UEBT	27
GOTS	25
BONSUCRO	22
Ecovadis	21
Amfori	20
Policy/Practices etc	18
OEKO-TEX STeP	16
Bcorp	13
WFTO	12
COH	10
Cocoa Horizon	8
4C	7
CSR	6
FSI	6
WRAP	6
IDH	5
SA8000	5
ETI	4
Global compact	4
C.A.F.E	3
*Other (including: GRS, KRAV, REGENAGRI, RSPO, HIGG FEM/FSLM, FairTSA, Supply Chain Due Diligence Act and other)	79



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Analysis of provided inputs per question showed a similar trend for all certifications mentioned across all questions (chart above & below). Most of the times stakeholders mentioned one or another certification in the Step 1, and this frequency decreased with each step. The chart below displays the example of first five certifications/memberships that in comparison to other certifications - were mentioned most of the times based on total counts for all questions. This trend is overall similar for all other certifications/memberships that were mentioned.

