

Consultation Results Synopsis Information to Stakeholders on the Outcome of the 1st Round of Consultation Review of the Fairtrade Trader Standard Organizations	
To	Stakeholders
Consultation Period	3 August 2022 – 12 November 2022
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PART 1 Introduction

1.1. General Introduction

Fairtrade International's Standards & Pricing would like to thank all stakeholders for the time and effort they have put into participating in the first round of consultation on the Review of the Fairtrade Standard for Trader Organizations. The consultation concluded on the 12 November 2022 with a total of 265 participating stakeholders via the online survey and 558 participating stakeholders via workshops who gave Fairtrade International's Standards & Pricing their views and perspectives. Thanks to these replies, Standards & Pricing has gained a good understanding of critical issues and concerns including potential solutions. Together with the results of the research carried out by Standards & Pricing, this information provides the basis for the proposal for a second round of consultation. The Standards Committee's 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.



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Should you have any queries or remarks concerning this report, please contact the Project Manager Oksana Forkutsa at: standards-pricing@fairtrade.net or call: +49-228-949230

1.2. Executive Summary

The purpose of this project is to review the globally-applied Trader Standard, as part of the regular standard monitoring and review cycle. The overall objective is to ensure that the standard continues contributing to the Fairtrade 2021-2025 strategy that aims to transform the supply chains to achieve greater impact through socially and environmentally just trade.

Fairtrade is committed to better demonstrate the respect for the rights of farmers, workers and other rights-holders affected by standards. A transformative business due diligence that includes mitigation and remediation of any human rights abuses and environmental harms will strengthen farmers', workers', and their communities' rights. The aim of this review improve standard as a tool to better connect supply chain actors in assessing and addressing human and environmental rights violations through their joint response to salient risks.

As part of the initial research phase (for timelines see section below), outstanding issues included on the monitoring log on the Trader Standard since last revision were analysed, and additional topics and issues related to the Trader Standard were collected from relevant stakeholder groups. Input from all relevant stakeholders will continue to be considered throughout the project, including from producers and Producer Networks, national Fairtrade organizations, Fairtrade International staff and assurance providers.

This first round of consultation followed an explorative approach to engage with stakeholders when instead of concrete technical proposals, the consultation shared the description of a topic statement with stakeholders and then posed questions for discussion on a diverse but interrelated set of topics. The intention of this exercise was to understand different views on a topic and to have open discussion about the potential ways to address it. The intention is to propose a more technical proposal for the second round of consultation.

1.3. Way Forward

Based on the results of this consultation, S&P will develop a proposal for a second and third rounds of consultation. The table below describes the progress to date and next steps:

Activity	Timeline
Scoping	November-December, 2021
Research, development of consultation draft	January -July, 2022
Consultation 1 st round	August-November 2022
Synopsis of 1st round consultation	December-March, 2022
Drafting proposal 2 nd round HREDD topic	February – May 2023
Consultation 2 nd round	Q2, 2023
Synopsis of the 2 nd round and drafting final proposal on HREDD	Q3 2023
SC decision on HREDD topic	Q4, 2023
Drafting proposal 3 rd round	April-June, 2023
Consultation 3 rd round	Q3, 2023 (tbc)
Synopsis of the 3 rd round and drafting final proposals	Q4, 2023-Q1, 2024
SC decision	Q2, 2024 (tbc)
Publication	Q3 2024 (tbc)



1.4. Abbreviations

COSP	Cost of Sustainable Production
DD	Due diligence
EU	European Union
FI	Fairtrade International
FMP	Fairtrade Minimum Price
FP	Fairtrade Premium
GMB	Group Mass Balance
GPM	Global Product Manager
HL	Hired Labour
HREDD	Human rights and environmental due diligence
ILO	International Labour Organization
IMS	<i>Internal Management System</i>
MB	Mass Balance
NFO	National Fairtrade Organization
NGO	Non-Governmental Organizations
PN	Producer Network
PO	Producer Organization
S&P	Standards & Pricing
SPO	Small Producer Organization
SPO	Small-scale Producer Organization
TS	Trader Standard



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PART 2 Standards Consultation - Outcome

2.1. Consultation process

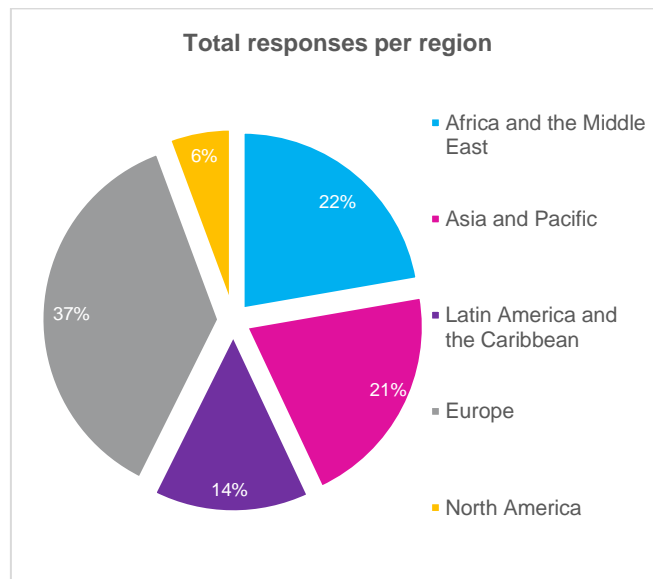
The consultation in survey format was published online in the Survey Hero platform and was also available in word format on the Standards section of the Fairtrade International website. Both links were sent to all certified small producer organizations, hired labour organisations, traders and other relevant stakeholders. The survey was open for 102 days. In addition to the possibility to give written feedback, workshops also took place for stakeholders in various countries to enable verbal feedback and group discussions of topics. S&P particularly thanks the PNs who organized these workshops and enabled high participation in the consultation.

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.

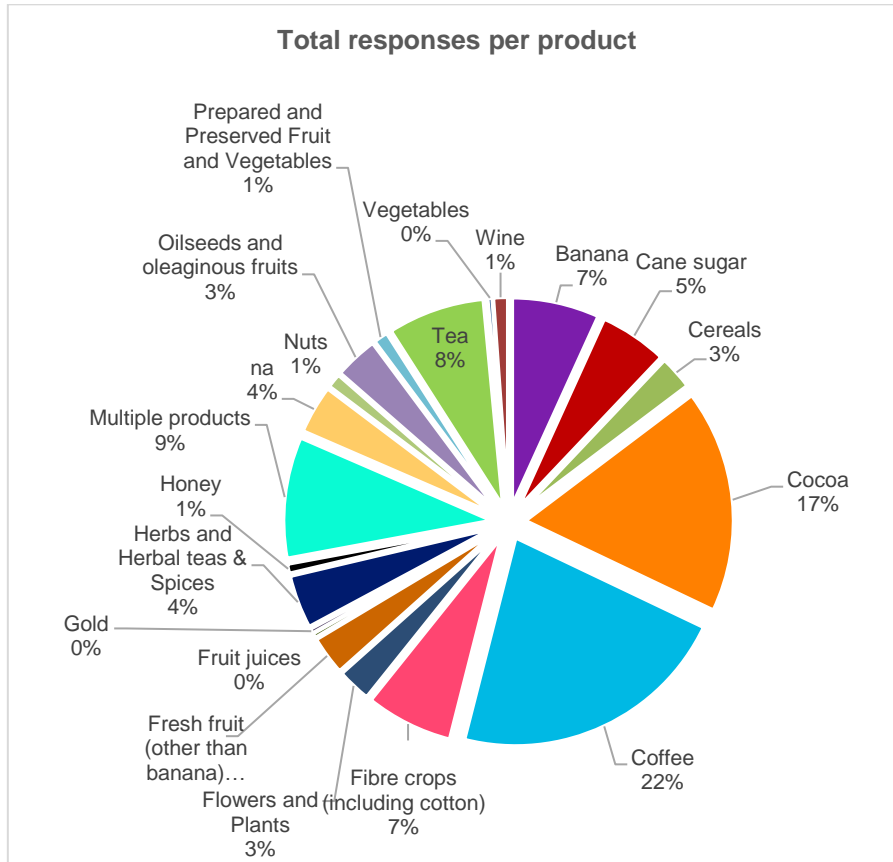
2.2. Participants

Online participants

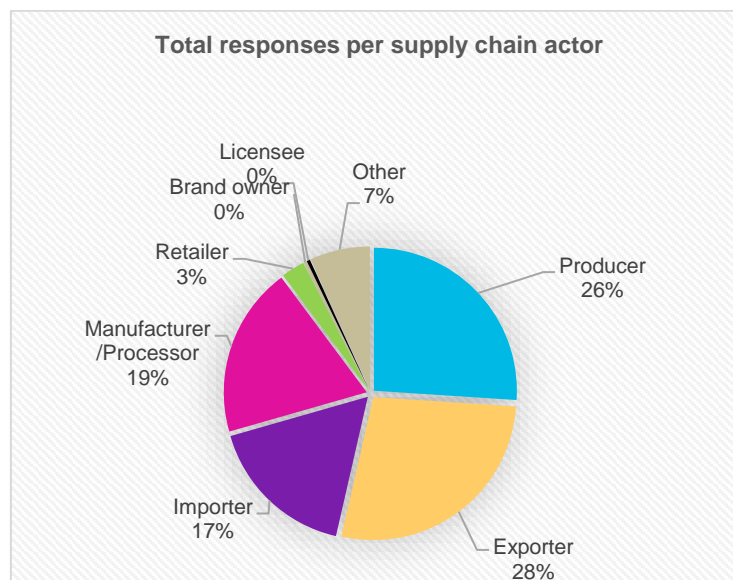
In total 265 stakeholders participated via the online tool or provided written responses to the questionnaires. The highest participation came from Europe 37% (98 participants), followed by 22% (59 participants) from Africa and the Middle East, 21% (55 participants) from Asia and the Pacific, 14% (38 participants) from Latin America and the Caribbean, and 6% (15 participants) from North America.



The chart below shows the proportions of participants by product groups, with the largest groups representing coffee (22%) and cocoa (17%):



Looking at the distribution per responsibility in the supply chain, more than half of the respondents are trader organizations (183 participants) that are represented by different trader roles in the supply chain, supported with responses coming from exporters 28% (73), followed by manufacturer/processors and importers (19% and 17% respectively). 'Other' stakeholders (FI and NFO staff for example) reached just under 10% each of the participation while 3% of the responses come from retailers and 1% from licensees & brand owner.



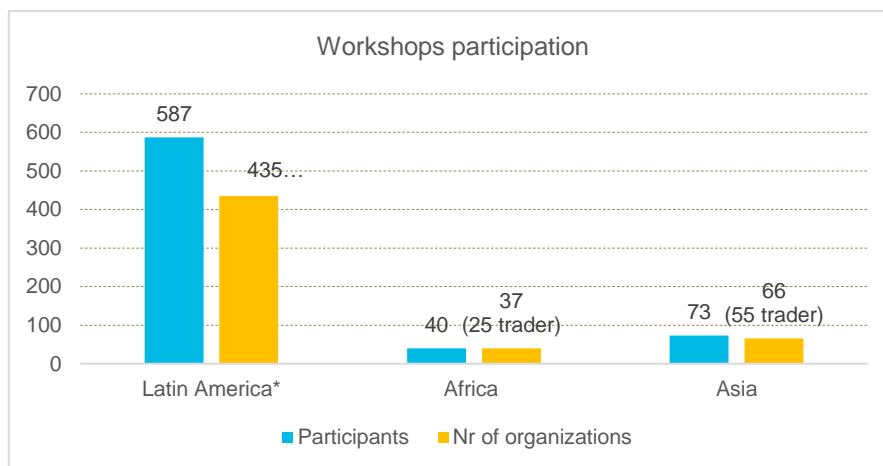
Having a closer look at distribution per responsibility in the supply chain and the region, it is possible to conclude that in the producing regions the majority of the responses come from producers followed by exporters. In Europe, the largest participation is from importers, followed by processors and others.

Note: Exporters from Europe and North America are traders which buy from producers and then sell on to other Fairtrade consumer countries.

Workshop participants

Overall 18 face to face workshops took place in 19 countries and 6 online sessions for participants from 12 countries in the three producer regions and in Europe and North America. Over 600 participants had the opportunity to discuss in these face-to-face (and virtual) events.

The graph below presents the distribution of participant workshops per region.



And below gives more information on each specific workshop:

Workshop	Participants	Number of trader and producer organizations represented
Chile	587	8
Belize		4
Bolivia		11
El Salvador		6
Argentina		3
Uruguay		4
Panama		7
Paraguay		9
Guatemala		19
Honduras		38
Dominican Republic (face to face & online)		31
Nicaragua (face to face & online)		24
Brazil (face to face & online)		24
Colombia (face to face & online)		95
Ecuador (face to face & online)		45
Mexico		50
Peru (face to face & online)		60
Costa Rica		5
Sri Lanka	37	41



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India (online session)	19	25
Indonesia (online session)	4	
Thailand (online session)	4	
Vietnam (online session)	4	
Uganda	3	3
Rwanda	1	1
Kenya	26	19
South Africa	14	14
Total	699	546

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

2.3. Consultation Outcome

The first round of consultation followed an explorative approach to engaging with stakeholders. Instead of already putting forward concrete technical proposals, the consultation shared with stakeholders the description of a topic statement plus open questions for discussion on a diverse but interrelated set of topics. In total 5 topics were presented and the order of topics followed, as much as possible the priority on new concepts and ideas that were placed first, and then followed by the topics that are currently already included in the Trader Standard. The intention was to engage in a more participatory approach focusing on understanding different views on a topic and encouraging an open discussion about the potential ways to address challenges.

Stakeholders were invited to comment on each topic and to share their views on the questions. Stakeholders were also invited to suggest additional ideas related to each topic. Given the amount of open questions and the diverse set, stakeholders could indicate if the questions or proposed elements were important to the organization/respondent before providing detailed input.

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 written responses, blank responses were not counted so the number of respondents per question may change. 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's important to note that not all respondents answered all questions and not all topics were discussed in all workshops; this is reflected in the analysis.

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



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Supply chain traceability and transparency

1.1 Human rights and environmental due diligence (HREDD)

Consultation statement:

Human rights and environmental risks and harms are prevalent in agricultural supply chains. Fairtrade's commitment to human rights is reflected in the producer and trader standards with references to multiple International Labour Organization (ILO) conventions. The current Trader Standard requires all certified traders to be aware of and not violate the applicable labour laws in their country and fundamental ILO conventions. The assurance of this requirement is reactive: compliance is checked only if there are indications of non-compliance. Our internal data analysis shows that many trader companies are actively assessing and managing human rights and environmental risks.

Based on a number of recommendations from an evaluation study of the Trader Standard against HREDD guidelines and legislation, it is proposed that the **Trader Standard scope should cover all relevant sectors, for example, retailers and should require organizations/companies to:**

- conduct human rights due diligence, applicable to all traders but a less burdensome process for small trader organizations
- be aware and comply with national human rights due diligence regulations
- regularly revise human rights policy and assess human rights risks either annually or at least every three years (e.g. for smaller trader organizations)
- undertake at least two or three activities every year to mitigate the most salient human rights risks
- implement a management system to monitor and assess human rights and environmental due diligence

Additionally, it is proposed that the standard should encourage traders to co-invest in remedial measures rather than ending business relationships (i.e. cut-and-run actions) when human rights violations are discovered.

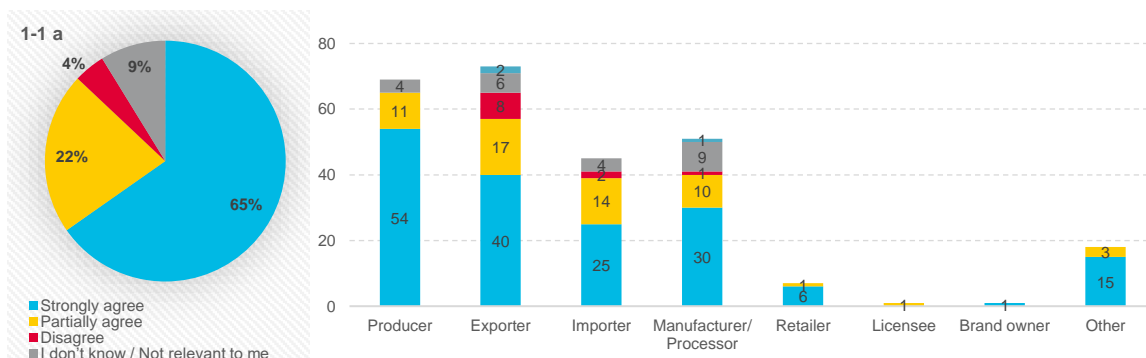
In this consultation round the aim is to explore the options on the scope and applicability of HREDD requirements

Question 1.1-a. Do you agree that the Trader standard should address HREDD more explicitly?

Written feedback:

262 respondents answered this question. Overall 65% of the respondents (171) strongly agreed with the topic description while 22% partially agreed (57 respondents) and 4% disagreed (11 respondents) (see *Figure 1*). Among the producing regions agreement was higher in Africa (47 respondents strongly agreed and 8 partially agreed) (see *Figure 2*). Along the supply chain, majority of respondents, whose supply chain role falls under the trader categories, expressed high levels of agreement (105 strongly agreed and 44 partially agreed) (see *Figure 3*).

Figure 1. Overview of responses to Question 1.1-a. Do you agree that the Trader standard should address HREDD more explicitly?

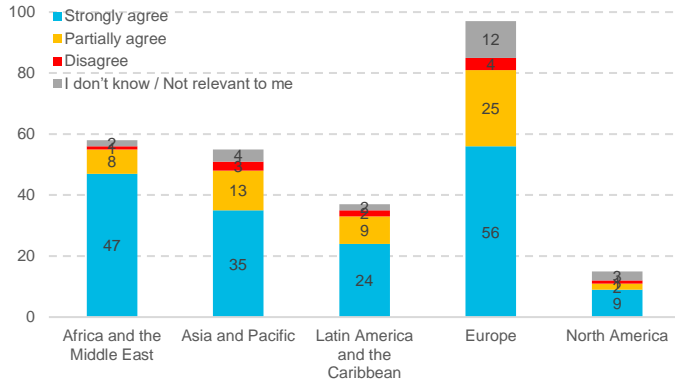




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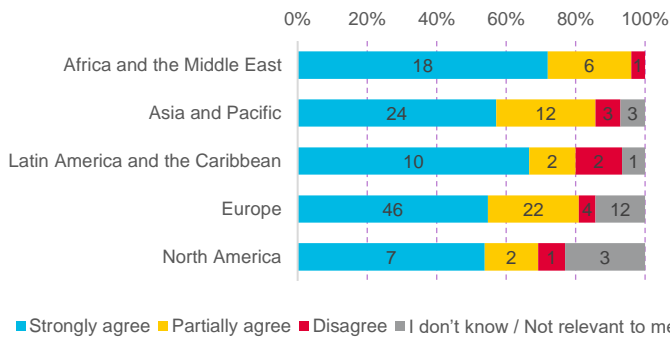
Among those who strongly agreed, highlighted the importance of trader roles in achieving consistency in shared responsibilities throughout the supply chain on expected due diligence activities and

Figure 2. Total responses to Question 1.1-a by regions



be different to small and large organizations. Importers and retailers from Europe trading cotton, coffee and bananas were aligned with all stakeholders on importance of due diligence assessment of supply chains on all levels. They mentioned that it is important for standard to have clear focus on remedial actions (considering lack of remediation measures affect business relation). Some also mentioned that there is increased interest from consumers in wages, income and climate change.

Figure 3: Trader and mixed (Producer & Trader) role organizations responses to Question 1.1-a, by regions



A number of stakeholders expressed concerns regarding reporting and suggested to avoid onerous data reporting that would add administrative burden. Another recommendation was to avoid raising certification costs by distinguishing the data and systems that are 'nice to have' to necessary. Respondents from NFOs highlighted that with the proposed change to strengthen HREDD requirements, Fairtrade could offer more benefits to licensees and that it would also be possible to identify and mitigate some of the root causes for low prices, short term contracts and other issues. They specifically agreed that the standard should be adapted to the UN Principles on Business and Human Rights. According to an external stakeholder this change would allow to achieve more effective role of traders, besides the premium payment. One NFO highlighted that HREDD requirements should take into consideration the size of the trader and capacity to develop a risk assessment.

Within the group of those who partially agreed, respondents representing producer organizations (SPO and HLO) mentioned to have clear responsibilities in requirements of standard for traders to support their suppliers, otherwise, the burden remains on producers. Also, some mentioned that such change should be implemented with scalable compliance deadlines. Further to this, respondents from organizations with mixed roles (producer and trader) expressed that it would be difficult for those organizations with 2-3 people (staff) acting only as the agent buying from producers to sell to their customers.



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Responses from exporting trader organizations in the context of Mauritius and specifically cane sugar industry, mentioned, that this responsibility is foremost to be on producers. Further they clarified that conducting systematic due diligence with fairly large number of buyers and retailer networks could be too ambitious and not realistic to achieve and drew attention to check results/effectiveness of UK Modern Slavery Act implementation. Others from Africa and Middle East region mentioned Fairtrade should not intervene or mediate in the areas that are regulated by government policy. A respondent from Latin America region with exporter role mentioned that the change would raise operating costs and reduce margins. They suggested that further improvements may only increase the pressure on results without having a good operating structure first. In addition to this, criteria must be aligned with different national contexts to avoid decertification and in the case of operators with multiple products (where Fairtrade product is only one of many), it is important to understand if requirements should be applicable to the supply chain or to the company.

Exporters from Asia and Pacific region mentioned that majority of the traders are intermediaries who are not involved in operations that may have potential negative impact on the environment or on humans. According to them, HREDD should be introduced as a self-evaluation rather than a strict monitoring tool in the Trader Standard. Other suggestion is for 'undertaking at least two / three activities every year' to be implemented as scoring system, to allow organizations to work on improving over time instead of being forced to perform on activities where a satisfactory level is already achieved.

Similar views were provided by traders from Europe who suggested to avoid duplicating companies' legally binding obligations and focus rather on compliance of traders with robust and existing HREDD regulations. Fairtrade should reduce growing burden on traders by requiring to demonstrate all due diligence efforts, because currently, in the role of "importer of record", traders are the sole entities responsible for reporting on due diligence across the sector. Another importer referred to a terrible economic situation since February 2022 and that supermarkets are not fully aware and do not support the concept of 'fair trade' and any related increased costs. Further they suggested to require paying 3 USD surcharge on each box sold (banana). A trader from North America expressed concerns that this change could potentially lead organizations to divert trading when due diligence issues arise as opposed to address and remediate. It's important to have tools provided by Fairtrade/FLOCERT on steps "address and remediate" or to navigate all 5 steps (for trader and producers), otherwise this is burdensome.

Below are more suggestion and elements for considerations provided by importers:

- requirements to be practical,
- reporting/documentation as uncomplicated as possible for which to align questions/surveys or accept e.g. governmental control results where appropriate.
- risk assessment to apply only for own operations (human rights risks assessment and mitigation for supply chain is for Fairtrade to ensure);
- HREDD to be based on risk analysis. Blanket statements to undertake at least two or three activities every year to mitigate the most salient human rights risks is not effective
- Factor-in any related operational, certification and audit costs and avoiding their increase:
 - cost of HRDD must be passed in the premium, e.g costs for remediation (instead of cut&run)
 - assess the burden for trader, i.e. whether it's an additional work or if it's a part of the trader's every day work
 - due diligence models are wide reaching and very expensive and time consuming
 - applicability to small organisations e.g. "undertaking at least two or three activities every year to mitigate the most salient human rights risks" would be burdensome and may not be relevant (if the trade is for many years is with the same supplier and same famers).
 - overlap with other initiatives and standards, e.g. ISO 14001 (consider equivalency agreements if organizations have these systems in place)



- consider geographic location of traders as certificate holders, e.g. if they are EU-based, there should be recognition instead of duplication and the supply chain of those CHs in country of origins (who are a subject to HREDD as well)
- ground reality greatly varies from region to region and the standards should take this into consideration.
- for trader to verify key HREDD elements but not to require to monitor or control how HREDD are applied in origin (i.e. we trust what we are told by producers)
- a trader should not receive a non-conformity because the producer is not cooperating by not sharing necessary information on time for example (especially an issue with annual reviews, where the producer is already a supplier of the trader)
- complex supply chains with many actors, setting up due diligence to farm level is near impossible, especially when sourcing from other importers
- rather do not address the implementation of due diligence itself but (possible) actions with best practice examples and provide guidance on how to tackle human rights and environmental risks (in the action plan).

The Fairtrade Global Product Manager suggested to rather differentiate the type/category of traders for HREDD applicability.

FLOCERT raised strong concerns on the increased assurance costs and risk implications for them which makes it challenging to assess the viability of proposed directions for change.

- more assurance/ audit time would be needed, hence increased certification fees.
- auditor training and knowledge creation would be needed
- complexity added to clients
- auditors confronted with different legal requirements as set by the European Commission and/or national legislation

They also mentioned that adding HREDD requirements would weaken the focus of the Trader Standard. HREDD legal background and implications in all countries within Fairtrade scope in Europe should be carefully analysed before the system can commit to changing the Trader Standard. It was highlighted that approximately 60% of the current Fairtrade certified clients are certified against the Trader Standard so the implications for FLOCERT are huge. Their suggestion is to address the HREDD developments with a different Fairtrade-HREDD voluntary standard or through a value added assurance service to Fairtrade clients. Also, to define the scope of requirements very clearly and carefully, separating out the expected compliance levels of manufacturing / processing vs. pure trading, small vs. big (multi-national), direct contact with producer organisations vs. end of supply chain.

Respondents who disagreed with the topic description were not in favour of proposed direction for HREDD measures to be applicable to traders. Traders based in Producer regions mentioned that the focus should be rather on encouraging what is positive, on identifying and reinforcing positive actions in the supply chain instead of looking for faults. Other mention that while it is explicit enough, it is not practical to introduce such change. Most of issues have been already covered by local regulations and there is no need to have them audited. The standard addresses this issue well enough and for going into more details requires proper understanding of rural conditions of each country.

Some traders from North America and Europe are of opinion that certification itself is already a sufficient proof that each participant is complying with requirements and no further due diligence should be needed. Thus it's the certifier's responsibility to verify the compliance and is unrealistic to expect traders to verify compliance of their supply chain partners or mitigate the risks at producer level, especially when there are multiple partners. Paying the Fairtrade premium, experiencing scarcity of competent staff and very limited resources (narrow margin), together with very little influence over producers leaves the option of 'cut and run' as the only available option.

Those who responded to the question as 'not relevant' further clarified that even though they are traders, they have no direct influence on the producing parties, and the other organization with only 16 people employees, they do not see it feasible and viable to carry out suggested measures and activities.



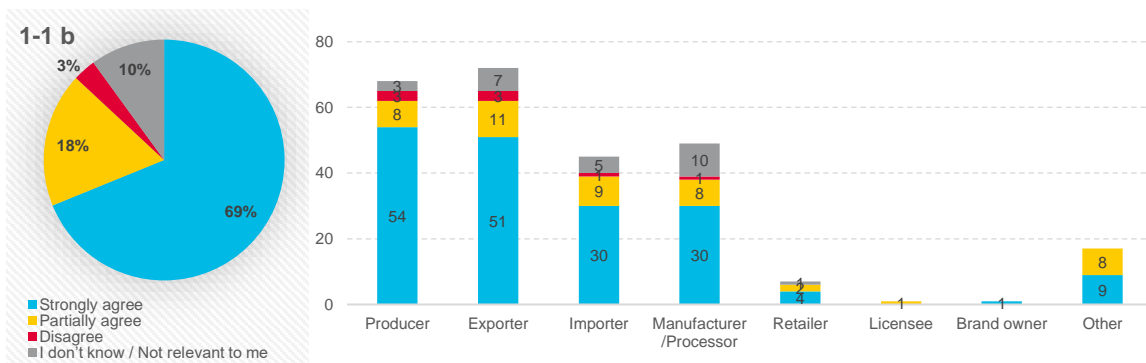
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Question 1.1-b. Do you agree that the topic description covered all relevant aspects?

Written feedback:

260 respondents answered this question. Overall 69% of the respondents (179) strongly agreed with the topic description while 18% partially agreed (47 respondents) and 3% disagreed (8 respondents) (see Figure 4). Among the producing regions agreement was higher in Africa (52 respondents strongly agreed and 4 partially agreed) (see Figure 5). Along the supply chain, majority of respondents whose supply chain role falls under the trader categories, expressed high levels of agreement (118 strongly agreed and 33 partially agreed) (see Figure 6).

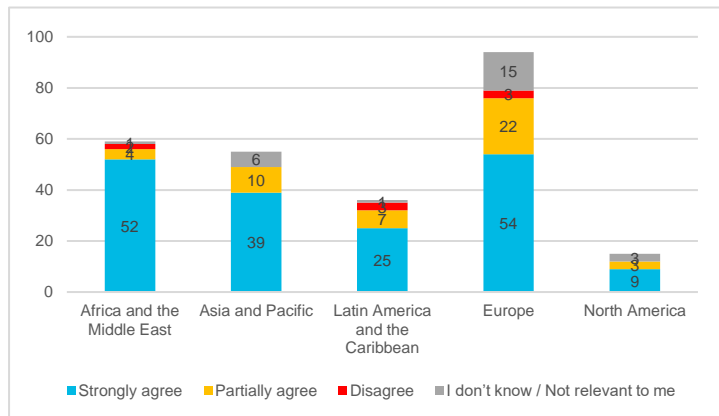
Figure 4. Overview of responses to Question 1.1-b Do you agree that the topic description covered all relevant aspects ?



Those who strongly agreed, were overall in alignment with provided HREDD aspects intended to be addressed in the Trader Standard. An exporter from Africa and Middle East region mentioned that all HREDD steps were presented in a clear way and are realistic and promote a win-win situation. Especially an aspect on considering less burdensome process for small trader organizations was recognized as very important among few respondents. A trader from Asia and Pacific region suggested to consider a timeline before a partner could end the business relationship (e.g. if no improvements were achieved within 3 years, a partner is allowed to cut the ties).

Those who partially agreed, mentioned that clear interpretations in requirements are needed. A producer from Africa and Middle East region mentioned that it was not clear what are the implications of these changes to

Figure 5. Total responses to Question 1.1-b by regions



producer organizations, i.e. how it would be followed and controlled that producer organizations are paying their workers, or whether they meet an international worker standards or maintain the country's general orders. A banana producer from Latin America suggested that HREDD requirements should be applicable to all traders but contribution to address HER risks should be according to the business size/capacity. In addition it's important to know when and

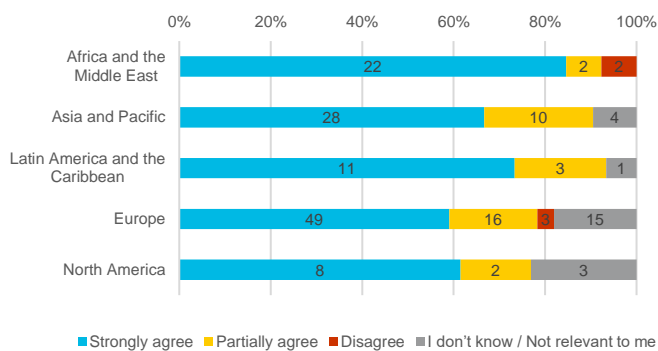


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where responsibilities start and end, taking into account roles of governments.

An exporter from Asia was in favour of self-evaluation type of due diligence that would be applicable in general but disagreed to differentiate applicability based on whether a trader is a big or small organization. Because, the roles and capacities of different traders should rather differentiate those organizations with large operation (that includes high staff number, impact to environment and human due to processing of product, but small financial/business size) and organizations that represent a big business party but are small in terms of their operation (only trading, no processing and small team). It's also important to consider that looking at full supply chain, such processors are left with no financial

Figure 6: Trader and mixed (Producer & Trader) role organizations responses to Question 1.1-b, by regions



support (e.g. no premium for workers) to implement all HREDD related activities, unlike the producer organizations. Coffee exporter from Latin America and the Caribbean raised a concern that this change is not in line on how Fairtrade's credibility is meant to be achieved, aiming to improve living conditions of producers, i.e. more focused on the real impact to producers and communities. A banana importer highlighted that it's challenging to meet the needs of every retailer and

customer, who would want to regularly change their focus on measuring variables and reporting. Another trader (licensee) from Europe was in favour of introducing rather tools than procedures. A trader from North America expressed concern that complying to 5 steps would greatly impact any trader's current operations and could distract from Fairtrade's role.

Respondents from National Fairtrade Organizations and Global Product Managers were overall in alignment in their views, and mentioned that remediation as a step is better to be made more explicit and separated out. For remediation the expectation is for traders to provide support on remediation of any adverse human rights impact and that HREDD policies and processes should cover their own operations and entire value chain including subcontractors, transporters and other business relationship. The importance of involving retailers in HREDD is crucial, however the approach on 'how' this should be done requires a very well thought through concept to avoid any issues with liability. In this regard it'd be important to co-develop a list of criteria that could be realistically applied to a business context (Fairtrade and non-Fairtrade business). Yet, a cost-sharing and co-investment is really essential to HREDD implementation that should be made mandatory. One of the respondents questioned the overall approach to this topic, where a set of rules and realities of operators based in the 'Global North' are applied to producer regions. It is problematic specifically because those rules do not factor in the context of how communities operate in producer regions, to make ends meet.

FLOCERT team found the topic description did not cover explicitly the very different levels of leverage, legal obligations and ability to remediate or mitigate the risks to Human and Environmental rights that are applicable to traders of various size businesses.

Stakeholders that disagreed were producers and traders operating in producer regions (Latin America and Africa and the Middle East regions) and few traders from Europe. Overall they were aligned that the proposed approach seems rather top-down and imposing rules applicable to very different realities, i.e. more economically developed countries where trader operates that is different for those operating in less economically developed countries. In addition to this, producers expressed concern that traders are not required to provide transparency on mentioned practices/aspects to the producer, however it is



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required for producers to be transparent with their trader. Also, it was not clear if retailers would be excluded from the Fairtrade scrutiny of the supply chain, because they are the ones driving behaviour in the supply chain by their control of product prices and margins. Thus it's not clear if such proposed changes in requirements will remain only as a 'best practice' for traders.

Stakeholders found that presented aspects were not explicit on few more areas and suggested to add the following: consideration of national legislation; gender equality; environmental responsibility; cultural perspective; commitment/responsibilities of the trader on transparency; rights on payment of minimum wages to workers; worker protection from occupational and environmental hazards; contractual conditions; discrimination based on religious views. Overall their views confirm that the description of the topic follows negative and patronising paradigm.

Those who found this question not relevant to them mentioned that it would be unrealistic to verify compliance of their supply chain partners in other countries with different national laws, and other mentioned that more clarity is needed if due diligence would be applicable to own operations or to their suppliers.

Additional comments to this section:

In addition to input on two questions above, stakeholders mentioned the following points:

- with any introduced change to first understand 'how' they would apply to connect all actors, factor-in the reality of producers (no computer equipment, lack of capacity and knowledge about documents, lack of resources to invest), applicability to small entities with small staff number, and, entities trading mostly non-Fairtrade products; consider articulating which due diligence risks the measures required by standards are already addressing
- full consumer credibility needs a supply chain traceability mechanism (traceability at all stages) and mutual understanding of buyer and producer on committed sustainable long term relationships;
- strengthen the verification process regarding social standards / compliance at certified companies based in risk countries; consider implementation of the standard with an add-on value (in addition to applicable laws), e.g. criteria of the employees are verified via audits.
- for traders to be enabled through HREDD to mitigate the vulnerability (where it exists), introduce definition of "remediation" and identification of "vulnerable groups" and encourage sourcing from vulnerable groups
- reporting to be built following the principle 'do no further harm", i.e. responsible reporting
- ensure that the remediation protocol from Fairtrade and the one required by other certification schemes (e.g. Rainforest alliance) are not excluding each other. It is not target-oriented, if different remediation protocol for each standard would be carried out.

***Feedback from workshops:**

Latin America region. Out of 397 participants, 57% strongly agreed, 6% partially agreed and 36% disagreed with questions posted for 1.1.-a and 1.1.-b.

- *Strongly Agreed: Respondents were concerned that higher standards for traders could lead to more commitments for producers and affect demand. They agreed traders should meet similar requirements as SPOs, but noted that, in countries like Belize, addressing human rights requires additional efforts to educate members and adapt practices to local laws.*
- *Partially Agreed: Respondents echoed concerns about price impacts and challenges for traders, particularly related to temporary workers and contract complexity. Many suggested a*



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gradual approach to implementing HREDD requirements to avoid trade obstacles. Some SPOs feared that stricter rules for traders might lead to their exit from the system, highlighting that HREDD risks are difficult to mitigate and already regulated by national laws.

- *Disagreed: Respondents felt the proposed approach didn't consider the realities of small or indigenous producers, who may struggle with added costs and commitments. They emphasized the importance of climate justice, suggesting those who contribute most to emissions should bear the greatest responsibility. The scope of the approach was unclear, especially regarding requirements like minimum wages, gender equity, and occupational risks. As additional feedback they mentioned that the process should be applied to all stakeholders in the certified supply chain, and through change in trader standard there would be a reaffirmation of market demand and suggested that requirements should be dynamic and support cooperation. Opposite to this view, some respondents mentioned that human rights requirements should be rather verified only in case of risk of non-compliance. Some participants believe that expectations and pressure at the level of production (from producers) will remain unbalanced and very high. Therefore, they'd want to see some assurance that customers (buyers) meet these requirements otherwise implementation at the producer side is only possible at the cost of premium.*

Africa and Middle East region (39 organizations). *Opinions in general were divided. A stakeholder in South Africa agreed that retailers should be included in the scope of HREDD, requirements should be applicable to all traders (not looking at the size of organization but rather at resources). Also they supported the proposal for regular review of HR policy and risks assessment but did not agree to require a management system because there are enough policies and regulations in place and with updated HR policy they could already be able to identify and mitigate risks. Co-investment requirement (if introduced), should not be made mandatory.*

In workshops in Kenya, participants overall agreed with the proposed change and the topic, however expressed that there is a risk that traders may opt for non-Fairtrade factories and raised the point that communication should also cover the transparency of premium remittance to producers.

Workshop in Asia (40 organizations). *In Sri Lanka participants mentioned importance to elaborate on procedures and systems related to HREDD, emphasizing that remedial measures should not be a hazard for the trader. Also they questioned that if a supplier is already Fairtrade certified, this should already provide some guarantee to traders/businesses. They also raise the point that some elements that are addressed in local laws/regulations (e.g labour law), should be factored in as country specific. One other suggestion was that trader standard should address HREDD limited to licensee/trader.*

Questions for discussion:

Purpose of the next set of questions was to explore current practices of stakeholders.

Consultation question 1.1.1

Question 1.1.1. Due diligence includes regular measures by companies to identify, prevent, remedy, and communicate their human rights and environmental risks and impacts – in their supply chains as well as in their own operations.

Does your organization currently implement any due diligence measures or procedures?

Options for answers: 1) Yes, within the scope of your own operations only; 2) Yes, covering your own operations and tier one suppliers (direct suppliers of product or a service); 3) Yes, covering your own operations and the full supply chain (e.g. direct and indirect suppliers of product or a service); 4) No, such measures have not been implemented; 5) Other; 6) I don't know / not relevant to me



249 respondents answered this question. Overall, 73% (182) of stakeholders chose one of the first three options indicating that their organization is carrying out some of the due diligence measures and procedures. 7% (18) mentioned that no such measures have been implemented and 8% (19) respondents chose the option 'other' to provide more details in the comment box. (see Figure 7). Along the supply chain, those who did not know or considered this question as not relevant, most of those (13 out of 23) were represented by organizations with manufacturer/processor role. (see Figure 38).

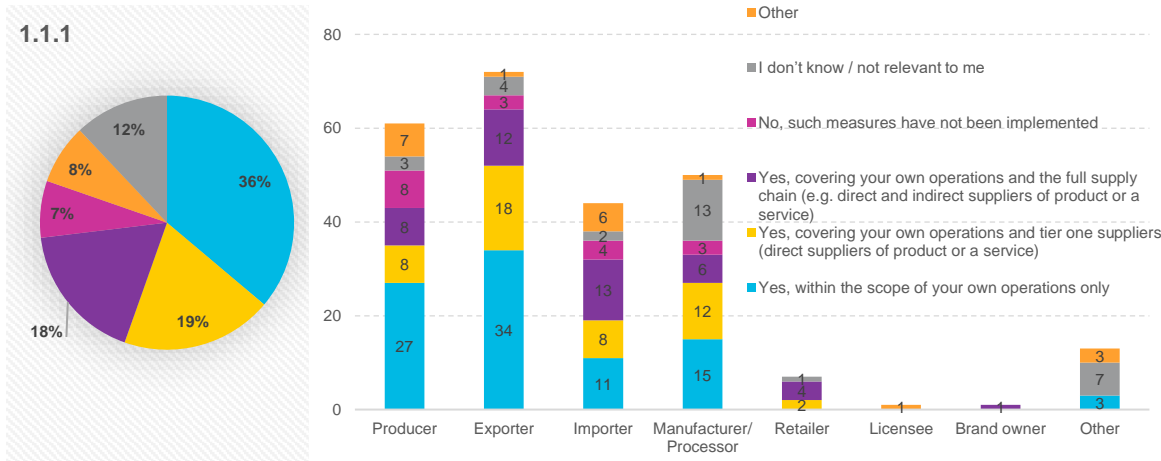
Written feedback:

Producers stated that they are implementing due diligence measures (e.g applicable to SPO), or those are under development to ensure compliance with other (non-Fairtrade) standards. This stakeholder group also expressed that currently producers do not know what their clients (traders) are doing in terms of HREDD, while they are still reporting to their clients on the procedures and actions. An exporter based in the producer region mentioned that they carry out some self-assessment (a checklist verification).

Importer from Europe mentioned they either do this mainly for their own operations but some also added they cover assessment of their direct supplier through certifications/verifications. Other respondents from this group follow some steps of due diligence, for example on environmental risk assessment (ISO14001) but they do not cover all steps and aspects and not for all suppliers of raw materials. Another mentioned that they also request information from non-certified suppliers on their human rights and environmental policies or visit their producers (suppliers) regularly in the field.

A manufacturer/processor from Europe explained that they use risk analysis to determine where they need to go further (in case risk is identified) and this is why they engage in certification/verification, in lower risk supply chains they don't go further.

Figure 7. Question 1.1.1. - Does your organization currently implement any due diligence measures or procedures

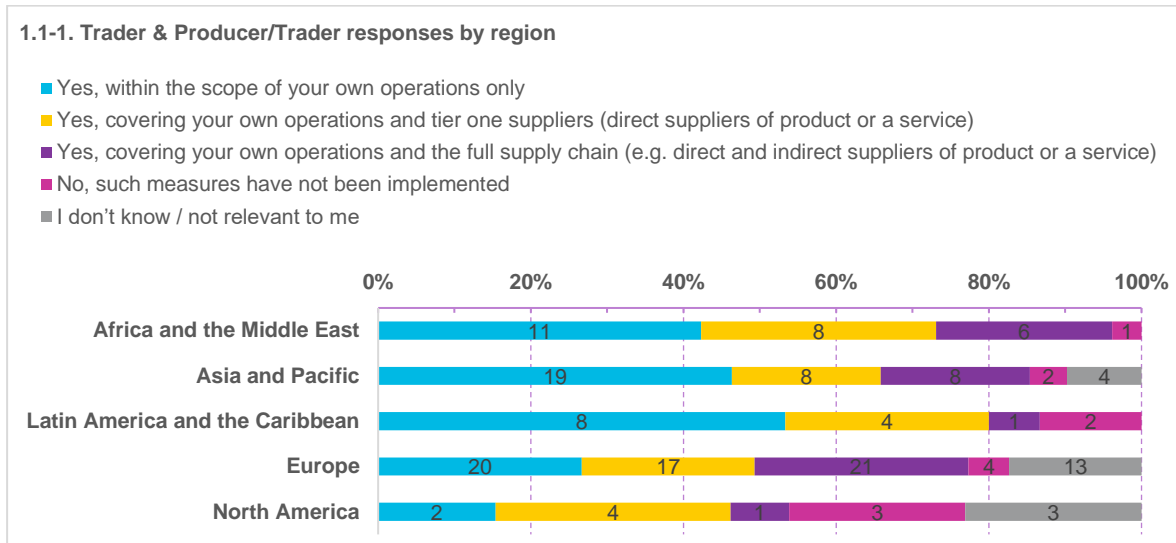


An NFO raised concern that Fairtrade would be going beyond its scope if traders will be asked to regularly assess their risks themselves, because this should be rather a company's decision and not something for Fairtrade to enforce.



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Figure 8 Trader and mixed (Producer & Trader) role organizations responses to Question 1.1.1 by regions



In addition to provided answers to [Question 1.1.1](#) respondents elaborated further clarifying on the procedures and if those include risk assessment.

If your answer to Q1.1.1 is 'Yes' could you please elaborate how and if this includes risk assessment? You may elaborate on what is / are the main challenge(s) when your organization carries out e.g. risk assessment

Respondents from producer organizations elaborated further on their current due diligence procedures.

- Those who answered “**within the scope of your own operations only**”, referred to regular procedures on implementing mitigation activities based on identified risks, e.g. developing parameters to evaluate the risks and what improvement action should be taken according to defined timetable; or by complying with local/country regulations.

Risks identification includes working with farmers/producers/staff to collect their concerns using farmers registration forms and questionnaires, providing space for discussions or trainings, monitoring on particular issues e.g. living wages, child labour or identifying origins of risks, and as a follow up – work on solutions, e.g. by presenting to the general assembly, where decisions are made based on most important cases.

- Those who answered “**covering their organizations’ own operations and tier one suppliers (direct suppliers of product or a service)**” referred to regular visits to each production unit, or having code of conduct in place or by complying with standards – for example, horticulture code of conduct initiated by the Floriculture Sustainable Initiative , RA, Organic ,Rwanda standard Board, FSSC 22000
- Those who answered **covering their organizations’ own operations and the full supply chain (e.g. direct and indirect suppliers of product or a service)** referred to procedures that allow to evaluate the risks through investigations, identifying high and low risks in order to follow up with mitigation measures or by carrying out monitoring against agreements outlined in contracts.

In all cases above, challenges were similar and related to either risks of ineffectiveness of proposed improvements, or inability to provide more materials (pictures/posters) to raise better awareness among workers and members; unwillingness of farmers to participate in trainings or resistance of farmers (members) to change practices or to cooperate, thus preventing them from fulfilling the required activity.

Respondents representing exporter role elaborated the following due diligence procedures:

- Those who answered “***within the scope of your own operations only***” referred to either compliance to country laws or standards - e.g. ISO 14001 on environmental management system, social certification, SEDEX SMETA. Other respondents here also mentioned having policies and supporting documents, or by including procedures and measures in their BRC. One respondent referred to risk assessment procedure that is carried out by various units within their organization (e.g. Human Resources and gender equality manager), another gave example of carrying out health and safety risk analysis at work meeting every week to discuss with all employees, or procedures for handling and managing complaints/grievances.
In cases of identified risks, some mentioned an example when they follow up on checking each processing unit up to the point of sale, or following up with corrective measures in risk areas. Others mentioned self-assessments and planning the sales and purchases, and verifying certification status of suppliers in fairtrade.
- Those who answered **covering own operations and tier one suppliers (direct suppliers of product or a service)**, also referred to compliance with other standards (e.g. Organic certification) and more often referred to having regular procedures in place that include visits to producers/suppliers, e.g. regular/annual risk assessment by carrying out field trips, surveys and trainings, visiting their origins/supplies on a regular basis to check on irregularities. In case of strong doubts they would not commit to a contract.
The challenges they mentioned are related to either those environmental challenges at production sites (floods, droughts, etc), or slow adoption of the remedial measures by the SPOs despite the attempts to sensitize them or costs to comply with standard (e.g. costly alternatives to prohibited pesticides).
- Those who answered **covering own operations and the full supply chain (e.g. direct and indirect suppliers of product or a service)** referred to regular/monthly unannounced visits to service providers, to inspect if they uphold to their values in relation to human rights and environmental risks. Others mentioned assigning this as a task to implementation manager that works closely with their partners on sustainability issues. One of the respondents mentioned that they are B certified company, where as part of certification they review the full supply chain including risk assessment and monitoring and suggested to have an option to recognize such certification to avoid duplication.
The challenge in recent past were related to the restrictions due to COVID.

Respondents representing importer role mentioned examples of following due diligence procedures:

- Those who answered “***within the scope of your own operations only***” referred to similar procedures that were mentioned by the stakeholder groups reported above, namely referring to adherence to OECD DD in their handbook, or having a code of conduct in place and developing risk assessment methodology. Other mentioned for environment related issues they purchase verified carbon credits or participate in environmental projects (rainforest conservation or reforestation) covering the scope of only their own activity and on human rights issues they ensure that suppliers are SEDEC registered and/or follow the ETI base code. Another mentioned that instead of risk assessments they use an opportunity during visits to carry out audits.
Stakeholders here expressed concern re the intended changes to the Fairtrade Trader Standard, highlighting it would be a challenge for them if all SOP, procedure, assessment will be required to carry out with only very few staff that they have. One other concern is that in case relevant procedures are already in place (requiring suppliers’ registration and compliance etc), it’s not clear what else could be expected or how such effort would be recognized in Fairtrade standard.



Those who answered **covering own operations and tier one suppliers (direct suppliers of product or a service)**, referred to similar procedures but also involving third party auditors, and as part of the risk assessment procedure they come up with high risk and low risk status due to the BSCI, requiring to sign a code of conduct for suppliers from high risk countries. Other mentioned that even though they are visiting farms and talking to workers, they do not have any records in a formal document format. A flower importer provided an example of procedure where a Due Diligence pack is issued to all suppliers to complete prior to the commencement of trade, that covers ethical, agronomic and environmental areas, including adherence to the ETI based code. This stakeholder also highlighted that they rely on audits to track suppliers' due diligence however also recognize audit limitations. Tea and wine importers referred to the case when trade is done only with suppliers that have confirmed their code of conduct however in addition risks are identified by conducting the audits or evaluation on important areas (environmental, quality, social, working conditions and food safety).

Those who answered **covering own operations and the full supply chain (e.g. direct and indirect suppliers of product or a service)** also referred to some systematic approach that includes regular Sedex SAW audits, media monitoring, and other measures including third party certifications by e.g. USDA Organic and Fair Trade International and Fair Trade USA, QA standards. An example of the risk assessment tool - a cocoa importer referred to risk assessment that is done by Coop and HALBA against list of criteria that are critical for raw materials, such as – environmental, social, quality, availability, image and country risks. A coffee importer gave example when risk assessment approach includes identification and differentiation of risks between actual and potential, based on the relevance of the matter, links/dependencies with other issues, leverage and severity of risks.

The challenge is that some organizations are not able to carry out the audits themselves and hence can only rely on audit of Fairtrade certification of producers. Another related challenge for importers is that they are based in countries where realities and circumstances differ from those of producers', this is why they can only deal with risk assessment measures at the supplier level - mostly only theoretically.

Overall the input from importers shows that while for some organizations they can only rely on third party audit or just compliance with standard, some other respondents indicated that they are able to check their partners (e.g. deliveries) by staying in contact. As an example, one respondent referred to taking step further and carrying out the Living income study to know about LIRP in India and Thailand.

Respondents representing manufacturer/processor role further elaborated on their current due diligence procedures:

- Those who answered “**within the scope of your own operations only**”, referred to carrying out a risk assessment of suppliers on safe worker environment, mentioning elected committees that are meeting every month. Others also mentioned social accountability manual and environmental management system in place that all together addresses the topics of waste management and occupational risk management. Other examples were - QM-policy, works council, Equal Opportunities Officer, compliance to ISO 14001 and SMETA verification, compliance with mandatory national law or being a member of a multi-stakeholder initiative (e.g. Partnership for Sustainable Textiles, Fair Wear Foundation).
- Those who answered **covering own operations and tier one suppliers (direct suppliers of product or a service)**, referred to procedures that include factory visits/audits, or annual risk analyses focusing mainly on environmental impacts (identify what data needs to be collected, collect the data, track quarterly and work to improve carbon footprint) or a bi-annual Sustainable Supply Chain Survey applicable to all suppliers. An example of more sophisticated procedure came from a stakeholder in North America where, not only their own employees, but also their vendors, distributors, suppliers, and service providers have to complete the training on Code of Conduct and Business Ethics on e-learning platform which would be carried out annually. In addition, according to their procedure - it is required for all vendors, distributors, suppliers and service providers to comply with Vendor Code of Conduct and Business Ethics that include standards for working conditions. Also, throughout the year,

there is a Human Rights Impact Assessments (HRIAs) in their own operations, and randomized third-party supplier checks. However, in contrast to this example, a stakeholder from Africa and Middle East region referred to a rather informal risk assessment in place that is yet to be formalized into a structured risk assessment to cover all aspects. A stakeholder from Europe mentioned it is very challenging to receive information along the whole supply chain however they do the risk assessment of each supplier.

- Those who answered **covering own operations and the full supply chain (e.g. direct and indirect suppliers of product or a service)** shared that although there is a procedure in place, and for some it also includes risk assessment, all stakeholders referred to challenges to receive reliable data even though the procedure includes internet monitoring, supplier field visits and risks mapping – information on child labour, imported deforestation or local information on human rights is limited.

Responses of stakeholders from Europe with the role of Retailer/Brand owner referred to the following:

- Internal Gap Analysis
- AMFORI audit
- Depending on the risk of a product (e.g. social, agronomy) they audit the supply chain and ask information about the producers organisation from their suppliers /importers using an elaborated questionnaire about fair trade and traceability and if the product is certified with a Fairtrade label it is estimated as social impacts are covered.
- Aligned with the UNGP and the OECD for MNE, and thus procedures include regular cross-commodity group risk analyses to identify human rights and environmental impacts throughout supply chains to identify high-priority commodity groups, raw materials, production countries and cross-cutting issues. They prioritize the risks based on severity, their leverage and level of involvement. For example, for selected high-priority commodity groups or raw materials, they conduct Human Rights Impact Assessments to gain detailed insights into the supply chain, engage with rights holders and derive effective actions.

This stakeholder also mentioned they use their leverage to remediate if any specific human rights infringements are found in the supply chains. They also keep all information on procedure public (on their website).

For this stakeholder, **challenges are as follows:**

- *Fragmentation of legislative requirements that impede the development of a harmonised risk assessment process.*
- *The prioritisation of risks, which is necessary because it's not possible to approach all risks at the same time (e.g. what risks are more severe than others)*
- *Ensure transparency about risks in the supply chain and generate sufficient data.*
- *qualitative good data on products, especially regarding origins*

A respondent from the National Fairtrade Organization mentioned that for bigger companies it is less challenging as they already have internal measures in place, mostly top level while another clarified that this is fulfilled according to requirements for Licensing Bodies.

A respondent from producer network referred to the fact that the Trader Standard chapter 3 (Production) and 4 (Business Development) already address some RBC issues such as labor rights, environmental protection, and trading with integrity and that some traders also may have other sustainability schemes e.g. ISO 26000, and in addition few large trader have developed their own sustainability human right scheme.

One other suggestion from a responder from Fairtrade organization is to introducing a requirement on management system with a regular monitoring system on the company's supply chain that would ensure maintaining longer term relationships with its suppliers, and monitoring of these suppliers' performance on relevant topics.

If your answer to Q1.1.1 is 'No' If your answer to Q1 is 'No', could you please explain why your organization does not implement any due diligence measures or procedures?

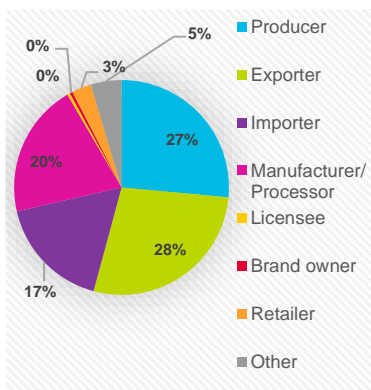
Those who responded that they do not have any procedures in place, further provided these reasons:

- because they source only from Fairtrade certified producers, they take this as due diligence at producer facility is carried out.
- Operating under HR policy and Environmental policy
- Organization is concentrated more on production processes while human rights and environmental issues, and compliance is in accordance with the local government laws.
- (importer from Europe) due to small operation size, cannot cover the costs of identifying, addressing and tracking. However are committed and strongly rely on certification standards that ensures HREDD areas are respected.
- (importer from Europe) there is a code of conduct applicable to all suppliers, however the challenge is the time constraint as suppliers do not cooperate on this topic.
- No procedures in place because no resources available to conduct due diligence beyond certification and they trust that it is sufficient when their supplier is Fairtrade certified.
- A company (in Europe) is a micro-enterprise that has not yet needed this.
- A manufacturer from Europe – do not consider this as their responsibility because they buy from importers that must ensure the due diligence;
- A coffee manufacturer/processor in Europe – manufacturing the product but only to fill the packages and consider they have no impact on any processes in supply chain until their point.

A respondent from National Fairtrade Organization from North America region mentioned that the majority of their traders are small/medium size companies and do not have any measures in place right now.

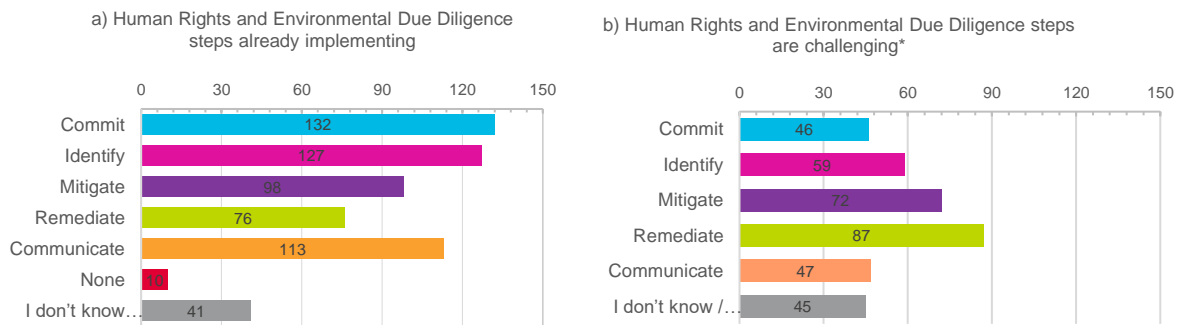
- a) **Question 1.1.2:** Which Human Rights and Environmental Due Diligence steps as defined by the OECD due diligence guidance, are you already implementing?
- b) **Question 1.1.3:** What step (s) of HREDD implementation are challenging for your company. Please also elaborate on what are these challenges and /or obstacles?

Written feedback:



232 stakeholders responded to question a) and 238 stakeholders to question b) with majority representing one of the trader roles in the supply chain.

The charts below display the answers on the chosen steps of OECD that are currently being implemented (a) or challenging (b), includes responses of only the Fairtrade supply chain actors (e.g. excluding 'others'). Based on this, the conclusion is that the most common steps that are currently implemented by all stakeholders are - commit, identify and communicate. While remediation and mitigation were chosen are the most challenging steps.



The next chart displays the same inputs with a breakdown per stakeholder role in the supply chain.

Overall, there was no significant difference between implemented or challenging steps among all supply chain roles. However, there is a pattern showing that remediation and mitigation are the most challenging steps for all supply chain actors after producer.

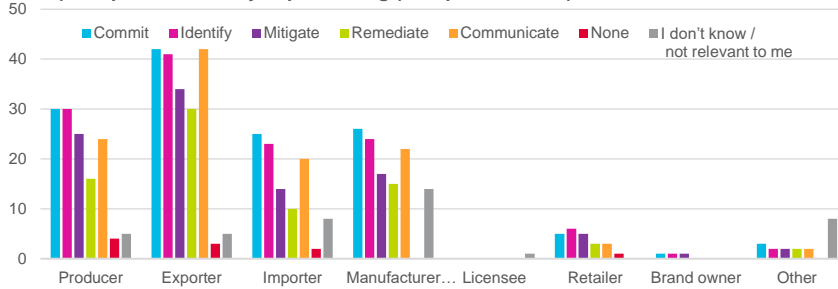
As these were questions with multiple choice answers, a number of stakeholders selected multiple choices (i.e. steps). For trader role stakeholders, the most common answer on the option of steps they are currently implementing - was Commit, Identify, Mitigate, Remediate and Communicate (30%), followed by are single choice of either commit (12%) or communicate (8%), i.e. some stakeholders were implementing only one of these steps. Regarding challenges, many stakeholders with trader role chose 'none' (20%) indicating that they don't find it challenging to fulfil all steps. Second best option was a combination of two steps – Mitigate and Remediate (12%) and third option was a single choice of Remediate (9%).

To conclude, overall majority of stakeholders are already implementing at least one of the OECD steps and mitigation together with remediation seems to be the most challenging.

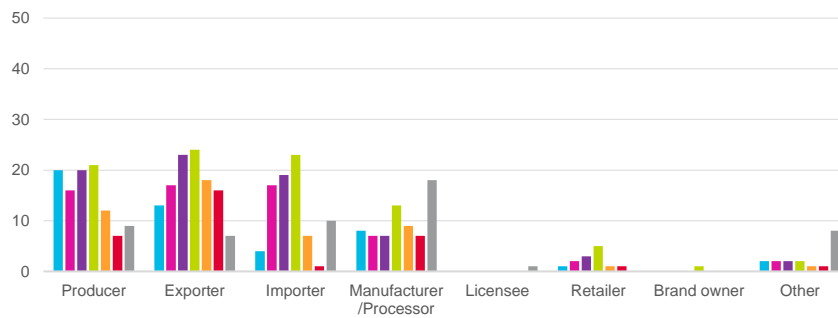


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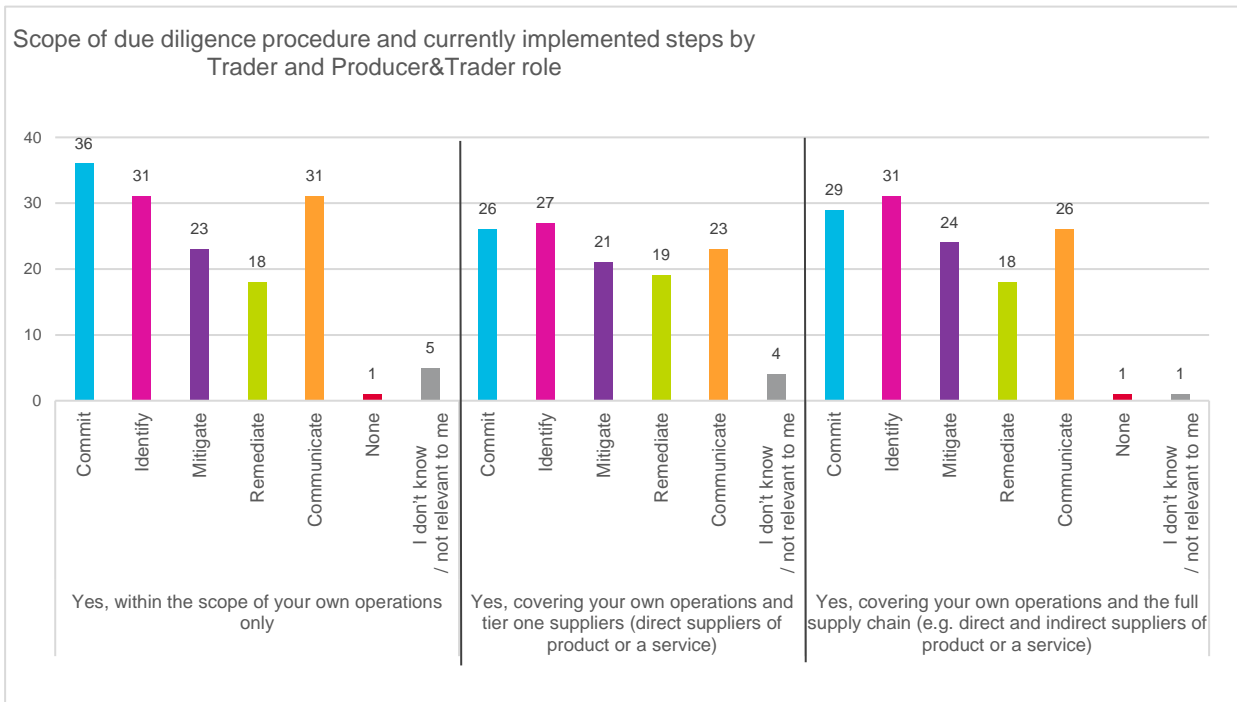
Human Rights and Environmental Due Diligence steps:
a) companies currently implementing (see question 1.1.2)



b) are challenging (see question 1.1.3)



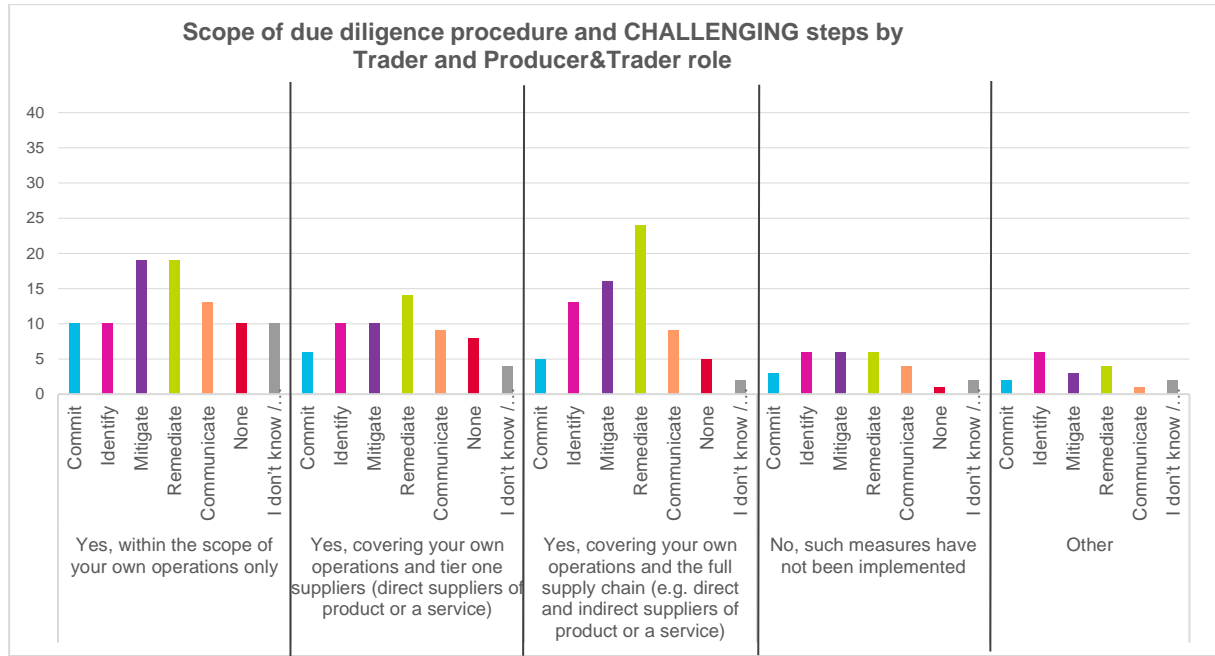
The chart below shows implemented due diligence steps within a chosen scope category that was provided by stakeholders in the question 1.1.1 (on the scope of the procedures). There was nearly no difference found between any of three scope categories, with only slight difference on the 'identification' step that was chosen as one of currently being implemented by stakeholders whose due diligence procedure covers direct supplier or full supply chain.





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Regarding the most challenging steps, the chart below shows that overall 'remediation' was identified as most challenging with slightly more respondents whose scope of due diligence procedures include full supply chain.



The challenges that each stakeholder group have provided is summarised in an overview of responses to the next question.

Elaborated feedback on challenges and /or obstacles

105 stakeholders provided further feedback on challenges, where 27 were provided by small producer organizations or hired labour organization, and 73 came from organizations representing one of the trader roles in the supply chain.

Challenges reported by organizations representing producer role (SPO & HLO)

Lack of resources (financial and time)

- Lack of resources, financial capacity to conduct trainings, person to implement, to establish partnerships with entities that specialise in HREDD issues;
- Identification of risks - is very difficult due to lack of capacity

Poor adoption/reluctance for members/workers to change

- resistance of members to change, reluctant to implement new changes in the standards; implementation of practices is challenging because often providing trainings is not enough.
- challenge to engage with stakeholders and create culture to work on improving mitigation actions; e.g. engaging with small farmers that their agricultural problems are shared with their organisation in order to keep a record and provide the best solution and that the evaluation is ratified; challenges in raising awareness of those involved in the process, despite all the efforts and surveys for improvement made.
- Because of challenge to engaging and informing producers (e.g. on protection of environment), remediation is then also challenging.

Time constraints for change to happen

- environmental issues require time to address, more knowledge, resources, labour and fund as well as following up with implementation on the identified issue to members for adoption is also a big obstacle.

Producer reality

- regulation (HREDD) is not adapted to cultural and economic aspects of producer reality, which generates the uncertainty to implement any steps, as well as investments with economic resources, human and technical resources; medium and long term investments are escalated to traders who use these as marketing tools to promote their final products, yet have little or no return to the producers.
- challenges with migrant labour and access to rights, which are linked to political goodwill and timely solutions. Workers facing legal barriers that cannot be solved at SPO level, nor at farm level and resources to secure equivalent rights and services are limited and there is no support from traders
- at farm level, turnover of workers (workers change often) is a problem.

Challenges reported by exporters:

Lack of resources (financial and time)

- lack of financial and human resources to collect the information
- as well as time concern; developing the most relevant seamless tools for tracking is not easy.
- remediation is a longer process which requires resources (eg. finance, time), even if processes and procedures are in place; supply chains vary from one year to another, making farmer databases dynamic in nature and challenging to carry out remediation on farmer level
- No communication officer in the company

Producer reality (what is considered as a challenge/obstacle that starts at producer level)

- 'commit' - a trader can only commit if the supply chain commits, it starts with the commitment from producers.
- (sugar) the onus to identify, mitigate and remediate HREDD challenges is on the producers.
- challenging to maintain a certain level of corporate responsibility; this involves raising the awareness of all staff
- mitigation - rarely helpful, end up with remediation mostly; because producers do not always engage in the way they should; challenging to change people's perspectives, something that they have been doing for generations, and telling them that it is not correct
- mitigation and remediation is challenging, because it comes down to work with persons and their personal life and the social network is exposed after the identification of the fraud.
- poor adoption of remedial measures by SPOs on climate change and child labour due to diverse factors ranging from low income, poor attitude towards change and limited land against growing population.

Supply chain/ market reality

- no support on the market, Fairtrade price does not include changes introduced on environmental protection (e.g. pesticide use); or customers are not interested in Fairtrade products, can't pay higher price
- no obstacles, but challenging to engage all stakeholders
- challenge for a small organizations (e.g. 9 employees) cannot oversee everything and therefore promoting and relying on Fairtrade and other certifications



- not feasible to evaluate all HR concerns in multiple countries (purchasing final product, no interaction with the producers/growers but interact directly with the manufacturers contacts growers)

How and who to inform / communicate

- Communication and making people understand that what we are asking them to do and to use is in their own interest
- Communication can result in a punitive approach.
- Not clear what would be the most appropriate means to inform and who would be the recipients of the information and in what detail for effective communication.

Challenges reported by Importers :

Financial costs and time

- time constraint, the purchasing volumes are large, but the team is small (over 80 suppliers from different origins). Currently setting this up to first know where high risks are, and then only work on mitigation and remediation on high risk/high volume suppliers.
- every step is challenging and time consuming and costly. This is one of the reasons companies buy Fairtrade - as an assurance that risk is mitigated by the Fairtrade processes and organisation.

Remoteness

- (Banana) all steps are challenging for a small company with few employees and time-consuming to get a clear picture of the local situation - not able to identify and quantify risks, let alone mitigate and remediate them. This is why reliance on Fairtrade certification and expertise of regional auditors
- difficult to identify risk and address support (language is a barrier to communicate in an appropriate way), see little possibility for a small company to change the tea business, so it would be more effective when the whole industry would understand the problems and we could address it together.
- too far away to actually monitor policy management by cooperatives.
- always hard to act locally as much as we try to do so if they do not respect the values and do not want to change we may have to change suppliers to make sure we only work with suppliers that share the same values
- Mitigation and remediation can be quite challenging in certain countries of origin, particularly as our company has no own operations in those countries.
- transparency and that it is impossible to visit all suppliers and when you do it is difficult to know if you see/get to see all the problems.

Data quality, transparency

- to identify – because of data (quality) in the supply chain, beware of litigation and criticism risks for companies when they transparently communicate about their efforts and challenges.
- cannot change what we do not measure. In most cases, the change requires a certain degree of improvement, for which we need some indicators that ought to be put together, and updated regularly. For such actions we require data, and data collection actions.

Supply chain / nature of the product supply chain

- With raw materials from several risk countries, it is very hard to identify all different aspects of risks in each country and raw material supply chain, let alone mitigate them in any other

means but procure sustainable verified raw materials (RAC, FT etc.). Our purchase volumes of some raw materials are quite low so unlikely our voices will not be heard.

- (coffee) not able to address all issues and especially not able to solve all challenges across the Supply chain as A single company
- (cotton) when you don't have your own supply chain you are limited!
- very difficult to place our approach into the OECD figure or squeeze it into check lists. By having direct access to the tea gardens we source from and by trusting our suppliers that they don't violate human rights we feel that we have a relation that would allow both sides to discuss problems.
- (coffee) very diverse supply chains, evaluation of challenges is a big effort especially for small company.

Reluctance to change

- (banana) challenge are around correcting something that is culturally acceptable in that origin. The obstacle is reluctance to make changes as may cost more etc and / or make them uncompetitive vs another operation;
- Supporting remediation will be probably most challenging, especially when it comes to child labour risks.
- Providing remedy is perhaps the most challenging but we are aware of the importance of having a victim centric approach especially for issues relating to human rights.

Challenges reported by Manufacturer/processor

Country/supply chain specific

- difficult to commit HREDD goals due to the current economic conditions (in Sri Lanka)
- (Fibre crops) main challenges -frequent turn over of employees, multiple languages (migrant workers 50-60%), low education of workers, need for more training and re-trainings, need for frequent awareness meeting.
- not directly involved in the business operations of associate producers
- certified product have to be bought on the stock market
challenge to implement because product is sourced from Fairtrade certified and non-Fairtrade producers
- being able to cover a greater percentage of social risk assessments and due diligence with our third-party supplier, because random verifications are currently carried out

Resources specific (time, financial etc)

- capacities and resources
- remediation is a long term commitment and the scope vary based on targets addressed.

Data quality / data access

- (coffee) Identification of risk via worker/farmer voice is very hard. We rely most on desk based data for this today and would like to shift towards real time worker voice data. Remediation that has to happen through layers of an indirect supply chain is also difficult.
- Tracking the progress is an issue, especially with impacts along supply chain
- No assurance on how reliable the provided data

Challenges reported by other stakeholders

A respondent from National Fairtrade Organization mentioned such challenges as lack of legal framework (e.g.in North America), commitment would be limited if Fairtrade sales seen as business opportunities, lack of support to identify risks along the entire supply chain touchpoints. While a



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respondent from producer network mentioned that since for businesses it is an imperative to comply to any measures imposed by the authorities or by key clients/demanding customers – it would not be a challenge to comply with HREDD. One of the Global Product Managers mentioned that Fairtrade should offer additional programmes/projects to raise capacity of cooperatives and plantations to identify, prevent and mitigate human rights risks and to remediate actual violations. While co-investment is essential to enable suppliers to implement HREDD management systems, or even targeted allocation of funds on remediation so that suppliers are able to respond to identified cases.

***Feedback from workshops (covered questions 1.1.1, 1.1.2 and 1.1.3):**

In Latin America region workshops, out of 393 respondents 81 (21%) are carrying out the due diligence within the scope of their own organizations only, followed by 72 (18%) that do not implement such measures, 43 (11%) that implement measures that cover their own operations and the full supply chain and 36 (9%) that have procedures covering their own operations and tier one supplier, while 72 (18%) replied a 'I don't know/not relevant to me'. With further feedback on whether there is a risk assessment tool, producer organizations referred to risk assessment they use as part of internal audits (as per requirement in Fairtrade standard) and some traders referred to other standards - Sedex (fruit and wine), Ramex (Sag)(honey), Globalgap, organic certification. Traders and producers from Peru, highlighted that companies mostly comply with national regulations which is then controlled by Sunafil and the Ministry of Labor. An evaluation is carried out according to the risks that are present, and a matrix is made where each risk was found and classified its subsequent implementation and socialization with the producers and workers of the organization

In Africa and Middle East region workshops, participants referred to similar measures and challenges on implementation of HREDD steps. In Kenya most of the participants mentioned that they implement all HREDD steps and gave examples of measures / activities, such as : HR systems, policies in place (Gender, Business code of conduct, OSHS, Workers rights, Forced labour, Sexual harassment), staff sensitization, responsibility assignation, monthly monitoring and also tracking the progress by setting up a monitoring system or tools e.g. risk assessment/ an audit/checklist and communication they ensure via emails, trainings, visualization, meetings. Organizations that mentioned that they have committees to observe and assess were mostly those with mixed roles of trader/producer or producer role, while trader organizations referred to compliance with the government (local law) requirements however do not have a rigorous system in place. Those that reported not having a system in place mentioned they do not have it formalized, because it's not required. The challenges they mentioned are to implement such measures for sub-contracted services and in some cases to sensitize workers. Overall both producer and trader organizations types of groups referred to challenge with steps of address & remediate and to track. They find tracking is particularly challenging, i.e child labour, and while structures exist and internal auditors are supporting, more support is needed. A stakeholder from South Africa mentioned one other challenge is when they have multiple certifications, the same information is required in different ways and format leading to a lot of paper work.

In Asia and Pacific region workshop, participants referred to regular procedures in place and carrying out risk assessment as per BRC, IFS, FSSC ISO 22000 as well as risk assessment on food safety, health and safety, and financial

Question 1.1.4: Have you offered any support to your suppliers' HREDD work (e.g. on risk assessment or remediation)? If yes, please describe what kind of support you have offered.

112 respondents responded to this question with elaborated examples whether they provide support to their suppliers. More than half of stakeholders with trader role (exporter, importer, manufacturer/processor, licensee/ brand owner, retailer) mentioned they are already providing such



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support. Proportionally, the highest number of trader organizations were exporters, followed by importers, retailers and manufacturers/processors.

Those stakeholder that are providing support referred to the following activities below (includes 13 trader organizations that were also licensees):

- Provide awareness-raising, training on safe practices (sprays, PPE, natural farming, biologicals), and assist with system implementation and risk assessments.
- Engage suppliers in social, environmental, and economic projects, working together to address environmental and human rights risks across the supply chain.
- Facilitate discussions with farmers to gather data for policy reports and decision-making.
- Identify community needs, offer financial aid, and conduct farm environmental audits to address social issues.
- training and handbooks to suppliers on Human Rights and Environmental Due Diligence (HREDD), risk management, and support for SMETA certification to improve social compliance.
- Provide risk assessment, human rights impact assessments, and collaborate with NGOs for living income studies. Financially support suppliers in DD activities, certifications, and initiatives like agroforestry and child labor monitoring.
- Train labor brokers on responsible recruitment practices, including cost-sharing recruitment fees in supply chains.
- Share guides, communicate the Code of Conduct with suppliers, and support the development of human rights and environmental policies.
- Assist in finding alternative funding sources and jointly apply for grants. Establish clear expectations, improvement plans, and monitoring.

Some respondents (about 10%) did not indicate whether they provide any support directly and referred to other mechanisms or tools they consider serve the purpose of supporting measure:

- pre-finance, sourcing plan.
- rather rely on certification (GFSI), Fairtrade – as assurance that there is a regular awareness / communication provided as part of the audit/compliance
- consulting farmer networks on HREDD
- in specifications request for purchase, they require that product should come from certified Fairtrade producer which implies social risks are mitigated for full supply chain
- ready to support if this will be required

A respondent from one of the National Fairtrade Organization highlighted the importance of trader organization to co-invest that would enable suppliers to implement HREDD management systems. As a Fairtrade member organization they offer projects to market partners (retailers and traders) to raise the capacity of farmer cooperatives to identify, prevent and mitigate human rights risks and to remediate actual violations and in some projects funds were allocated specifically for remediation, to make sure suppliers can adequately respond to identified cases.

***Feedback from workshops:**

In Latin America region workshops, 369 participants shared their experiences. Producers views were that traders may use and make visible the actions implemented by producer organizations as their own to get external support from other partners they cooperate with (external or government funds), therefore it should be in their interest to consider support to producers.

Otherwise it was shared that activities (e.g. trainings) within producer organizations are usually covered with their own funds or managed via cooperation with external entities. However they highlighted that not selling at a better price, it's too challenging to meet the needs. Also they highlighted that some organizations are in Fairtrade since many years and they consider themselves different to other non-certified producers as they have a CBA in place, reviewing labour aspects, care



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for environment and other aspects that go beyond OECD, however there is no recognition of all efforts and progress made. Such as, there is no publication, no reward, no results is made visible. It was suggested that such aspect should be included in consultation for 2nd round – to strengthen requirements applicable to traders regarding the support to producers.

In Africa and Middle East region participants mentioned that support is provided to producers, however it's not enough. Producers mentioned they spend premium for medical camps and health centres. Some trader organization participants responded that they do not support and expect that suppliers should request this support, as they have their own advisors.

In Asia and Pacific region workshop, participants mentioned that in case of necessity, technical advices can be given. Support was provided to SPOs upon request and where necessary, this for example included guidelines to improve suppliers HREDD procedures and to support the evaluation process.

Question 1.1.5. If you have undertaken a risk assessment, which risks to human rights and the environment have you found in your company's own operations and supply chains? Please tick all that apply in the list below. This was a question with options as a multiple choice selection of risks wither within own operations or in full supply chain:

- Living income, living wage
- Working conditions
- Health
- Freedom of association and collective bargaining
- Forced labour
- Child protection and child rights
- Gender rights
- Non discrimination
- Self determination
- Climate change and deforestation
- Water and biodiversity
- Freedom of speech, thought and public participation
- Privacy
- Other please specify
- I don't know / not relevant to me

Written feedback:

In the written feedback 210 respondents answered this question. Charts below show results of choices made by stakeholders with trader role (e.g. excluding pure producer and 'other'). Since this was a multiple choice answer, most of the time stakeholders selected more than 1 risk area. However, responses against each of risk areas were counted separately and represent number of times when each risk area was mentioned either as only one option or as one of the areas in multiple selection.

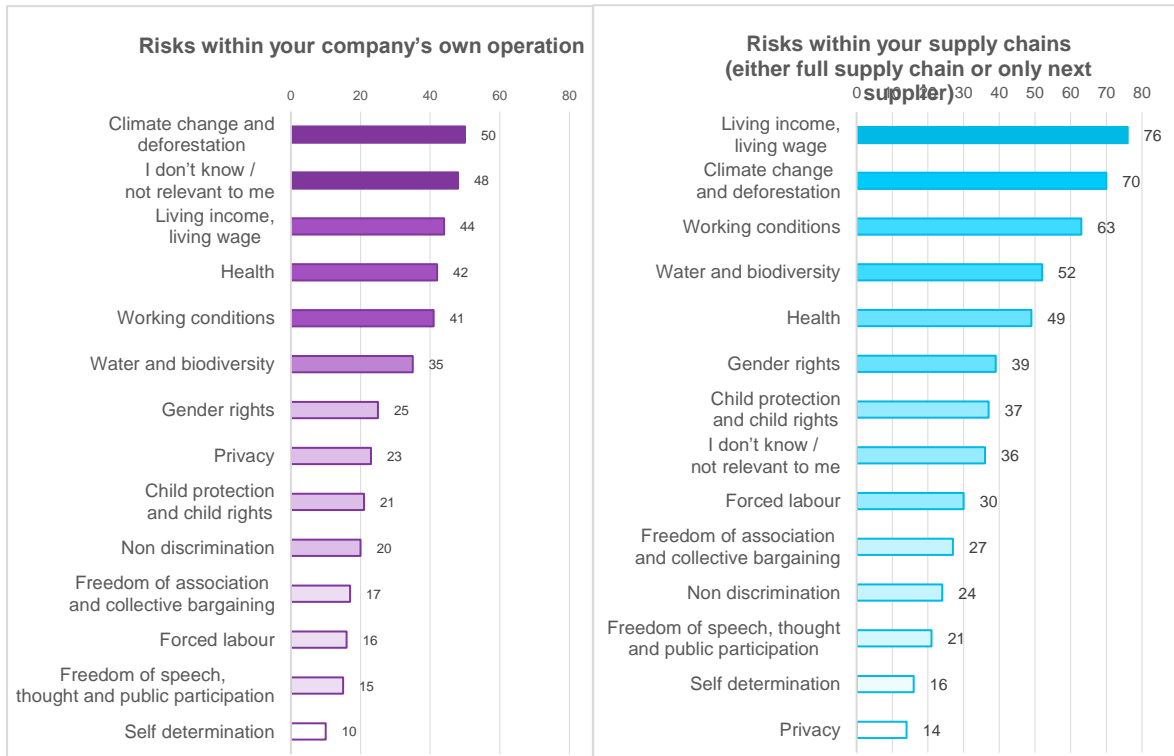
When it comes to types of risks that stakeholders chose for own operations scope or full supply chain - there was almost no difference in the type of risk areas. 'Living income and living wage' got most of the votes as a risk for supply chain assessment and 'climate change and deforestation' was mostly chosen as a risk within company's own operation.



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Those who selected **‘Other’ for company’s own operations**, provided the following input or suggestions for other risk assessment areas:

- Producer respondents shared their experience that sometimes they are requested by traders to provide information on risk assessment, however they highlighted that the standard must ensure that trader carries out and reports with own risk assessment too which is then communicated to all stakeholders.



- Some exporters mentioned they are not undertaking risk assessments at all while others suggested following risk areas:
 - social compliance by certification on processing level,
 - lack of business safety,
 - extreme low productivity,
 - environment aspects

Those who selected **‘Other’ for company’s full supply chain**, provided the following input or suggestions for other risk assessment areas:

- Producer –clarification needed of the terms “self-determination and privacy”, they also highlighted co-responsibility from traders on cooperation on this topic with producers, as well as to verify their own risk matrix and share with other stakeholders in the supply chain; to guarantee the payment of a living wage, the producer and his family must first receive a decent (living) income, which is not ensured neither by conventional nor by Fairtrade market and therefore system should not require if such contributions cannot be ensured. The following were suggested as other areas:
 - good agricultural practice
- Importer- depends on the FT supplier, context, political, social and economic situation in the country, product, etc., other mentioned that this is the reason why they rely on certification status, to address these issues



- A certification / confirmation of already existing compliance,
- lack of business safety,
- extreme low productivity,
- clean water,
- safe chemical handling,
- land use rights
- Working hours,

*Feedback from workshops:

In Latin America region this question was not discussed as it was found irrelevant..

In the online session trader organizations have listed the following risks as for assessment within their own operations: Freedom of expression, thought and public participation, Climate change and deforestation, Labor conditions.

The following risks were mentioned to assess within the full supply chain: Freedom of association and collective bargaining, Gender rights, Living income and living wage, Health, Working conditions, Climate change and deforestation, Non-discrimination, Living income and living wage, Other (Quality and worker place safety)

In Africa and Middle East region trader organizations have selected the following risk assessment categories – Health, Water and Biodiversity, Climate change and deforestation and Child protection & child rights,

In Asia and Pacific region workshop, participants selected the following risk areas: working conditions, health, climate change & deforestation, (however covered by environmental protection, licensee EPL, water and biodiversity, Living income, living wage (as external risk to assess suppliers, not own risk)

In addition participants from Sri Lanka have identified that some other risks in the context of the country are not considered as risk, because they are covered by labour law: Living income & living wages, Freedom of association & collective bargaining(no restriction from employer), Forced labour (controlled by labour law), Child protection and child rights, Gender rights, Non-discrimination, Freedom of speech (suggestion box, meetings, accessibility to management), Privacy (all facilities provided – wash rooms, sick room, changing room)

Question 1.1.6-1: Following the recommendation on changes to the standard, the trader standard should also include requirement(s) on the management system to monitor and assess human rights and environmental due diligence. Implementation of this system could also reduce the risks related to company's performance and compliance with the standard. **The management system that: 1) Includes a complete set of due diligence measures and builds internal capacity to implement them; 2) Includes procedures for an internal audit (1st party audit); 3) Includes procedures for internal inspections of the sites and additional entities, including subcontractors (2nd party audit)**

Do you agree if requirement on management system is introduced, it includes the above mentioned elements?

Written feedback:

244 respondents answered this question. Overall 57% of the respondents (140) strongly agreed to introduce requirement on management system, while 23% partially agreed (57 respondents) and 9% disagreed (21 respondents) (see Figure 9). Among the producing regions agreement was higher in

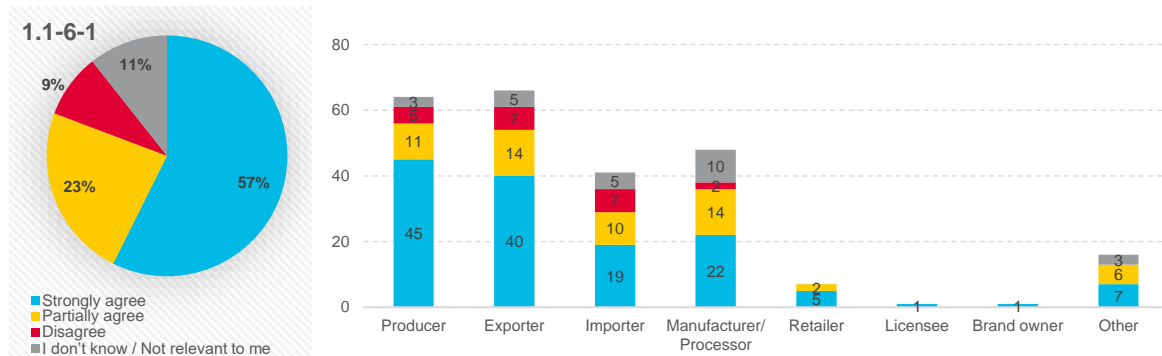
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Africa and Middle East region (45 respondents strongly agreed and 5 partially agreed) (see Figure 10). Along the supply chain, majority of respondents whose supply chain role falls under the trader categories, expressed rather an agreement with proposed change (41 strongly agreed and 28 partially agreed) (see Figure 11).

Figure 9. Overview of responses to **Question 1.1.6-1 Do you agree if requirement on management system is introduced, it includes the above mentioned elements?**



Those who strongly agreed, further elaborated that it would enable SPO to build good business relationship with their workers and customers and ensure fairness and trust. An exporter mentioned that internal audit offer an opportunity to self-check and take corrective measures on a regular basis. An importer agreed that all different levels (listed) are needed and complement each other. A respondent from Fairtrade International suggested to also add a 3rd party audit.

A Global Product Manager at Fairtrade recommended the standard to require the following:

- annual update of HR policy and HR risk assessment (at least for large traders).
- identification of potentially affected/vulnerable individuals and groups within and outside of organization (incl. Farms and workers) starting at the producer level.
- every three year an in-depth risk assessment of human rights for high risk contexts (worker rights, env. issues)
- at least on one most salient impact – certified entities to engage in dialogue with supply chain actors/authorities or local initiatives
- traders to abide by key requirements on human rights including workers' rights and env. Standards
- traders to assess their own involvement in human rights violations in their supply chain (to assess contribution to negative impact) including assessment of their purchasing practices.

Those who partially agreed, found that introducing such requirement could turn into a burdensome internal procedure.

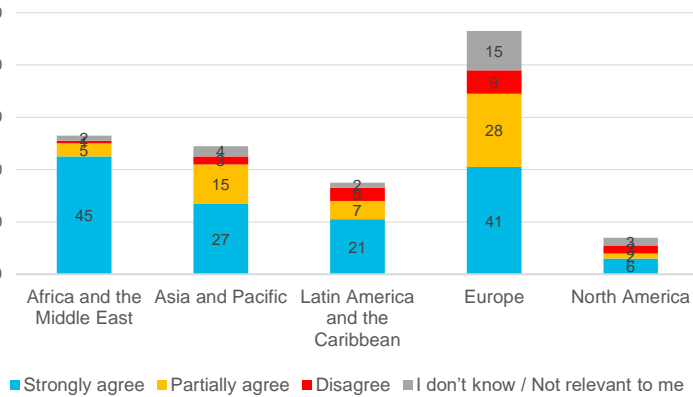
Producer organizations that partially agreed, made following suggestions:

- Include the procedures for internal inspections on the sites and additional entities like subcontractors (however this would not be useful in case they are already Fairtrade certified)
- clarify who would perform the 1st party and 2nd party audits.
- Suggestion to rather limit to internal components and entities, covering subcontractors would be too complicated



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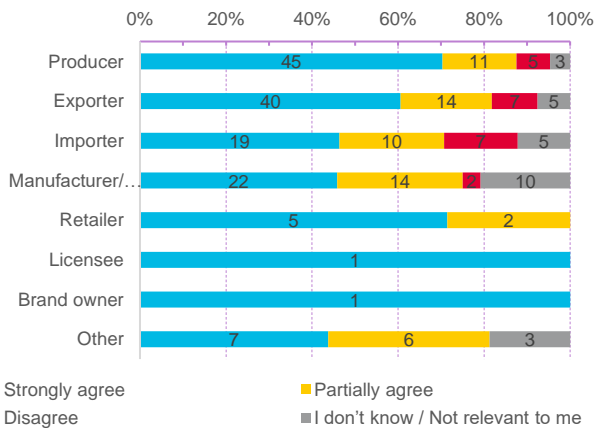
Exporters who partially agreed, mentioned that for some - 2nd & 3rd elements have been already implemented and highlighted that implementing a complete set of due diligence measures across supply chain seems rather unrealistic. One respondent from Asia & Pacific region mentioned it is not yet clear how this would be locally practical and feasible and another respondent from this group flagged that for them it's impossible to engage in auditing the supplier sites because they operate as a separate entity. Some others mentioned that it would be very burdensome for small traders. Overall this group suggested to consider the following:



mentioned that it would be very burdensome for small traders. Overall this group suggested to consider the following:

- first and second party audits are fine, but the priorities and requirements contained in these audits should be determined by stakeholder consultation, not imposed by Fairtrade.
- factor-in lack of internal capacity to implement all and need for more training to build collective awareness
- the request for auditing 2nd parties is in practice difficult to fulfil
- Not to reinvent the wheel and base all on upcoming Due Diligence Regulation.
- introduce as a progressive requirement, so that it can be learned and applied.

Figure 11 Overview of responses to Question 1.1.6-1 by supply chain role



Importers flagged that there are already different programmes ongoing on this regard and that Fairtrade might be coming late with this requirement which would lead to a clash with currently ongoing procedures (e.g. other programmes i.e. Sedex SMETA or other third party audit based certifications such as Bonsucro or Proterra certification of traders' operations). Other mentioned this implementation would require resources to be invested, including building an internal capacity to implement and overall it seems this change would increase the workload with too many audits, and more details need to be understood, e.g. on impact

and implementation of the management system. Some of their suggestions were:

- for certifications to be recognised as alternatives to the FT HREDD;
- Implementation would depend on type and frequency of data collection required
- Proposed change need to be improved on practicality, for now it's too theoretical and difficult to implement in the fields and generate impact
- integrating HREDD in a standard context should focus on bringing benefits to producers
- Rather important to spend the resources on improvement, instead of paper based procedures. avoid coming up with a bundle of check-lists and administration, this would only be a burdensome procedure to require from SME
- Other management system to be accepted. (1st Party & 2nd Party audit) and suggestion to separate out approaches to address different risks areas e.g. living income, living wage vs



- climate change and deforestation, e.g. climate change due to natural calamity is different vs origin or consequences of environmental pollution; Living wages gap should be filled up with the support of Brand only;
- Not always easy to get this information or to carry out audits at subcontractors for the company.
 - Required measures to be strictly based on a risk-assessment result – impossible to spend time to audit and put in place unnecessary procedures within a low-risk facility.

Retailers were of similar opinion and mentioned that for them it is also going to cause additional administrative work to provide proof, which is time consuming and difficult to implement even though the organisation is overall in compliance. Another respondent recognized the importance of monitoring to ensure the success of Due Diligence, however was not clear who would be responsible to pay for all extra efforts (with time and money).

Other respondents who partially agreed, included views from FLOCERT, National Fairtrade organizations and Global Product Managers who expressed concerns and explored on alternative options. The concerns are that implementation can have an immense financial impact on companies, it's too much to implement a management system because it has to be adaptable to company's capacity. It is important to note, that management systems by their nature (and HREDD management systems also by design in the relevant legislation) are context-specific and need to be appropriate to e.g. size and function of a trader. Thus, not all of the above mentioned measures are possible for all kinds of traders. And lastly, such requirements will be included in laws that will be incumbent on the large companies at the "end of the chain" and will therefore be imposed in cascade on the intermediary traders. Yet, **brands and retailers will require to have proof that their suppliers are implementing monitoring and evaluation actions**. Therefore, suggestions from this group include the following:

- If requirement is introduced, then consider allowing enough time to be given to companies to make the necessary changes and develop a concept for requirements regarding a management system for different kinds of trader via criteria such as e.g. turnover, number of employees, category of trader etc.
- Alternative ideas are – to focus on other elements, i.e.:
 - as per law, the reporting requirements will increase thus Fairtrade could rather focus on giving guidance, recommendations to these actors on the actions to be put in place but above all on the way to report it to the other actors in their chains.
 - consider a more proactive element that encourages traders to work towards elimination of the "root causes" of the problem in collaboration with producer organizations. In the format of "collaborative partnership" coming across more clearly in the overarching objectives of the Standard.

FLOCERT emphasized the need to first understand the type of operation/involvement of trader organizations. For example, in case a trader is a manufacturer / processor / packager and/or is part of an integrated supply chain of companies, then an Internal Management System is more like feasible to be put in place and will server the purpose. In other cases where companies are pure trader (only buying-selling) the value of such system is not clear and also the trader has no influence of the activities of their supply chain partners to address risks.

An external input from Africa region - bullet points 2 and 3 should only be required for larger companies (1st and 2nd party audit).

Those who disagreed, mentioned that it would not be financially feasible, as it requires an investment of time and budget that not all organization have.

Producers mentioned that with all existing requirements elements of such system are already managed, otherwise it has to be defined clearly for which organizations it would be applicable.



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Exporters mentioned that such measures/tools are already covered by local regulations and should not be audited. Coffee exporters raised the point that new standard is already demanding and this should be factored in. Another stakeholder questioned how would living income/living wage be evaluated in multiple countries and how national laws would be addressed.

Importers shared similar views as exporters, namely it would add burden at the times of inflation and various supply chain constraints and suggested to leave it up to law regulations, by requiring compliance to applicable law and to what extent it would be able to comply with, is up to the competence of the company management. In addition, it is mentioned repeatedly that for small trading companies it would be impossible to monitor working conditions of coop in Ethiopia for example, as the product passes multinational shipping line as being a subcontractor.

A manufacturer/processor agreed that it would only make things more bureaucratic.

Question 1.1.6-2: What other elements would you suggest for a management system to include?

99 stakeholder provided answers to this question.

Producer suggested the following elements:

- Engagement Programmes, Training on Compliance to audit Observations, Training and awareness raising.
- Whether complaints of the workers are addressed, workers' pay conditions
- internal inspection procedures on a quarterly basis to assess all likely levels of risk.
- diligence measures and builds internal capacity
- HREDD policy and OHS policy
- Government intervention and funding.
- Sanction procedure
- Develop environmental plans for all members to implement
- A procedure for the fair payment of employees and a procedure for safeguarding the lives of employees in case they are at risk.
- good environmental practices
- verification of the payment of a Fairtrade price and Fairtrade premium
- reference source for quality differentials on applicable products and make this the basis for confirming Fairtrade contracts.
- contract setting specifications,
- Quality control procedures (at origin) to also be applicable to traders, to make the process at destination more transparent, it is important that traders also provide traceability of the lots received.
- Verification of the co-responsibility of traders in the value chain for the HREDD risks of their suppliers (producers).
- Sustainability of management system

Exporter

- Evaluation of the effectiveness of actions resulting from internal and external audits
- Possible areas of violation and penalties for non-compliance to the human rights and environmental due diligence.
- Guidance to ensure gradual adoption and digital tools to make it easier
- Compliance with social security funds and tax authorities
- Health and safety management of temporary workers
- Stakeholder consultation on sustainability priorities
- Communication
- quality checks on the production processes
- Responsibility of Retailers in critical business situation
- working time.



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- Monitoring of existing labour standards. Enabling the better working conditions. Non-discrimination. Enabling the working opportunities for people with special abilities. Gender Equality. More women representation on the top management.
- Training or training materials

Importer

- A good reporting system on a per farm basis that is recognised and therefore reduces the audit burden from another certification / audit system reduce audit fatigue and facilitates reporting so traders can report against their sustainability goals quickly and efficiently.
- clear base year and reports vs base year
- Grievance Mechanism
- stakeholder consultations and continuous dialog with your commercial partners along the chain.
- Present protocols of meetings with suppliers (analog/digital) that address risks and remediation with an time frame, that are signed by all parties to allow a follow up monitoring
- examples for remediation actions which is in line with the standard
- about sustainability of businesses and energy
- Justice Equity Diversity and Inclusion metrics
- Equivalency agreements with other certifications.

Retailer

- traceability to the producers organisation to be sure human rights and environmental due diligence are conformed which is challenging in case of mass balanced product
- Supplier relationship management
- Compliance with (ALDI) requirements
- Pro-active risk management and sustainability leadership
- The Management system should strongly include the workers and their opinion.

Other (NFOs, FI, GPM)

- Track remedial actions taken and their effectiveness
- an aspect on claims making
- at a minimum a HREDD monitoring system needs a grievance procedures and consultation procedure for rights holders, few have this outside of their own direct activities (i.e. this is not present in their supply chains) and neither is it legally required under their national legislation on HREDD which is limited to large companies and end buyers (retailers and brands).
- Equivalency agreements with other certifications
- Besides establishing the frameworks, management should also create awareness to their workers on how to report human rights violations. Necessary avenues for such should also be made available.
- A system connected to that of other actors within the chains ("traceability")
- third-party ombudsman
- The relevant OECD and UNGP guidance documents make clear, which elements an HREDD management system should include and that the respective depth of each of these elements should be proportionate to the company (e.g. by size, turnover, no. of employees etc.)

***Feedback from workshops (to questions 1.1.6-1 and 1.1.6-2):**

In Latin America region , 375 participants responded to these questions. 43% (161) strongly agreed, 20% (76) partially agreed, 32% (120) disagreed and 5% (18) found the question 1.1.6-1 not relevant.

Those who strongly agreed, mentioned that they agree with the full set of due diligence measures to be required from traders, however not the internal audit and inspections. Some found that this requirement would be the starting point for traders to start sharing/passing more information.



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Those that partially agreed, for similar reasons – mainly it would add some surveillance through the supply chain and fair demand from different actors. However some were also concerned that it might end up as more costs for organizations. Therefore the recommendation is that this requirement is applicable on year 6 and that the trader does not pass the cost of compliance on to producers.

Those that disagreed, had various opinions. Some suggested to also require traders to implement GIS – so that environmental issues would be traceable, and would strengthen the sense of co-responsibility. Also, the recommendation is to include a verification price paid and verification of traders co-responsibility. Others disagreed because they see a risk of weakened commercial sustainability of small producers.

To the question 1.1.6-2, on what other elements could be included, the following were suggested:

- *Verification of management system through external audits, SEDEX or Amfori*
- *Element on review of the timelines in the fulfilment of premium payments*
- *Inclusion of lawyers in the signing of contracts for protection of non-compliance.*
- *Mutual commitment between buyers and producers - management system should include a cost for sustainability, shared responsibility among buyers, buyers could directly finance the monitoring and remediation system for human rights cases, thus becoming a shared commitment.*
- *Proposed management system lacks elements on addressing the issues, but is focused mainly on identification.*

In addition their recommendation is that Fairtrade provides examples, more guidelines and support with pilots to implement the new requirements.

In Africa and Middle East region some participants mentioned not to include such requirement as it becomes too difficult and too much extra work. Others suggested to leave only the part of internal audit.

In Asia and Pacific region workshop, participants had divided opinions. Some did not agree and suggested not to add more requirements. Instead they recommended to have an integrated mechanism for other certification schemes recognition (such as ISO etc).

Those who agreed, mentioned that they agree if requirement on management system is verified through an agreement between the subcontractor and the trader. Also they recommended to factor in any exceptional cases, such as if third party correction available, then to avoid any duplication.

Question 1.1.7: What benefits would carrying out human rights and environmental due diligence bring to your organization?

Respondents representing producer organizations (both SPO and HL) overall referred to similar benefits such as – sustainable organization that addresses fundamental human rights issues, ensures good governance in terms of cooperative society development, workplace safety, trust from international authorities. Some other mentioned specific details, such as:

- organization is able to identify and to control risks and to know how to remediate those risks, apart knowledge on members rights.
- transparency and accountability, avoid litigation, ensure compliance and enhance customer confidence.
- to project the measures implemented in HREDD in the value chain that open possibility for new emerging markets, seek governmental support.

Respondents representing exporter role overall were aligned on the benefits referring to several examples, that indicate contribution to their efforts on securing social responsibility, reducing Human Rights and Environmental risk and harms in the agricultural supply chain and to widen business



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opportunities. Overall the benefits are that it would increase and improve the performance of the company and their suppliers in HREDD areas and as best practice it would bring:

- greater transparency (Banana), improved business performance and improved awareness among the workers on their role to play in mitigating abuse of human rights and control environmental degradation (cocoa), best and live tracking of human rights and environmental risks (Cane sugar), employers satisfaction (tea), low absenteeism rate, improved worker satisfaction index (cotton), sustainable social enterprise, with decent income to producers while caring for the environment (coffee);
- increased credibility, improved company's responsiveness to issues concerning Fairtrade standards.
- market linkage for producers, procurement from vulnerable groups
- customer trust in business, increasing business volumes and referrals.
- mitigate the air & water pollution.

However one of the respondents mentioned that for them, due diligence is not feasible, and should not be necessary.

Respondents representing importer role had divided opinions that can be categorized into three groups – those that see benefits similar to exporter group, those that do not see any additional benefits because they are already implementing those procedures, and those who actually do not see any benefits because of upcoming administrative burden and increased costs (Banana), where data is collected for the sake of data (due to unreliable data collected by producers), or in general indicated that the benefit is not clear to them. Regarding the data quality a stakeholder suggested to rather ensure data collection is required in producer standards.

Otherwise those who see benefits, gave following examples:

- to ensure that business is impacting positively the employees, communities, environment
- to be able to identify and minimize numerous human rights risks such as child labour, forced labour, poor labour protection and excessive working hours
- license to remain into business once the EU legislation will become effective, reputational safety
- compliance with German Law and HREDD, and ideally a positive impact for coffee farmers.
- security and transparency
- anticipate bigger customers will insist on something similar
- More trust into Fair-Trade organisations
- assurance that they are on the right track, to build trust with (potential) customers

Respondents with manufacturer/processor role overall were aligned and mentioned that either they are already implementing or those that aim to start, referred to following benefits:

- to be aligned on due diligence, prevent risks, ensure social sustainability, create more credibility
- improving our impact on the environment, improved risk management to avoid penalties on social issues (keeping good track of any changes in the chain, awareness of negative impacts, legal compliance)
- fair to everyone, improved transparency
- sensitization of the customers with the justification of the price would certainly be an advantage as well as competitive advantage at marketing, customer confidence

Respondents with retailer role, mentioned that it would help to prevent scandals if human rights and environmental due diligence are not conformed in a certified organization. They also mentioned that in



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fairtrade supply chains, they consider that social and environmental issues are well addressed and flagged that for them risks of child labour and deforestation are of a very particular importance. Others referred to such benefits as having the overview of their own risks and from suppliers, strengthening partnerships with suppliers, increased transparency and trust of employees and to meet consumers expectations on fair conditions along the whole supply chain of FT products.

Other stakeholders included inputs from Fairtrade system organizations who overall agreed on benefits similar that were mentioned by stakeholder groups above and that it would ensure sustained markets for products, legal compliance. However one of the respondents from a Producer Network mentioned that they do not expect any benefits from business perspectives, and that compliance to HREDD should rather be treated as costs to commercial partners.

A respondent from certification body team, mentioned that benefits would be principally for large companies who have to uphold HREDD practices to meet their respective national requirements and/or own respective Code of Conducts (for their stakeholders).

Feedback from workshops:

In Latin America region participants mentioned that overall they understand that what is done from the market side can also be beneficial to producers, however with more requirements there could be more obstacles to new businesses and make Fairtrade less competitive on the certification market (due to increased costs). Others highlighted such benefits as equality, sustainability, compensation for the environment among others. Also that it would draw more attention to the market, be more ethically responsible, promote direct export, ensure human rights are fulfilled and thus members and workers life quality is improved, as well as more interested buyers would help curb migration.

Some other participant highlighted that it would only cause more costs. Because compliance with national regulations on legal and environmental issues is going to be fulfilled anyhow and it's important to avoid that implementation of the standard generates more costs.

In Africa and Middle East region participants agreed that this would give customer confidence, improve efficiencies, visibility of the upstream supply chains and overall would serve as a tool in the audits.

However they suggested that the implementation of standard to be put in phases, so that it can be tested first and this could help to reduce the costs.

In Asia and Pacific region workshop, participants did not comment.

Question 1.1.8: Do you have any suggestions for how Fairtrade could support your organization's HREDD work?

126 stakeholders left suggestions. Most of respondents requested regular trainings and capacity building materials, with a possibility to refresh their knowledge. One stakeholder also provided more specific type of materials that would help producers and traders: multimedia introductory material (film, PowerPoint with subtitles, doodle); Questionnaire to analyse the organizations and the social surrounding situation ; Internal Reporting form; Advisory (preferably again as Multi Media) how to analyse and build workable plans.; Make sure, the circular / revision mechanisms are included.;

Other suggestions are:

- Improve transparency in the audit process, share risk data (including maps/geo data), and provide anonymized information on grievances and risks from Fairtrade farms for better risk assessments.



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- Develop standardized measures and audits for production countries to streamline compliance, reducing the need for importers to create new systems.
- Implement a systematic approach to help producers comply with upcoming EU regulations, ensuring proper due diligence throughout the supply chain.
- Offer ready-made risk analyses related to countries and raw materials to simplify traders' due diligence (DD) work, and provide tailored risk data from Fairtrade audits and external research.
- Connect and support producers by integrating HREDD into standards and auditing, while ensuring fair payment and real retribution for their efforts.
- Increase buyer participation in providing economic and technical support to producers on HREDD issues, and implement mechanisms for monitoring and reporting.
- Strengthen communication with consumers and stakeholders, offer more training to committees, and develop a clear communication platform for sharing reports and promoting transparency.

Respondents from NFOs and PNs suggested the following areas:

- blueprints for policies etc., tailored to the size and type of trader.
- improved traceability & transparency, long term relationship building
- extending training services to traders and producer organizations.
- developing necessary tools that support identifying, addressing, monitoring and remediating the HREDD issues in organizations.
- a set of O2B projects which can support the companies in their HREDD work
- Monitoring and Evaluation framework and plan, to show more impact

Feedback from workshops:

In Latin America region participants also suggested trainings as one of the first important option for them, and in addition were the following areas for support from Fairtrade:

- *Wider dissemination of the Fairtrade movement*
- *To revise minimum prices for all products and that a price above the cost of producers be paid with sooner applicability.*
- *A monitoring system for buyers to review their shares and the price they pay in the region.*
- *to communicate the initiatives before creating the consultations*
- *Economic support to carry out an analysis by the community since the use and custom tends to vary.*
- *Recognize the concrete efforts of organizations in the field of human rights and the environment, according to their reality, culture and history*
- *Making pilots. Guides for implementing these processes. Implementation cases*

In Africa and Middle East region participants were in alignment regarding the need for trainings. In addition they mentioned the following:

- *clear articulated responsibilities on related measures (for traders/buyers), hybrid certification if company is a producer and a trader- an opportunity to reduce the cost*
- *clarification of marketing agents and documentation – different products receive different treatments during audits. (Coffee given NC, Tea not given NC). If an actor is not there, should be pushed to be certified, e.g marketing agents*
- *Doing a mock audit, when you have a new standard, let the standard to be taken for pre-testing, before being made mandatory*
- *Making the process user friendly*
- *Fairtrade not to re-invent the wheel*



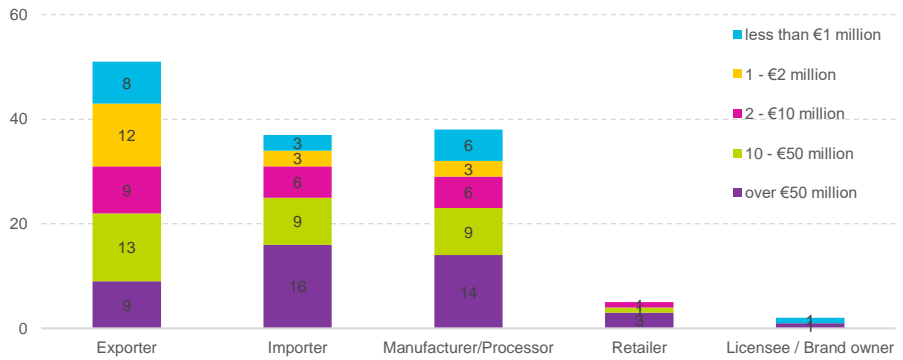
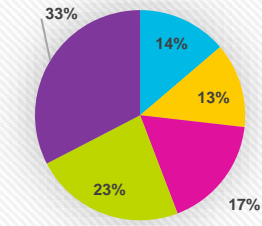
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In Asia and Pacific region workshop, participants of the online sessions suggested to provide awareness raising trainings and risk monitoring templates and to come up with a separate policy for company with limited staff vs a big company with large staff employed.

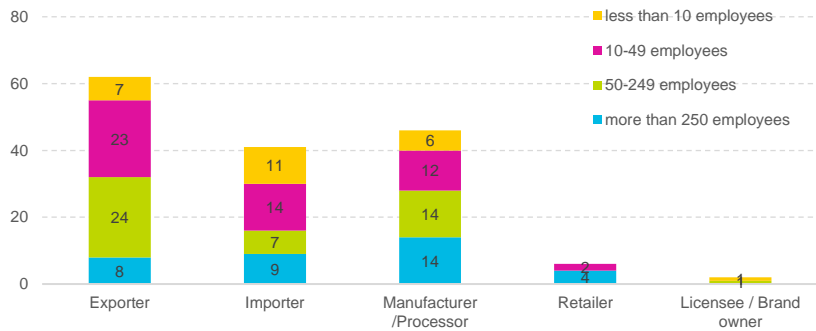
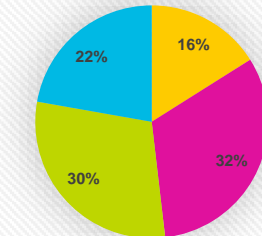
Question 1.1.9: Please select the categories below that describe your organization most accurately

168 stakeholders participated in this question. Those who answered 'I don't know/Not relevant to me' were excluded from the charts below to allow better understanding on proportions.

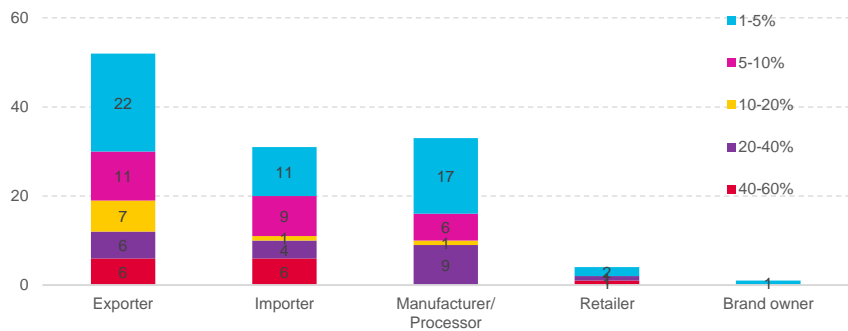
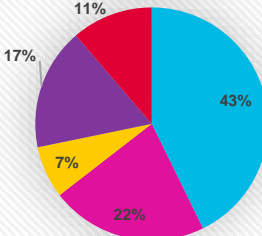
1.1.9
Trader organization by turnover



1.1.9
Trader organization by staff number



1.1.9
Trader organization by share of Fairtrade sales in business





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Additional comments

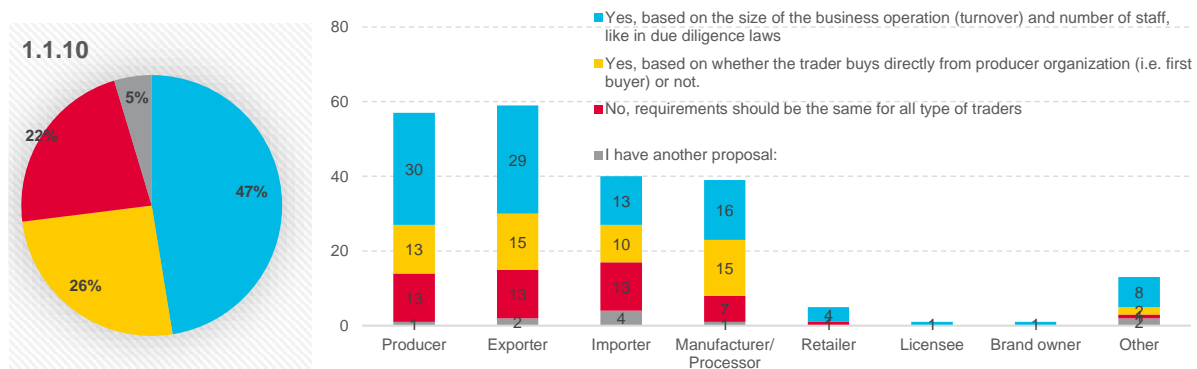
In addition to provided choices, stakeholders mentioned that overall it's not easy for some to find Fairtrade market. Others said that for example in coffee the turnover depends on the cherry intake and market trends of a given season. Banana importer mentioned that even though the sales are high, the gross margin is very thin, and more work to be done by fewer people. The proposed direction of change in the standard would only work if Fairtrade supports producers in collecting this information (e.g. data collection platform) and doing the risks assessments locally. Others recommended that all supply chain actors are expected to provide the same information, otherwise it would be mixed throughout the supply chain

Stakeholders from Fairtrade system organization recommended to disregard share of Fairtrade sales to define the size. FLOCERT team mention that one other important aspect is missing here – a position of trader in a supply chain (buying directly or not) and that defining a clear scope is very important

Question 1.1.10: Should due diligence requirements be different (less or more comprehensive) for different types of traders falling in the scope of Fairtrade Trader Standard (e.g. exporter, importer, price payer, premium payer, conveyor, first buyer)?

Options for answers: 1) Yes, based on the size of the business operation (turnover) and number of staff, like in due diligence laws; 2) Yes, based on whether the trader buys directly from producer organization (i.e. first buyer) or not; 3) No, requirements should be the same for all type of traders; 4) I have another proposal; 5) I don't know / not relevant to me

236 stakeholders participated in this question. Overall their opinion were divided and did not show clear preference towards a particular proposed option. 47% (102) chose the option when due diligence requirements to be different based on the size of the business operation (turnover) and number of staff like in due diligence laws, 26% (55) chose the option that requirements should be based on whether the trader buys directly from producer organizations (first buyer) and 22% (48) chose the option stating that requirements should be the same for all type of traders. 5% (10) proposed another option (see below). Along the supply chain, first option was chosen mostly by producers, exporters and manufacturer/processor organizations. Responses from importers were divided between first and third options. Overall all responses showed an agreement that requirements should be applicable differently to organizations, depending either on their business operation size or on whether they source from producers directly.



Those who chose that requirements should differentiate based on the size of the business operation (turnover) and number of staff (**answer option 1**), added that bigger businesses have more impact and more resources to implement the requirements. Also they suggested for these requirements to apply depending on whether a product is coming from high risk regions. Importer from North America region mention that being a small company, they do not have enough resources to implement these requirements. Another stakeholder mention that there is only one person in the company and they

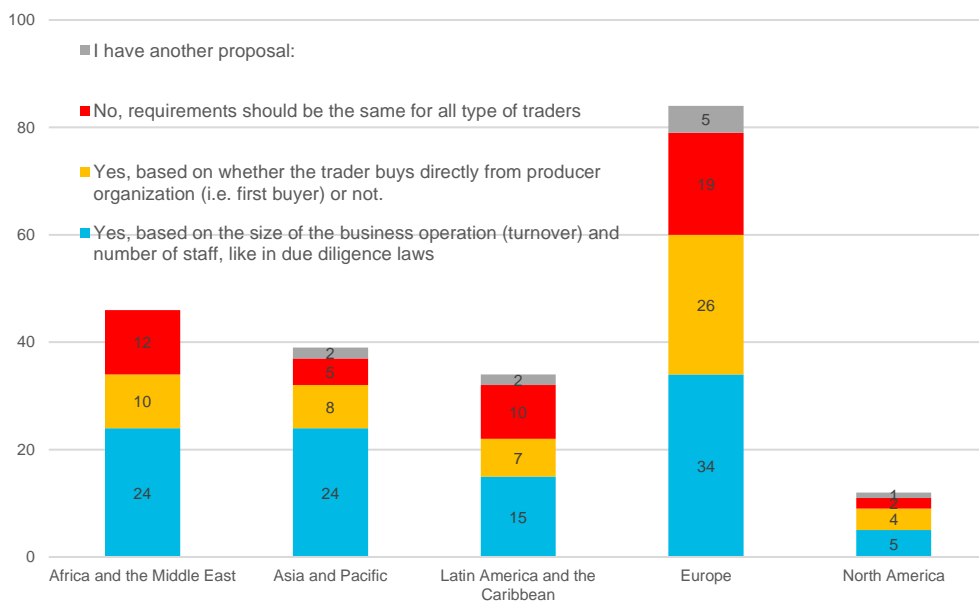


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consider this would not be applicable to them. Other suggested that alternatively requirements could be different based on other certifications or management systems or if an organization is already reporting to a different entity.

A response from FLOCERT is that it is important that the diligence requirements are different based on the size and type of business operation, especially when it comes to smaller organizations (for which often the country legislation would not apply). Otherwise it would end up as a tick-box exercise for smaller companies (or only paper based evidence) because small trader organizations have no real influence on the other actors and human rights & environmental risks in their supply chains. Also, if applicability will differ based on staff number, such information would have to be first collected by FLOCERT from all operators.

A respondent from NFO raised further concern that it's not clear how to involve retailers in the outlined options.



Those who chose that requirements should differ based on whether the trader buys directly from producer organization or not (i.e. if it's a first buyer) (**answer option 2**), included opinions of exporters and importers who added that it's important to consider if operators are undertaking all the processing activities to produce the intended product, not just a type of supply chain actor / trader role, or based on the different specifics such as Incoterms, country business model, number of staff and size of business turnover. Other respondents included input from global product managers who mentioned that applicability should be based on who is the first buyer and differ from products to products.

Those who chose that requirements should apply the same to all type of traders (**answer option 3**), stated that it would ensure a more standardized approach across all actors in the value chain. Also, their choice in favor of this option is explained that producers are not given options to choose and all requirements apply, neither it applies to them based on their capacity or size etc. Differentiating the applicability based on any criterion would make the concept more complex and more complicated to implement.



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1.1.10 Trader & Producer/Trader responses by region



Those who answered ‘I have another proposal’ suggested the following:

- **Exporter:**
 - o leave them out of the standard
 - o requirements to applicable to those who already have some kind of equivalent global certification.
- **Importer:**
 - o should be based on the risk profile of the operation
 - o leave them out of the standard
 - o companies should be required to do DD only on their own operations.
- **Manufacturer/Processor:**
 - o Concern - it's not clear why this should be implemented along supply chain.
- **Other:**
 - o requirements should be the same for all type of traders and risk to Fairtrade should not depend on the size of the organization
- **Producer Network:**
 - o OECD guideline was developed for multinational companies, so trader standard should accommodate for different size of business operation.

Feedback from workshops:

In Latin America region 398 participants shared their views , where 48% (191)agreed requirements should be based on the size of the business operation (turnover) and number of staff like in due diligence laws. 10% (39) agreed that they should be based on whether the trader buys directly from producer organization and 38% (150) agreed that requirements should be the same for all types of traders.

Further they clarified it's important that requirements to be applicable regardless of the types and sizes of traders. If this will not be the case, then equally the same approach should be developed for differentiation of producers because at this point all producers have to meet all requirements, from largest size to smallest.

Other mentioned it could be based on commercial volumes or somehow differentiated because not all supply chain actors are dedicated to the same activity, process, size, and above all, the legal norms are somewhat different.



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However there is a clear alignment in general, that traders have to comply with environmental and social responsibility equally, to balance the demand required from producer organizations because after all the issues to be addressed are all global.

In Africa and Middle East region participants in South Africa mentioned that HREDD requirement should be the same for all traders but to be applicable depending on the product/specific market. Therefore, suggestion is that they apply as voluntary best practice. Stakeholder from workshop in Kenya mentioned that requirements for traders to co-invest(remedial measures) should be also voluntary.

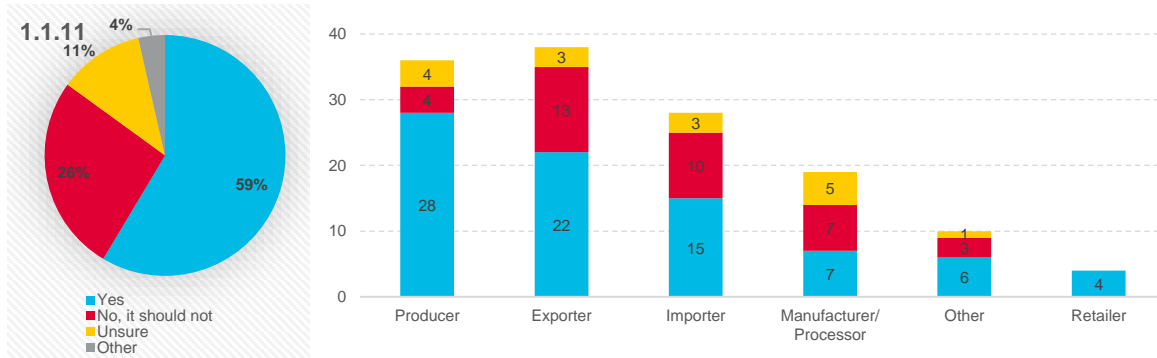
In Asia and Pacific region workshop, participants mentioned that it would be better if requirements would apply within the scope of the company.

Question 1.1.11 Should the scope of Trader Standard be extended to require due diligence from licensees (those that are currently only verified)?

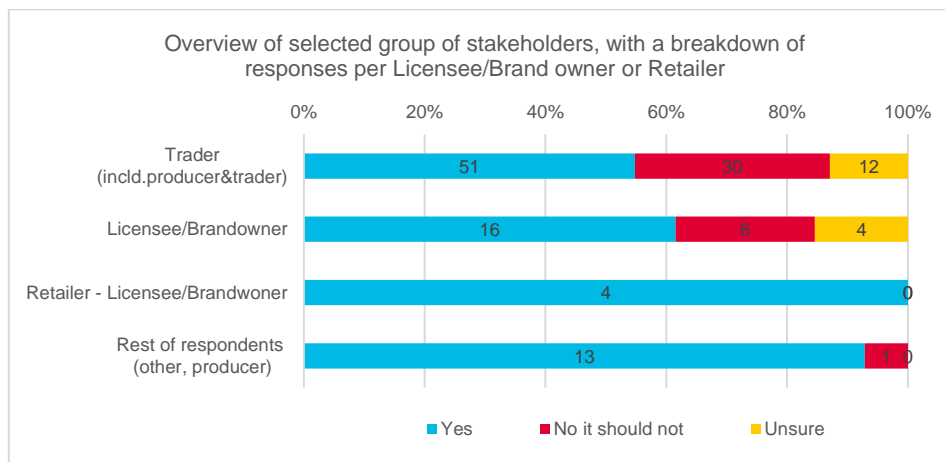
This would imply, for example, when retailers or brand owners are licensees (only) that are selling packaged consumer ready products, they will be verified against newly introduced requirements on due diligence.

Please note this was an open ended question and provided qualitative data inputs were further categorized to improve visibility on opinions of all stakeholders

140 stakeholders answered to this question, where around 60% (82) stakeholders agreed that the scope should be extended to require due diligence from licensees, this included views of 51 stakeholders with one of the trading roles where 18 of these are also licensees and/or brand owners. About 26% (37) stakeholders disagreed, where 30 of those were with one of the trader roles. About 11% (16) stakeholders were unsure about proposed change, and this included view of 13 stakeholders with trader roles. 4% suggested other proposal



Among those who disagreed, almost all of them were traders (including producer organization with mixed roles e.g. processor or exporter). Many respondents representing views of brand owner, licensee and retailer did not provide any answers or opinion. The chart below displays breakdown of those who responded to this question.



Those who were in favour of this change, further clarified :

- Producers – stating that ideally all trades are supposed to comply with the newly introduced requirements on due diligence, and if not complying then they should be verified as this would also influence the possibility of generating incentives to supermarkets and retail chains to promote greater support for the consumption of certified products.
- Traders – those exporting mentioned that with this extension there should be more balanced distribution of shared responsibilities across the supply chain and overall would be a good for awareness raising about supply chain issues. Banana and coffee importers from Europe also expressed strong agreement stating that the retailer / brand owner has to conduct due diligence as well, i.e. also has to support the prevention, mitigation or remediation of risks further down the supply chain. However in this stakeholder group, an exporter from Asia and Pacific region mentioned that this should be required only in the case there is an evidence of causing negative environment impact or human rights violation.

Retailers clarified that they are in agreement with this as long as audits would not be required.

- Other stakeholders (including NFOs, GPMs) - mentioned that the trader standard should cover all relevant sectors and in particular retailers, even if they are not licensees because they find that concentration of power in agricultural chains is widespread among traders, branded manufacturers and retailers and hence it is key to include retailers and big brands. Another recommendation here is to consider the responsibility of licensee only across the supply chain which could be addressed through a concept applicable only to licensees on HREDD requirements (this is essential) and other requirements of the standard.

Those who were not favour of this change, further clarified :

- Producer – do not find it is necessary and that this might be counterproductive to the efforts of increasing market share and discourage to do more business under Fairtrade . Overall this stakeholder group is not sure if this will work.
- Traders – in case of coffee, the opinion is that it should be a subject for exporters, rather than a subject for roasters. Cocoa importer from Europe mentioned that it would depend on the terms of the license agreement however they are already concerned it would add complexity and discourage participation of retailers in the program while they also understand that not addressing this completely – would also bring more risks to Fairtrade reputation. Another concern from this stakeholder group is that it would only bring more work in addition when ensuring that all requirements are implemented by other supply chain actors. Others were not clear about the boundary of this possible change.



Overall there is an alignment that including licensees could limit business, taking into account that the support of the system is supermarkets. Also for those licensees that are based in producer regions it would be an increased demand and burden. The importers expressed that it's not clear what benefit it would bring to producers.

Thus the recommendation is to come up with a form of self-declaration to at least raise awareness could be worth considering. Fairtrade International should lobby with the governments where certified products are sold, so that the possibility of influencing supermarkets and retailers that sell certified products is more visible.

- Other (including NFO and Fairtrade International)– mentioned it could become a credibility risk to Fairtrade, Trader Standard should not require due diligence from licensees. Also for NFOs to verify those licensees they'd need additional resources and skills
- FLOCERT respondents mentioned that smaller companies should not have to incur the administrative, financial and social costs of due diligence. This should be taken up by the profit taking end of the supply chain, i.e. brands and retailers, not currently covered by Fairtrade certification. However, this means that the scope would have to be extended to allow for this, i.e. retail companies would need to be audited which would have further implications. Also in case assurance would be based on verification, then there is a challenge to have access to transparent information on the reasoning of successful verification of a certain customer.

Additional comments:

If any change is introduced, the suggestion is to keep it simple and practical rather than rigid. But to ensure that the full supply chain is in compliance with HREDD it's important to keep all actors in the scope. For example stakeholders believe that licensees should be involved in premium payments since they sell Fairtrade products and getting the benefit of Fairtrade supply chains. Thus, licensees may bring a risk of diluting a standard. Thus audit should take place wherever possible - costs therefore might need to be reduced as sometimes it is a decision of a customer and not the licensee himself that a Fairtrade standard applies.

Respect of labour rights should be mandatory for all traders in Standard regardless the result of risk assessment. Labour rights are included in Human Rights commitment and in all steps of HREDD however it's more important that compliance with labour rights is more explicit through compliance with standards (at least level of SA8000, SMETA or BSCI). Since retailers are currently checking this anyway this would not add any burden and if included in Fairtrade Standard this would add value to them.

If an organization buys a finished product, it is difficult to control the events in the supply chain thus the requirement should apply to those who buy the raw material. In practice, retailers may push down the prices while demanding supply chain to comply with all sustainability issues without really contributing to it.

Within Europe there should not be any problems to include audits for licensees while in other regions where the share of a Fairtrade producer (e.g. in processing plants) is very small, it might hinder the sales when a processor is forced to be audited (not very interested in fair trading himself, but inevitable part of the supply chain for a fairtrade producer).

It is understood by many that generally the retailers have a huge power over the whole market (e.g. a European country where only 3 retailers sharing 85% of the food retail market). Even when there are licensees only for their private labels, they have to launch and promote Fairtrade products from other licensees - even when more expensive because of HREDD measures.



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If assurance is done based on 'verification' approach, for FLOCERT it would imply to have a verification system in addition or in parallel to existing scheme for Fairtrade certification. Implementation costs and efforts would thus increase significantly.

Feedback from workshops:

***In Latin America** 401 participants provided their opinions that did not show strong support in favor of this change. Those who were in favour, mentioned that this is because it's important that the verification reaches licensees to feel more committed to these issues, but it should depend on whether the licensee is a large or small company or just starting. Producer organization believe this would ensure the 'fairness' in the demand, because at the end they work hard to ensure compliance with all requirements (paying our workers, complying with human rights) so that consumer can buy a branded product and this is why it'd be only fair if those that sell the product to consumer – are making same efforts.*

Those who were not in favour, mainly had their concerns that due to such burden on licensees, this could shrink the market opportunities because they might refuse to comply. Thus the suggestion is that at least licensees are responsible for promotion.

Also, if it's about 1% purchase on Fairtrade terms (with label), the burden would then apply to the rest of 99% of volumes (non-Fairtrade labelled). Overall in their opinion, Fairtrade sales are currently not growing and companies are withdrawing from the system.

***In Africa and Middle East region** participants were of opinions that audits should cover retailers as well, however concerned that it would affect the availability of the products as licensees can decide to stop supplying or pursue other avenues*

***In Asia and Pacific region workshop**, participants were in agreement that there should be some kind of verification to support whole system of HREDD.*

1.2 Enhanced traceability and recognition of trader organization transparency

Consultation statement:

1.2.1. Voluntary transparency on performance (compliance)

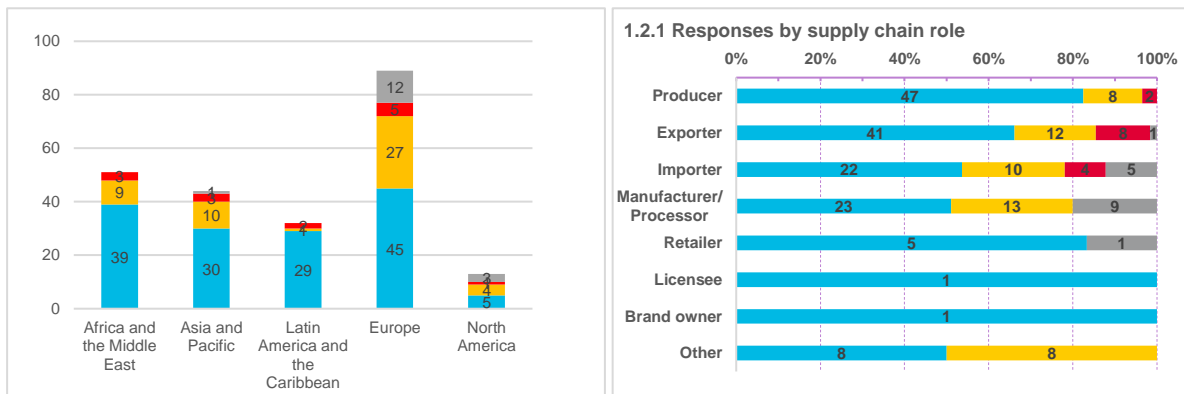
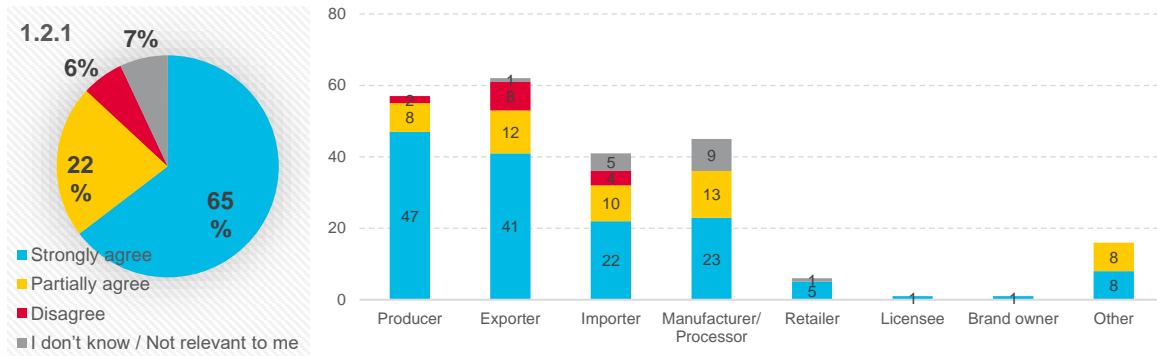
Transparency is a crucial aspect of responsible business practices. At Fairtrade, the responsible business practices remain one of the focus areas in Fairtrade's strategy 2021-2025. The trader standard includes requirements on transparency in contracts with a price breakdown and sales documentations as a basis for producer empowerment and development. In the meantime, it is important to recognize that many committed Fairtrade stakeholders are already taking proactive steps to improve the understanding of their supply chains and are potentially interested to increase visibility not only on their practices to contribute to sustainable and socially responsible production but also on their compliance (for example on their audit results).

Fairtrade would like to explore if changes in the standard are needed to enable more transparency. The changes could promote organizations to go for more visibility on their business practices in public communication, including their efforts towards transparency and performance against Fairtrade standards.



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Question 1.2.1 Do you agree with general direction presented above



Written feedback:

265 respondents answered this question. **Overall 65% (148) of the respondents strongly agreed** with the topic description. Producers find that this would improve the producer and buyer relationship and reliability and that Fairtrade should require transparency from buyer to producer, on e.g. sharing the results of audits with supplying producer. Traders that strongly agreed also mentioned that, in addition, transparency could be reinforced with mutual long term agreements to mitigate any fears of business information leakages to competitors.

22% (51 respondents) partially agreed. Producers mentioned that some country specific legislations may not allow to put certain information on public, or would agree with proposed change only if information would not affect brand or image of the company. Exporters overall however stated that when an organization is Fairtrade certified means that the organisation in question is compliant with core principles. Transparency on audit results is only beneficial if the audit results give more market opportunities, if it has real impacts on finances and that audit results that imply actions for improvement are specific to certification and do not need to be public.

Their suggestion to allow this only when it is relevant for commercial partners or to keep optional on where an information need to be public or not.

Many expressed that transparency starts at the origin operations. Public communication needs to be backed with facts which includes that supplier organizations in origin is 100% transparent. Some however shared that sometimes the pressure of knowing that results will be published can drive the wrong behavior e.g. documentation fraud etc. concluding that it has the potential to create a competition but not in a good way. Overall many agreed that transparency must be managed throughout the value chain and in all practices (e.g. those related to ESG aspects), but this must be verified and endorsed by the legal department. As a result some understand that this would bring a strengthened communication to the end-consumer.

6%(14 respondents) disagreed because find this would add unnecessary complications and costs because Fairtrade standards have already system to check the traceability and transparency that



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while measures on increased transparency and traceability are costly - consumers do not appreciate traceability information (based on their internal consultation/analysis in Banana trade). Other trader mentioned they are strongly against breakdown of prices in sales documentations as this is against all commercial principles and practically impossible because of the market prices fluctuations. Coffee trader mentioned that when producers or associations are in direct negotiations with end-customers this transparency has led to information leakage and unfair trading. Many also mentioned that increased visibility should be voluntary, as part of a company's overall marketing communication efforts and such information should be made available only upon request from an interested party.

Additional comments

Producer: to require transparency from the buyer to the producer, e.g. by sharing the results of audits of buyers linked to producers, just as they ask from producers. Suggestion is to prevent unfair trading , the standard should require a breakdown explicitly in sales contract structure: minimum price /or market price + applicable differentials (depending on product) + Fairtrade premium

Exporter: Transparency in documentation of purchases and sales enables the SPOs to compute their premium without being down played by the traders; premium values can be handled transparently, but reporting the selling price should not.

Importer: To ensure better alignment with industry practices, avoid overly demanding requirements e.g. requiring compostable stickers, which may lead to high costs and negate environmental benefits due to short shelf life of compostable stickers. For audit report communication, it's effective to publish summary reports on the certification scheme's website, as practiced by various certification schemes. Careful consideration is necessary to prevent misuse, misinterpretation, or misleading information.

Regarding price transparency, statements like "The organization paid \$X for Fairtrade coffee" should be avoided as they hold little comparative value. Instead, focus on metrics that offer meaningful insights into the impact and practices of the organization.

Retailer: communication should be clear and not confuse the consumer between the value breakdown (or cost breakdown) and the margin of each actor of the supply chain

Question 1.2.1-1 What benefits do you see for your organization in becoming transparent about your compliance to Fairtrade Standards? For example, it could imply that you would share the results of audit results with your commercial partners or on your website.

Producers:

- might create confusion, thus renewal certificate will be enough to share with the partners; No benefits, because if a company gets suspended you carry the risk of losing contracts or your image will be damaged.
- may improve credibility of organization - everyone in an organization would benefit from knowing what is being done correctly and what needs to be improved, increased sales by building trust in other parties
- already publishing all results and certificates.
- suggestion: to require transparency from buyer to producer, and that audit results should not be on the website, but a direct communication between the supplier and the buyer, or providing a common and easy to share reporting format with stakeholders

Exporters:

- this is already done on SEDEX-SMETA, also it works well with BCS or IFS standards, why not with Fairtrade
- more transparency to customers; trustworthiness will enable throughout the business. The third-party auditor organizations will be more approachable with the interested since the well established reputation
- not very sure if it will help, there is too much confidential information which actors will not want to share



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- audit results do not show positive findings, instead they reveal only the non-compliances. So revealing only the negative points will not bring any benefit to the business.
- suggestion: this to be shared in the Fairtrade platform or ECERT; should aim to decrease the burden of reporting for traders

Importers:

- has to apply to all or none
- commitment more visible and increase our credibility, would prove that we are reliable business partners
- no benefit at all. most companies do not want to be transparent. The benefit would be for Fairtrade credibility
 - might lead to many new questions and comments from retailers. Retailers have enough staff/team to demand for more information however do nothing with it.
 - when importing only 3% of products from the Fairtrade, result of audit seem irrelevant to many.
 - seems important to share with partners. Does not seem necessary to share publicly on website
- the most beneficial advantage could be the transparency to the farm/co-operative level to see what benefits does the farmer get to be part of Fairtrade system; when purchasing from a second grade organization it is important to have clarity of how much money is the farmer getting. this is a recurrent question from customers, that want to make sure that farmers are getting well-paid".
- Suggestion: publishing the risk analysis of the producer would be much more sensible; if required it is better to host all info on a central website. If it's left to traders this might bring lots of IT issues etc.; Fairtrade portal must be the leading instrument to show the transparency, but on the sales side no price info should be included.

Retailer:

- as retailers we would be happy to know audit's results of our partners
- access to Fairtrade performance would give more chance to work on challenges
- built trust towards customers that motivates to score better

Fairtrade system inputs:

- this would increase confidence with consumers and other value chain actors; Fairtrade is sometimes seen as not transparent enough, and visibility on HREDD and legal requirements audit results from farms is often needed from traders as well as from audit results from farms

Question 1.2.1-2 What could encourage Fairtrade certified trader organizations to be voluntarily transparent in communicating publicly their performance against Fairtrade Standards?

Overall participants expressed divided opinions where some expressed that to encourage traders to go for voluntary transparency – it is important to streamline processes along the supply chain, transparency should be financially incentivised, to introduce mechanisms on rewards and recognition, to ensure that sensitive information is protected and balance voluntary and mandatory compliance.

Detailed categories of inputs are as follows:

- **simplicity and efficiency**: transparency processes should be simple and not add to the existing reporting burden, with aligned/streamlined procedures.
- **financial incentives and visibility**: potential financial incentives that lead to better marketing prospects
- **rewards and recognition**: rewards for their efforts, to implement a system of recognition (awards) each year, recognition of transparent practices.
- **confidentiality and selective sharing**: sensitive information to be protected, audit results and information should not be visible to competitors; allow optional on what information to be shared
- **marketing and public relations**: transparency as a marketing tool is a strong motivator for business, and may improve relationships with local authorities and customer



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- **support and collaboration:** providing support on non-compliances, collaborative work with licensees to enhance collaborative efforts over punitive measures.
- **transparency benefits:** understanding the tangible benefits of transparency is critical to agree to demonstrate those, for traders it's important to see clear advantages in adopting transparency measures.
- **client and market demand:** customers' expectations and market demand
- **trust and internal motivation:** an image of trust and closeness with producers, workers and customers
- **audit transparency:** publicly accessible audit results could be beneficial and encourage transparency
- **voluntary vs. mandatory:** transparency should be take place naturally, however some others shared that it should be mandatory for all parties

Question 1.2.1-3 Should the voluntary transparency on compliance be rather part of partnership projects/ programme instead of being included as a requirement in the Trader Standard?

Overall there were divided opinions, some believe this should be voluntary others believe that only compulsory compliance would be effective. However it is still understood that transparency , as a concept or process, should be something voluntary and this must be part of the values of the companies. Retailers mentioned that in their views sharing results with commercial partners should be a must, while sharing this information publicly (online) could stay voluntary.

1.2.2. Enhanced traceability

Consultation statement:

1.2.2. Enhanced traceability

Along with transparency on business practices, traceability of products is also important across multiple industries. The following traceability models are currently set and outlined in the Fairtrade Trader Standard:

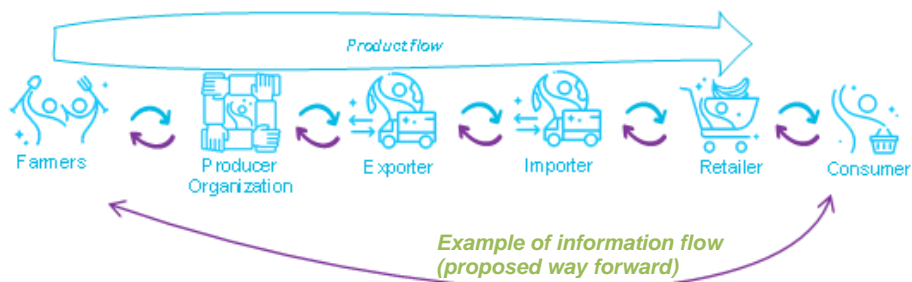
- Physical traceability (product physical segregation) - most Fairtrade products must be physically separated from non-Fairtrade products along the whole supply chain, from its raw form until the consumer ready packaged product.

- Mass balance - for certain products, where physical traceability (product segregation) is difficult to achieve, Fairtrade certified commodities can be physically mixed with non-Fairtrade products, following strictly the rules related to processing of mass balanced products.

- Documentary traceability: Fairtrade requires all certified customers to keep a record of what they buy and sell as Fairtrade, documenting at least the volume, type of processing, form of product, name of their business partners, dates of purchase & sale.

Fairtrade is working on options to enhance this approach through for example, the “identity preservation” concept. This is when product batches, starting from a single producer organization, are separated from non-certified batches and it is possible to trace them through the supply chain until the end point (product labelling).

To enable this concept, Fairtrade could ask certified organizations to report data at batch level : where the batches come from, where they go, how they are transformed. The aim is to keep trace of the batches and their origin through information flow, so that consumers have access to information on the source of the raw material (producer organization and supply chain) and, similarly, farmers or producer organizations have information about the market ('end point of product').



Question 1.2.2 Do you agree that the concept presented above should be introduced and integrated into the Fairtrade standards:

Written feedback:

265 respondents answered this question. **59% (135) of the respondents strongly agreed** with the topic description. A suggestion here is that introduction of this concept should start in a phased way with the digital technology tools developed to make it easy and consistent. Overall stakeholders agree that it would help to improve communication and information sharing among Fairtrade producers and marketers. The concern is however how this would apply to all products supply chain, e.g. in case of Chocolate or Textile this could add more complexity (and therefore cost) to the entire supply chain. Thus another suggestion is to ensure that traceability in a batch level (identity preserved) is implemented in such a way that it: benefits the producer, allows for full traceability and correct use of financial flows (eliminating unfair practices).

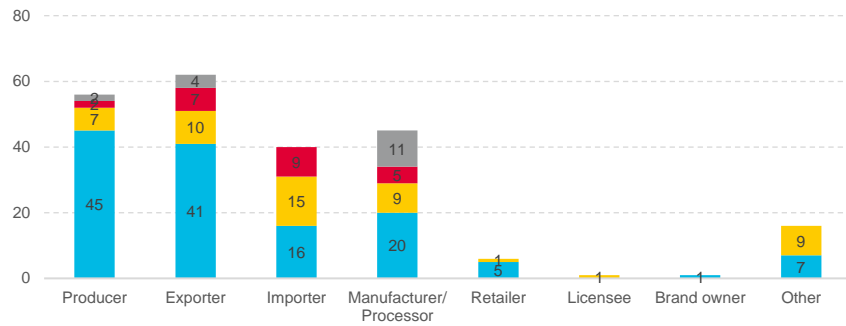
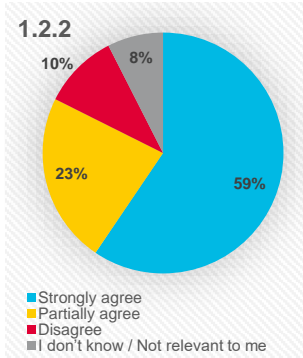
23% (52 respondents) partially agreed. Producers mentioned that proposed requirement/concept is not suitable for all products that they are currently certified for, for some SPOs it would imply cost increases, which customers will not bear and that once the product has been delivered to the importers, it is their responsibility to inform suppliers of the path the product takes to the retailer and the consumer. Overall feedback reflects some degree of endorsement and yet, flagging the need for practical solutions for implementation. The benefits of traceability should outweigh the costs and administrative challenges. More suggestions and concerns include the following elements:

- to allow flexibility and sector-specific solutions, highlighting that e.g. it would be challenging in vanilla, or products where maintaining quality and identity preservation would be difficult (cocoa)
- on recognition of existing practices and integration of the IP, because formalizing these practices might undermine the existing unique practices / direct relationships with customers that are already established. Another concern is that integration of new system could cause increased administrative burden
- if concept is put forward, training on implementation would be needed, to ensure that all roles in the supply chain are well-coordinated and trained
- to implement it via automated systems e.g. QR codes or to generic purchase contracts to improve efficiency and minimize administrative burden.

Allow time/ gradual approach to give time for implementation of robust management systems



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10% (23 respondents) disagreed. Similar to above feedback producers mentioned such concept/requirement would not be suitable for all products that are currently certified, as it would imply cost increases that customers will not assume. They understand that entire traceability system is assigned entirely to producers who currently do not have access to the traceability of their batches or products at destination.

Traders questioned feasibility, expressed concerns around costs, and overall benefit of implementing batch-level reporting for Fairtrade products. The consensus is that while traceability is important, the proposed level of detail may not be practical or beneficial given the existing systems and the additional burdens it would impose. More explicit examples as: complexity of managing data from 20 + SPOs at a batch level given that batches may be sold as Fairtrade or non-Fairtrade; current traceability practices deemed sufficient; this may not adequately address the complexities of traceability for products used as ingredients in manufacturing or for finished products containing multiple Fairtrade inputs and that consumers are generally not interested in detailed origin information. Increasing traceability would significantly increase administrative burdens and costs without providing additional benefits.

Additional comment:

Concern is expressed around a workload, because apart from Fairtrade they have to keep track of transactions manually in separate systems. Thereby keeping track of customer and supplier certification status should come from Fairtrade, instead of separate administration in Fair monitor.

Questions 1.2.2-1 & 1.2.2-2. From the perspective of your role in the supply chain: what are the expected benefits of identity preservation? And, what are the challenges you see to report data at batch level?

On expected benefits of identity preservation	On challenges to report data at batch level
<p>Producer:</p> <ul style="list-style-type: none"> - Identification of product quality, organic status and origin. - Facilitates procurement and reduces audit costs - Payment of fair price and fairtrade premium - Preservation of identity allows the traceability system to be secure. - Identity preservation on especially an SPO will ensure the product quality are preserved by the reward from the consumers which will ensure continued business. 	<ul style="list-style-type: none"> - proper implementation and management of computerised records, lack of bags for product collection, truck problems, and also poor road conditions - most of the products data and information are lost along the supply chain e.g. when the trader contains different products from different supplies; - Failure of the producer to communicate all information, the batch registration system is complex for producers because coffee harvest is not the same as a fruit harvest; the volume of the lot is not known/varying; - no major challenges (in Flowers) - confusion on the part of the carriers in the cargoes.



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<ul style="list-style-type: none"> - Reliability and accountability 	<ul style="list-style-type: none"> - not possible to record actual data for sourcing to export; Producers should be able to register the complete and detailed information possible and in the shortest possible time. - time consuming process; - risk that not all the role players in the supply chain being participative <p><u>Suggestion:</u> reporting on export shipment basis is possible and data should be relied on quantity that organization sell buyer</p>
Exporter	
<ul style="list-style-type: none"> - Nothing great, no benefits - It could help to identify the source of our product - The producers/suppliers will be committed to producing quality products that meet the set standards. - More/ better reward for the quality and opportunities for more sales - Full transparency - Enhanced traceability and trust 	<ul style="list-style-type: none"> - SPOs to be aware they have to report to the exporter - Mass Balance - for large SPO it would be resource demanding - already reporting on each purchase but not on processed - loss of physical traceability in the processing of the batch - risk of error - buyer needs a mix of batches to achieve the needed quality even from the same producer organization - when huge volumes, uploading one transaction per input is very time consuming - availability of accurate data / availability of detailed data - information security - to obtain traceability details from farmers - resource demanding, overload with work to report on this level; manpower to analyse data, categorize produce in batches etc
Importer	
<ul style="list-style-type: none"> - Certain customers might be interested - EU regulation adherence, fighting food fraud. - Could help to reduce efforts to document the supply chain from the producer organization to our organization - None (because already implementing, e.g. the producer organizations are already mentioned in all contracts) - Long-term commitments, support of farmers in producer countries 	<ul style="list-style-type: none"> - Costs & resources demanding - will require complete adaptation of ERP systems - Identity is lost in processing and shipping at multiple points. - Complexity and increasing expenses the more a product get processed (for example cocoa butter) - the farmer and cooperatives need to see a concrete benefit to use such traceability apps. If not the entered data can be of low quality. - very difficult to impossible. - In complex production processes this requirement leads to additional costs on personnel, IT and production level. - Connect is not easy to complete - Reporting the batch upon arrival is straightforward, however the large number of finished goods will make reporting through to the end point of product challenging.
Manufacturer/Processor	
<ul style="list-style-type: none"> - None for us - Better traceability - Nice to have, but e.g. for sugar difficult to achieve. - From a marketing and commercial perspective this could enhance the brand reputation. - Much more accurate risk assessment, identification if buying footprint w/ no gaps in visibility, understanding key investment priorities, being much more able to respond to exposes from the media and other recall type situations. 	<ul style="list-style-type: none"> - competition in the market - Complexity , too many reports and extra work - need best software to link Floid to Floid Transaction with Farm Lint cotton Lot No (In which Farm we have received the cotton) - batches are combined in real processing in our industry, then no point of maintaining traceability at batch level - data privacy, increasing costs, balance between value and costs - Being a manufacturer- packager - distributor, the lack of transparency in the chain at the steps prior supplier - multi-batch management: not easy to implement in our factory,
Retailer	
<ul style="list-style-type: none"> - As traceability is a key to protect biodiversity and avoid deforestation, this could help to raise awareness to 	<ul style="list-style-type: none"> - we buy final products so the amount of work to report data is in the organisations and factories , during the process, to keep the traceability all along the supply chain



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consumers which part of the country the commodities come from and be sure we do not import deforestation

- It will improve detecting any issues along the supply chain and to provide access to grievance/remediation; the consumer trust can be strengthened
- A possibility of proper due diligence.

Better / enhanced communication towards customers, who are becoming more and more interested in the actual origin of the products they buy.

- major administrative effort; software solution needed (still under development); different suppliers use different systems
- to find consensus what information about a batch must be collected and passed on along the supply chain. Mass Balance, especially for cocoa must become prohibited! Mass Balance does not allow to fully implement due diligence and address common risks in this commodity. Segregation must become mandatory!

Question 1.2.2-3. What would be the prerequisites for your organization to allow easy reporting at batch level? Processes, technical functionalities, resources...

Resources: availability of time and staff, technical support and equipment, involvement of knowledgeable data clerks

Processes: clearly defined processes, process of compliance, developing continuing methods coordination with farmers and supplier groups

Technical functionalities: digital tools and devices for data tracking

Training and guidance: training, and sharing experiences on benefits, detailed training for all involved companies, simple and clear instruction

Compliance and reporting: use of barcodes and other traceability mechanisms, developing easy and functional portals for data management, enabling electronic and print reporting for sharing, transparency and controls throughout the process

System design and implementation: information flow charts, testing systems before full implementation, sufficient time for setup and implementation

Challenges and considerations: practicality (resource intense), potential need for additional warehouses or production lines, coordination of information with retail clients and other supply chain actors

Suggestion – to integrate system with existing systems (e.g. Fairtrade) and ensure compatibility along the supply chain. System allows continuous feedback that can be looped in to improve processes and adjust requirements based on stakeholder input and practical experiences

Role of Fairtrade trader in supply chain stability

1.3 Sourcing plan

Consultation statement:

The concept of the sourcing plan was initially designed for supply chains where the producer had a direct relationship with the importer. Sourcing plans allows producers to know buyers' purchasing intentions and plan their production accordingly.

Purchase commitments often depend on upstream supply chain actors and in many cases it's a challenge for the responsible trader to deliver a meaningful plan. Following the last review, two new Voluntary Best Practice Requirements (VBP) were introduced for all traders who do not buy directly from producers to provide a sourcing plan to their immediate supplier and for all traders to provide relevant market information to the producer (for details see requirements 4.5.2 and 4.5.3). Both requirements are voluntary and traders who wish to demonstrate best practice are assessed against them during the audit. These requirements aimed to strengthen the communication within the supply chain, including producers, but did not bring the desired impact.

For some trader organizations who established long-term partnership with producers, sourcing plans may sometimes become an administrative burden. Also, committed volumes in sourcing plans raise expectations for producers while the planned sourcing cannot be always met. Product specific standards outline specific



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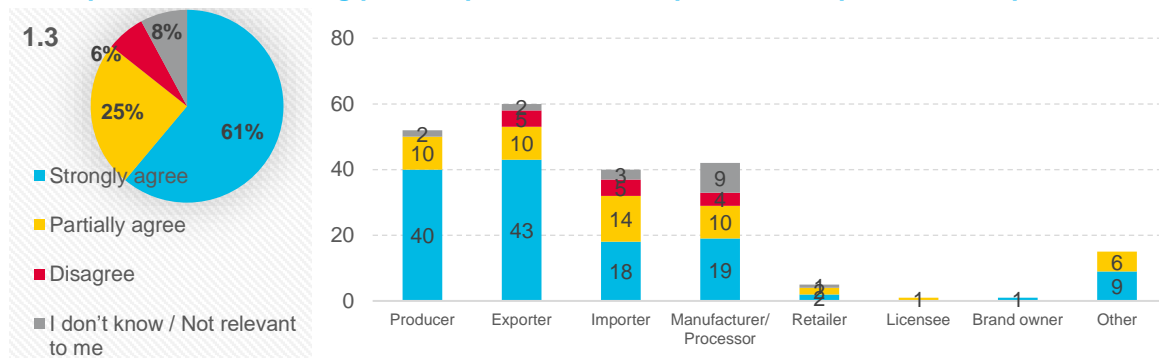
conditions for sourcing plans, considering that decisions for purchase and price variations depend on crop seasons and quality.

Providing sourcing plan information across whole supply chain, gives a signal that the whole supply chain needs to be more transparent and make early commitments for the producer to be able to plan better their production and sales opportunities. Therefore, given the existing challenges, the importance of sourcing plan for producer organizations cannot be ignored.

Our aim in this consultation round is to assess the functionality of a sourcing plan as a tool from trader perspective of trader organizations, and to explore how this could be improved, considering the following ideas:

- simplify the sourcing plan requirement without losing or reducing flexibility for producer's market opportunity
- binding sourcing plans might discourage the commitment of traders
- importance for producers to maintain their flexibility after receiving a sourcing plan in case they have a need to change the trader
- scope of requirements applicability to differentiate cases when
- immediate buyer is also at the end of the supply chain, e.g. the licensee.
- traders already with an existing long-term partnership
- introduce definition for the "end buyer" traders who would play the role in sharing this responsibility
- enhance the importance of sourcing plans as one of the sustainable business practices,
- explore options to make sure that unplanned purchases are not sanctioned

Question 1.3. Do you agree with the description of the topic presented above. Specifically on the importance of sourcing plan for producers and options for requirements improvement



Written feedback:

265 respondents answered this question. **61% (132) of the respondents strongly agreed** with the topic description and mentioned that while they agree – in practice it is not always working out well. A Global Product Manager mentioned that sourcing plan implementation is challenging due to myriad unforeseen circumstances and recommended for requirement to include the following statement:

"changes in the accepted purchase plan should be communicated X months prior to harvest"

Sourcing plans allow planning for all parts involved from the producer up to the importer and processor and requirement should promote mutual understanding to grow businesses by both sides

25% (53) respondents partially agreed, where producers mentioned that a tentative sourcing plan with min or max quantity should be allowed, because production depends on a variety of factors. While a strict sourcing plan can't be implemented either at producers or buyers level because of the market.

Exporters were of similar opinion, mentioning that sourcing plan should be made as a living document and from time to time reviewed and/or updated by the parties according to performance and evolving market realities. They also mentioned that a sourcing plan should rather come from a licensee and then converted by the trader to the producer organisation. Others flagged importance to have flexibility to have the possibility to change supplier for reasons (eg quality etc)

6% (14) disagreed, where an exporter shared that according to their experience sourcing plan does not impact how they trade with producers (comparing provision of the plan to Fairtrade producers and no plan for non-Fairtrade producers). Another exporter mentioned that instead of sourcing plan they



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agree on long term contract commitments which are final and binding. Suggestion is to use purchase contracts which are binding, instead of sourcing plans.

Another shared experience is that a sourcing plans in place is beneficial only when trading large volumes but not for small.

Additional comments

Producers: it would be beneficial for producer organization to know whether the end buyer is in their producer country or is abroad

Exporter: supermarkets / brands are notoriously reluctant to commit although they could more easy than anybody else. For sourcing plan to be viable, the end buyer to provide forecasts and commit to stated volumes; such requirement should be eliminated

Importer: Sourcing plans are a key element to sustainable supply chains but only if traders and/or growers do not have to honour volume commitments. Other suggestion is to remove, sourcing plan cannot of be binding only for the buyer (including quality and origin level).

Question 1.3.1: What is the main reason that makes it challenging for your organization to provide sourcing plans to producers.?

- **Production variability and climate change (uncertainty)**- natural disasters affecting production in the area, issues such as quality problems, pests, crop diseases, and fluctuating exchange rates; uncertainty about harvesting the entire crop due to climatic changes.
- **Changes in buyer purchases / lack of buyer commitment** - variability in final buyer purchasing patterns. Late customer sign-offs and fluctuating forecasts complicate accurate sourcing plans, clients often delay informing about fairtrade volumes until the season starts.
- **Market instability / fluctuating forecasts, external factors** - difficulty in obtaining accurate forecasts from customers, market changes, shifts in consumption patterns, and unexpected events (e.g., wars, container crises, natural disasters).
- **Lack of strategic planning** - need for strategic plans covering short, medium, and long terms to address uncertainties.

Question 1.3.2: The guidance to the current requirement on sourcing plans recommends contacting buyers to enable more realistic estimations. Could you share your experience if this was challenging or did not serve the purpose?

Exporter mentioned in their experience, buyer's requirements change depending on their end customer requirements & depending on adverse climate conditions. Most of the immediate trading partners(buyers), licensees and supermarkets - do not provide the realistic sourcing thus it is difficult to provide sourcing plan to the producers.

Importers mentioned that sourcing plan is completely useless, e.g. some customers indicated their plan to buy between 1 and 100 boxes. A suggestion from another importer is require quarterly plan that is refreshed monthly.

Licensee mentioned that sales is hard to predict.

Respondents representing Fairtrade system mentioned that the plan to be requested only from the buyers and not from all /many supply chain actors. Other mentioned that after importer/buyer provides sourcing plan to exporter and or producer to sign or confirm, everyone forget about it because this is only used during the audit as evidence.

Question 1.3.3: The Voluntary Best Practice requirement 4.5.2 stipulates that a sourcing plan is provided to the immediate supplier. What was the reason when your organization chose not to provide sourcing plans to your immediate supplier (in case it was not a producer)?

Many respondents mentioned that either they are providing the plan or , the reason why they don't provide sourcing plan is because of the market realities and change in demand, or because they do not find this is applicable to them. Below inputs were highlighting the other reasons, such as:

- suppliers have the expectation that the quantity indicated on the sourcing plan will be contracted and fulfilled, regardless of changing circumstances in which original indicative quantity is not actually fulfilled, which has negative implication.
- was not possible due to lack of information from our customers.
- buyers bypass the processor through a better relationship with supplier



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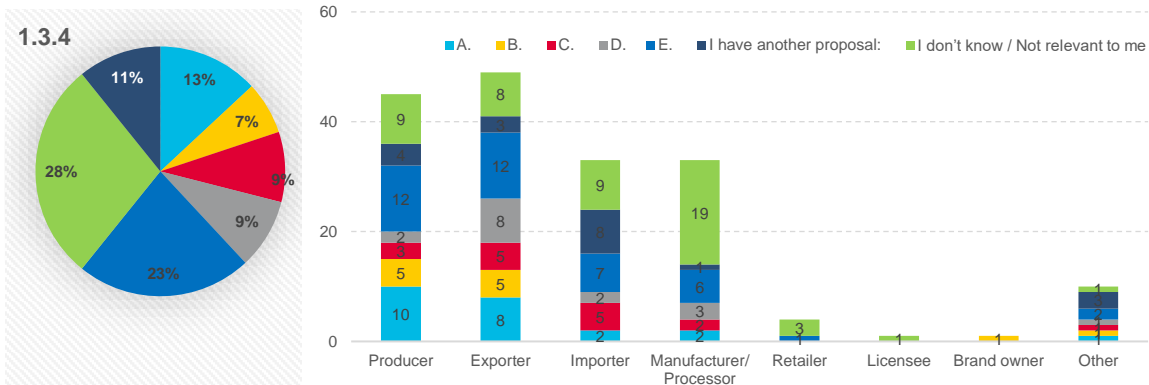
- this might limit reaching to several suppliers and dependence on single supplier
- new supplier and/or a new cooperative - because this requires to do the evaluation of both the supplier and cooperative before any additional purchases.
- because we do not want to force ourselves into a fixed sourcing plan for all our purchases.
- the estimates we apply are based on data from farmers and government agencies

Question 1.3.4: Fairtrade would also like to consider different options to improve the functionality of sourcing plans outlined in current version of requirements 4.5.1 and 4.5.2.

4.5.1 Sourcing plans for producers	
Applies to: Fairtrade payers and conveyors	
Core	You provide a sourcing plan to each producer (if you buy directly from them), or the conveyor (in case a conveyor is involved) that you plan to buy from. <i>Please refer to the product standards for the specific requirements.</i>
Guidance: At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation.	
4.5.2 NEW Sourcing plans for other traders	
Applies to: All traders	
VBP	You provide a sourcing plan to your immediate supplier.
Guidance: At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation. This voluntary best practice applies to traders who do not buy directly from producers, but further down the supply chain. For traders buying directly from producers, the requirement 4.5.1 applies.	

Which option / options would you prefer?:

- **A.** Requirement 4.5.1 is replaced by a mandatory compliance to have the sourcing plan included in contract agreement (bilateral) with your supplier to buy Fairtrade volumes **and** it is based on your previous year(s)' pattern;
- **B.** Requirement 4.5.1 is replaced by a mandatory compliance to have the sourcing plan included in a tripartite contract (producer, conveyor and payer);
- **C.** Requirement 4.5.1 is kept in the standard, and it is **ONLY** mandatory to provide the sourcing plan to new Fairtrade certified commercial partners (producer);
- **D.** Requirement 4.5.2 is moved from VBP to Core. This implies it becomes mandatory to provide sourcing plan to the immediate supplier by each trader.;
- **E.** Keep both requirements without change



There was no strong consensus on one of the most preferred options. The choice of respondents on all options is as follows:

23% (40) respondents selected option E – to keep both requirements without change.



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Because they comply with both and do not see any issues (exporter); overly complicating requirements increases the burden of compliance on the trader; the end buyer must make a realistic sourcing plan (supermarket, licensee). Without this commitment, the trader cannot give a sourcing plan to the producer; yearly quantities give perspective and can be done (retailer, banana).

13% (23) respondents selected option A - Requirement 4.5.1 is replaced by a mandatory compliance to have the sourcing plan included in contract agreement (bilateral) with your supplier to buy Fairtrade volumes and it is based on your previous year(s) pattern

The reason is that this would guide the planning from both sides of the supplier and the trader and may ease the burden on producers.

11% (19) respondents chose 'I have another proposal'. Their suggestions include:

- "after 3 years a certain market development has taken place. During the first 3 years int needs special effort by all partners to cooperate in expectations and plans.
- replace this by a contribution to the fair trade organisation to raise awareness of the importance of listing these products in order to contribute to fair trade and also to carry out more marketing actions to convince consumers to sacrifice other consumption
- (Certification body) to remove the requirement of sourcing plans as a core requirement and make it voluntary for all supply chain actors
- Retain requirement 4.5.1 in the fair trade standard with a mandatory tripartite contract (producer, sender and payer) that includes the sourcing plan.
- Keep it for the first 3 years of cooperation
- Delete this because it is impossible to apply.
- not feasible for seasonal products .

9% (16) C. Requirement 4.5.1 is kept in the standard and it is ONLY mandatory to provide the sourcing plan to new Fairtrade certified commercial partners. It would eliminate the administrative burden, when the supply chain works well, the business will continue automatically in the future and sourcing plans are not necessarily needed, otherwise option D would be the second preferred solution. New business presents a new set of terms and therefore requires a sourcing plan while for existing business sourcing plan to be provided only when there is a change in terms

9% (16) D. Requirement 4.5.2 is moved from VBP to Core. This implies it becomes mandatory to provide sourcing plan to the immediate supplier by each trader. Sourcing plans may not align well with the contract durations and thus should be part of the contract as a desirable/ Voluntary Best Practice.

It would be difficult for direct buyers to provide a sourcing plan to producers if they do not have the sourcing plans of their buyers. Producer emphasized choosing this option because this would be a basic requirement, for supplier to deliver a product that is predicted to be consumed.

7% (12) B. Requirement 4.5.1 is replaced by a mandatory compliance to have the sourcing plan included in a tripartite contract (producer, conveyor and payer). The procurement plan must be part of a transaction that is certain take place, which is only possible in the case of tripartite contracts.

Since we are open for longer term commitments option B would be a solution for that.

Producer finds that the dispatch of information from the trader to the producer organisation should be made mandatory in writing

I don't know / Not relevant to me. This is difficult to apply on small scale farmers as their volume is often small and not predictable, there should be a mandate for buyers to present their binding sourcing plan, but not fixed at the producers side

Additional comments

- Importers mentioned that requiring traders to commit to purchasing volumes they may not be able to use would result in sourcing plans with deliberately low volumes to avoid overcommitting.
- A licensee shared that sourcing plan has to reflect needs from both sides, not just from the buyer and should include some discussion, revisions continuously therefore the name 'sourcing plan' is misleading.
- Manufacturer/Processor flagged that end buyer is the most important supply chain actor to set the sourcing plan thus it should be mandatory for them.



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- Producer organization mentioned that getting an estimate of production from existing farmers prior to harvest is not possible thus this to be open, i.e. if a buyer orders at any time it can be sourced from the FT supplier.
- Retailer concluded that tripartite contract is the most transparent for all parts but it is time consuming as a bilateral contract with the supplier on final product will also be needed + a bilateral contract between producer and importer.

Question 1.3.5. Should the standard include requirements that indicate fulfilment of the plan by trader organization, based on the approach of progressive commitment? For example, to make it mandatory that in subsequent years traders need to purchase a certain % of volumes indicated in the sourcing plan?

Out of 94 respondents who provided input, 50 (53%) strongly disagreed. This include respondents with trader role, certification body and Fairtrade system. Their reason is that it would not be feasible, and making this mandatory would be even riskier for traders and would deter traders from engaging in Fairtrade, and there are too many unpredictable influencing factors for the producer and the trader/roaster etc that might lead to changing conditions for the business.

The remaining 44 (47%) agreed and included inputs from producers and some traders. Importers (Cocoa, Tea) add that it would depend on what the % would be but also whether such commitment from all traders along the supply chain, including end buyers is required or not. However they are not sure what the added value would be for producers.

Question 1.3.6. Do you have any other ideas how to enable producers to:

- Plan their production more effectively;
- Ensure that they can deliver the required amount of products (of the required quality) to buyers;
- Better estimate how much volume they will be able to sell as Fairtrade.

Respondents with **producer role** suggested that it would be useful to have information on how to better estimate the volume of the harvest. Other suggestions is to incorporate it in the contract structures, and include in sourcing business plan with annual review.

Exporters shared following ideas:

- Strengthen sourcing plans review and updating - to increase communication about plans;
- Producers often facing real constraints (cyclone, drought, shifting and lengthening/shortening of the rainy period directly impacting on flowering and the quantity of flowers produced, disease and pests). Thus, taking the previous year's production as the basis for the transaction is safer. Most orders are not confirmed from trader side, until one month before the market.
- Fairtrade should certify producers and traders together as a Produce Marketing Organisation entity, otherwise, Fairtrade to recognize there will be always challenges in communication between supply chain actors
- Fairtrade producer should have a shared portal where they could see how much fairtrade products/tea were traded.
- to check production planning with buyer
- sourcing plan should be provided about 3 months before
- licensees should be made responsible for more commitment to the supply chain
- monitor production to provide real data
- link agreements with financing.

Importer referred to following options:

- via committed/ intensive relationship with the buyer/importer;
- set product specific approach – e.g. bananas peak sales as Fairtrade is in Quarter 1.
- create a yield estimate calculation for producers. And for Fairtrade to provide data to give stakeholders/producers insights about market trends and background/reasons behind the trends.
- Fairtrade portal to provide information
- No ideas, market too volatile



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- develop software technology in order to help these parties better manage and forecast these matters, or development of risk mitigation tool like crop failure insurance or similar tools
- regular communication with processors

Other – Fairtrade system:

- its not clear how end buyer commitments would be cascaded down to producer organizations, given the complexity of various supply chains and products (especially composite products), even if end-buyer is included in the scope of certification.
- long term partnership (i.e. 5 to 10 years even) with traders is the best avenue to solve production forecasting with an agreed % of error and the sourcing plan then to become a part of a long term contract.
- retailers must be compliant to sourcing plans too
- open, transparent, & participation with all actors within a supply chain to plan, to execute, and to evaluate the results

Question 1.3.7-1: In order to understand how standard can better reflect the roles and responsibilities in the supply chain in relation to sourcing or trading commitments, Fairtrade would like to define the term and role of the ‘end buyer’ in the Fairtrade supply chain.

“End buyer” is the company that is manufacturing or selling the consumer-ready product. For example, it can be a retailer or brand owner. Do you agree with this definition and the need to introduce this term?

104 respondents provided input, where 70% (73) of them agreed with the proposed change. In addition they suggested that this should also cover processors who make products (such as chocolate) for white/private label.

30% (31) did not agree with the proposal and stated the following:

- the end buyer is the consumer of the product or service, a retailer or brand owner is an intermediary entity.
- Many food business operators manufacture and sell consumer-ready products to retailers, but the retailers are the end buyer, not the manufacturer.
- Suggestion -brand owner of consumer ready product"" would be an appropriate definition."
- In sugar supply chain we are the end buyer for some of the sugar but then sell on to other end buyers and other intermediaries.
- As a manufacturer we produce consumer-ready product but we don't sell it to consumers, we sell it to retailer not clear what manufacturing a consumer-ready product mean
- we manufacture consumer ready products (packaged in retail film) and sell to retailers so we are the end buyer in this case. The intention is understood, however this definition needs to be reworded somewhat.

The following inputs were provided by respondents from Fairtrade system:

- Disagree because, a manufacturer is not by default an 'end buyer'. While this trader is manufacturing, it may not necessarily sell to a consumer, but rather via a retailer / supermarket. Suggestion for definition is: **'Company that sells the consumer-ready product to the final consumer'**. For example it can be a retailer or a manufacturer, if selling directly to final consumers.
- Disagree, because it is hard to track where a brand may eventually sell.
- No because "end buyer" should be the retailer or brand, not a manufacturer.
- While the definition is fine, however the end buyer is often not known.

Question 1.3.7-2: Should the responsibility to provide sourcing plans be mandatory only for the “end buyer”? The sourcing plan would have to be provided upon request from the supplier.

111 respondents provided input to this question. About 30 % agreed and 70% disagreed with this proposal. Those who disagreed also shared the following points:

- No, this should be the responsibility both of buyer, and supplier.
- No, as an end buyer's sourcing plan may not align with the ability of the immediate supplier to produce the final product or to be able to source the required materials to produce. Contracts should be the binding agreement in place and many factors determine contract terms.



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- mandatory for the end-buyer AND the supplier in order to secure availability and current quality standards of FT products in the market
- If the provision of sourcing plans would be made mandatory for end buyers, then it should be a mandatory requirement for all other supply chain actors, especially to convey the sourcing intentions to producer organizations. However it might be still challenging to do until supplier.
- best is to have each actor in the supply chain involved in creating and communicating the sourcing plans
- End buyer is often not known, this is especially the case for cocoa/coffee.
- No, it should be a mandatory requirement starting from the "End Buyer" down the value chain".

Question 1.3.8 The following question aims to explore further role of the “end buyer” in the supply chain on effectiveness of the “long term commitments” (requirement 4.1.8).

The standard promotes long-term relationships to enable producers to plan, and to strengthen the trading relationship. Long term trading partnerships are key enablers for producer organizations to plan their business, manage supply and support their members to invest in their farms. But as a voluntary best practice requirement only applicable to certified traders, it has not always achieved the desired impact.

Would you agree with stronger requirements around long-term sourcing in the Trader Standards?

112 respondents provided input. Opinions of respondents were divided, and did not show clear preference towards introducing stronger requirements around long-term sourcing.

52 (46%) agreed with the proposal as they consider long-term partnerships as sustainable solution and stronger requirements would be beneficial. Such opinion was shared between traders (exporters, retailers), producers and fairtrade system representatives.

11 (10%) partially agreed and stated that they do not agree with stricter compliance however they find the standard should promote/nurture long term relationships instead of having stronger requirements. Other exporters mentioned if these were put in place, they would have to apply to the end buyer as well, as well as to producer. Some do not see how this would work in reality. These inputs were provided mostly by exporters and manufacturers.

49(43%) disagreed where those with trader role shared that this would bring traders to an undesirable amount of pressure, and that this should be up to the individual parties how they want to relate on a commercial level. Eventually, introducing such change could end up counterproductive, because trading partner until now were interested in binding long-term conditions or contracts and this would also have negative impact both on traders and producers to remain competitive. Instead their experience is that customers demand change sometimes by season and there should be flexibility to react to this.

Respondents representing certification body and Fairtrade system disagreed and mentioned the following:

- this should happen organically depending on the relationship of all involved parties. By making it mandatory we would run the real risk of long-term commitments not being honoured. In practice, it is not working for short terms e.g. sourcing plans, for a period of maximum twelve months, therefore most probably it would not work for longer term (e.g. 2 years)
- often end buyer and the first buyer are not known at the beginning of the chain.
- such change would not reflect the usual business practise and would enhance the burden to work with Fairtrade.

Question 1.3.9: Fairtrade would like to improve this requirement. The suggestion is that requirement on long-term commitment also applies to the ‘end buyer’ and implies:

- a mandatory sourcing on Fairtrade terms or Fairtrade volumes from a specific supplier or producer organization (not referring to fixed amount of volume)
- could be revised annually to adjust to trading reality
- is demonstrated by involvement of trader or end buyer in projects by a producer organization or their supplier, e.g. at least one project on HREDD or other areas.

What benefits or obstacles do you see if the long-term commitment includes the suggested elements above?



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Exporters' views are mixed, with significant concerns about the practicalities and economic realities of maintaining such commitments. While respondents see benefits in terms of stability and better planning, many emphasize the challenges posed by market volatility and internal pricing issues thus long-term commitment requirements could be counterproductive and potentially harmful to business flexibility and profitability.

Importers are of similar views as exporters, mentioning that they see many disadvantages, and some stated for them this is already fulfilled by purchase contracts. Many of the opinions that it would be more challenging to get the commitment from consumer and the retailer.

Manufacturers/ Processors' opinions were also divided referring to not feasible due to the current market situation and unpredictable factors that could prevent a long term commitment. In addition they mentioned that the above does not take into account quality issues/non-satisfaction of a supplier for the buyer. One of them mentioned they try to buy from the same producer organisations every year, unless the quality of a product is not available. Thus, this proposal should also include cases when this would not apply. End buyers like manufacturers are reliant on forecasting and business planning and would not be able to achieve certain requirements if they fall out of scope of the business

Retailer referred to the benefits such as the chosen supply chain by the end-buyer does not change on importer's will only, the end buyer will be informed, which is important for transparency The end buyer can communicate on the producer's organisation.

However the obstacle is in case of shortage in the supply, or climate change related or quality problem it can be less flexible to have a long term contract for sourcing in another country. For instance if the cocoa from a Peruvian organisation is above the limit fixed by EU in cadmium it will be necessary to mix it with another cocoa and the volumes bought to Peru could be less important that forecasted.

It could be beneficial to commit only to a partnership instead of committing to fixed quantities.

Mandatory sourcing from a producer organisation becomes tricky if harvest volumes are insufficient to cover the agreed-on volumes, e.g. due to weather, lower productivity of the crop, etc. ad-hoc revision in such circumstances needs to be possible

Respondents with **producer** role shared that handling projects for a business is not good idea and whatever support is possible it must be given in premium (e.g. projects like schools/hospitals etc) It is very beneficial to the producer organisation if the buyers know the information about the product they are purchasing, the producer will be able to plan on how to meet the commitments and annual review would enable continuity.

Traders to maintain the minimum purchase commitment with their suppliers, in order to have stability and growth of Fairtrade markets.

Others, from Fairtrade system:

- if requirements for end buyers will be introduced then the scope of certification needs to be extended to also include end buyers. If mandatory sourcing is not referring to fixed amount, then it's not possible to audit as well as it would not be possible to audit project involvement.
- mandatory sourcing each year can be tricky but a good start
- linking this to project seems good for producers but may not be practical or realistic.
- Fully support proposed change and suggest to also align with Flowers standard requirement
- End buyer most of the times have no visibility on who is or who will be supplying, thus the sourcing plan from the end buyer could be limited to quality, volume, but this can not refer to the commitment at producer specific level.

1.4 Pre-finance

Consultation statement:

The intention of pre-finance is to help producer organizations to gain access to reasonable forms of financial assistance to support their purchases from members.

Since the last review in 2015, the onus to offer pre-finance was changed to the trader (first buyer) and following this change, requirements are being updated in the product specific standards. The amount of pre-finance is at least 60% of all Fairtrade negotiated and signed contracts (see the interpretation note to Trader Standard requirement 4.4.1) and can be provided directly or via third party lender.

In addition, the standard clarifies that following a proven high risk, traders could be exempted from providing pre-finance. For some trader organizations this implies a complex process of risk assessment increasing their

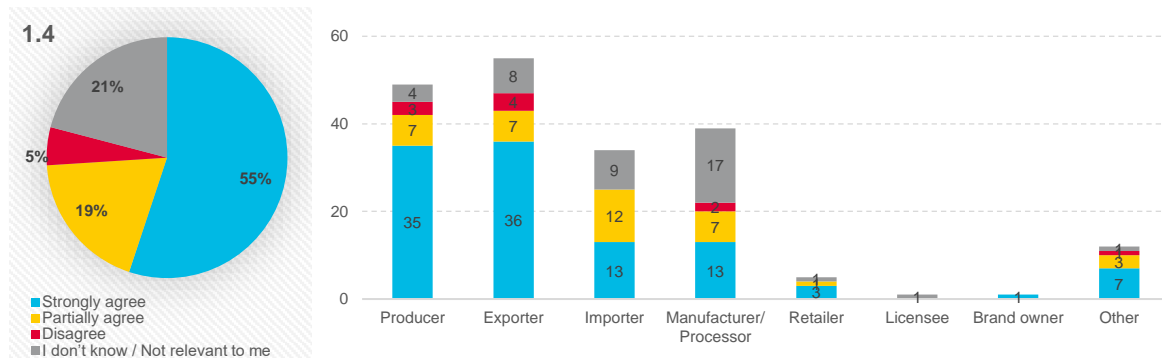


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financial burden. In other cases, there is no clarification on how these funds (paid up front) could be recovered if a producer organization is decertified during the period of contract signature.

This consultation round aims to explore if provision of pre-finance could be improved without compromising the sanction mechanisms, such as decertification of the supplier (producer), and if it could be made applicable also to the licensees that have direct commercial relationship with producer organization.

Question 1.4. Do you agree with the description of the topic presented above and the rationale for addressing it in this review



Written feedback:

265 respondents answered this question. 55% (108) of the respondents strongly agreed with the topic description referring to existing considerable risks because for example pre-financing is rarely offered by a buyer but it is important support to the producer. Suggestion is that audit results should be shared with the buyers to make risk assessment regarding decertification more easy.

Another suggested that greater commitment should be required from both buyers and financiers (as well as producers). Buyers must demonstrate that all their Fairtrade contracts have been pre-financed. On many occasions inability of producers to deliver on agreed quality, has forced traders to accept loss-making purchase prices only in order to recover the advance payment given.

An importer shared that financial risks related with pre-financing – is the biggest challenge, i.e. trader lost its pre-finance in some (relatively few) cases which still means a huge (financial) burden and in some cases a negotiated was needed to recover pre-finance. Another importer also mentioned that the producer stopped supplying because of low quality/high claims but the pre-finance was not reimbursed.

19% (37) partially agreed and suggested given the risks involved, pre-finance to remain optional (Exporters of cocoa, banana, fruit juice, honey). Coffee trader mentioned that pre-financing depends largely on the % that the insurance companies allow. Other importer mentioned that if even at the bank, a loan is not always possible for the amount – which does not justify how would this be feasible for a trader to provide it. A respondent from Fairtrade system suggested to bring the onus to request pre-finance back to producers.

Other recommendation is to keep it as it is, where e.g. in tea possibility of prefinancing is contractually stipulated.

5% (10) respondents disagreed and mentioned that pre-finance to be voluntary because this would limit the financial capacity of trader, and producers may go for a competitor that offers a higher price. This would go against a healthy business environment because compromises the financial wellbeing of the trader. One of the recommendations here **is to ensure that pre-finance is included in the contract, what would make it enforceable (recoverable for both sides), under conditions that it is offered on fair terms as per the product and/or industry standard.** However pre-finance should not be required from 'end buyers' as this would contradict the rule of First Buyer to provide pre-finance.

Additional comments

While there is a general recognition of the importance of pre-financing for producer resilience and supply chain stability, some traders expressed strong concerns about financial risks, the burden on



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smaller companies, and the practicality highlighting the complexity of implementing and strengthening pre-financing mechanisms. Their suggestions are:

- there should be mechanisms to recover pre-financing if the supplier becomes decertified.
- some companies, particularly smaller ones, might struggle to provide pre-financing without borrowing, suggesting that only large multinational traders are required
- pre-financing should be agreed upon with a contract to avoid risks.

Question 1.4.1. After the decertification, producers are not allowed to make any Fairtrade transaction even if contracts are signed, unless the products were traded before the date of certification. This sanction does not allow the trader organization to recover any pre-finance funds provided up-front, if a producer organization got decertified during the contract signature.

Should the standard stipulate any specific conditions that trader organization could negotiate with producer organization at the time of pre-finance provision? Please elaborate with ideas.

Responses from producers show general consensus on the importance of having specific conditions for pre-financing, with a focus on protecting both parties, ensuring timely and adequate support for producers, and maintaining clear contractual terms. Pre-financing should promote a good relationship with producers and ensure transparency and sustainability. However, concerns about the feasibility and potential negative impacts suggest to introduce well-structured pre-financing agreements that include the following elements:

- resource-based prefinancing – require 60% on the contract only if feasible for traders/buyers.
- consider product specific reality - for seasonal products like coffee, pre-financing should be provided at least 3 months before harvest while for products like bananas, pre-financing should be available at least 1 month before the contractual commitment.
- contractual and payment terms – terms and conditions should include a repayment/reimbursement plan if certification is lost; conditions should cover terms of payment, interest rates, payment methods, risks, duration, and maximum amounts.

Responses from traders show overall recognition of the need for specific conditions to manage the risks and ensure the recovery of pre-financed amounts. However, many also raise concerns about the complexity and potential financial risks associated with mandatory pre-financing conditions. The key points of consensus include the need for collateral, clear contractual stipulations, and transparency in financial and audit processes.

- conditions should ensure the trader can recover the amount pre-financed, with options like collateral, institutional guarantees, or recovery clauses in contracts.
- timing of pre-finance should be aligned with the season and local stock monitoring to reduce risk.
- conditions should prioritize the principle of "least harm," ensuring enforceable contracts without serious economic damage to any party.
- decertified producers must be allowed to continue trading until any debt with the importer is cleared.
- conditions should stipulate the supply of raw material to ensure payment guarantees.
- producers to share audit reports with buyers to provide full transparency.
- financial formal due diligence instruments could be provided to assess risks properly.

Other traders who were of different opinions, mentioned that pre-financing should be voluntary and within the feasibility of each player, without mandatory conditions and that pre-financing should be less than 60% if a producer group is at risk of failing to meet requirements, reducing potential financial losses.

Question 1.4.2. When you carry out the risk assessment to provide pre-finance, is there any particular criteria/criterion that is crucial for your organization? Should the standard stipulate any specific conditions that trader organization could negotiate with producer organization at the time of pre-finance provision? Please elaborate with ideas.

Traders listed the following criteria:

- number of members of the producer group, validity of the legal documents including certificates (organic/fairtrade), annual turnover, two year bank statement and leadership structure and AGM minutes.
- financial status



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- credit rating of the producer, guarantee terms of the pre-financing, reasons why other financial institutions are unsuitable.
- long term relationship & previous performance
- (for organic food) - required quality parameters should be met in the raw material supplied by the producers
- political risk, quality risk, term of relationship with producer
- long term relationship, volumes, professionalism, seriousness
- **to guarantee the recovery of these funds in the organisation.**
- production-financing-marketing
- delivery and quality track record.
- long term relationship, volumes, professionalism, seriousness
- credit history
- country risk

Some of the producers emphasized that they would not be able to run their business without advance payment. Others mentioned following criteria:

- long term pre-financing
- estimation volume of production based on reality
- terms, percentage of the contract and financial cost.

Question 1.4.3. Are there other challenges that your organization has experienced related to provision of the pre-finance?

- delayed recovery of the funds and sometimes the producer organization opts to deal with other traders other than the one who pre-financed.
- limited financing to be able to pre-finance
- producers leaving while keeping pre-financed amount
- it is difficult due to a financial due diligence of producers
- organic certification - pesticide management, this can easily lead to decertification for organic.
- non availability of the product after giving prefinance

Question 1.4.4. Trader organizations as well as producer organizations need to assess and assume the risks in the trade, which may add the burden to the risk assessment process but still it would not protect their business from unforeseen situations. How can pre-finance be improved as a tool to maintain the balance in sharing of risks?

Suggestions for improvement could help to mitigate risks, ensure compliance, and enhance the overall efficiency of transactions between traders and suppliers:

- **Risk assessment and weightage/evaluation.** For example by **implementing a risk assessment framework** - developing a comprehensive framework to evaluate and assign risk scores to both traders and suppliers. Weighing of risks could be based on financial health, historical performance, and market conditions. .e.g. to off-set the prefinance in case of problems in meeting the supplies or in case pre-financed organization is decertified.
- When support is via **bank financing** – it's important to establish partnerships with banks on pre-finance facilities, ensuring clear terms and conditions.(i.e. suggestion was rather for Fairtrade to have partnerships with banks)
- Via **pre-finance inquiry protocol** – to implement a standard protocol for inquiring about pre-finance facilities before placing orders. Have the financier's signature on the contract and therefore a commitment to honour it
- develop a **monitoring system to track the use of pre-finance**, develop guidelines to ensure pre-finance is directed towards intended investments
- create a **simple and clear recovery plan** that both parties agree with and that includes contingencies for supply disruptions and de-certification scenarios, e.g. include mechanisms to recover any outstanding pre-finance in the case of de-certification
- require **producers to provide guarantees** / collateral as a security measure, to mitigate risks.
- **consider increasing the pre-finance** to 80% of the contract value based on needs and risk assessment.
- **explore insurance options** to cover potential pre-finance risks, or implement monitoring systems to ensure the safety of pre-financed goods.



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- **develop / maintain standardized procedures** and documentation for all pre-finance agreements, ensuring there is clarity and transparency in all contracts.
- use **pre-finance as a tool to build trust** and improve relationships between traders and suppliers, aiming to facilitate smooth operations and easier negotiations.
- the tripartite contract to secure the pre-financing. Despite the risks, like the system that banks make, the contract must provide guarantees. Most importantly, the producer organisation must formulate the demand (the amount it really needs). Producers would not want to take excessive risks.

Commitment to sustainable production and business

1.5 Environmental protection

Consultation statement:

The Trader Standard includes a mix of core (mandatory) and Voluntary Best Practice (VBP) requirements that outline additional steps trader organizations can take for achieving best practise and contribute to greater sustainability in the entire supply chain. Compliance with environmental law is checked following the reactive assurance approach. Since the last standard review, both approaches were found to not be stringent enough to achieve the intended outcome.

While trader organizations are not always involved in the process of crop growth or production, their commitment to environmental protection is very important not only for their own business but also for the full supply chain. Analysis of compliance with VBP requirements showed that 30%-40% of organizations were voluntarily committed to minimizing direct negative environmental impacts, reducing their carbon footprint and using recycled or biodegradable packaging material.

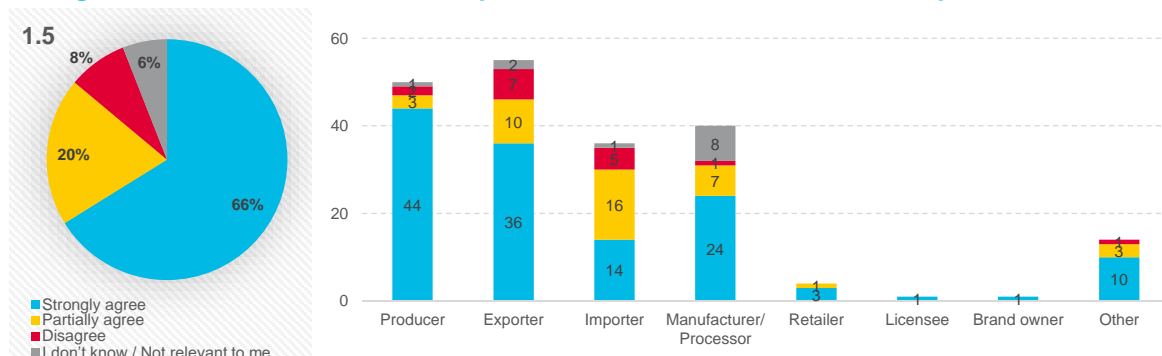
Producer organizations are required to carry out risks assessment and adaptation of practices and other measures which are sometimes more stringent in product specific standards. Risk assessment topics are related to sustainable production including for example use of chemical materials, genetically modified products, as well as measures on climate change adaptation and deforestation.

Adaptation and any change in production practices often implies financial and production risks, challenging the capacity of the organization to cope with consequences that eventually also have an impact on the trading relationship. Therefore, alignment on priorities in environmental risk assessment at trader and producer sides could enable that support of producers by traders adds up to the value of environmentally friendly production practices throughout the full supply chain.

In this review, the aim is to explore if the following changes in current requirements would improve the standard:

- concrete metrics on measures related to protection of environment
- provide basis to recognize efforts of trader organizations on transformation operations, packaging and environmental protection (currently VBP requirements)
- provide options for shared responsibilities with producers, specifically on implementation of good agricultural practices and other production related investments
- promote financial participation of traders of whole supply chain when sourcing from environmental hotspots

Question 1.5. Do you agree with the description of the topic presented above and the need to strengthen the trader standard on requirements related to environmental protection?





Written feedback:

265 respondents answered this question. **66% (133) of the respondents strongly agreed** with the topic description and mentioned that this would help protect the environment as well as protect human health related challenges which e.g. could be a result from use of unapproved Agrochemicals.

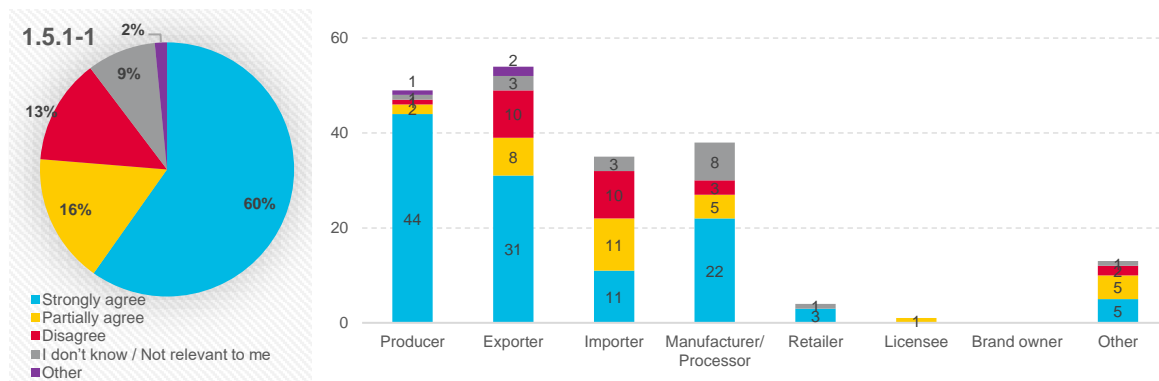
20% (40) partially agreed and shared that this could stay as suggestions and not make it mandatory, as that leads to more opposition in implementation. A producer shared that improvement in environmental practices should be a prerequisite for all companies wishing to obtain the label. Traders' inputs were that the scope of changes should be limited to/within the operations of the trader. Others also mentioned this would be challenging for traders to contribute to promoting GAPs or have visibility / control on measures taken with all the groups a trader works with in all the producing countries.

8% (16) disagreed where an exporter shared that producers are doing already a lot and to involve traders in daily practical work of producers may complicate the relationship. Others mentioned that these have been already covered by local regulations or other schemes (LEAF, organic). An importer from Europe mentioned that since the costs for environmental production is covered by COSP, they don't see why further obligations would be put on traders, emphasizing that trader does not have funds to subsidize environmental protection even more, beyond paying the Fairtrade minimum price, and the premium what makes Fairtrade products considerably more expensive than conventional. A response from Certification body is that Trader Standard should focus on its core, i.e. setting rules for trading, but not on other aspects such as the use of recycling material for packaging. Also, that to strengthen the environmental requirements in practice means promotion trader interference in primary production which often accompanied by real investment by the trader. Climate change resilience and resistance is complex and a holistic approach is needed such as addressing this via partnerships and programmes.

Additional comments

Respondents here emphasized the importance looking at environmental issues beyond production. Environmental protection is important to be done for the whole supply chain and Fairtrade standard should encourage positive contribution towards the environment from the business, for example: contribution to Renewable Energy Usage to reduce Carbon Foot Print (when using/supporting Solar & Wind Mill); by using Organic Cotton and other sustainable products; considering Post consumer Recycle Polyester PET and Pre-Consumer Recycle Cotton usage; Using Recycle or Biodegradable packing materials; Growing Trees.

Question 1.5.1-1: Environmental management systems ensure that an organization can better prevent unacceptable environmental risks associated with product management, processing or storage. Should the trader standard include a requirement on an 'environmental management system' applicable for own operations and applicable as a mandatory requirement?



Written feedback:



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265 respondents answered this question. **60% (116) of the respondents strongly agreed** with the topic description and mentioned that in order to maintain this approach more collaborative, it's important to not introduce mandatory requirements but keep measures as motivational, acknowledging best practices on both sides and encouraging contribution to marketing / market access.

16% (32) respondents partially agreed also suggesting to avoid introducing mandatory requirements from the start, however recommending to have some measures as mandatory over a period of time because environmental management system costs of compliance are high, requiring long term for implementation and may not be fulfilled at once.

Overall suggestion is to keep this as simple as possible and sustainable, avoiding adding additional burden on traders (especially small traders), also given that this is required within the scope of other certifications. Yet an importer mentioned that when it comes to identification of risks, some retailers would consider rather switching their sourcing if risks are high. Thus for Fairtrade to introduce change that does not encourage such practices and consider introducing this requirement depending on company's size.

13% (26) respondents disagreed, sharing that typically traders have rarely minor environmental impact (other than transport and storage) to the supply chain and that supporting producers on their efforts to reduce environmental impacts is more important. Also there is potential for conflicting requirements on this issue (conflicting with other certifications), thus Fairtrade should focus on the core principles of fair trade that are not addressed in other programs, and should recognize the programs that demonstrate that organizations are already taking action in these areas. Recommendation to avoid creating additional burden by seeking cooperation with other certification bodies / schemes and added that environmental protection is more recognized from other certification schemes. It is more important to support farmers with GAP, pesticide use, etc.

Four respondents who chose the answer option 'Other', provided the following inputs:

- agree to introduce it only if there are no other certifications like organic or ra
- a producer suggested that trader could establish this management system and include actions that will then be endorsed to the producer without assuming co-responsibility, therefore a clear responsibility on the role for this matter is very important.

Question 1.5.1-2: If your organization has an environmental management system in place, what makes it effective in assessment of environmental risks?

- **Annual environmental risk assessments** - conducting yearly risk assessments with farmer representatives to identify and manage environmental risks. Environmental risk is present all the time, thus the procedure define how to reduce those risk like proper handling and disposal of waste; use of biofuels instead of diesel; installation of renewable energy sources like solar panels; training of workers on energy and water conservation.
- **Clear and simplified guidelines**, measurable criteria easy-to-understand guidelines for responsible staff to follow, conducting regular audits and inspections to monitor compliance
- **Realistic target setting** reporting on energy, water consumption, and waste production with achievable targets for reducing waste and increasing renewable energy use
- **Goodwill and commitment** ensuring commitment and dedication from all stakeholders to maintain and improve the system
- **Supervision and delegation** having a dedicated person or team overseeing environmental matters and ensuring adherence to procedures.
- **Access to capital** - having sufficient financial resources to implement and maintain environmental initiatives.
- **Use of (other) certifications and standards** adhering to industry standards and certifications like iso 14001, organic procedures, and others to ensure compliance and effectiveness.
- **Training and awareness**
- **Compliance with laws and regulations**



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Question 1.5.2 Below is the list of the environmental areas currently included in the requirements with different applicability (mandatory or voluntary best practice, see requirements 3.2.2-3.2.6).

Please choose one or more areas that are most relevant to your organization's own operation (including additional entities and / or processing sites)?

Inputs to this question will be used to improve requirements that include concrete metrics and recognize efforts of trader organizations in relation to environmental protection

- Use of chemical materials (see Hazardous Materials List)
- Water use
- Energy use (carbon footprint)
- Waste water
- Emissions to air
- Waste (from processing)
- Impact on biodiversity
- Type of packaging material (recycled or biodegradable)
- Other, please clarify in the box here

The table below provides summary of all votes provided as a response to this question. Only inputs of respondents with trader role were taken into account.

Consulted environmental area/measure	Number of times an area was chosen by trader
Energy use (carbon footprint)	80
Type of packaging material	67
Waste (from processing)	59
Waste water	50
Emissions to air	46
Use of chemical materials	44
Impact on biodiversity	37

Additionally respondents left the following comments complementing their chosen option:

- as an importer and distributor, our biggest impact is in shipping product.
- as pure trader we don't see what is our environmental footprint.
- coffee roasting does not imply a high amount of energy consumption and roasteries are covered by regulations or other certifications (e.g.iso 50001 on energy efficiency)
- it should not be mandatory to use recycled or biodegradable packaging material for fairtrade products, because these packaging materials are 40-50% more expensive and not always available on the market.
- transport and packaging are most relevant issues

Question 1.5.3: Fairtrade would like to explore if the Trader Standard could promote shared responsibilities between supply chain actors towards sustainable use of resources use and environmental protection.

The scope of the Trader Standard requirement 4.1.7 on service provision could be enhanced to address this linking the priorities on environmental protection for trader organizations with priorities and needs at the producer side, through an agreement on provided services, such as trainings.

This implies if a trader organization provides support on trainings, it is linked to the environmental risks identified by producers. See examples of risks in production area that could be prioritized by producers:

- Climate change



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- Water stress
- Land degradation
- Biodiversity loss
- Soil organic carbon depletion
- Chemical pollution
- Lack of Good Agricultural Practices Application
- Lack of water & sanitation
- Waste & Food Loss - Nutrient Pollution

Do you see any benefits if a requirement on service provision also facilitates shared responsibilities on environmental protection in the way proposed above?

Opinions of respondents were divided with inputs indicating agreement with this proposal.

Exporters mentioned shared responsibility or alignment between traders and producers priorities would feed the expected results in common, however this could also become very burdensome and the end buyers should be included.

Similarly, inputs from importers either indicating that this actually should not be competence of a trader, and with existing premium such matter should be already addressed.

Fairtrade should provide better insights about impact measurement on such joint efforts/ improvement of social & environmental performance of producers/farmers. Many also mentioned this could increase awareness on environmental protection.

Most of traders with manufacturer role were not supporting this change. Some however still recognized the need of this change, providing an example of project on tree planting to offset Carbon and GHG emission.

A retailer mentioned that this would make sense to link training activities to economic, social or environmental topics most relevant to the producer, not just environmental. There should be a prioritization of risks from both sides (within HREDD process the case), sharing of findings and collective agreement which topics are most important for both producer and trader.

Inputs from Fairtrade system respondents flagged that for traders it would be better to require how they should improve / reduce environmental impact that they are causing – for example by choice of transportation. There has to be a clear incentive to do what would be required such as for example stabilizing supply, improving product quality, trade relationship and company reputation.

Question 1.5.4. What co-investment measures would your organization consider as feasible and efficient? Fairtrade standards require producer organizations to implement measures on climate change adaption (see the Fairtrade Standard for Small-scale producer organizations) or, under the Fairtrade Climate Standard, to invest into projects on renewable or energy efficiency projects that reduce energy consumption and generate new energy opportunities, or reforestation projects that capture carbon by planting trees. Please check more in [the report on Fairtrade Climate Change projects](#). Based on this, Fairtrade trader organizations have an opportunity to co-invest in producer activities against negative impact of climate change.

Respondents inputs show a mix of technological and biological solutions for co-investment in climate change adaptation, with a strong emphasis on renewable energy, afforestation, and agroforestry. There is a significant interest in educational initiatives and collaboration with NGOs, financial measures such as premium allocation and support from buyers. However, there is a clear preference for this not to be mandatory in the standard allowing them to manage costs and feasibility or should not be regulated through standard

- **Carbon capture projects** - preference for technological solutions that ensure both carbon capture and prevention of further emissions. projects should be documented and certified.
- **renewable energy** - solar power generation and installation of solar panels, renewable energy sources such as wind turbines.
- **energy efficiency** - projects that reduce energy consumption and generate new energy opportunities, waste reduction and energy optimization measures.

Other:



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- afforestation and reforestation, promotion of regenerative agriculture practices, agroforestry by establishing strategic alliances for socio-environmental projects focused on reforestation, financial and policy measures
- on insetting - investment within the supply chain, but aligned with global guidance on science-based targets and GHG protocols.
- training programs and awareness raising, sharing successful initiatives between companies and suppliers, support from buyers - including end buyers in the investment process to share the burden.
- waste management (recycling of packaging and waste reduction projects), irrigation and water management, social and economic benefits e.g. projects that provide social and economic benefits to farmers, such as efficient coffee dryers and fertilizer reduction.

Question 1.5.5. Do you have any suggestions on how Fairtrade, through the Trader Standard, could better address the opportunity for trader organization to co-invest into climate change adaptation activities?

Overall respondents agree these should not be mandatory in the standard. Some emphasized the need for incremental steps, suggesting a focus on risk reduction and gradual engagement.

1. incorporate environmental premiums: designate a portion of the trading premium specifically for environmental projects, ensuring transparent and accountable use of these funds; earmarking a part of the premium for environmental actions or adding a specific environmental premium requirement.
2. support through education: conduct educational workshops and provide practical solutions for producers/traders to adopt sustainable practices without significant financial strain.
3. facilitate collaborative platforms: establish platforms for consultation and collaboration between traders, producers, and NGOs to develop and fund climate adaptation projects. Several respondents also suggested that it should be mandatory for traders to implement projects focused on mitigating climate change effects. these projects would be then have to be monitored and scored during audits.
4. incentivize participation: align with global goals such as the UN sustainable development goals to create clear incentives for traders to participate in sustainability programs; aligning fair trade initiatives with specific un sustainable development goals could provide a clear and guided direction for co-investment efforts.
5. feasibility assessments: conduct thorough feasibility studies to ensure proposed initiatives are practical and provide tangible benefits to both traders and producers,
6. recognition and reward: publicly recognize and reward traders who actively participate in co-investing in climate adaptation, creating a positive reinforcement loop.
7. **certification and standards:** some suggested certifying produce marketing organizations rather than individual producers and traders to streamline and enhance accountability.

Other topics

Simplification of the Standard

Consultation statement:

Current Trader Standard requirements include Voluntary Best Practice requirements. This concept was introduced in the last full review of the standard, with the aim to recognise and incentivise certified traders who go beyond minimum compliance and who are committed to best trading practises.

While Core requirements are compulsory requirements for all traders and a non-conformance could be raised (with a corrective action to close it), the VBP requirements - are voluntary and traders who wish to demonstrate best practice are assessed against them. Since VBP requirements are not compulsory, a trader cannot be found non-compliant during the audit. If a trader chooses not to engage with the VBP, there is no effect to their ongoing certification.



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This approach was found not stringent enough and the recommendation is to strengthen the standard, by making these requirements mandatory.

Fairtrade would like to better understand the reasons why organizations would or would not voluntarily comply with these requirements.

Please rank the VBP requirements according to importance/relevance and how feasible they are to you or your organization, #10 being the most important & feasible to implement and #1 being the least important and not feasible.

TRADERS	Importance			Feasibility		
	least important	neutral	most important	Not feasible	neutral	Feasible
*3.2.4 Management of environmental impacts	10	9	62	12	25	38
*3.2.5 Recycled or biodegradable packaging material	17	21	43	17	27	29
*3.2.6 Carbon footprint reduction	7	19	53	16	37	22
*4.1.8 Long-term commitments	9	19	54	18	36	20
*4.1.9 Tripartite contracts with producers	19	27	24	22	28	17
*4.4.4 Interest free pre-finance	26	25	20	28	20	18
*4.4.5 Access to other types of finance	25	22	22	24	22	15
*4.5.2 Sourcing plans for other traders	23	26	22	20	31	15
*4.5.3 Market information for producers	9	25	42	10	23	36
*4.7.1 Supporting producers and workers' priorities	8	20	48	8	23	36
*4.7.2 Sourcing from vulnerable groups	14	28	29	17	31	20
*4.7.3 Market liaison for producers	9	31	29	13	27	24

Based on inputs provided by traders (only), the following VBP requirements were indicated as 'important' however also as 'not feasible':

- Tripartite contracts with producers, Interest free pre-finance, Access to other types of finance, Sourcing plans for other traders, Sourcing from vulnerable groups

Question 1. Do you have any suggestions how VBP requirements could be strengthened without increasing number of requirements?

The implementation of VBPs depends on the individual circumstances of the company, and not all VBPs may be relevant or reasonable for every trader. Many respondents emphasized that VBPs should not become mandatory, as this would add to the administrative burden and may not be feasible for all traders. VBPs should not be perceived as 'out of place' or irrelevant to the core business of traders.

Incentives and Recognition:

- Introduce a recognition system to encourage traders who follow VBPs, such as a grading system (e.g., AA, A) or awards (e.g., Bronze/Silver/Gold/Platinum).
- Publicly recognize and promote companies successfully implementing VBPs on websites and through media channels.
- Create incentives for audits that encourage adherence to VBPs.
- Develop a special type of certification to give traders credentials that provide market advantages.

Integration and Clarity:

- VBPs could be integrated into the rating system, leading to public scoring results that highlight trader performance.
- Make VBPs more specific to avoid varied interpretations by auditors, ensuring consistent application.
- Convert (only some of VBPs) into Core.



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Question 2. When the guidance in the Standard promotes best practice, is this helpful? For example, please check the guidance to requirements 4.4.2, 4.4.5, 4.5.2

Overall responses show that stakeholders find guidance useful.

Question 3: Which topics or requirements in the Trader Standard do you find unnecessary?

- *All are relevant but to make it less cumbersome some fairly generically achieved topics could be group and not made mandatory; it must be more specific on real trading aspects, other elements as environment, working conditions are producer standards, not to be a burden for traders*
- *The whole paradigm of the trader standard is totally wrong because it assumes that traders exploit producers and until Fairtrade understand that this is not common business practice you will not progress*
- *FT requires significant documentation and this can become quite burdensome, as compared to other certifications*
- *Quality claims, labour law, environmental protection*
- *3.2.4 .5 .6; 4.1.3 ; 4.1.8 ; 4.1.9 (you only need a contract with the entity that you are paying...everything else is asking people to reveal their suppliers is too challenging). 4.5.1 / 4.5.2 / 4.5.3 as noted multiple times, this isn't possible.*