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## Recommendation on OTB HREDD from the Growth Task Force - June 4<sup>th</sup> 2021

### 1. Decision required / Recommendation

This recommends focusing on short term development and 'market ready service delivery' of an HREDD OTB service portfolio to be launched as of Jan 2022. We see the need for four Risk assessment services to cover different needs and price points..

### 2. Background

Apart from the workstream to integrate HREDD-requirements into FT-standards, there is significant customer demand in a number of NFOs for supporting retailers and brands with HREDD-services on their inhouse HREDD-approach. For concrete NFO market demands see point 5.

New legislation (different in each jurisdiction) is a key driver for the demand. There will be a need for risks maps regarding child labor in certain countries while in other countries modern slavery is a focus topic.

We support the rightsholders dialogue (producer voice) element discussed in the HREDD OTB working group as a key element and USP of all services we will develop and market (as this is one of the requirements in the OECD guidelines and a strong element in Oxfam's behind the barcode assessment). This is an area where we can demonstrate our added value above other organizations and certifiers

### 3. Objective

- Fulfil customer demand from retailers and brands and position Fairtrade as a competent and relevant instrument and business partner on HREDD. These are ad-on services to our core sourcing offer.
- Agree a clear response to customer requests that come in right now, and will come in the next months (define our roadmap, and share it)

### 4. Strategic plan

HREDD needs to be a key USP of Fairtrade over RFA. We need OTB services that work across key commodities. At least some services need to be standardized, available off the shelf and 'easy to order' for all NFOs from either FI or FLOCERT, while other Expertise services can be more customized and delivered via NFO or PN resources. We need to agree on a lead entity for service development and delivery (this can vary per each of the services), and empower the service development manager to follow a set timeline ensuring soonest possible launch date.

The type of Risk Assessment service levels we need for customer demands are:

#### Level 1 Dashboard

- Commodity and country level
- Information about risks and root causes
- By Fairtrade, based on HER Mapping
- Free for licensees

#### Level 2 Risk report – Human Rights Risk Analysis (HRRA)

- On specific supply chain or country
- By Fairtrade & FLOCERT max €10k fee
- Quite standardized, at a reasonable price point (5-15 K) as retailers seem to come with smaller budgets. And while they ask for an HRIA...it appears that what they mean in the first step is more a risk analysis. Something FLOCERT could develop and deliver to all our markets.

Level 3 Full Human rights impact assessment (HRIA)

- By Fairtrade (or any other entity as we think one entity (either FI, or FLOCERT, or the PNs) need to get empowered to lead on it
- Competitive offer to organizations as Oxfam. In our view HREDD is so close to our DNA, that we would prefer to see that we as Fairtrade develop and deliver HRIA services inhouse. If the overall FT vision is different than second best solution is to hand it over to organizations such as Oxfam, ERGOM, etc.

Level 4 (not as the highest level, but a separate level) – Expertise service

An Expertise service (advisory to customers, probably very customized). This could be for example a stand-alone service, or as a follow up on an HRRA or HRIA. For example, Lidl came to FTF after they have done an HRIA with ERGON and want to have advisory from us on remediation /Improvement/ program investment.

**5. Concrete market needs from Commercial Partners**

<b>NFO</b>	<b>Name of Partner</b>	<b>Service Need</b>	<b>Approx. Budget</b>
FTF	Lidl	Expertise/advisory service on HRIA-results from Ergon in tea, define next steps	Est: 40,000 GBP
	Waitrose	HRRA, Human Rights Risk Analysis or HRIA	10- 15,000 GBP
	Gregg's	An HRDD-service for coffee tbd.  <i>We received these requests reactively, and foresee more demand if we were to speak about HREDD OTB proactively to partners</i>	Est. 10,000 GBP
Max H NL	PLUS	<ul style="list-style-type: none"> <li>• HRIA on coffee supply chain single origin</li> </ul>	Max 15,000 eur
	PLUS/SU	<ul style="list-style-type: none"> <li>• Thee from Sri Lanka – assessing and closing possible living wage gap as follow up to HRRA done by external consultant</li> </ul>	TBD
	Ahold/Delhaize	<ul style="list-style-type: none"> <li>• Bananas from Ecuador &amp; Colombia - assessing and closing possible living wage gap as follow up to HRRA done by external consultant</li> <li>• Supply chain mapping - Which tools can Fairtrade offer for supply chain transparency and traceability. Need for databases, audit data</li> </ul>	TBD  Free of charge
	JUMBO	<ul style="list-style-type: none"> <li>• Fairtrade is asked for Input on JUMBO coffee supply chain impact assessment, done by external consultant SIM. Need for verified data from identified sources to identify risks and work on positive impact for farmers</li> </ul>	Free of charge
	All retailers	<ul style="list-style-type: none"> <li>• All retailers in NL have committed on living wages in bananas. Need for supply chain mapping and living wage data and verification of that data</li> <li>• All major retailers have committed to Dutch Initiative on Sustainable Cocoa, with concrete goals on childlabour,</li> </ul>	

		living income and deforestation. So a big need for risk mapping in cocoa supply chains in combination with mitigating programs	
FT Germany	ALDI SOUTH  ALDI NORTH  Rewe Edeka  Lidl	<ul style="list-style-type: none"> <li>Expertise/consultation for HRIA in brazil nuts supply chains in Bolivia (FT's view as a standard setting organization)</li> <li>Indicated interest in Project with gender focus in LW/LI</li> <li>Supply chain mapping - Which tools can Fairtrade offer for supply chain transparency and traceability</li> <li>Edeka signaled interest in the Chocolats Halba agroforestry project (living income component not explicitly mentioned)</li> <li>Request for expertise/consultation for HRIA in bananas from Columbia (FT's view as a standard setting organization), tba</li> </ul> <p>Emphasized interest in LW project in Bananas together with FT (and possibly GIZ/INA)</p>	<ul style="list-style-type: none"> <li>n/a (consultation call)</li> <li>Tbd</li> <li>tbd</li> <li>n/a</li> <li>tbd</li> </ul>
Max H CH	Nespresso  Chocolats Halba	<ul style="list-style-type: none"> <li>Not yet confirmed: Implementing a Child Labour Monitoring &amp; Remediation System in Guatemala</li> <li>Developing a Child Labour Code</li> </ul> <p>We see much potential due to coming new legislation in Switzerland. Further meetings are planned with existing and new clients. In our view, in a first phase there will be a need for risks maps regarding child labour</p>	<ul style="list-style-type: none"> <li>tbd</li> <li>tbd</li> </ul>
Max H France	Mainly <b>retailers</b> : Biocoop the leader of organic channel, Carrefour.	<ul style="list-style-type: none"> <li>The French law on due diligence is the most restrictive vs EU's one: For Max H France it is key to include HREDD-requirements as a must in FI-standards, and thus provide it to partners as a given for FT-certified supply chains. <b>For FT-certified supply chains no additional fees for HREDD-compliance can get charged to partners.</b></li> <li>Regarding an <b>O2B with consultancy on HREDD for Partners own overall approach</b>, the question is: are we the <b>right structure</b>? Do we cover the full chain? Legitimate? Which resources? Budget?</li> </ul> <p>If applicable MHF will be most happy to push that offer but this is not considered as a priority for growth.</p>	
FT Canada		At the moment no commercial partners or prospects have discussed HREDD with us or asked us about it. We suspect this will change with time but explicit needs	

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		currently. Having a tested OTB before our partners are asking for it would be a real advantage though.	
FT Belgium	•	<ul style="list-style-type: none"> <li>• No explicit request at this stage</li> <li>• Several requests on living income in the context of Beyond Chocolate (Oxfam, Colruyt, Lidl, Galler, Belvas pilot projects ongoing)</li> </ul> <p><b>Our need: alignment on a set of services related to HREDD as outlined earlier in this document.</b></p>	

## 6. Basis for recommendation

- HREDD is a key pillar of the FI strategy
- Competitive Edge: We need to position Fairtrade as the key partner (over RFA, Oxfam and consulting firms such as ERGON).
- Response to customer needs, often driven by new legislation: We need to shorten our response to market time – we need ‘sales ready services’, a one pager service portfolio description, a pitch deck and an FAQ-document
- An OTB HREDD service offer that demonstrates our expertise in this field is targeted to create new and additional sourcing volumes (ATCB and FSI)

## 7. Next steps

- Share this paper with the HREDD CoE and the O2B working group
- Jointly identify and remove bottlenecks to enable fast progress, involve FET if and where needed
- Confirm what services we provide via a FT-organization (FI, PN, FLOCERT, NFO) compared to the option to collaborate with a partner organization
- Identify pilot customers, and pilot services

## 8. Distribution list

Andreas Kratz, HREDD COE and O2B working group, FET