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FAIRTRADE AS A BUSINESS PARTNER IN HRDD

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BACKGROUND:

THE DEVELOPMENT OF HUMAN RIGHTS DUE DILIGENCE (HRDD) FRAMEWORKS

Human rights apply to all people, regardless of their nationality, gender, national or ethnic origin, age, ability colour, religion, language or any other status. Human rights were first laid down in the Universal Declaration of Human Rights, which was proclaimed by the United Nations General Assembly in 1948.

The reality is that often in many parts of the world these rights are not being fulfilled. Business impacts human rights in many ways, both in local economies and along global supply chains. Business brings people work, needed goods and services and solutions to environmental and social problems. Yet business may also cause or contribute to negative impacts on human rights, sometimes even leading to gross violations. Therefore, companies are increasingly expected¹ to apply a due diligence process and encouraged to work with experts, NGO's, Multi Stakeholder Initiatives (MSI's) and standard and certification systems such as Fairtrade to mitigate and prevent the adverse impacts their business operations may have. This document outlines how sourcing Fairtrade commodities can currently contribute to a business' HRDD process.

Fairtrade is conscious about the fact that many human rights infringements are influenced by different contextual and structural factors, such as government policies and their implementation, low price

¹ The means for governments and companies to shoulder their human rights responsibilities are described in the UN "[Protect, Respect and Remedy](#)" framework (2008), the UN "[Guiding Principles on Business and Human Rights](#)" (UNGPs, 2011), incl. the "[Children's Rights and Business Principles](#)" (2012), the OECD "[Guidelines for Multinational Enterprises](#)" (2011) and OECD-FAO "[Guidance for Responsible Agricultural Supply Chains](#)" (2016).

payments not covering living costs, political unrest or locally accepted social norms and practices, just to name some. Many root causes for human rights violations require long term and system-wide intervention and therefore lie not solely in the hand of single companies or the Fairtrade system. The respect of human rights is nevertheless inherent to the work of Fairtrade, as we change the way trade works through better prices, decent working conditions and a fairer deal for farmers and workers around the globe. The Fairtrade Theory of Change defines the respect for human rights and the empowerment of farmers and workers in global supply chains as a key principle.

FAIRTRADE AND THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

“IN ASSESSING HOW BEST TO RESPOND, THEY [BUSINESS] WILL OFTEN BE WELL ADVISED TO DRAW ON NOT ONLY EXPERTISE AND CROSS-FUNCTIONAL CONSULTATION WITHIN THE ENTERPRISE, BUT ALSO TO CONSULT EXTERNALLY WITH CREDIBLE, INDEPENDENT EXPERTS, INCLUDING FROM GOVERNMENTS, CIVIL SOCIETY, NATIONAL HUMAN RIGHTS INSTITUTIONS AND RELEVANT MULTI-STAKEHOLDER INITIATIVES.”²

– UNGPS

Several internationally recognized papers and guidelines have crystallized the global consensus that companies have a responsibility to respect human rights: The UN Guiding Principles on Business and Human Rights (UNGPs)³, the OECD Due Diligence Guidance for Multinational Enterprises⁴, Responsible Business Conduct and Responsible Agricultural Supply Chains⁵. In practice this means that businesses are duty bearers and thus need to carry out ongoing due diligence to identify, mitigate, remedy and report the salient human rights violations in their operations and value chains towards respective rights-holders. Rights-holders are individuals or social groups that have particular entitlements in relation to specific duty-bearers. In the Fairtrade context these are individual farmers, workers and local communities. Small producer organizations represent both: duty bearers towards their individual members or local community and rights holders with regards to international trade relationships. Certification schemes, such as Fairtrade, have been recognized by several institutions as a valuable partner for business in HRDD⁶. Through its standards, independent certification, producer centric and bottom-up approach, impact monitoring, producer support programmes, awareness rising through advocacy and consumer engagement Fairtrade is providing leverage to its business partners in addressing their salient human rights issues that are within the scope of the FT standards.

We need to bear in mind that according to the UN Guiding Principles the responsibility for applying due diligence cannot be transferred to 3rd parties and we also need to be transparent about the fact that Fairtrade is not a due diligence instrument in all steps of the supply chain. Our standards are not fully aligned with UNGP requirements and do not cover the whole supply chain from producer to consumer.

² UNGPs, p. 26.

³ https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

⁴ <http://www.oecd.org/daf/inv/mne/48004323.pdf>

⁵ <https://mneguidelines.oecd.org/OECD-FAO-Guidance.pdf>

⁶ UNGP, p.26, Finnwatch “Perspectives on the quality of social responsibility monitoring schemes” 2016, ISEAL Alliance, MVO Platform (NL)

This means that for those steps, such as transport⁷, other instruments are necessary for business to implement a correct HRDD process in line with UNGP. Furthermore, Fairtrade standards only refer to specific, internationally recognized human rights⁸.

Having this said, Fairtrade can still be a partner and provide instruments for retailers and manufacturers to seek to prevent and mitigate certain of their adverse human rights impacts in Fairtrade supply chains. Since its beginning, Fairtrade has been enabling trade along agricultural and textile supply chains within and from high risk areas. Due to the volumes traded and the scope of our work, Fairtrade's leverage is greatest in the supply chains of coffee, cocoa, bananas, sugar, flowers and cotton where our activities seek to mitigate, prevent, cease and remediate the following salient human right risks: Lack of living wages and living incomes; child labour, forced labour and gender-based violence, discrimination based on gender, ethnic origin or other status; freedom of association and unionization; conditions of work. As said before, the root causes of many human rights issues are complex and have structural reasons. We perceive it therefore as necessary to engage with other relevant actors, like government institutions, NGOs, trade unions, research bodies and civil society in order to address related root causes.

FAIRTRADE'S UNIQUE SELLING PROPOSITION IN CONTRIBUTING TOWARDS HRDD

"CERTIFICATIONS AND SOCIAL AUDITS ARE KEY WHEN COMPANIES IMPLEMENT THEIR RESPONSIBILITY TO RESPECT HUMAN RIGHTS."⁹ – FINNWATCH, 2016

Fairtrade can support business partners with the necessary expertise and guidance to better understand their specific salient human right risks within Fairtrade supply chains and help to address these to a certain extent by sourcing Fairtrade certified products. Fairtrade Standards, independent and credible certification, producer representation and empowerment as well as comprehensive programme interventions and advocacy work is our unique selling proposition with regards to promoting Fairtrade sourcing and certification as due diligence tool.

1.1 Fairtrade Standards

The Fairtrade Standards combine a range of economic, environmental and social criteria that are designed to tackle poverty and empower producers. These criteria reflect Fairtrade's goal to promote sustainable production and decent livelihoods in agricultural set-ups across the globe. Depending on the sector, certified smallholder producers and plantations need to prevent and address child labor, forced labor or discrimination based on gender, ethnic origin or other status, and comply with criteria addressing the right to an adequate standard of living, the right to freedom of association and collective bargaining and the right to health. The requirement to adhere to applicable national laws and seek to honour principles of internationally recognized human rights (UNGP 23) can be found in Fairtrade standards, also the trader standard and most detailed in the textile standard. As Fairtrade standards and services incorporate ILO guidelines, are in line with the ISEAL Code of Good Practices and speak

⁷ The scope of certification includes: Producer organizations, exporters, importers, manufacturers. Not included are e.g. producing communities, transportation, agents, brokers, retailers.

⁸ For a detailed overview of which human rights are addressed, see Annex, p. 7ff

⁹ Finnwatch, "[Serious gaps in social responsibility auditing schemes](#)", 2016.

of most of the internationally recognized rights as laid out in the International Bill of Human Rights (IBHR)¹⁰ they are an appropriate tool to start addressing negative impacts on certain human rights.

The producer standards contain core and development requirements (requiring prevention, mitigation and/or remediation actions) aimed at improvements over time that benefit producers and their communities. The trader standard requires companies to be aware of labor laws and show no indication of violation, underscoring the commitments companies must make to contribute to respect human rights in their supply chains and operations.

Living incomes and living wages make a crucial contribution towards many human rights and SDGs and shall be considered as a pre-requisite for the fulfilment of many other human rights, such as access to nutritious food, water, decent housing, rest, education and health care. Without a living income for farmers, supply chains will never be sustainable. When farmers need to choose between feeding their family or respecting labour rights and the environment, it isn't a choice. That is why Fairtrade takes a leading role¹¹ towards Living Income and Living Wage and has established non-negotiable pricing conditions in its standards.

INDEPENDENT CERTIFICATION AND VERIFICATION

The Fairtrade certification system is rigorous, independent, and in line with best-in-class certification practice, audited by our independent and single certification body FLOCERT. As independent certification body, the FLOCERT certification system is based on the following main aspects:

- Independent oversight and ISO 17065 Accreditation, systematically ensuring the implementation of efficient operating procedures
- Risk mitigation strategies through a risk-based approach and risk mitigation measures like unannounced audits and an allegations procedure
- Systematic capacity building of auditors, certifiers, and certification staff to guarantee that the assurance system is implemented in a competent manner. Auditors are evaluated off and onsite by competent lead auditors and the Accreditation body. Performance evaluation of auditors and certification staff is also done by the certified organizations and a complaint procedure is in place and accessible to all certified organizations.
- Impartiality of certification decisions following a 4-eye principle where audit results are assessed by an independent certifier. Certification staff and auditors need to ensure that there is no conflict of interest with the certified organizations and the auditors can only visit organizations three consecutive times in order to guarantee the impartiality of the assessment.
- Information systems supporting the assurance system (such as ECERT, allowing FLOCERT to perform regular analysis on compliance performance; and FAIRTRACE, enables the Assurance Body to flag potential irregularities in the trade practices)

FLOCERT performs regular, on-site audits along the supply chain to check compliance with Fairtrade standards. Due to the risk-based approach, unannounced audits are therefore particularly common in areas with high human rights or environmental risks. Whenever human right infringements, that are

¹⁰ Such as: Decent standard of living; Right to Freedom of Association; Non-discrimination; No child labour/forced labour; Decent working conditions (via decent wages working towards living wage); Equal payment; Gender; Health (clean drinking water, use of hazardous materials/pesticides/protection); Environmental rights. For a detailed overview see Annex, p.7. ff.

¹¹ Fairtrade is a founding member of the [Global Living Wage Coalition](#) and an active contributor to [the Living Income Community of Practice](#).

covered by the Fairtrade standards, are found during an audit, FLOCERT will engage in a dialogue with the respective parties and require an agreement on corrective measures followed by the corresponding implementation measures.

STAKEHOLDER ENGAGEMENT & PRODUCER CENTRIC APPROACH

Fairtrade is the only global sustainability standard which is equally owned and managed by producers, as African, Asian and Latin American Producer Networks hold 50 percent of the decision-making power at Fairtrade. This set-up is aligned with the UN Guiding Principle 18, requiring companies to “*involve meaningful consultation with potentially affected groups and other relevant stakeholders*” when *identifying and assessing their adverse human rights impacts*.” It furthermore assures on the ground experience and the institutionalisation of producer centric expertise into all our work. Farmers and workers are for example consulted during the process for establishing new standards, policies and global strategies for Fairtrade.

The complex issues in agricultural supply chains call for strong cooperation and an integrated approach. We engage intensively with a wide range of internal stakeholders and external partners, participate in several multi-stakeholder initiatives (including government and UN regulatory developments), uphold active dialogue with trade unions and due to our set-up of producer networks, national Fairtrade organisations and Fairtrade International we have built a unique expertise and knowledge on supply chain issues over the years. This knowledge and expertise offer great value addition for businesses in all the steps of due diligence. Especially with regards to preventing and mitigating adverse impacts Fairtrade can support supply chain partners by enabling a bottom-up approach and promoting leading efforts of producer organizations to specifically sell to partners with similar policies.

OUR SERVICE PORTFOLIO BEYOND CERTIFICATION

Fairtrade is more than a standard-setting organization: we are rooted in a worldwide movement, have a global reach and are a service-oriented organisation. Being visible and active in the social and political landscape, we advocate for sustainable supply chains and improved livelihoods for farmers and workers. We influence local and international politics to ensure a level playing field for the widespread adherence of international guidelines and fairer trading practices. Through campaigns, we raise awareness amongst consumers about human rights issues in supply chains and Fairtrade’s contribution to addressing these, which is increasing leverage for businesses.

All our customers benefit from our research around/assessment of Fairtrade impact data, receive information on trading practices, position papers and specific country- or commodity-related information. We share our annual report and a Living Income Progress Report, as well as producer testimonies and support customers with identifying and engaging with supply chain partners. Our global impact and communications departments can support our customers with data sharing requests or public messaging. The Fairtrade Human Rights commitment¹² can be made available as guidance and reference for our business partners, laying the groundwork for collaboration in HRDD services.

¹² <https://www.fairtrade.net/issue/human-rights> and <https://files.fairtrade.net/publications/Fairtrade-Human-Rights-Commitment-Paper.pdf>

OUTLOOK – WHAT’S COMING NEXT

“WE COMMIT TO ALIGNING FAIRTRADE’S POLICIES AND PROCESSES WITH THE UNGP TO DEMONSTRATE OUR RESPECT FOR THE RIGHTS OF FARMERS, WORKERS, FAIRTRADE’S OWN EMPLOYEES AND OTHER RIGHTS-HOLDERS AFFECTED BY OUR STANDARDS AND OTHER WORK. WE SEEK TO RESPECT ALL INTERNATIONALLY RECOGNIZED HUMAN RIGHTS AS EXPRESSED IN THE INTERNATIONAL BILL OF HUMAN RIGHTS AND THE ILO’S DECLARATION ON THE FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK.”

– FAIRTRADE’S HUMAN RIGHTS COMMITMENT 2020

The current documents outline our HRDD related offer to business and highlight the HRDD related aspects of our standard services, that we provide to companies as soon as they are sourcing Fairtrade products.

Going further, we will define additional services, that will bring added value for companies with regards to HRDD but go beyond our standard offer of mere sourcing. We will also define specific principles of engagements/ways of working for those additional services and pilot projects, like e.g. Human Rights Impact Assessments in line with the international guidelines.



WHAT OTHERS SAY ABOUT FAIRTRADE AND HUMAN RIGHTS:

“Fairtrade was superior to others in comprehensiveness and quality of criteria, fared the best in the overall comparison. Fairtrade also tied for first place in scheme impact and consumer communications and placed second in scheme impartiality.”

– Finnwatch, *Perspectives on the quality of social responsibility monitoring schemes*, 2016

“Supermarket chains need to pay fair prices that correspond at least to Fairtrade prices and that cover the costs of sustainable production. They must treat suppliers fairly.”

– Oxfam: Bron: Oxfam, *Sweet Fruit, Bitter Truth*, 2016

“Fairtrade is the reference label for the promotion of human rights.”

– Ouattara Adama Aboulaye, *President du conseil d’administration, Ecookim, Côte d’Ivoire, Cocoa*

“Rainforest, Utz and others don’t give you a guarantee of the premium or the minimum price.”

– John Nawugaba, *Directeur ACPCU, Uganda, Coffee*

“Fairtrade has changed [conditions] a lot... Women and men now have the same rights. There are regular working hours, fixed leave days, and significantly improved safety regulations.”

– Rosemary Achieng, *supervisor, Panda Flowers Farm, Kenya*

Further information: Fairtrade’s HRDD Center of Excellence, bizhumanrights@fairtrade.fi