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# Fairtrade as a Partner in Due Diligence Implementation

Fairtrade Germany, INA-Lunch – 5 March 2024

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## To start with ...

BAFA speaks of a **mix of measures** to fulfil the obligation under the German LkSG.

Certification organisations such as Fairtrade are one instrument within such a mix that companies can work with.

Certification organisations can contribute to statutory due diligence and act as a common reference point and framework along the supply chain avoiding a flood of individualised requirements.

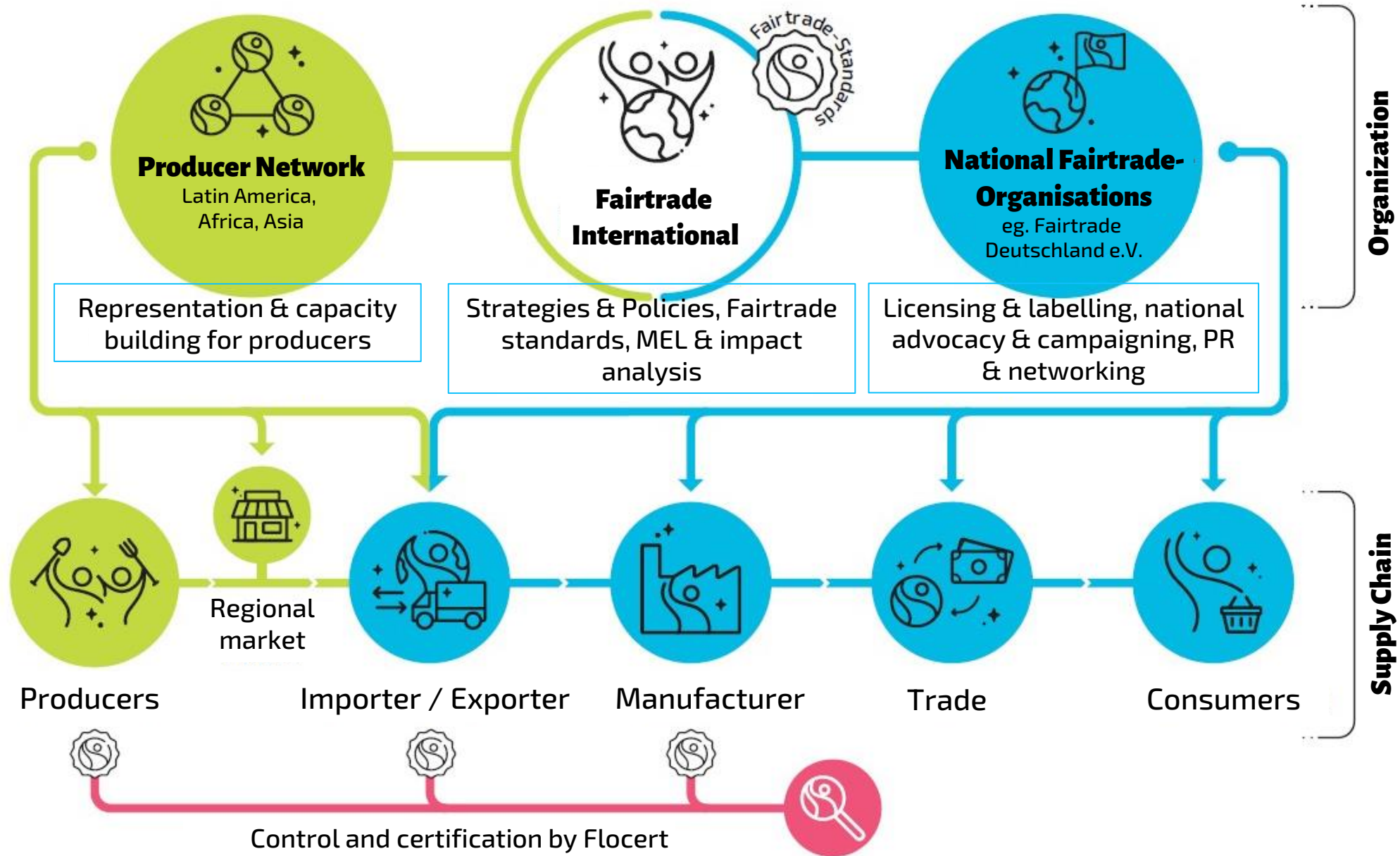
Using a certification scheme does not replace the duty of care as stipulated by law.



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# **How can Fairtrade support HREDD implementation?**

# The Fairtrade-System



# Towards a comprehensive approach

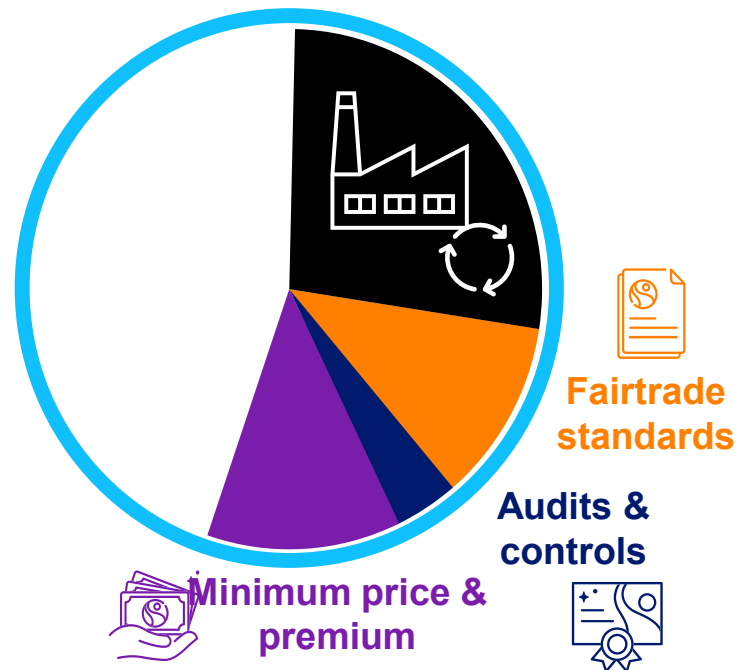
**Fairtrade Standards** include social, environmental, economic and governance criteria to ensure the sustainable development of organizations in the global South.

**Fairtrade Minimum Price and Premium** are core elements of Fairtrade. The Premium is understood as a financial supplement paid to cooperatives and plantations in addition to the minimum price. Producers determine in democratic decision-making processes in which projects the premium money will be invested.

Fairtrade goes **beyond certification** promoting environmental protection and human rights through comprehensive programmes, tailored projects and service tools.

# Due diligence is a standard of effort\* that requires effective processes (1/2)

## Standard of effort within the framework of HREDD & LkSG\*\*



### Standard of effort within the framework of HREDD & LkSG\*

- ▶ Implementation of due diligence = responsibility of companies themselves
- ▶ Relative extent of requirements depends, e.g. size, influence etc. of company
- ▶ Responsibility remains with company, but Fairtrade can provide support

### Fairtrade standards and empowerment

- ▶ Guide producers to design the necessary processes
- ▶ Special to Fairtrade: Producers receive support from Producer Networks (e.g. training, awareness raising and other on-site consulting services)
- ▶ Possible contribution regarding appropriate preventive measures for suppliers pursuant to Section 6(4) or Section 9

### Auditing and independent controls (certification)

- ▶ Auditing, independent controls and, where necessary, corrective measures can contribute to risk management pursuant to Section 4

### Minimum price & premium

- ▶ An integral part of Fairtrade sourcing, which empowers local producers to invest in their own priorities and can act as a safety net
- ▶ Possible contribution to the legal requirement for risk-reducing procurement strategies and buying practices pursuant to Section 6(3) No. 2

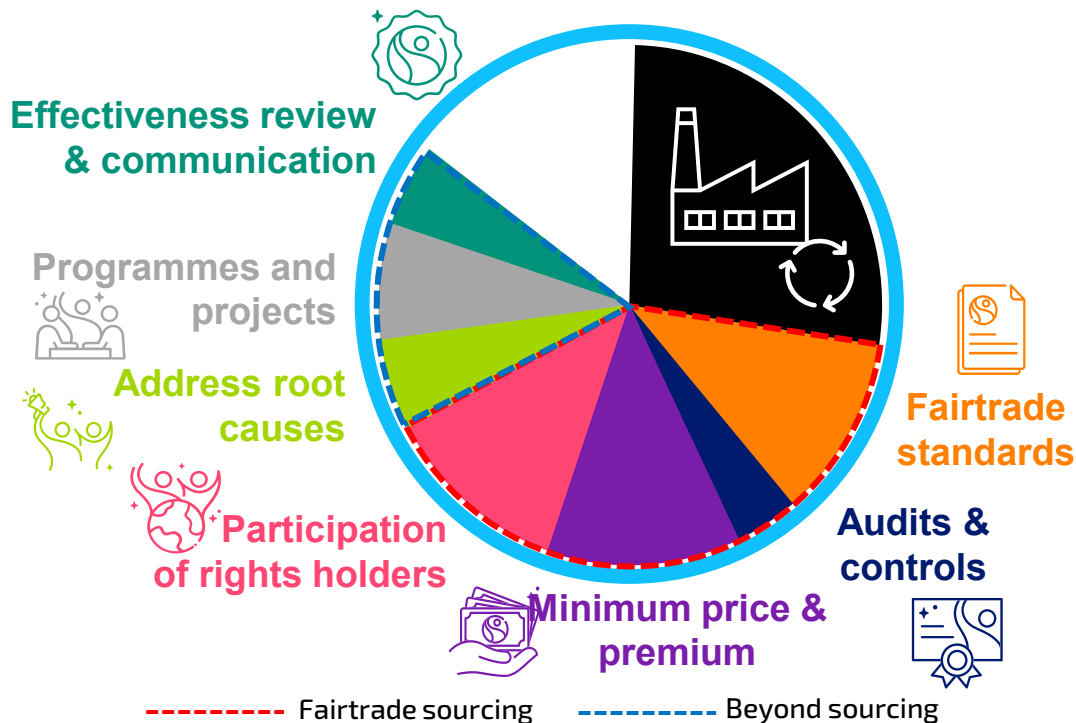
The more sincerely a company implements due diligence measures, the more certain it can be of meeting the statutory standard of effort.\*

\* Representation for illustrative purposes only (variation based on appropriateness criteria pursuant to Section 3(2) LkSG)

\*\*The extent of the required efforts depends on appropriateness and adequacy criteria according to Section 3(2) LkSG. It is therefore not possible to make a general statement about the contribution that Fairtrade makes.

# Due diligence is a standard of effort\* that requires effective processes (2/2)

Standard of effort within the framework of HREDD & LkSG\*\*



## Participation of rights holders as a contribution under Section 4(4)

- ▶ 50% of the decision-making power in the Fairtrade system rests with producers
- ▶ Continuous dialogue and contact with rights holders through local Fairtrade producer networks

## Address root causes

- ▶ Fairtrade undertakes measures beyond Fairtrade sourcing to address the root causes behind poverty and human rights risks
- ▶ Follows a holistic approach at all levels including advocacy and working with relevant stakeholders

## Programmes and projects

- ▶ Fairtrade programmes and projects as further measures to fulfil your due diligence obligations with respect to specific issues or products that are considered to be particularly relevant for your company based on your risk analysis and salient issues, for example

## Effectiveness review & communication

- ▶ Regular review and adjustment of the Fairtrade measures through professional studies and impact measurements (Section 6(3) No. 4, (4) No. 4, (5))

Depending on your Fairtrade commitment (sourcing, 100% sourcing, beyond sourcing), it is possible to increase the contribution to your due diligence obligations and provide more concrete evidence of your efforts.\*

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# Fairtrade is continuously developing concrete assistance in the area of HREDD



## Expertise

Sparring partner expertise for the implementation of individual measures by relevant Fairtrade experts (e.g. based on your risk analysis or your complaint mechanisms)



## Risk map

Global risk map to support your risk analysis (Section 5) with inclusion & verification by rights holders on site (Section 4(4))



## Impact Map

Overview of Fairtrade projects that can contribute to specific areas of your due diligence (e.g. YICBMR, Women's School of Leadership)



## Network

Establishing and facilitating contact with stakeholders and rights holders (e.g. during your own HRIAs or for important stakeholder consultations pursuant to Section 4 (4))



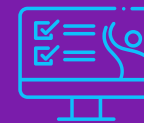
## Environmental risks

Measures, projects and programmes to mitigate environmental risks and address climate requirements (e.g. deforestation, etc.)



## Human rights risks

Measures, projects and programmes to mitigate human rights risks and address requirements (e.g. child and forced labour, wages, etc.)



## Capacity Building

Fairtrade's producer networks support producer organisation in implementing HREDD themselves (e.g. policies, risk assessments, etc.)



## More to come...

Fairtrade offers various targeted starting points and is continuously developing further measures to support you in your due diligence.





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# **Fairtrade Premium and HREDD – an exemplary case**

# Remediating Child Labour

- In 2014, a social audit at a Fairtrade-certified Belizean Sugar Cane Farmers Association found two children working on farms not attending school.
- The findings triggered a six-month suspension from Fairtrade, limiting how much sugar the association could sell to Fairtrade buyers while implementing corrective action.
- In response, the association decided to use the **Fairtrade premiums to implement child labour monitoring systems**. They also insisted that their governments, miller and local NGOs come together to receive or deliver training and work in collaboration.
- While this rights-based approach remains a work in progress, it appears to be paying off. An [independent evaluation](#) from 2019 shows that communities and several other stakeholders in Belize share a deeper understanding and commitment to addressing child labour risks.
- Challenge: Costs of compliance and remediation are high and lie mainly with the association. Support from other supply chain actors and governments is needed (shared responsibility).

“

We didn't just want to do the minimum required to get our certificate back, we wanted to promote the rights of children and young people.

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Leonardo Cano, former Chairman of BSCFA





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# Thank you!

**Further questions?**

**Feel free to contact me via: Lara Hutt ([l.hutt@fairtrade-deutschland.de](mailto:l.hutt@fairtrade-deutschland.de))**