



## **Framework for assessing the impact of purchasing practices on human rights during due diligence practices**

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# Author

Alena Kahle

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## About the Fair Trade Advocacy Office (FTAO)

The Fair Trade Advocacy Office (FTAO) leads political advocacy for the Fair Trade Movement at the EU level. It has the purpose of promoting justice, equity and sustainable development at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential.

The FTAO is a joint initiative of Fairtrade International, the World Fair Trade Organization, and the World Fair Trade Organization-Europe.

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# Introduction

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## ABOUT PURCHASING PRACTICES

As has been widely recognised, unequal power dynamics within global supply chains significantly contribute to human rights violations at the factory or producer level. One major way these dynamics manifest is through harmful purchasing practices by buyers, which can create economic pressure that undermines suppliers' ability to respect human rights and the environment. Examples of such practices include short lead times, order cancellations, late payments, unilateral contract changes, and prices below the cost of sustainable production, among others. Responsible (or fair) purchasing practices, on the other hand, are those practices that do not negatively impact human rights nor the environment in any part of the value chain. They are an effective tool to address the root causes of human rights violations and environmental degradation.

The EU's Corporate Sustainability Due Diligence Directive (CSDDD) has explicitly recognised these power imbalances and calls on companies to critically examine their purchasing practices to prevent, mitigate, and bring to an end adverse impacts on human rights. Under the CSDDD, companies must "adapt business plans, overall strategies and operations, including purchasing practices, and develop and use purchasing policies that contribute to living wages and incomes for their suppliers, and that do not encourage potential adverse impacts on human rights or the environment."<sup>1</sup> Preventing adverse impacts and bringing them to an end entails making necessary modifications or improvements to the company's business plan, overall strategies and operations, including purchasing practices.

Further, the UN Guiding Principles on Business and Human Rights state that companies should avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur (Principle 13).<sup>2</sup> This includes ensuring that purchasing practices do not lead to harm in the supply chain. Further, Principle 18 emphasises that companies should assess actual and potential human rights impacts, including by "projecting how the proposed activity and associated business relationships could have adverse human rights impacts on those identified."<sup>3</sup> Finally, Principle 19 holds that a company should integrate its findings into its processes and take action depending on its relationship with the impact. Even in cases when the company has not caused or contributed but is only linked to the impact, it should still

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<sup>1</sup> Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

<sup>2</sup> UN (2011). [Guiding Principles on Business and Human Rights](#).

<sup>3</sup> Ibidem.

“use its leverage” to prevent and mitigate adverse impacts, which it can best do via its purchasing practices. Hence, companies must first assess their purchasing practices and ensure that they do not contribute to or are linked to human rights violations in their supply chain.

The OECD Due Diligence Guidance for Responsible Business Conduct also recommend that companies should “[s]eek to understand and address barriers arising from the enterprise’s way of doing business that may impede the ability of suppliers and other business relationships to implement RBC [responsible business conduct] policies, such as the enterprise’s purchasing practices and commercial incentives”.<sup>4</sup>

As such, it is widely recognised that addressing purchasing practices is an effective approach to preventing, mitigating and bringing to an end human rights violations: Companies have direct control over their own purchasing practices on the one hand, and purchasing practices are one of the key tools for companies to exercise their leverage over suppliers and partners.

## ABOUT THE MATRIX

The Fair Trade Advocacy Office has compiled this matrix to provide an overview of how a company’s specific purchasing practices may put at risk the rights of people in its supply chains. This matrix is specifically designed to support the European Commission in creating guidance under Article 19 CSDDD for companies on how to conduct due diligence, particularly on how to adapt purchasing practices to prevent, mitigate and bring to an end adverse impacts. As such, the matrix is designed to map how companies might be responsible for human rights violations in their supply chains (cause, jointly cause/contribute, linked to). Beyond this, the FTAO hopes that the matrix will also be useful for other actors involved in HREDD, including CSOs, academics, and companies.

The matrix consists of three steps:

1. First, it compiles several purchasing practices that companies have been reported to frequently engage in, which can be considered unfair or harmful.
2. Second, it gives an overview of the potential impact.
3. Third, it assesses which human rights may be violated.

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<sup>4</sup> OECD (2018). [OECD Due Diligence Guidance for Responsible Business Conduct](#).

For the first, the matrix overall compiles twenty-six unfair purchasing practices. Of these, sixteen are unfair trading practices that have been either prohibited outright (blacklisted) or banned unless agreed upon beforehand (greylisted) by the European Commission in the agricultural and food supply chain via the UTP Directive. The other ten purchasing practices included in the matrix are based on a review of materials from the *Better Buying Index*<sup>5</sup> and the *Common Framework for Responsible Purchasing Practices*<sup>6</sup>. These include practices that are prevalent in sectors other than the agri-food sector, given that the CSDDD is sector-agnostic. Notably, the matrix refers to purchasing practices related to products and goods, rather than services. In compiling these practices, the FTAO followed the definition used in the UTP Directive for agri-food, namely “practices that grossly deviate from good commercial conduct, that are contrary to good faith and fair dealing and that are unilaterally imposed by one trading partner on another”.<sup>7</sup> Additionally, it is important to note that even when companies do not engage in unfair purchasing practices deliberately, ambiguity in contracts and lack of clarity about how the responsibilities are split between buyers and suppliers may also create adverse impacts.

For the second, the matrix is based on a literature review of qualitative and quantitative data available about the impacts of such purchasing practices. Sources consulted include the *Business and Human Rights Resource Centre Purchasing practices allegations tracker*<sup>8</sup>, the Human Rights Watch report “*How Apparel Brand Purchasing Practices Drive Labor Abuses*”<sup>9</sup>, Oxfam Australia’s work in the *What She Makes* series<sup>10</sup>, Transform Trade’s report on purchasing practices in the garment industry<sup>11</sup>, the ILO’s materials on the topic such as *INWORK Issue Brief*<sup>12</sup>, the ILO’s report on tackling low wages through purchasing practices<sup>13</sup>, previous work by the FTAO on documenting purchasing practices in the textile sector<sup>14</sup>, and related sources.

Third, the matrix includes an overview of which human rights can be affected by each specific purchasing practice. The rights are extracted from Annex I (protected rights) in the CSDDD, which themselves are based on recognised rights and prohibitions included in international human rights instruments.

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<sup>5</sup> Better Buying (2024). [Better Buying Index Report 2024](#).

<sup>6</sup> Ethical Trade Norway, Fair Wear, Ethical Trading Initiative, Garment and Textile, International RBC, Partnership for Sustainable Textiles (2022). [The Common Framework for Responsible Purchasing Practices](#)

<sup>7</sup> Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, Article 1(1)

<sup>8</sup> Business & Human Rights Resource Centre (2022). [Purchasing Practices: Who Pays for the Crisis?](#)

<sup>9</sup> Human Rights Watch (2019). [Paying for a Bus Ticket and Expecting to Fly: How Apparel Brand Purchasing Practices Drive Labor Abuses](#).

<sup>10</sup> Oxfam Australia (2021). [Made in Poverty: The true price of fashion](#).

<sup>11</sup> Transform Trade (2025). [Wearing Thin: Retailer Impact on Indian Garment Manufacturers](#).

<sup>12</sup> ILO (2017). [Purchasing practices and working conditions in global supply chains: Global Survey results](#).

<sup>13</sup> Miller and Hohenegger (2017). [Redistributing value added towards labour in apparel supply chains: Tackling low wages through purchasing practices](#), ILO.

<sup>14</sup> FTAO (2014). [Position Paper on Unfair Trading Practices \(UTP\) in Retail Supply Chains](#) ; FTAO (2023). [Fast fashion practices in the EU](#); FTAO (2023). [Fair Purchasing Practices and Barriers in EU SME Garment Supply Chains](#)

This list of human rights at risk of being violated is not exhaustive. Human rights are interlinked and therefore any of them can be at risk in a particular context. Companies should conduct tailored risk assessments. The list below gives an indication of the human rights – as listed in Annex I of the CSDDD – most likely to be violated, to support companies in their risk assessments. Further, while the matrix is designed to be sector-agnostic, certain purchasing practices and risks are more prevalent in different sectors, and companies must therefore always conduct a tailored analysis for potential and actual risks identified based on a mapping of their own specific operations.

## Purchasing practices and associated human rights risks

### LEAD TIMES

Purchasing practice	Potential impact	Human rights at risk of being violated
<b>Demanding orders within unreasonably short lead times for non-perishable products</b>	In order to be able to produce within this timeframe, suppliers may force their employees to work overtime, cut corners in regards to breaks and other workplace standards, hire short-term labour with no intention of providing job certainty, or even resort to child labour. In fact, an ILO study (INWORK Issue Brief No.10) from 2017 found that when less than 50% of orders have sufficient lead times, workers work on average 2.74% more (= approx. 25,000 hours more per year per supplier). Suppliers may pass on short lead times for their own suppliers, jeopardising rights further up the supply chain. Further, suppliers and producers may produce in haste, which can create quality defaults, which may trigger further adverse consequences such as returns, complaints and/or reduced payment, which can further adversely impact several human rights.	<ul style="list-style-type: none"> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• The right of the child to be protected from economic exploitation.</li> <li>• Prohibition of child employment and worst forms of child labour;</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> </ul>

## CANCELLATION

Purchasing practice	Potential impact	Human rights at risk of being violated
<p><b>Last-minute cancellation order of perishable products (at notice of less than 30 days)</b></p> <p><i>*This is already outlawed in the agri-food sector via Directive 2019/633.</i></p>	<p>Depending on the stage of production at which orders are cancelled, investments and production have already begun, but there will be no payment. If production was already completed or advanced, producers will need to find new buyers for the volumes which were cancelled at last minute, which may have implications for the price they can receive last minute, which can be lower. Therefore, workers may not be paid (leading to detrimental consequences for their own ability to feed their families and pay rent), overtime work may be needed to compensate for loss of profits, and further upstream suppliers (including smallholder farmers) may not be paid.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Prohibition to restrict workers' access to adequate housing.</li> <li>• Prohibition to restrict workers' access to adequate food, clothing, water and sanitation.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> </ul>
<p><b>Last-minute cancellation of non-perishable products with short notice period</b></p>	<p>Depending on the stage of production at which orders are cancelled, investments and production have already begun, but there will be no payment. If production was already completed or advanced, producers will need to find new buyers for the volumes which were cancelled at last minute, which may have implications for the price they can receive last minute, which can be lower. Depending on how advanced production was, workers may not be paid (leading to detrimental consequences for their own ability to feed their families and pay rent), overtime work may be needed to compensate for loss of profits, and further upstream suppliers (including smallholder farmers) may not be paid.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Prohibition to restrict workers' access to adequate housing.</li> <li>• Prohibition to restrict workers' access to adequate food, clothing, and water and sanitation.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> </ul>



## CONTRACT

Purchasing practice	Potential impact	Human rights at risk of being violated
<p><b>Unilateral contractual changes, including unilateral and/or last-minute changes to order specifications</b></p> <p><i>*This is already outlawed in the agri-food sector via Directive 2019/633.</i></p>	<p>There are reports of buyers unilaterally changing contractual terms, for instance on pricing, delivery schedules insisting on faster delivery, larger or lower volumes, penalties on late delivery, design or other order specifications, and similar matters. Buyers who impose de facto or de jure unilateral contractual changes will impose conditions on the supplier that they might not be able to meet unless they force workers to work overtime, unpaid, and cut corners.</p>	<ul style="list-style-type: none"> <li>• Right to freedom of association, of assembly, and the rights to organise and collective bargaining.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• Prohibition to restrict workers' access to adequate housing.</li> <li>• Prohibition to restrict workers' access to adequate food, clothing, and water and sanitation.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> </ul>
<p><b>In the case of certified products: Committing to buying certain amounts of certified goods, and then actually buying less</b></p>	<p>Producing certified products costs more, as producers must follow additional standards to receive certification. It is common that producers cannot sell all their products under certification terms, with a higher price (e.g. via a premium) associated, but it is important that buyers are upfront on what they commit to buying. Buying companies usually purchase certified products via traders, who have been reported to use certified purchases as a form of pressure/leverage to impose unfavourable trading conditions on producers for other transactions. For example, based on the demand they receive, traders commit to purchasing certain volumes as certified products (i.e. including a premium price) from a producer, but then asks for much cheaper conditions for other volumes from the same producer. If buyers commit to buying a certain amount of products under the certification scheme, but then in practice buy less than that amount, producers may be forced to sell them not only at normal market rates, but at even lower rates. This may therefore have negative implications on income, which can infringe on the producers' right to an adequate standard of living for</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> </ul>

	themselves and their families, and if applicable, on their workers' right to a living wage.	
<b>Imposing behavioural changes upon supplier, such as abidance by code of conduct that shifts all burden on supplier</b>	<p>According to the ILO Brief No 10. of 2017, more than 90% of suppliers surveyed were expected by their buyers to follow a code of conduct (proportion even higher in the food and clothing industries). 49% were expected to follow the code of conduct without any help from the buyers. 51% received some support, of which 17% shared audit costs and only 9% received financial assistance. Shifting the burden on a supplier may risk violating rights. Buyers who impose behavioural changes will impose conditions on the supplier that may not have been agreed with workers via collective bargaining or based on the actual current capacity of the supplier. The CSDDD Recital 46 specifies that “contractual assurances should be designed to ensure that responsibilities are shared appropriately by the company and the business partners.” This is also in line with the UN Guiding Principles on Business and Human Rights. Imposing behavioural changes and shifting the burden to the supplier would not lead to real positive changes in workers' or farmers' lives. Without support measures for complying with the code of conduct, the supplier may incur additional costs that will come at the expense of workers' pay. If it is a prerequisite to follow a code of conduct, this would negatively impact smaller suppliers with less capacity to adapt on their own, and reduce their ability to retain buyers, leading to loss of work for its workers, and thus negative ripple effects for workers' families.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Right to freedom of association, of assembly, and the rights to organise and collective bargaining.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• Right to education.</li> </ul>
<b>Refusal after request to confirm contractual terms in writing/lack of systematic written contracts</b>  <i>*This is already outlawed in the agri-food sector via Directive 2019/633.</i>	<p>Buyer refusal to enter into a written contract creates legal uncertainty and opens up to violations of the agreed terms. This may lead to the violations already discussed above, i.e. failure to pay on time, failure to pay sufficiently or at all, can lead to failure to pay workers and producers, and may go against collectively bargained agreements with workers, etc. This lies at the core of other violations.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Right to freedom of association, of assembly, and the rights to organise and collective bargaining.</li> <li>• Prohibition to restrict workers' access to adequate housing.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> </ul>

## PAYMENTS

Purchasing practice	Potential impact	Human rights at risk of being violated
<p><b>Buyer requires payments which is not related to sale by supplier (e.g. demanding payment for services or gifts as a prerequisite to signing contract)</b></p> <p><i>*This is already outlawed in the agri-food sector via Directive 2019/633.</i></p>	<p>In order to cope with additional costs, suppliers would need to mobilise resources by cutting costs elsewhere. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Prohibition of child employment and worst forms of child labour.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> <li>• Right to safe and healthy working conditions, reasonable limitation of working hours.</li> <li>• The right of the child to be protected from economic exploitation.</li> </ul>
<p><b>Buyer subtracts costs of technical support or capacity-building from payments</b></p> <p><i>*This is already outlawed in the agri-food sector via Directive 2019/633.</i></p>	<p>There have been reports of buyers subtracting costs of technical support or capacity-building from payments to business partners, which in practice means additional costs on behalf of the business partner. If the income promised does not reach in full the business partner, either via payments or in case of certified products, premiums, this means that suppliers may need to mobilise resources by cutting costs elsewhere. This is not in line with the UN Guiding Principles on Business and Human Rights, which require burden-sharing, and the CSDDD, which requires companies in scope to support its SME business partners in order not to jeopardise the viability.</p>	
<p><b>For perishable products: Payment later than 30 days after end of agreed delivery period.</b></p>	<p>Timely payment is needed for suppliers and producers, especially smallholder farmers, to both pay their own resources (human and material) as well as invest, for instance in new seeds or tools. Late payments can therefore lead to violations of the right to fair remuneration, but also other related human rights. For instance, smallholder</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Right to education.</li> <li>• Right to an adequate standard of living for children.</li> </ul>

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

farmers who are producers may not be able to pay their rent or their child's school fees if payments are late.

**For other products: Payment later than 60 days.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

Timely payment is needed for suppliers and producers, especially smallholder farmers, to both pay their own resources (human, such as seasonal workers, and material, such as new seeds or tools). Non-timely payments affect the liquidity of suppliers and producers, and reduces the ability of small suppliers to compete with bigger suppliers or trading houses. Late payments can therefore lead to violations of the right to fair remuneration, but also other related human rights. For instance, smallholder farmers who are producers may not be able to pay their rent or their child's school fees if payments are late, given the ripple effect this has on their economic viability in the long term.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Right to education.
- Right to an adequate standard of living for children.
- Prohibition of forced or compulsory labour, slavery.

**Demand payment of supplier for stocking, fitting out premises, making products available to market.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

In order to cope with additional costs, suppliers would need to mobilise resources by cutting costs elsewhere. Notably, this purchasing practice may not only involve outright demands to pay additional bills, but depending on the payment mode - cash on document (CAD), delivered duty paid (DDP), free on board (FOB) other other, the buyer may refuse to make the full payment as agreed ahead of production. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Prohibition of child employment and worst forms of child labour.
- Prohibition of forced or compulsory labour, slavery.
- Right to safe and healthy working conditions, reasonable limitation of working hours.
- The right of the child to be protected from economic exploitation.

**Supplier needs to bear costs of promotion, advertising and marketing of products.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

In order to cope with additional costs, suppliers may need to mobilise resources by cutting costs elsewhere. Notably, this purchasing practice may not only involve outright demands to pay additional bills, but depending on the payment mode - cash on document (CAD), delivered duty paid (DDP), free on board (FOB) other other, the buyer may refuse to make the full payment as agreed ahead of production. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Prohibition of child employment and worst forms of child labour.
- Prohibition of forced or compulsory labour, slavery.
- Right to safe and healthy working conditions, reasonable limitation of working hours.

**Return of unsold products without paying.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

Depending on whether this product is perishable/not and whether it can be resold to someone else, this may mean investment for no return. Buyers may also complain about alleged low quality of a product, and return it without paying, even when the quality is a consequence e.g. of imprecise order specifications (for non-perishable products) or circumstances beyond control such as weather conditions (for perishable products). Given that buyers mostly impose their needs onto suppliers (thereby commissioning a product rather than buying it), it is unlikely that the product will find another buyer. Therefore, it may be that workers cannot be paid (leading to detrimental consequences for their own ability to feed their families and pay rent), overtime work will be needed to compensate for loss of profits, and further upstream suppliers (including smallholder farmers) will not be paid.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Prohibition to restrict workers' access to adequate housing.
- Prohibition to restrict workers' access to adequate food, clothing, and water and sanitation.
- Right to safe and healthy working conditions, reasonable limitation of working hours.

**Buyer requires the supplier to pay for the deterioration or loss of products after ownership is transferred.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

When buyers require suppliers to shoulder additional costs after a product has been shipped, suppliers may need to mobilise resources by cutting costs elsewhere. Notably, this purchasing practice may not only involve outright demands to pay additional fees, but depending on the payment mode - cash on document (CAD), delivered duty paid (DDP), free on board (FOB) other other, the buyer may refuse to make the full payment as agreed ahead of production. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Prohibition of child employment and worst forms of child labour.
- Prohibition of forced or compulsory labour, slavery.
- Right to safe and healthy working conditions, reasonable limitation of working hours.

**Buyer demands supplier pays penalty for failing to meet order specifications, despite short lead time and unclear order specifications on their behalf**

This is identified by the ILO in the INWORK Issue Brief No. 10 of 2017 as a key issue; 5% of surveyed suppliers face penalties for failing to meet order specifications, an average that increases to 35% in the textile and clothing industry. In order to cope with additional costs of the penalty, suppliers would need to mobilise resources by cutting costs elsewhere. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.

- Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.
- Prohibition of child employment and worst forms of child labour.
- Prohibition of forced or compulsory labour, slavery.
- Right to safe and healthy working conditions, reasonable limitation of working hours.
- The right of the child to be protected from economic exploitation.



**Buyer requires compensation from the supplier for the cost of examining customer complaints (despite absence of negligence/fault on his part) and disproportionate fines for the value of the product that is being complained about.**

*\*This is already outlawed in the agri-food sector via Directive 2019/633.*

When buyers require suppliers to shoulder additional costs after a product has been shipped, suppliers may need to mobilise resources by cutting costs elsewhere. Notably, this purchasing practice may not only involve outright demands to pay additional compensation, but depending on the payment mode - cash on document (CAD), delivered duty paid (DDP), free on board (FOB) other other, the buyer may refuse to make the full payment as agreed ahead of production. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour.

**Demanding supplier discounts**

Buyers have been reported to demand supplier discounts. This can be for instance following complaints about alleged low quality of a product, even when the quality is a consequence e.g. of imprecise order specifications (for non-perishable products) or circumstances beyond control such as weather conditions (for perishable products). Producers and small suppliers often do not have the equipment or laboratories necessary to test the quality of their products to the extent that buyers do after shipment, and therefore such claims cannot easily be verified. This lends itself to an unequal power relationship. In order to cope with reduced pay from forced discounts, suppliers would need to mobilise resources by cutting costs elsewhere. This may lead not only to unpaid wages for workers, but also to child employment and use of forced or slave labour. There is a growing recognition of the harm of this practice; in Germany in March 2021, the Federal Cartel Office stated that this is an abuse of buying power.

## COSTING

Purchasing practice	Potential impact	Human rights at risk of being violated
<p><b>Buying under the cost of (sustainable) production and/or failing to adjust prices for increase in material costs.</b></p> <p><i>*The FTAO is pushing for this practice to be included in the upcoming revision of the EU Directive 2019/633. Several EU Member states such as Spain, France, Belgium and Italy have already outlawed it in their national transposition of this directive.</i></p>	<p>Without payment that covers at least the cost of (sustainable) production, suppliers and producers, especially smallholder farmers are operating at a loss; this means they are not able to earn enough to cover their own human and material production costs, nor invest in sustaining their business in the medium-long term. "Sustainable" production refers to the real costs of production in addition to the costs of maintaining socially and environmentally sound practices, including HREDD. When buyers purchase goods below the cost of (sustainable) production, this can lead to inability of the supplier to have fair remuneration and to sustain themselves and their livelihoods. Failing to be paid above your costs of production can also impinge on other human rights; for example, smallholder farmers who are producers may not be able to pay their rent or their child's school fees if payments are late. In a related manner, buyers should consider how their costing strategies affect the price to this extent.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Right to education.</li> <li>• Right to an adequate standard of living for children.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> </ul>
<p><b>Not adjusting prices to increases in minimum wages, inflation and/or adjusted living wage benchmarks</b></p>	<p>Not adjusting prices to increases in national minimum wages or wages negotiated in tripartite negotiations may mean that suppliers will not receive sufficient income to pay their workers the legal minimum. Similarly, not adjusting pricing to accommodate for wages to compensate for overtime pay can have a similar effect. Further, even if prices are sufficient to cover minimum wages, these minimum wages are in many countries, as is well documented, not sufficient to cover the basic needs of workers, and do not amount to living wages. Therefore, companies should also</p>	

	take into account changes in real costs of living caused, for instance by inflation or other circumstances, and regularly examine adjustments in living wage benchmarks. Buyers should consider how their costing strategies affect the price to this extent. Failure to ensure prices that allow living wages has further ripple effects on related human rights of the workers and their families.	
<b>Ask to quote for a large order size and then reduce the order size, but keep the cost per item the same</b>	If order sizes are reduced but the cost per item remains the same, suppliers may not benefit from economies of scale, and the cost of production per item will increase. If suppliers are unable to renegotiate the cost, the true cost of production may not be covered, which would significantly impact operating costs. For impacts of this, see the purchasing practice above ("Buying under the cost of (sustainable) production and/or failing to adjust prices for increase in material costs").	

## EXERCISE OF RIGHTS

Purchasing practice	Potential impact	Human rights at risk of being violated
<b>Buyer threatens to carry out acts of commercial retaliation (like de-listing) against the supplier if the supplier exercises its contractual or legal rights</b>	Under the CSDDD, suppliers and producers are rights-holders, and retaliation for exercising their rights is in violation of the individual's freedom of speech/thought.	<ul style="list-style-type: none"> <li>• Right to freedom of association, of assembly, and the rights to organise and collective bargaining.</li> <li>• Freedom of thought, conscience and religion.</li> </ul>

## CHOICE OF SUPPLIER

Purchasing practice	Potential impact	Human rights at risk of being violated
<b>Avoiding suppliers who have previously been transparent about human rights risks in the supply chain</b>	This is an extension of cut-and-run behaviour, as transparent suppliers risk being punished for their honesty by not having any future buyers, leading to a failure of the supplier to remunerate workers and its own suppliers (e.g. smallholder farmers producing cotton for a small garment manufacturer). In practice, buyers are rarely transparent about the reason they disengage which is related to this transparency about risks, making it difficult to determine that buyers are de facto punishing suppliers. Buyers should in line with responsible disengagement in the CSDDD and the UNGPs seek dialogue and collaborate on improvements, and be transparent on reasons for disengaging in case they - also in line with the CSDDD and UNGPs - decide to disengage.	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Right to freedom of association, of assembly, and the rights to organise and collective bargaining.</li> </ul>

## FORECASTING

Purchasing practice	Potential impact	Human rights at risk of being violated
<b>Not providing suppliers with information about future business far enough in advance and in enough detail for the supplier to act</b>	Engagement with suppliers should be a two-way street, in order for suppliers to be able to plan their own workflows ahead of time, hire the right amount of workers for the needs, and ensure that each can be paid a living wage and not forced to work overtime. Not providing clarity on the future business relationship may therefore lead to inability of the supplier to plan ahead in a way that reduces risks of human rights violations.	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> <li>• Prohibition of forced or compulsory labour, slavery.</li> <li>• Prohibition of child employment and worst forms of child labour.</li> <li>• The right of the child to be protected from economic exploitation</li> </ul>

<p><b>Not planning an even volume of business across the year with primary suppliers or not providing longer term plans for suppliers used more seasonally; Frequent sharp increases and decreases in volume</b></p>	<p>With uneven volume of business, suppliers may be forced to temporarily hire additional labour and fire them afterwards during down periods, which creates economic uncertainty for workers, and a lack of wage payment throughout parts of the year (violation of right to living wage). In fact, an ILO Study from 2017 (INWORK Brief No. 10) found that peak times were in 66% of time the reason for suppliers' use of temporary workers. Additionally, this will be further passed down to producers (especially smallholder farmers), who will not have guaranteed buyers for their products throughout the year, and therefore will not necessarily be continuously able to achieve a living income.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> </ul>
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## OTHER

Purchasing practice	Potential impact	Human rights at risk of being violated
<p><b>"Ghosting" (brands show interest and then disappear after sampling)</b></p>	<p>Factories may produce large quantities of samples while not receiving clients. In the long run, this may lead to factory closures and thereby layoffs, which leads to loss of employment and income for workers and their families, with potentially devastating consequences.</p>	<ul style="list-style-type: none"> <li>• Right to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders.</li> </ul>





**Fair Trade Advocacy Office**

Village Partenaire – Bureau 2

Rue Fernand Bernier 15 - 1060 Brussels, Belgium

EU Transparency Register Nr: 860901940087-20

[info@fairtrade-advocacy.org](mailto:info@fairtrade-advocacy.org)

[www.fairtrade-advocacy.org](http://www.fairtrade-advocacy.org)