

# GUIDELINES FOR A LIVING INCOME

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*Fair recommendations for Living Income Guidance  
in the Corporate Sustainability  
Due Diligence Directive*



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**GUIDELINES FOR A LIVING INCOME:**

**FAIR RECOMMENDATIONS  
FOR LIVING INCOME GUIDANCE**

**for Directive (EU) 2024/1760 on Corporate Sustainability  
Due Diligence and amending Directive (EU) 2019/1937 and  
Regulation (EU) 2023/2859 <sup>(1)</sup>**

(C/2024/6789)

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<sup>1</sup> OJ L, 2024/1760, 5.7.2024, ELI: <http://data.europa.eu/eli/dir/2024/1760/oj>.

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## 1) Introduction

### *Setting the scene*

Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence (hereinafter referred to as the CSDDD) lays down rules on due diligence obligations for companies regarding actual and potential adverse impacts on human rights and the environment, with respect to a company's own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies <sup>(2)</sup>.

The European Commission shall issue guidelines, including guidelines on specific adverse impacts, to provide support and practical tools for companies, Member State authorities and stakeholders on how companies should fulfil their due diligence obligations in a practical manner <sup>(3)</sup>.

Pertinent to the above, this 'shadow guidance' document contains **recommendations for companies** on how to conduct due diligence under the CSDDD to prevent **adverse impacts related to the right to a 'living income'** and how to address 'living income gaps'.

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#### **Box 1: The situation of smallholder farming households and self-employed**

Most smallholder farming households and self-employed worker households globally are still far from earning a living income. It is estimated that 22,3 per cent of the world's 500 million smallholder households can be classified as extremely poor <sup>(4)</sup>. According to IDH's Roadmap on Living Income, between 50 and 95 per cent of these households earn less than what is needed to cover essential basics such as food, shelter, healthcare, and education for their families <sup>(5)</sup>. Among those producing commodities such as cocoa, only about 13 per cent of households reach a living income. This persistent gap is not just a sign of financial hardship; it drives poverty and limits progress towards achieving human rights goals <sup>(6)</sup>.

Similar situations are found in non-agricultural sectors where low and unpredictable earnings among informal and self-employed workers hinder access to education and health services, particularly for their children. Nearly 45 per cent of informal workers globally have no more than a primary level of education, perpetuating intergenerational cycles of poverty due to a lack of access to adequate schooling and social protection. Children in families earning less than a living income are more likely to enter the workforce early, with higher rates of child labour and associated health and education outcomes. Studies show that child labour is strongly linked to malnutrition, exposure to abuse, and lasting psychological harm – ultimately undermining opportunities for these children to break out of poverty <sup>(7)</sup>.

<sup>2</sup> [Chapter 2](#) contains an overview of the key definitions used throughout this document, including 'adverse impacts' and 'chain of activities'.

<sup>3</sup> See Article 19 and also 67 CSDDD.

<sup>4</sup> World Bank. *A Year in the Lives of Smallholder Farming Families*. World Bank Feature Story, 25 February 2016. Available at: <http://www.worldbank.org/en/news/feature/2016/02/25/a-year-in-the-lives-of-smallholder-farming-families>.

<sup>5</sup> IDH. *Roadmap on Living Income*. <https://www.idhsustainabletrade.com/roadmap-on-living-income>, as referenced in: Oxfam International, "Price Interventions as a Part of Living Income Strategies," March 2023, p. 9.

<sup>6</sup> Impact Institute & Fairtrade International (2025) *The household income of cocoa farmers in Côte d'Ivoire and strategies for improvement*. Available at: <https://www.fairtrade.net/content/dam/fairtrade/fairtrade-international/library/2025/cocoa-household-income/Cocoa%20household%20income%20study%202025.pdf>. See also: <https://idh.org/focus-areas/living-income>.

<sup>7</sup> Ibrahim, A., Abdalla, S.M., Jafer, M., Abdelgadir, J. & de Vries, N. (2019). *Child labor and health: a systematic literature review of the impacts of child labor on child's health in low- and middle-income countries*. Journal of Public Health (Oxford), 41(1), 18–26. doi:10.1093/pubmed/fdy018. Available at: <https://pmc.ncbi.nlm.nih.gov/articles/PMC6459361>

OECD (2024) *Breaking the vicious circles of informal employment and low-paying work*. OECD Publishing, Paris. Available at: [https://www.oecd.org/en/publications/breaking-the-vicious-circles-of-informal-employment-and-low-paying-work\\_f95c5a74-en.html](https://www.oecd.org/en/publications/breaking-the-vicious-circles-of-informal-employment-and-low-paying-work_f95c5a74-en.html)

Living income gaps are also tied to broader environmental issues. Farming households with insufficient income often clear more land or degrade soil to survive, leading to deforestation and habitat loss. In regions of high-income inequality, this is more severe as poorer communities resort to unsustainable resource use to subsist. These dynamics create a vicious cycle: poverty pushes families to unsustainable practices, while environmental degradation further erodes the natural base on which their future livelihoods depend – all of which maintains systemic inequalities and dependencies between producers and buyers<sup>(8)</sup>.

The World Benchmark Alliance’s latest Food and Agriculture Benchmark shows that while closing the living income gap is framed as critical to achieving a decent standard of living for farmers and fishers, fewer than 4 per cent of the 350 companies analysed currently identify living income benchmarks or quantify living income gaps<sup>(9)</sup>.

This shows the relevance of living income due diligence in relation to smallholders. Concurrently, living income due diligence must also be applied to all types of self-employed workers, in agricultural and non-agricultural sectors, whose right to a living income must also be respected by companies under the CSDDD.

It is important to note that the concept of living income is distinct from the definition of a living wage, which applies only to employees and their families: “the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work.”<sup>(10)</sup>

There are similarities between the concepts of a living income and a living wage. Both entail a minimum level of income and/or wage based on the same calculation of the needs of workers (smallholder, employed or self-employed) and their families, including the cost of a basket of goods and services that should provide for a decent standard of living, taking into account local circumstances.

There are also key differences:

- living wage is calculated per paid employee, whereas living income is considered at the household level;
- living wage refers to a fixed remuneration that workers are supposed to receive for work done, which is paid at a regular frequency, for example at the end of the month, whereas living income takes into account possible fluctuations in periods of work and seasonal work and
- living income can come from multiple sources, including wages as well as other forms of income.<sup>(11)</sup>

#### *Conducting due diligence on living incomes under the CSDDD*

A company which falls within the scope of the CSDDD is expected to identify, and where necessary, prioritise, prevent, mitigate, bring to an end, minimise and remediate actual or potential **adverse human rights impacts** connected with its own operations, subsidiaries and their business partners<sup>(12)</sup>. An ‘adverse human rights impact’ refers to an impact on a person resulting from an abuse of one of the human rights listed in the Annexe to the CSDDD, which includes the right to an adequate living income<sup>(13)</sup>.

<sup>8</sup> FAO (2025), *FAO report: 1.7 billion people experience lower crop yields due to land degradation*. Available at : <https://www.fao.org/newsroom/detail/fao-report--1.7-billion-people-experience-lower-crop-yields-due-to-land-degradation/en>  
Pfaff et al. (2008), *Economics of Poverty, Environment and Natural-Resource Use – Conference proceedings* (2008). Available at: [https://sites.sanford.duke.edu/alexpfaff/wp-content/uploads/sites/15/2008/01/PovertyForest-06\\_pfaff.pdf](https://sites.sanford.duke.edu/alexpfaff/wp-content/uploads/sites/15/2008/01/PovertyForest-06_pfaff.pdf)

<sup>9</sup> World Benchmarking Alliance (2023), *Food and Agriculture Benchmark*. Available at: <https://www.worldbenchmarkingalliance.org/benchmark/food-and-agriculture-benchmark>

<sup>10</sup> International Labour Organization (2024), *Report for Discussion at the Meeting of Experts on Wage Policies, including Living Wages*, Geneva: ILO, [https://www.ilo.org/sector/activities/sectoral-meetings/WCMS\\_932652/lang--en/index.htm](https://www.ilo.org/sector/activities/sectoral-meetings/WCMS_932652/lang--en/index.htm)

<sup>11</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>

<sup>12</sup> Where this document mentions a ‘company’ or ‘companies’, it refers to those companies that fall under the scope of the CSDDD as defined in Article 2.

<sup>13</sup> Article 3(1)(c) CSDDD.

**Box 2: The right to an adequate living income in the CSDDD**

Annexe Part I, Section 1, Point 6 of the CSDDD concerning rights and prohibitions included in International Human Rights Instruments:

*(6) The 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, which they earn in return from their work and production**, a decent living, safe and healthy working conditions and reasonable limitation of working hours, interpreted in line with Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights.*

**Consequently, abusing the right of smallholders or self-employed workers to earn an adequate living income constitutes an adverse human rights impact under the CSDDD, which must be addressed when this is related to a company’s operations or chain of activities.**

From the workers’ perspective, an adverse human rights impact occurs when an action or omission by a company removes or reduces their ability to enjoy their human rights<sup>(14)</sup>. Such harms are caused, for instance, by business practices which encourage, and have the effect of, nullifying or impairing the ability of smallholders and self-employed workers to enjoy a living income.

**Box 3: Relevant recitals related to living income in the CSDDD**

Recital (34) explains that companies should be responsible for using their influence to contribute to an adequate standard of living in chains of activities. This is understood to include a living wage for employees and a living income for self-employed workers and smallholders, which they earn in return for their work and/or production.

Recitals (46) and (54) describe the requirement for companies, where relevant, to adapt business plans, overall strategies and operations, including purchasing practices, and to develop and use purchasing policies that contribute to living wages and incomes for their suppliers, while also not encouraging potential adverse impacts on human rights or the environment.

Recital (47) recalls that tackling harmful purchasing practices and price pressures on producers, particularly smaller operators, is especially important in relation to sales of agricultural and food products. In order to address the power imbalances in the agricultural sector, ensure fair prices at all stages in the food supply chain and strengthen the position of farmers, large food processors and retailers should develop purchasing policies and adapt their purchasing practices that contribute to living wages and incomes for their suppliers.

*How the right to a living income is embedded in international human rights conventions*

The right to a living income<sup>(15)</sup> is strongly embedded in several binding and non-binding international instruments. The Universal Declaration of Human Rights (UDHR) affirms that “everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity” and recognises the general right to an adequate standard of living<sup>(16)</sup> including adequate food, clothing and housing. This universal right provides clear foundations for defining the right to a living income.

The right to a living income was firmly established through Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR), which is now also covered in the Annexe to the CSDDD which regulates how the due diligence obligations must be applied in the European Union. Moreover, it should be noted

<sup>14</sup> UNHR (2012), *The Corporate Responsibility to Respect Human Rights - An Interpretive Guide*, New York and Geneva, <https://doi.org/10.18356/65932e19-en>; and

UNHR (2024), *Access to Remedy in Cases of Business-related Human Rights Abuse - An Interpretive Guide*, New York and Geneva, <https://www.ohchr.org/sites/default/files/2024-11/access-to-remedy-bhr-interpretive-guide-en.pdf>;

<sup>15</sup> The next subsection provides more details on the ‘living income’ concept.

<sup>16</sup> Article 23 and 25 of the Universal Declaration of Human Rights.

that EU Member States and other governments have also recognised living income to constitute a fundamental human right, in reference to the UDHR and ICESCR provisions. They consider living income as key to eradicating poverty in global value chains and have committed to promoting these concepts in trade and development policies<sup>(17)</sup>.

The ILO's Conclusions adopted by the Meeting of experts on wage policies, including living wages in 2024 (ILO Conclusions), the UN Guiding Principles on Business and Human Rights (UNGPs)<sup>(18)</sup>, and the OECD Guidelines for Multinational Enterprises (OECD Guidelines)<sup>(19)</sup> together provide a well-established rights-based framework which determines that all enterprises, regardless of their size, sector, operational context, ownership and structure, should respect human rights throughout their operations and global value chains.

Further, the ILO Conclusions confirm that wage-setting systems should aim at remuneration sufficient to meet workers' and their families' basic needs. While formulated for wages, the principles outlined in the ILO Conclusions are equally instructive for efforts to define and close living income gaps among self-employed workers and small-holders. They also recognise the relevance of living wage initiatives developed by states and social partners<sup>(20)</sup>.

The right to a living income is inextricably linked to other international human and environmental rights. Harming the right of a person to earn a living income is directly linked to poverty and inequality, which are preconditions for other human rights and environmental harms listed in the Annexe to the CSDDD<sup>(21)</sup>, e.g. forced or compulsory labour, illegal child labour and environmental degradation such as deforestation<sup>(22)</sup>.

**In addition, respect for the right to a living income is intrinsically linked to the fulfilment of several other basic human rights covered by the CSDDD, including:**

- the right to an adequate standard of living — Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights, 1966;
- the right to just and favourable remuneration — Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights, 1966;
- the rights of the child to the highest attainable standard of health, to education, to an adequate standard of living, to be protected from economic exploitation, hazardous work and any work which interferes with the child's education, or is harmful to their health or their physical, mental, spiritual, moral or social development — Convention on the Rights of the Child, 1989;
- the prohibition of employment of an under-age child — Article 2(4) of the International Labour Organization Minimum Age Convention, 1973 (No 138);
- the prohibition of the worst forms of child labour — Article 3 of the International Labour Organization Worst Forms of Child Labour Convention, 1999 (No 182);
- the prohibition of forced or compulsory labour — Article 2(1) of the International Labour Organization Forced Labour Convention, 1930 (No 29);

<sup>17</sup> See e.g. *Joint Declaration regarding Living Wage and Living Income* of the Minister for Foreign Trade and Development Cooperation of the Netherlands; the Federal Minister for Economic Cooperation and Development of the Federal Republic of Germany; the Minister for Development Cooperation and Major Cities Policy of the Kingdom of Belgium; and the Minister for Development Cooperation and Humanitarian Affairs of the Grand Duchy of Luxembourg, June 2023. Available at: <https://www.bmz.de/en/news/archive-press-releases/belgium-and-luxembourg-netherlands-and-germany-joint-declaration-161694>

See also Gneiting (2021), *Living Income from Right to Reality*, Oxfam International, DOI: 10.21201/2021.8212. Available at: <https://policy-practice.oxfam.org/resources/living-income-from-right-to-reality-621304/>

<sup>18</sup> United Nations (2011), *Guiding Principles on Business and Human Rights – Implementing the United Nations “Protect, Respect and Remedy” Framework*. As endorsed by the Human Rights Council in resolution 17/4 of 16 June 2011. Available at: <https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>

<sup>19</sup> OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/81f92357-en>.

<sup>20</sup> ILO (2024), *Conclusions adopted by the Meeting of experts on wage policies, including living wages*. Available at: <https://www.ilo.org/meetings-and-events/meeting-experts-wage-policies-including-living-wages/>

<sup>21</sup> Annexe I, Part I and II of the CSDDD and OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

<sup>22</sup> Annexe I, Part I and II CSDDD.

- the prohibition of all forms of slavery and slave trading — Article 8 of the International Covenant on Civil and Political Rights, 1965;
- the prohibition of unequal treatment in employment — Articles 2 and 3 of the International Labour Organization Equal Remuneration Convention, 1951 (No 100) Articles 1 and 2 of the International Labour Organization Discrimination (Employment and Occupation) Convention, 1958 (No 111), and Article 7 of the International Covenant on Economic, Social and Cultural Rights.

In that sense, placing the right to a living income at the centre of due diligence can be effective and efficient for companies<sup>(23)</sup>. It allows companies to map their chains of activities, identify systemic risks at an early stage, address underlying economic drivers of other adverse impacts, and strengthen the resilience and sustainability of global supply chains.

This is particularly relevant for sectors which rely on self-employed workers and smallholders, such as cocoa, coffee, cotton, textiles, platform workers, and mining<sup>(24)</sup>. Due to their anonymity and relative remoteness in value chains, they are easily overlooked by downstream companies and consumers. Combined with endemic risk factors such as power imbalances, inequality and poverty, this may lead to living income gaps<sup>(25)</sup>.

Where relevant, the CSDDD requires that companies take a pro-active stance to avoid impeding the right to a living income through their own and their business partners' actions – for instance, by adapting their purchasing practices and by actively contributing to living wages and incomes<sup>(26)</sup>.

#### *Background on the living income concept*

The Living Income Community of Practice (LICO<sup>P</sup>) plays a leading role in defining, operationalising, and promoting the living income concept. It defines a **living income** as “the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household”<sup>(27)</sup>.

Part of the living income concept is the use of living income benchmarks to calculate the cost of a decent standard of living for a typical household in a specific geographic area, accounting for local costs of living and production costs. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.

The ‘**living income gap**’ serves as the main indicator to assess the difference between the actual (net) household income and the relevant ‘living income benchmark. The net household income is defined as the total (net) income<sup>(28)</sup> generated by the household of smallholders and self-employed workers from (farming and/or non-farming)

<sup>23</sup> Living income is not only closely related to other severe human rights abuses, but it is increasingly understood by experts, NGOs, and international organisations as a proxy indicator for violations such as forced labour, child labour, abusive working conditions, and other forms of exploitation as well as a means to prevent and address these drivers. Sources: OECD et al. (2019), *Ending Child Labour, Forced Labour and Human Trafficking in Global Supply Chains*, OECD Publishing, Paris, <https://doi.org/10.1787/e3b4ea29-en> and <https://www.walkfree.org/news/2019/a-living-wage-a-crucial-tool-in-the-fight-against-modern-slavery/>

<sup>24</sup> See [section 3.b](#) and [Annexe II](#) for an overview of specific risk factors when conducting LIDD.

<sup>25</sup> The next [Chapter 2](#) further explores the definition of a living income and living income gap. According to Oxfam the distribution of value in many global food value chains has become increasingly skewed since the 1990s, benefitting supermarkets and large brands while squeezing smallholders and self-employed workers and small-scale farmers. Farmers often get only 5–10 percent of the total value of products sold to consumers, while companies with downstream activities (...) capture most of the value added in global agri-food supply chains. Oxfam International (2021) *Living Income from Right to Reality*. DOI: 10.21201/2021.8212. Available at: <https://policy-practice.oxfam.org/resources/living-income-from-right-to-reality-621304/>

<sup>26</sup> Recital 54 CSDDD.

<sup>27</sup> LICO<sup>P</sup> is an alliance for improving smallholder incomes. This definition was developed in consultation with civil society organisations (CSOs), government and business practitioners. Living Income Community of Practice (2024) ‘*Aligned Inclusive Living Income Narrative and Indicators*’ available at: <https://www.living-income.com>. See also Oxfam International (2021), *Living Income from Right to Reality*, Oxfam International, DOI: 10.21201/2021.8212. Available at: <https://policy-practice.oxfam.org/resources/living-income-from-right-to-reality-621304/>. This definition is also used by the Organisation for Economic Cooperation and Development (‘OECD’). See OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

<sup>28</sup> The net income, including remittances.

activities. If the net household income is below the living income benchmark, the shortfall determines the living income gap. This metric allows clear tracking of poverty and progress towards a decent standard of living.

When a company abuses the right to a living income as a consequence of its policies and practices, or omission thereof, and thereby prevents one or more self-employed workers or smallholders from achieving a living income, it constitutes an ‘adverse impact’ under the CSDDD. Without prejudice to other circumstances, when this is structurally caused (solely or jointly) by the company, and is persistent, then the adverse impact is deemed to be severe and likely to continue.

This could, for example, occur if prices paid along the supply chain, and ultimately to smallholders and self-employed workers, are at a structural level that does not enable them to recover their cost of production and make sufficient profit margin to afford a decent standard of living. Another example is when a company’s purchasing practices (including pricing approaches) – whether alone or as part of industry-wide behaviour – push costs upstream in the supply chain in ways that prevent farmers from achieving a living income, they may be contributing to the adverse impacts experienced by the farmers <sup>(29)</sup>.

When living income gaps are substantial and/or occur at large scale, possibly in connection with other adverse human rights impacts, these represent ‘severe adverse impacts’. (See [section 3.b](#) and [section 3.c](#).)

For the purposes of this shadow guidance document, references to ‘living income gaps’ are used as an analytical and risk identification concept. The existence of a living income gap does not in itself constitute an adverse human rights impact or a violation of the CSDDD. Rather, living income gaps are understood as indicators of potential or actual risks to the right to a living income included in the Annexe to the CSDDD – and possibly other related adverse human rights impacts as well. Living income gaps constitute adverse impacts where, in light of the specific context, severity, likelihood, persistence, the company has an involvement (see below [section 2.c](#)) and undermines the right to a living income by action or omission. Accordingly, obligations under the CSDDD relate to the identification, assessment, prevention, mitigation and remediation of adverse human rights impacts connected to living income insufficiency where the company is involved, and not to the achievement of guaranteed living income outcomes where some or all of the causes are not in the hands of the company.

One of the instruments available for companies to enable living incomes, often used in agricultural chains of activities, is the ‘**living income reference price**’ (LIRP) <sup>(30)</sup>. This is the farm-gate price that, if combined with sustainable yields and a viable farm size, enables a typical smallholder household to achieve a living income. This reference price incorporates the local living income benchmark and should be both region- and crop-specific. It is calculated based on factors like sustainable farming practices, associated costs of production, and the cost of a decent standard of living for a household <sup>(31)</sup>.

Where a living income gap is identified in the supply chain, companies have several tools available to prevent, mitigate, end and/or remediate this. One of the most direct and appropriate measures – alongside broader supply chain management and engagement – is to review and, where appropriate, adjust prices and purchasing practices, including through the use of LIRPs. This is a key lever through which companies can address drivers of living income risks. A combination of different pricing measures is also possible. For example, dynamic systems where the premium increases when market prices are low and reduces when market prices are high, to support smallholders and self-employed workers to stay on track toward a living income when commodity price volatility is an issue.

When addressing living income gaps, companies need to be vigilant that they do not create other unintended adverse impacts as a consequence of interventions to address the gaps. For example, interventions which demand more labour in situations where labour is scarce can increase the risk of child labour or place an increased burden on women.

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<sup>29</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>30</sup> Pricing measures will however lose much of their effectiveness if used in isolation. Prevention and mitigation will often require a combination of measures, in addition to pricing, to address living income gaps, e.g. purchasing practices, productivity measures, supply chain management, etc. See Box “Living Income & purchasing practices” and Box “Pricing as a core but non-exclusive lever for LIDD”

<sup>31</sup> Fairtrade International (2024), *Living Income Reference Prices*. Available at: <https://www.fairtrade.net/issue/living-income--reference-prices>

IDH Sustainable Trade Initiative (2025), *Roadmap on Living Income*. Available at: <https://www.idhsustainabletrade.com/roadmap-on-living-income>

The use of additional (non-pricing) measures is often relevant when addressing living income gaps. A company may for instance assist smallholders or self-employed workers to sustainably intensify productivity or to generate alternative sources of income and become less dependent on a single buyer, product or crop. Increasing transparency about prices and committing to longer-term contracts which enable smallholders and self-employed workers to invest in the resilience and quality of their production (e.g. climate adaptation and phytosanitary measures) are other important steps for a company to consider. ([Chapter 3](#) regarding appropriate measures and [Chapter 4](#) for sector-specific solutions).

#### *Purpose of this document*

This shadow guidance document aims to set out the overarching framework for the practical and meaningful implementation of ‘**living income due diligence**’ (hereinafter referred to as **LIDD**) under the CSDDD. It is intended to help companies and Member State authorities understand when and how LIDD should be conducted to comply with the CSDDD. There are already many publicly available tools and resources which can help companies determine appropriate measures. A supplementary list of relevant tools and resources is included in [Annexe III](#).

This document is intended to support the process of developing guidelines that provide information on certain aspects of the CSDDD in relation to LIDD. It does not replace, add to or amend the provisions of the CSDDD which establishes the legal obligations, or the guidelines from the European Commission.

This shadow guidance document has been developed based on the legal obligations of the CSDDD<sup>(32)</sup> and seeks to be aligned with the international standards developed by the OECD Guidelines and UNGPs. It includes best practices shared by practitioners, companies and rights holders.

The concepts and issues addressed in this document were discussed and developed in cooperation with the FTAO, The International Social and Environmental Accreditation Alliance (ISEAL), Shift, and the Living Income Community of Practice (LICO<sup>P</sup>).

For a comprehensive overview, LICO<sup>P</sup>'s *Technical Guidance on Due Diligence for Living Income* is recommended<sup>(33)</sup>.

The authors chose the format of a shadow guidance document, modelled closely on the official language and format of the European Commission, in order to make the document as useful as possible for experts within the European Commission who develop official documents.

#### Overview of the following chapters:

- Chapter 2 — [Key Definitions & Scope](#) provides an overview of important concepts and definitions in the light of conducting LIDD under the CSDDD.
- Chapter 3 — [Principal Requirements & Obligations](#) sets out in more detail how companies should identify living income risks, calculate living income gaps, and implement measures to address living income issues.
- Chapter 4 — [Sector-Specific Parts](#) highlights a number of sector-specific circumstances to take into account to protect the right to a living income.
- Chapter 5 — [Enforcement](#) helps companies understand how compliance can be ensured and which documents and evidence are expected.

The annexes contain practical information for companies:

- Annexe I — [Code of Conduct Elements related to LIDD](#)
- Annexe II — [Specific Risk Factors & Risk Sectors for LIDD](#)
- Annexe III — [Tools & Resources for Businesses](#)

<sup>32</sup> As amended by the Omnibus I review adopted by the European Parliament on 16 December 2025 [https://www.europarl.europa.eu/doceo/document/TA-10-2025-0264\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-10-2025-0264_EN.html). Still to be published in the Official Journal at the time of writing.

<sup>33</sup> LICO<sup>P</sup> (2026), *Technical Guidance on Due Diligence for Living Income*.

## 2) Key Definitions & Scope

This chapter contains the most important definitions in relation to LIDD. The first section addresses concepts related to the scope of obligations under the CSDDD (‘*who*’). Thereafter, the second section covers the type of adverse impacts a company needs to address (‘*what*’). The third section is related to the appropriate measures a company shall and/or can take under the CSDDD (‘*how*’).

### a. Scope of due diligence obligations (‘*who*’)

- a) ‘**Business relationship**’ refers to a company’s relationship with a ‘business partner’. This is an entity <sup>(34)</sup>:
- (i) with which the company has a commercial agreement related to its operations, products or services, or to which it provides services (‘**direct business partner**’); or
  - (ii) which is not a direct business partner, yet performs business operations related to the operations, products or services of the company (‘**indirect business partner**’) <sup>(35)</sup>.

The distinction is relevant. Although the CSDDD in principle applies to adverse impacts in the chain of activities beyond direct business partners, when conducting due diligence a company may take into consideration its involvement and the nature of the business relationship. Importantly, the nature of the business relationship does not in any way derogate from the company’s own responsibility to address living income gaps under the CSDDD, but it does influence the type of measures which a company can adopt to fulfil its due diligence obligations and address certain adverse impacts.

Additionally, the presence of indirect business partners might be a risk factor in itself, for instance when these partners are numerous, active in (product and geographic) risk areas, and part of long, complex and opaque chains of activities in which the company has little influence.

See *Technical Guidance on Due Diligence for Living Income — Guidance Point B3: Work with Suppliers* <sup>(36)</sup>.

- b) ‘**Chain of activities**’ refers to <sup>(37)</sup>:
- (i) activities of a company’s **upstream (direct and indirect) business partners** related to the production of goods or the provision of services by that company, including the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of products, and the development of the product or the service; and
  - (ii) activities of a company’s **downstream (direct and indirect) business partners** related to the distribution, transport and storage of that company’s products, where the business partners carry out those activities for the company or on behalf of the company <sup>(38)</sup>.

Recital 40 of the CSDDD mentions that companies should be responsible for using their influence to contribute to an adequate standard of living in these chains of activities. This includes ‘a living income for self-employed workers and smallholders’.

- c) ‘**Self-employed workers**’: are persons who earn an income in return from their work and production. They may receive income from other sources as well, including wages as an ‘employed worker’. Employed workers are those persons who receive wages for their labour, in line with ILO standards. This includes, for instance, seasonal self-employed (farm)workers. (See [section 3.b](#) on how the living income concept is applied.)

<sup>34</sup> Articles 3(1)(f) and 3(1)(p) CSDDD.

<sup>35</sup> Indirect business partners should not be confused with what is called ‘indirect supply chains’ in some sectors, which represents the sourcing from outside the established and traceable chain of activities. Indirect supply chains - which often still represent a sizeable share of companies’ sourcing - are more opaque and less traceable, and thus risky in terms of the ability to identify LI adverse impacts, because the households involved are more difficult to identify and more/smaller intermediaries are involved.

<sup>36</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>37</sup> Article 3(1)(g) CSDDD.

<sup>38</sup> The distribution, transport and storage of a product that is subject to export controls under Regulation (EU) 2021/821 or to the export controls relating to weapons, munitions or war materials, once the export of the product is authorised are excluded.

- d) **‘Smallholders’**: (mentioned but not defined in the CSDDD) refers here to “farmers who conduct independently an agricultural activity on a holding they control through ownership, tenure rights or any equivalent title, whose production is primarily family-managed and serves as the main source of household livelihood, and who are not employed by a company, except for a cooperative – or comparable producer organisation – of which they are member with other smallholders, provided that such an organisation is not controlled by a third party”<sup>(39)</sup>. The UN Food and Agriculture Organization (FAO) determines 10 hectares as the maximum size of land holding, and it is important to note that about 84 per cent of all farms worldwide are believed to be smaller than two hectares<sup>(40)</sup>. Smallholders are characterised by family-focused motives such as favouring the stability of the farm-household system, using mainly family labour for production and using part of the produce for family consumption<sup>(41)</sup>. The income and costs of farmer households, such as those related to sharecropping, need to be covered as well when assessing living incomes, either under the category smallholders (‘sharecropped out’) or as self-employed (‘sharecropped in’)<sup>(42)</sup>.
- e) **‘Vulnerable groups’**: (not legally defined in the CSDDD) should be identified by a company when a group of people, communities or parts of a population face a specific vulnerability. When exercising due diligence, a company should give particular consideration to such vulnerable groups. Vulnerability refers to conditions determined by physical, social, economic and environmental factors or processes, which increase the risks for persons of that group to suffer an adverse impact, such as falling into poverty or not reaching a living income level. For instance, in the context of LIDD, this means smallholders (with small land holdings, see definition above) who rely on family labour, migrant workers, homeworkers, seasonal workers, specific ethnic groups and socially marginalised communities for a large part of their production, as well as farmers’ and workers’ households that are living below poverty levels or at risk of falling into poverty. Another example is for a company to take special care of workers in its chain of activities who are informally employed with no access to social security<sup>(43)</sup>.

#### b. Adverse impacts (‘what’)

- a) **‘Adverse human rights impact’**: an impact on persons resulting from an abuse of one of the human rights listed in Part I, Section 1, of the Annexe to the CSDDD, where the right to an adequate living income is specifically described. (See [Chapter 1](#): Background on the living income concept.)
- b) **‘Adverse living income impact’**: an adverse impact related to a company’s abuse of the right to an adequate living income, as evidenced by a living income gap, caused only by the company, caused jointly by the company and a subsidiary or business partner through acts or omissions, or caused only or jointly by

<sup>39</sup> Smallholders are typically understood as small-scale family farmers, often cultivating relatively small areas of land (commonly below 10 hectares in Fairtrade and FAO practice), but the decisive criteria are scale of operation, family management, and economic vulnerability rather than a fixed land size alone. For instance, the cut off point should concern the plot size related to the main cash crop/commodity that buyer is sourcing, which is not necessarily the entire farm size. See Fairtrade International, *Stronger together - smallholder farmers and Fairtrade*. Available at: <https://www.fairtrade.net/en/why-fairtrade/why-we-do-it/smallholder-farmers.html>

See FAO (2013), *Smallholders and Family Farmers*. Available at: <https://www.fao.org/family-farming/detail/en/c/273864/>  
See Commission Delegated Regulation (EU) 2019/807 of 13 March 2019 which mentions an area of up to 2 hectares. Available at: [http://data.europa.eu/eli/reg\\_del/2019/807/oj](http://data.europa.eu/eli/reg_del/2019/807/oj)

<sup>40</sup> Fair Trade Advocacy Office, Fern, IUCN NL, Solidaridad and Tropenbos International. (2021), *Including smallholders in EU action to protect and restore the world’s forests*. Briefing paper. The Netherlands <https://www.fern.org/fileadmin/uploads/fern/Documents/2021/Briefing-paper-Including-smallholders-EU-action-final.pdf>

<sup>41</sup> FAO (2013), *Smallholders and Family Farmers*, Office of Assistant Director-General - Natural Resources Management and Environment Department, FAO Knowledge Repository <https://openknowledge.fao.org/handle/20.500.14283/ar588e>

<sup>42</sup> See for instance the report funded by World Cocoa Foundation and developed in collaboration with GIZ and SWISSCO: van der Haar, S. e.a. (2024). *Cocoa household income study approach*. Available at: <https://worldcocoafoundation.org/storage/files/2024-cocoa-household-income-study-approach-wur-english.pdf>

<sup>43</sup> OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris <https://doi.org/10.1787/15f5f4b3-en>

OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>;

Ohnsorge, Franziska, and Shu Yu, eds. 2022. *The Long Shadow of Informality: Challenges and Policies*. Washington, DC: World Bank. [doi:10.1596/978-1-4648-1753-3](https://doi.org/10.1596/978-1-4648-1753-3)

one or more business partners<sup>(44)</sup>. What constitutes an adequate living income must be interpreted in line with Articles 7 and 11 of the International Covenant on Economic, Social and Cultural Rights. Here, ‘adequate’ indicates that the relevant living income levels are in line with adequate living income benchmarks which are, among other things, updated to reflect the relevant (local) costs of a decent standard of living.

- c) **‘Severe (and severity of) adverse impact’**: in relation to living income means<sup>(45)</sup> an adverse impact that is especially significant on account of its nature, such as an impact that entails **harm to human life, health or liberty**, or on account of its **scale, scope or irremediable character**. The latter is determined by taking into account its gravity, including the number of individuals that are or may be affected, its irreversibility and the limits on the ability to restore affected individuals to a situation equivalent to their situation prior to the impact within a reasonable period of time. Concerning living incomes, particular attention should be paid to self-employed workers, smallholders and their households who are facing great discrepancies between their actual income and the living income; to the number of individuals affected by living income gaps; to difficulties that arise and impede the immediate restoration of the ability to achieve an adequate living income; and to significant impacts on the enjoyment of other rights.
- d) **‘Likelihood’**: of an adverse impact (although not defined in the CSDDD), for the purpose of exercising LIDD, should be understood as the probability of self-employed workers and smallholders suffering from living income gaps in a company’s operations or supply chain, based on certain predefined risk-based indicators. Indicators should, among other things, take into account the prevalence of risks related to specific sectors, commodities, business models, purchasing practices, certain sourcing locations, and the presence of vulnerable groups. (See also [section 3.b](#)).
- e) **‘Risk factors’**: facts, situations or circumstances that relate to the severity and likelihood of an adverse impact at various levels. This includes the level of the business partner (e.g. whether it is covered by the CSDDD or other mandatory sustainability due diligence legislation), the geographic and contextual levels (e.g. effective law enforcement with respect to the adverse impact), and the sectoral, business operations, product and service levels<sup>(46)</sup>. (See [section 3.b](#) and [Annexe II](#)).

### c. *Appropriate measures (‘how’)*

- a) **‘Risk-based due diligence’**: should be understood in this context as an approach that takes into account relevant risk factors and focuses on the segments of a company’s chain of activities where living income gaps are most severe and likely to occur<sup>(47)</sup> and in relation to its level of involvement<sup>(48)</sup>.
- b) **‘Level of involvement’**: of a company in adverse human rights impacts can be defined in three ways when assessing appropriate measures to prevent, adequately mitigate, bring to an end or minimise the extent of the adverse impacts (see Figure 1):
  - (i) The actual or potential adverse impact is **‘caused only’**, through acts or omissions, by the company through its own activities, e.g. the non-payment of products sourced from a farmer’s cooperative or the imposition of restrictive purchasing practices on business partners which harm the right of smallholders and self-employed workers to enjoy a living income;
  - (ii) The actual or potential adverse impact is **‘caused jointly’** by a company and a subsidiary or business partner, for example by setting prices which do not allow upstream suppliers to pay a living income reference price, or by a company failing to integrate living income commitments in its due diligence policy and code of conduct when living income risks have been (or should have been) identified. The joint causation is also referred to as ‘contribution’ in the international frameworks

<sup>44</sup> The fact that Article 3(1)(c) CSDDD sees the ‘adverse human rights impact’ as the impact resulting from an ‘abuse’ clarifies that causality with a company’s action or omission is included in the definition. The word ‘abuse’ itself however departs from the UNGPs which do not use this term, but rather frame adverse impacts as any action or omission that removes or reduces the ability of an individual to enjoy his or her human rights. See: The Danish Institute for Human Rights (2024), *The EU Corporate Sustainability Due Diligence Directive*. Available at: [https://www.humanrights.dk/files/media/document/DIHR\\_The%20EU%20Corporate%20Sustainability%20Due%20Diligence%20Directive\\_0.pdf](https://www.humanrights.dk/files/media/document/DIHR_The%20EU%20Corporate%20Sustainability%20Due%20Diligence%20Directive_0.pdf)

<sup>45</sup> Articles 3(1)(l) and 3(1)(v) CSDDD.

<sup>46</sup> Article 3(1)(u) CSDDD.

<sup>47</sup> Articles 5(1) and 7(1) CSDDD and the ‘risk-based’ due diligence as part of the identification obligation of Article 8 CSDDD.

<sup>48</sup> See Articles 10 (1 and 2) and 11(1 and 3) on appropriate measures.

of the OECD Guidelines and UNGPs. It applies irrespective of whether third parties outside of the company's chain of activities are also causing the adverse impacts and it does not require the company and its subsidiary or business partner to be equally implicated<sup>49</sup>). The concept of joint causation covers all cases of acts or omissions by the company that cause the adverse impact, in combination with acts or omissions by subsidiaries or business partners, including substantially facilitating or incentivising a business partner to cause the adverse impact, except for minor or trivial contributions by the company. Where companies can demonstrate ongoing efforts through responsible purchasing practices – such as fair pricing, appropriate payment terms, and contractual commitments that contribute to living wages and incomes – they strengthen their assertion that they are not jointly causing living income-related adverse impacts in their supply chains<sup>50</sup>);

- (iii) The company is linked to an actual or potential adverse impact when the adverse impact is '**caused only by a company's business partner**' which is linked to its operations, products or services. For example, this situation arises when the company has taken all appropriate measures to identify, prevent and remediate living income gaps and these are still occurring in its chain of activities. In such cases, the company may be linked to the adverse impact without causing it. Before ultimately suspending and ending the business relationship, the company should use its economic leverage (i.e. in terms of its share of the business partners' sales volumes) to influence the entity causing the living income gap to prevent or mitigate this adverse impact.

Figure 1 provided by the UN Framework visualises the three degrees of involvement described above, using the language and concepts of the UNGPs. Each scenario has different implications for the nature and extent of a company's due diligence obligations under the CSDDD, which will be further explained in [Chapter 3](#).

<sup>49</sup> The level of involvement applies for private and public entities. Where a governmental party is involved in 'causing' or 'jointly causing' an adverse impact, this does not exempt the company from the duties and liabilities under the CSDDD.

<sup>50</sup> See Schönfelder, Daniel and Streibelt, Michaela (2025), Responsible purchasing and responsible procurement as part of HREDD – the example of the CSDDD. Available at SSRN: <https://ssrn.com/abstract=5052020> or <http://dx.doi.org/10.2139/ssrn.5052020> ('If a buyer, via his commercial incentives, makes it less likely that supplier respects human rights, he is jointly causing impacts by incentivizing such an outcome. Not addressing purchasing practices at all results in increased obligations, including potential civil liability and administrative sanctions because this likely jointly causes adverse impacts.')

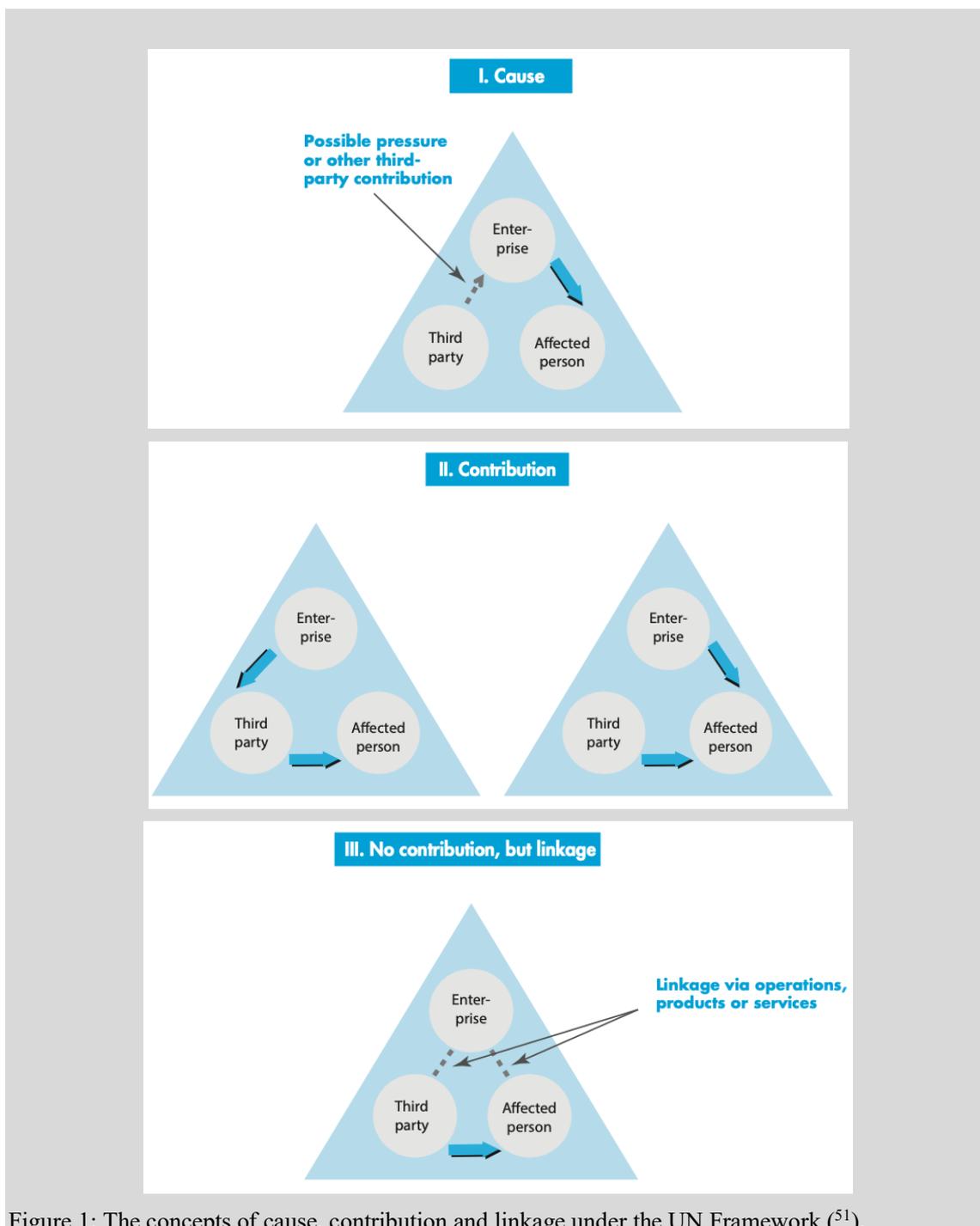


Figure 1: The concepts of cause, contribution and linkage under the UN Framework <sup>(51)</sup>.

<sup>51</sup> Source: UNHR (2012), *The Corporate Responsibility to Respect Human Rights - An Interpretive Guide*, New York and Geneva, <https://doi.org/10.18356/65932e19-en>, p 16. Note that the CSDDD uses a slightly different terminology, where contribution is referred to as 'caused jointly' see recital 45 CSDDD.

Legally speaking, since the CSDDD is founded on fault-based liability, companies are liable for an adverse impact if they failed to exercise reasonable care and if their failure to exercise that care – taking into account, among other things, their level of involvement – caused the adverse impact, for example if they could have or should have known that their purchasing practices drove down incomes to levels below a living income.

- c) **‘Appropriate measures’**: are measures capable of achieving the objectives of due diligence. These measures effectively address adverse living income impacts and other related adverse impacts in a manner commensurate to the degree of severity and the likelihood of the adverse impact. They should be reasonably available to the company, taking into account the specific circumstances, including the nature and extent of the adverse impact and relevant risk factors <sup>(52)</sup>.
- d) **‘Stakeholders’**: the company’s employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers’ representatives (i.e. representatives of smallholders, such as producer organisations, and self-employed workers), as well as individuals or communities whose rights or interests could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners and the legitimate representatives of those individuals or communities. For the purpose of exercising LIDD in agri-food supply chains, the term stakeholders should be understood to particularly include smallholders, including their households (as living income is defined at household level), producer cooperatives (as they are the legitimate representatives of smallholders) and workers’ representatives <sup>(53)</sup>. Stakeholders should also be understood to include self-employed individuals (e.g. platform workers or informal textile workers who are paid per piece), whose rights to enjoy a living income could be directly affected by the products, services and operations of the company.
- e) **‘Industry or Multi-Stakeholder Initiative (MSI)’**: refers to a combination of voluntary due diligence procedures, tools and mechanisms, developed and overseen by governments, industry associations, interested organisations, including civil society organisations, or groupings or combinations thereof, that companies may participate in to support the implementation of due diligence obligations <sup>(54)</sup>. Living income risks and actual gaps are particularly relevant to address as part of an industry initiative or MSI as these are often not isolated cases, rather they occur at a wider scale (e.g. geographical, sector level, supply chain). This requires collaboration to improve effectiveness and efficiency by pooling company and other resources with the aim to achieve shared due diligence goals. Furthermore, such collaborations with other entities may be seen favourably by authorities when deciding whether and how to impose penalties for breaches of the CSDDD <sup>(55)</sup>.

The following section contains a detailed description of each one of the required due diligence obligations under the CSDDD applied to (actual or potential) adverse impacts related to living income.

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<sup>52</sup> Article 3(1)(o) CSDDD.

<sup>53</sup> Article 3(1)(n) CSDDD. General Comment No 23 on Article 7 ICESCR clarifies that the right to just and favourable conditions of work applies to “all workers” explicitly including self-employed workers, agricultural workers and those in the informal economy. Hence, their producer cooperatives and producer organisations are stakeholders under the CSDDD.

<sup>54</sup> Article 3(1)(j) CSDDD.

<sup>55</sup> Article 27(2)(c) CSDDD.

### 3) Principal Requirements & Obligations

This chapter sets out concrete steps that companies may take to exercise due diligence on living incomes based on Articles 7 to 16 of the CSDDD which establish ten due diligence obligations for companies.

In general, the required due diligence is founded on a risk-based approach<sup>(56)</sup>. If, after appropriate identification, a company determines that no living income risks exist in its own operations or value chains (see [section b](#)), then the other due diligence steps explained below are not relevant to living incomes in those areas.

Where risks are identified, the risk-based approach requires that measures to address them be appropriate and proportional to the living income risks. The enduring nature of many living income risks necessitates continuous attention and proactive engagement rather than reactive responses. Living income gaps often cannot be prevented, ended or mitigated overnight by a company while fluctuations of income, prices and costs endure and can rapidly worsen (or improve) the income situation. Therefore, living income policies should also provide stability and predictability.

The CSDDD allows companies through prioritisation, appropriateness, and the reasonable expectation standard – to adopt long-term measures. These may include enhanced action plans with clearly defined timelines as well as qualitative and quantitative indicators to measure progress.

Finally, the appropriateness of risk-based measures should be interpreted in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines) –insofar as the CSDDD leaves room for interpretation<sup>(57)</sup>.

#### a) *Integrate due diligence into policies and risk management systems (Article 7)*

##### **Summary of concrete steps:**

- Adopt a due diligence policy, including a code of conduct, that integrates the right to a living income with concrete commitments, appropriate measures, monitoring processes, and internal resource allocation.
- Integrate living income considerations into the due diligence policy in the procurement categories and teams where adverse impacts related to living income (pricing, resilient supply chains, productivity, etc.) are most relevant.
- Develop a living income strategy based on continuous improvement with relevant business partners – not exclusively based on contractual mechanisms.
- Where appropriate, establish contractual assurances from business partners to align with the company's code of conduct to support respect for the right to a living income (according to the Annexe to the CSDDD Part. I (1) No 6) and to cooperate in measures to protect that right.
- Identify and mobilise relevant skills and resources. To enhance efficiency and effectiveness, consider taking part in a multi-stakeholder initiative (MSI) or industry initiative focused on living income. This should be considered particularly in cases where living income is among the prioritised adverse impacts to be addressed (e.g. in agricultural supply chains).

Companies must integrate human rights due diligence into policies and risk management systems, including: 1) a specific risk-based due diligence policy; and 2) a code of conduct and description of internal processes for integrating the right to a living income. These policies should be updated regularly based on findings from the monitoring process ([section i](#)) and, where relevant, from experience in the implementation of prevention and correction measures (see for example [section f](#))<sup>(58)</sup>.

<sup>56</sup> See Article 5(1) ‘Member States shall ensure that companies conduct risk-based human rights and environmental due diligence as laid down in Articles 7 to 16 (‘due diligence’) (...)’

<sup>57</sup> See recitals 20, 37, 51, 59 of the CSDDD referring to the UNGPs and OECD Guidelines as guidance (or more generally recitals 5, 6, 14, 62).

<sup>58</sup> Articles 10(2)(d) and 11(3)(e) CSDDD.

The due diligence policy should address identified adverse living income impacts ([section 3.b](#)) and outline appropriate measures to prevent and mitigate ([section 3.d](#)); bring to an end ([section 3.e](#)) and monitor ([section 3.i](#)) such impacts. When conducting LIDD for the first time, the company should draft its due diligence policy in parallel to the steps discussed in the next sections, beginning with the identification of adverse impacts related to living income gaps in its chain of activities.

### *Due diligence policy*

The due diligence policy should be developed in consultation with the company's employees and their representatives and should ensure a risk-based approach<sup>(59)</sup>. When the due diligence policy has to be reviewed following the required periodic monitoring, the company shall give due consideration to relevant information received from stakeholders, including workers representatives and producer organisations. ([section 3.g](#))

With regard to living income, the due diligence policy should include the following:

- **Specific obligations** should be determined for all employees of the company and its subsidiaries and business partners to respect the right to a living income.
- **Resources** should be identified and internal teams or units should be assigned as responsible for developing LIDD objectives and aligning them to the company's policies. This requires allocating adequate resources and budgets to LIDD skills development and training for personnel in relevant procurement categories, to ensuring internal coordination (especially between compliance and procurement teams) and to implementing appropriate LIDD measures. In line with the risk-based approach, LIDD objectives should focus on those procurement categories where adverse impacts on living income have been identified and prioritised. For example, depending on the risks identified, a retailer might need to dedicate policies and resources to the category 'bananas' rather than to the category 'potatoes'. Where relevant, purchasing teams should factor in (short- and long-term) cost implications of, as well as opportunities for, contributing to living incomes through their purchasing practices<sup>(60)</sup>. Overall, a continuous process and long-term strategy is required to address adverse impacts and close living income gaps for self-employed workers, smallholders and their households.

As part of its strategy, a company could also evaluate how LIDD also constitutes an investment that generates benefits, such as improved supply resilience, increased productivity levels, enhanced consumer trust and the prevention of other severe adverse impacts.

When mobilising resources, a company should consider allocating some of its budget to joining and participating in an MSI or industry initiative that works on living income issues.

Overall, resource allocation should be guided by identified risks, concentrating efforts where risks are most severe or likely.

- **Monitoring & follow up processes** should assign experienced senior management responsible for oversight and allocate sufficient time and budget for relevant staff to receive training on monitoring and the use of quantitative and qualitative indicators. Management systems and policies must prevent purchasing practices from contributing to, or exacerbating, living income gaps. Feedback loops should also be in place to enable purchasing teams to integrate information from other teams and stakeholder engagement<sup>(61)</sup>. This

<sup>59</sup> See also [Chapter 2](#) with the definition of 'risk-based due diligence'.

<sup>60</sup> Recital 47 CSDDD 'Tackling harmful purchasing practices and price pressures on producers, particularly smaller operators is especially important in relation to sales of agricultural and food products. In order to address the power imbalances in the agricultural sector and ensure fair prices at all links in the food supply chain and strengthen the position of farmers, large food processors and retailers should adapt their purchasing practices, and develop and use purchasing policies that contribute to living wages and incomes for their suppliers. (...)' See also for instance in the garment and footwear sector: Responsible Purchasing Practices (RPP) Working Group (2025), *Purchasing Practices HRDD Framework*, <https://www.cfipp.org/the-pp-dd-framework>

<sup>61</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.  
 OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/81f92357-en>.

helps to identify and avoid unintended adverse consequences, such as living income premiums inadvertently leading to more cases of child labour.

Companies involved in agricultural sectors should take into account the OECD's 'Model enterprise policy for responsible agricultural supply chains' which recommends that a company's due diligence policy should include a commitment to "ensure decent wages, benefits and working conditions, that are at least adequate to satisfy the basic needs of self-employed workers and smallholders and their families and strive to improve working conditions" <sup>(62)</sup>.

### *Code of conduct*

A code of conduct should set out the rules and principles that apply to the company, its subsidiaries and its direct and indirect business partners. The document should refer explicitly to the right to a living income as stipulated in the Annexe to the CSDDD, Part I, Section 1. The code of conduct plays a central role in defining, communicating and enforcing expectations on living income throughout the chain of activities. It promotes alignment within the company and with business partners. [Annexe I](#) lists concrete elements related to living income that should be included in a code of conduct.

Adverse impact risks related to living income often occur upstream of large companies. Therefore, the code of conduct can serve as a reference point for contractual assurances from upstream business partners. Through 'contractual cascading', a company shall, where relevant, seek contractual assurances from direct business partners in its chain of activities to support the implementation of the code of conduct and contribute to ensuring living incomes ([section 3.d](#) and [section 3.e](#)) and to in turn 'cascade' these obligations on to their respective business partners <sup>(63)</sup>.

#### **Box 4: Examples of Cross-Sectoral Collaboration to integrate Codes of Conduct**

Although this guidance focuses on living income due diligence, examples of cross-sectoral collaboration from living wage contexts are relevant here. These examples illustrate how income-related harms materialise, how purchasing practices and pricing pressure contribute to them, and how companies can address income gaps within their sphere of responsibility while acknowledging structural causes. Many causes of living wage gaps within companies' spheres of influence are similar to living income gaps: price pressure, labour standards, purchasing practices, power asymmetries, opacity and risk transfer. While the instruments may differ (wages versus prices or premiums), the underlying due diligence logic is similar.

##### **ACT initiative (garment & textile sector)**

The ACT initiative brings together global brands, retailers, manufacturers and trade unions under a common framework to negotiate industry-wide collective bargaining agreements in key garment-sourcing countries. Its core ambition is to embed living wage outcomes into companies' broader codes of conduct and purchasing practices frameworks. This includes aligning wage expectations with responsible purchasing practices, stabilising orders, and preventing wage suppression from buyer-side pressure. The participating brands are expected to embed relevant commitments not only in their internal codes of conduct or supplier codes, but also to agree to sectoral wage floors, collective bargaining processes, and shared monitoring mechanisms. This approach helps to distribute costs and responsibility across the value chain rather than placing the burden on a single company <sup>(64)</sup>.

##### **Platform for Living Wage Financials (PLWF)**

PLWF is an industry coalition that promotes living wages and incomes by bringing together financial institutions (banks, asset managers, pension funds, etc.) to engage with their investee companies on living wage and living income compliance. Although it is not a supplier-level initiative, PLWF exerts pressure on investors that can complement company-level codes of conduct by aligning capital flows with living income compliance. Through collaboration, the PLWF creates incentives for companies

<sup>62</sup> OECD/FAO (2016), *OECD-FAO Guidance for Responsible Agricultural Supply Chains*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251052-en>

<sup>63</sup> To the extent that their activities are part of the company's chain of activities (Article 10(2)(b) CSDDD).

<sup>64</sup> Webpage ACT Initiative: <https://actonlivingwages.com>

across sectors to embed living income commitments in order to remain attractive to investors. For companies drafting codes of conduct under LIDD, referencing PLWF or committing to such an investor-focused approach helps to embed LIDD obligations across all business relationships <sup>(65)</sup>.

b) ***Identify and assess actual or potential adverse impacts (Article 8)***

**Summary of concrete steps:**

- As part of the general scoping, carefully assess whether living income risks are mentioned in reasonably available information regarding general areas connected to the operations or chains of activities of a company.
- Pay attention to relevant risk factors related to their business relationships, and specific geographic and sectoral contexts, business operations, products and services.
- If the scoping indicates that risks are present in these general areas, assess the likelihood and severity of living income gaps.
- Conduct an in-depth assessment in areas where adverse living income impacts are most likely and severe. Where necessary, request information from relevant business partners and stakeholders regarding the sources of living income gaps (e.g. piece rates, farm-gate prices, productivity levels, etc.) and the company's level of involvement to determine causality.
- Requests for information from business partners must respect the rules and limitations set out in Article 8 of the CSDDD, especially regarding business partners with less than 5 000 employees. Data from relevant business partners will often need to be complemented with other sources of information, including living income benchmarks, in order to assess living income gaps.
- Seeking collaboration and sharing (non-competitive) data and methodologies related to living incomes through MSIs or industry initiatives increases effectiveness and cost-efficiencies, and also prevents administrative burden by business partners, stakeholders and relevant rightsholders.

Under Article 8 of the CSDDD, companies must take appropriate measures to identify and assess actual and potential adverse impacts arising from their own operations, those of their subsidiaries and – where related to their chains of activities – those of their business partners <sup>(66)</sup>.

In line with international standards (the OECD Guidelines and UNGPs), the CSDDD applies a risk-based approach. Article 8 establishes a two-step process: (i) a general scoping exercise and (ii) an in-depth assessment in the areas where adverse impacts are most likely and most severe.

*1. Scoping to identify general areas of living income risks (Article 8(2)(a))*

First, a company must determine where actual and potential adverse impacts related to living income are likely to occur. This 'scoping' process should be based on 'reasonably available information' with the aim to identify 'general areas' where living income gaps – and related adverse impacts – are most likely or most severe. These areas include the company's own operations, its subsidiaries, and, where related to its chains of activities, its business partners.

Reasonably available information includes existing facts, situations, and circumstances relating to risk factors at different levels (business partners, geographic, sectoral, operations, products or services). Companies should use appropriate resources such as independent reports, digital tools, and industry and multi-stakeholder initiatives <sup>(67)</sup>.

<sup>65</sup> Webpage Platform Living Wage Financials (PLWF): <https://livingwage.nl>

<sup>66</sup> See also [Chapter 2](#) with definitions of 'appropriate measures', 'adverse impacts', and 'chain of activities'

<sup>67</sup> Article 8(4) CSDDD.

Information gathered through ‘meaningful engagement with stakeholders’<sup>(68)</sup> is also assumed to be reasonably available and therefore should be taken into account, as it may signal important risks in terms of living income gaps ([section 3.g](#))<sup>(69)</sup>. Notification mechanism and complaints procedures<sup>(70)</sup> are important sources of information as well ([section 3.h](#)). See [Annexe III](#) for a list with sources of reasonably available information on LI risks, including regularly published reports on living income benchmarks per country or region and LIRPs.

#### **Box 5: Examples of a living income benchmark**

The available information provided by the Global Living Wage Coalition shows that in 2025, the living income benchmark for rural Central Sulawesi, Indonesia, was 5 370 259 IDR (approximately 326 USD) per month<sup>(71)</sup>.

Mapping these general areas based on risk factors (for example, gold sourced from the Democratic Republic of Congo) may involve any level of the chain of activities. This includes business partners and other actors, geographic- and country-related risks, sector-related risks, operations, trade routes, relevant upstream and downstream partners. It also includes extraction, sourcing and manufacturing stages where income is earned through self-employment (rather than wages) and where risks are most likely and most severe. This matters because living income risks are often most severe in upstream stages, requiring companies to look beyond direct business partners.

Examples of contextual risk factors include product and service risk factors. For LIDD, a number of contextual risk factors are set out in the OECD’s guidance on living incomes<sup>(72)</sup>. Further details are provided in [Annexe II](#) on specific risk factors and risk sectors for LIDD.

Based on these risk factors, companies should identify general areas where living income gaps are most likely and most severe. This requires mapping the companies’ own procurement categories with reference to risk indicators. Poverty rates and at-risk-of-poverty indicators ([see Annexe III](#)) can be used as proxies for possible living income gaps in countries or regions linked to companies’ operations or chains of activities. Here are two examples:

- A company sourcing tea from a certain Vietnamese region finds online reports about relatively low levels of poverty in that region, while also noting the existence of uneven intra-provincial poverty patterns and higher risk of poverty for smallholder farmers and ethnic minorities in remote areas. The latter points to areas where living income gaps may be more likely and severe.
- A supermarket group, taking into account its wide range of products and sourcing origins, may find that the most appropriate approach is to identify and map the product groups, commodities and geographic areas where smallholders and self-employed workers in agricultural sectors from low-income countries or regions are most likely to be found, as poverty risks are likely and severe there<sup>(73)</sup>.

The concepts of reasonably available information and ‘general areas should guide subsequent appropriate measures, which must be appropriate and proportionate to severity and likelihood.

Finally, risk factors may also arise from the company’s own activities and purchasing practices. For example, non-payment of products, prices below the LIRP (whether due to general market fluctuations, negotiation outcomes, price discounts, or other factors), recurring or sudden breaches of contracts, and unexpected order cancellations.

<sup>68</sup> Article 13(3)(a) CSDDD. The appropriateness of measures in terms of stakeholder engagement should guide companies in selecting which groups of stakeholders need to be involved at each identification stage. Whereas for the scoping engagement with more high-level representatives representing larger groups (trade unions and workers’ representatives) would be appropriate, the in-depth stage would require to focus the engagement, where relevant, with more specific groups of stakeholders to gather more information.

<sup>69</sup> Stitch (2025), *Framework on Meaningful Stakeholder Engagement & Technical Guidance on Meaningful Stakeholder Engagement in Garment, Apparel and Textile Sectors*. Available at: <https://www.stitchpartnership.org/mse-framework>

<sup>70</sup> Article 14 CSDDD.

<sup>71</sup> Global Living Wage Coalition (2025), *Benchmark Study - Living Income for Central Sulawesi, Indonesia*. Available at: <https://www.globallivingwage.org/living-wage-benchmarks/living-income-for-rural-central-sulawesi-indonesia/>

<sup>72</sup> See also Recitals 42 and 43 CSDDD.

<sup>73</sup> According to World Bank data, most of the extreme global poor work in rural agriculture areas. See <https://data360.worldbank.org/en/prosperity/poverty>

### 1.1 Likelihood of living income risks

To assess adverse living income impacts, companies must evaluate the likelihood of self-employed workers and smallholders being unable to reach a living income level in a country, region and/or sector. This assessment should be based on available statistics and other information. [Annexe II](#) lists relevant sources for various sectors and country indicators. For instance, studies show that between 80 and 90 per cent of smallholder cocoa farmers in Côte d'Ivoire were earning below the living income benchmark, signalling a high likelihood of this risk for companies sourcing cocoa from there <sup>(74)</sup>. Weak governance, absence of social protection and weak enforcement of labour rights (i.e. in agricultural regions with informal economies or weak price regulation) are also signs of living income risks, as formal workers may be left without formal protection and thus treated as informal workers <sup>(75)</sup>. Overwhelming evidence of high levels of poverty in the localities or regions where a company has a relevant share of its chain of activities would normally serve as sufficient evidence of living income risks at the scoping stage.

The extent to which a company is likely to be causing or linked to an adverse living income impact may depend on factors such as a company's exposure and leverage to certain risk factors. Relevant factors include purchasing dependence, contract duration, and procurement concentration in high-risk sectors or zones, in combination with the level and appropriateness of measures it has taken. The more a company has failed to take appropriate measures to address (actual or potential) abuses of the right to a living income, the higher the likelihood of adverse impacts in its value chains. Where direct information about risks is unavailable, proxies can be used, such as the percentage of self-employed workers and smallholders in a sector, country and/or region who are living under the poverty line <sup>(76)</sup>.

See *Technical Guidance on Due Diligence for Living Income — Guidance Point A2: Prioritize Risks based on Severity and Likelihood* <sup>(77)</sup> and LICoP's *Looking for a Living Income Benchmark?* <sup>(78)</sup>.

### 1.2 Severity of living income risks

According to the OECD Due Diligence Guidance for Responsible Business Conduct, negative impacts on access to basic necessities or freedoms (e.g. education, livelihoods) are clear indicators of severity <sup>(79)</sup>. Companies should take into account the nature of the right to a living income and its close links to other adverse impacts, as discussed in the introduction <sup>(80)</sup>. Living income gaps are often structural root causes of, and proxies for, other severe violations, particularly child labour, forced labour, unsafe working conditions, food insecurity, lack of education, and exposure to debt and exploitation <sup>(81)</sup>. Tackling living income gaps is therefore an efficient way for companies to

<sup>74</sup> van Vliet JA, Slingerland MA, Waarts YR and Giller KE (2021), *A Living Income for Cocoa Producers in Côte d'Ivoire and Ghana?* *Front. Sustain. Food Syst.* 5:732831. doi: 10.3389/fsufs.2021.732831. Available at: <https://www.frontiersin.org/journals/sustainable-food-systems/articles/10.3389/fsufs.2021.732831/full> Note that the situation has changed since then due to price increases in the cocoa market. This shows the need for companies to monitor the situation for products such as cocoa on a very regular basis, and more often than the minimum five-year period mentioned in the CSDDD.

<sup>75</sup> Ohnsorge, Franziska, and Shu Yu, eds. (2022), *The Long Shadow of Informality: Challenges and Policies*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1753-3

<sup>76</sup> Note that the concept of the poverty line differs significantly from that of a living income. The poverty line provides a general benchmark of the minimum resources required to avoid living in poverty, whereas living income estimates are more context-specific. They reflect the actual amount a household needs to enjoy decent living conditions within a particular country or region. However, figures about the incidence of poverty levels for workers in a sector and country/region related to a company's value chains, should be a signal of likely and severe living income risks.

<sup>77</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>78</sup> Living Income Community of Practice (2025), *Looking for a Living Income Benchmark? FAQ* v.2.0. Available at: [https://www.living-income.com/fileadmin/living\\_income/Publications/Actual\\_Income\\_and\\_Gap\\_Measurement/Benchmarks\\_-\\_LICoP\\_FAQ\\_April2\\_2025.pdf](https://www.living-income.com/fileadmin/living_income/Publications/Actual_Income_and_Gap_Measurement/Benchmarks_-_LICoP_FAQ_April2_2025.pdf)

<sup>79</sup> OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris <https://doi.org/10.1787/15f5f4b3-en>

<sup>80</sup> Cf. United Nations Global Compact, *Improving Wages to Advance Decent Work in Supply Chains*. Available at: <https://livingwages.unglobalcompact.org/>.

<sup>81</sup> See e.g.: Oxfam België/Belgique (2024), *The Living Income Differential for cocoa: futures markets and price setting in an unequal value chain*. <https://oxfambelgique.be/publications/living-income-differential-cocoa-futures-markets-and-price-setting-unequal-value-chain>; Molenaar, J.W. and Kessler, J.J. (2021), *Sector transformation: A systems approach to transforming commodity sectors*. AidEnvironment, Amsterdam. Available at: <https://aidenvironment.org/publications/sustainable-sector->

prevent and mitigate other severe adverse impacts, although specific appropriate measures will remain necessary to address these.

**Severity:** refers to the seriousness of the potential or actual impact for affected rightsholders (i.e. smallholders and self-employed workers). Scoping should consider scale, scope and irremediability.

**Scale:** refers to the size of actual and potential living income gaps in the general areas identified. Other indicators (e.g. at-risk-of-poverty, poverty or informality levels) may also help to establish the scale. Given that living income gaps can be root causes of other adverse impacts, the size of the income shortfall can also reflect how the gap contributes to other human rights and environmental harms covered in the Annexe to the CSDDD.

**Scope:** refers to an estimate of how many individuals/households are affected or potentially affected (e.g. the number of smallholder households in the coffee, cocoa or tea sectors in a particular country), based on purchasing volumes and productivity levels.

**Irremediability:** refers to how difficult it is (potentially) to restore a decent standard of living once harm has occurred. Poverty traps, structural inequality and the prolonged inability to reach a living income increase severity and make effects harder to remedy.

At the scoping stage, the CSDDD limits<sup>(82)</sup> requests for information from business partners on living income risks. So the assessment of the severity relies on generally available information and/or information from stakeholders ([section 3.g](#))<sup>(83)</sup>. However, this does not exclude the possibility of gathering concrete evidence at this stage. For example, prices below the cost of production for certain products and commodities may indicate severe living income issues when these are communicated by an upstream company or rightsholders.

The involvement of rightsholders in meaningful stakeholder engagement ([section 3.g](#)) is crucial at this stage to gather the necessary (reasonably available) information on actual or potential adverse impacts. If a company finds that it is not reasonably possible to carry out effective stakeholder engagement to the extent necessary to comply with the identification requirements, it shall consult additionally with experts who can provide credible insights into actual or potential adverse impacts<sup>(84)</sup>.

If the scoping process yields ‘relevant and verifiable information’ giving grounds to believe that adverse impacts have arisen or may arise in the identified general areas, the company must proceed to an in-depth assessment in the areas identified as most likely and most severe.

## 2. In-depth assessment to identify living income risks

Where scoping indicates the general areas where risks of living income gaps are most severe and likely, the company must conduct an in-depth assessment. This can confirm (or dismiss) risks and provide more detail on severity and likelihood. Where necessary, it allows the company to request information from business partners.

Relevant information at this stage focuses on: (i) signs of living income gaps; (ii) purchasing practices, especially prices paid to self-employed workers or smallholders; and (iii) the relevant (groups of) households<sup>(85)</sup>. The company will need to seek access to living income benchmarks for the areas and/or regions identified in the scoping ([section 3.i](#)) and [Chapter 4](#)). Living income benchmark studies are available for many countries, regions and product categories. ([See Annexe III](#)).

See *Technical Guidance on Due Diligence for Living Income — Guidance Point A1: Identify living income risks in your agricultural supply chain*<sup>(86)</sup>.

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[transformation-theory-and-practical-guidelines/](#); Altmann, Kannabhiran and Altmann (2024), *Public Policy Roadmap on Living Income and Living Wage in Global Agricultural Supply Chains*, Fair Trade International, Bonn. Available at: <https://www.fairtrade.net/en/get-involved/library/public-policy-roadmap-on-living-income-and-living-wage.html>

<sup>82</sup> Article 8 CSDDD provides for a number of limits to protect business partners from unnecessary information requests from companies: these must be necessary, and in case of business partners with fewer than 5 000 employees only when the information cannot reasonably be obtained by other means.

<sup>83</sup> [Chapter 2](#) includes a definition of the term ‘stakeholders’ in the context of the CSDDD.

<sup>84</sup> Article 13(3)(a) and 13(4) CSDDD.

<sup>85</sup> This requires appropriate measures related to traceability, especially in those sectors where relevant shares of the sourcing occurs indirectly – via local intermediaries and non-contracted cooperatives rather than through companies’ direct, traceable sourcing schemes.

<sup>86</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

Once priority areas are identified, the company should determine what further information and quantification are feasible and appropriate to identify living income gaps:

- Companies may request information from business partners only where that information is necessary, and in case of business partners with fewer than 5 000 employees, only when the information cannot reasonably be obtained by other means <sup>(87)</sup>;
- Where the necessary information can be obtained from different business partners, companies shall prioritise requesting information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur <sup>(88)</sup>. Therefore, direct contacts with these business partners and field visits to explore and validate living income issues should be considered as standard practice;
- Where adverse impacts are identified as equally likely to occur or equally severe in several areas, as per the CSDDD text, companies may prioritise assessing the areas that involve direct business partners <sup>(89)</sup>;
- Companies are entitled to make use of appropriate resources, including independent reports, digital solutions, industry and multi-stakeholder initiatives and information gathered through the notification mechanism and the complaints procedure provided for in Article 14 <sup>(90)</sup>;
- Information shall also be gathered through stakeholder engagement ([section 3.g](#)), especially by directly engaging with self-employed workers, smallholders, their representatives and the legitimate representatives of those individuals or communities (e.g. local CSOs);
- Again, if it is not reasonably possible for a company to carry out effective stakeholder engagement to the extent necessary to identify living income gaps in depth, it shall consult additionally with experts who can provide credible insights.

Where reliable data and methods exist, the assessment should estimate living income gaps using (credible) benchmarks calculated in accordance with the ILO’s principles for estimating the living wage, as outlined in the ILO Conclusions on living wages. These principles estimate the needs of workers and their families through evidence-based methodologies <sup>(91)</sup>. Living income (and living wage) benchmarks should be complemented by stakeholder consultation to ensure contextual relevance and validity. Quantification requires estimating net household income (including income from production and other on- and off-farm sources after deducting production costs) and identifying the applicable living income benchmark for the relevant groups, geography and sector.

A company shall not fail to seek and assess relevant living income benchmarks and (net) income data – if possible, jointly with other business partners and through collective actions – in order to identify living income gaps as part of in-depth assessments. Joint efforts also prevent repetitive data requests towards shared business partners and reduce the administrative burden on business partners, stakeholders and relevant rightsholders.

If relevant benchmarks are not readily available for an in-depth assessment, a company should seek – possibly in collaboration with other organisations – relevant data points and/or proxies to measure and estimate the minimum income level required for an adequate standard of living <sup>(92)</sup> following widely accepted methodologies <sup>(93)</sup>. See LICoP’s *Looking for a Living Income Benchmark?* <sup>(94)</sup>.

Data that is sex disaggregated and segmented to differentiate farmer households from others should be considered as this can improve the company’s compliance with the risk-based proportionality and appropriateness elements of the required due diligence measures.

Based on income estimates for the households of the relevant self-employed workers and smallholders and the adequate living income benchmarks, companies (either individually or collaboratively) should estimate the

<sup>87</sup> Article 8(3)(a) CSDDD.

<sup>88</sup> Article 8(3)(b) CSDDD.

<sup>89</sup> Article 8(3)(c) CSDDD.

<sup>90</sup> Article 8(4) CSDDD.

<sup>91</sup> ILO (2024), *Conclusions adopted by the Meeting of experts on wage policies, including living wages*. Available at: <https://www.ilo.org/meetings-and-events/meeting-experts-wage-policies-including-living-wages/>

<sup>92</sup> The right to a living income in Article 7 ICESCR relates to the required means needed to achieve the right to an adequate standard of living in Article 11 ICESCR.

<sup>93</sup> See Global Living Wage Coalition, *Anker Living Wage and Living Income Reference Values*. Available at: <https://globalliv-ingwage.org/anker-living-wage-and-living-income-reference-values/>

<sup>94</sup> Living Income Community of Practice (2025), *Looking for a Living Income Benchmark? FAQ v.2.0*. Available at: [https://www.living-income.com/fileadmin/living\\_income/Publications/Actual\\_Income\\_and\\_Gap\\_Measurement/Benchmarks\\_-\\_LICoP\\_FAQ\\_April2\\_2025.pdf](https://www.living-income.com/fileadmin/living_income/Publications/Actual_Income_and_Gap_Measurement/Benchmarks_-_LICoP_FAQ_April2_2025.pdf)

magnitude of the living income gap to support severity assessment, prioritisation and the design of preventive, corrective or mitigation measures.

Tools and benchmarks such as the ones published by the Living Income Community of Practice and the Global Living Wage Coalition<sup>(95)</sup> can support consistent and transparent calculation and visualisation<sup>(96)</sup>. Figure 2 shows the elements a company should consider in order to assess living income gaps in the case of smallholders.



Figure 2: Illustration of assessing living incomes for smallholders<sup>(97)</sup>.

To assess possible living income gaps, the CSDDD requires the company, where reasonable, to request necessary information from the business partner(s) where adverse impacts are most likely to occur. This may be done individually or collaboratively, for example as part of an MSI or industry initiative.

The information provided by a direct business partner may be too limited to assess (actual or potential) living income gaps and to identify self-employed workers and smallholders who are (actually or potentially) unable to enjoy a living income. In such cases, the company will have to request information from indirect business partners where adverse impacts are most likely to occur<sup>(98)</sup>. Complementary data – such as benchmarks, other income sources, production costs, etc. – may need to be attained from specialised experts, NGOs, multi-stakeholder initiatives, etc. (See also [Annexe III](#).)

#### Box 6: Potentially necessary information to further assess living income risks

In order to further assess living income risks, the following types of information (non-exhaustive) are likely to be necessary and may only be reasonably obtainable via direct requests to business partners:

- mapping of supply chains with traceability to the necessary geographical level;

<sup>95</sup> See <https://www.globallivingwage.org/>

<sup>96</sup> The Committee on Sustainability Assessment (COSA) and KIT Royal Tropical Institute (2020), *Guidance manual on calculating and visualizing income gap to a Living Income Benchmark*. Available at: <https://www.kit.nl/institute/publication/guidance-manual-on-calculating-and-visualizing-income-gap-to-a-living-income-benchmark/>

<sup>97</sup> Source: The Living Income Community of Practice, (2020), *Guidance manual on calculating and visualizing the income gap to a Living Income Benchmark*. Available at: <https://www.living-income.com/tools-resources/living-income-graphics>

<sup>98</sup> Article 8(3)(b) CSDDD.

- prices paid to self-employed workers and smallholders per unit (e.g. piece rate, farm-gate price, etc.);
- productivity levels;
- production costs (local / regional / national);
- in case of smallholders, the size of the relevant plots.

To exercise due diligence in accordance with Article 8 of the CSDDD, companies need to enhance the capacity of business partners to conduct such living income assessments within their own supply chains and to report back, either individually or as part of a collaboration. This involves continuous effort which shall, where relevant, require training, guidance, technical assistance and capacity building throughout a company’s chain of activities, especially for the business partners that are closest to the risks. If information listed in Box 6 is required, but a business partner does not have the resources to provide it, the company in scope shall provide support to this end.

Companies should also identify and engage with ‘choke points’ in their chains of activities – meaning those crucial companies that control a large share of the upstream flows and often have greater visibility and leverage over other upstream actors<sup>(99)</sup>. In the garment industry, for example, choke points may include fabric mills, dye houses, and garment factories, whereas in the agricultural sector, choke points often include processing plants, packing facilities, and export hubs<sup>(100)</sup>.

Companies should, however, not rely solely on information from suppliers for their in-depth assessment.

The outcomes of the identification measures mentioned above are decisive for triggering subsequent steps if a company finds living income gaps and concludes that the right to enjoy an adequate living income is not being met in its operations or chain of activities. Once priority areas have been identified ([section 3.c](#)), companies must take appropriate measures to prevent and mitigate ([section 3.d](#)), bring to an end ([section 3.e](#)) and/or remediate those adverse impacts ([section 3.f](#)). Monitoring and publication is also required ([section 3.i](#) and [section 3.j](#)).

#### **Box 7: Examples of a multi-stakeholder initiative on benchmarks**

WageMap is a global consortium which aims to bridge the fragmentation in living wage and living income benchmarking, as there is currently no universally accepted global standard. This creates major challenges for companies, auditors, and stakeholders trying to apply living wage and living income principles across diverse geographic contexts. WageMap is working to establish a ‘living wage reference standard’: a globally comparable yet locally specific benchmark for living wages and living incomes. The standard, which has been developed in consultation with stakeholders, aims to determine which existing (or combination of) benchmarks should be considered as the best available data for a given location in order to support consistency, traceability, and comparability across supply chains<sup>(101)</sup>.

Many other initiatives have also developed frameworks to align measures of household income:

- Global Coffee Platform (GCP) data protocol<sup>(102)</sup>;
- ICO’s Coffee Public Private Task Force (CPPTF) for coffee<sup>(103)</sup>;
- The World Cocoa Foundation’s Cocoa Household Income Survey (CHIS)<sup>(104)</sup>;
- Digital Integration of Agricultural Supply Chains Alliance (DIASCA) framework<sup>(105)</sup>.

<sup>99</sup> European Commission & European External Action Service (2021), *Guidance on due diligence for EU businesses to address the risk of forced labour in their operations and supply chains*, Brussels: European Commission. Available at: <https://circabc.europa.eu/rest/download/de3d9ab5-dca1-4037-aeb8-8704a379c67b>.

<sup>100</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>

<sup>101</sup> Webpage WageMap: <https://wagemap.org>

<sup>102</sup> Available at: <https://www.globalcoffeeplatform.org>

<sup>103</sup> Available at: <https://ico.org/global-knowledge-hub>

<sup>104</sup> Available at: <https://worldcocoafoundation.org/programmes-and-initiatives/cocoa-household-income-study-methodology>

<sup>105</sup> Available at: <https://www.sustainable-supply-chains.org/topics/digitalisation-traceability/diasca>

See *Technical Guidance on Due Diligence for Living Income — Guidance Point A1: Identify living income risks in your agricultural supply chain* <sup>(106)</sup> and LICoP's *Looking for a Living Income Benchmark?* <sup>(107)</sup>.

c) ***Prioritise impacts based on severity and likelihood (Article 9)***

**Summary of concrete steps:**

- Due to their fundamental nature as adverse impacts on human rights and their severe impact on the livelihoods and poverty of self-employed workers and smallholders and households, companies shall assess whether living income gaps need to be prioritised compared to other risks.
- When multiple severe adverse impacts have been identified, companies must address the most severe ones first. The decision to prioritise living income gaps could be based on different value chain segments, groups of smallholders and self-employed workers, vulnerable persons, or locations where the living income gap is largest. Engaging stakeholders is key to inform prioritisation decisions.
- When living income risks are assessed as negligible, then they could be termed as 'less severe' compared to other identified adverse impacts (e.g. a small fraction of smallholders and self-employed workers and their households are impacted during a short period). The rectification of less severe adverse impacts related to living income gaps may be delayed, but still needs to be addressed as soon as possible.

Where a company has identified and assessed actual and potential adverse impacts (see previous [section 3.b](#)), it must assess and decide whether it is feasible to prevent, mitigate, bring to an end or minimise <sup>(108)</sup> every identified adverse impact. If the company concludes this is not feasible, it must prioritise the actual and potential adverse impacts, based on severity and likelihood.

This assessment of severity and likelihood goes deeper than the initial higher-level scoping phase, which is only based on general information. When the in-depth assessment reveals more concrete evidence of actual or potential adverse impacts which are not feasible to address at the same time and to their full extent, the company needs to prioritise the most severe and most likely impacts in order to fulfil its obligations to prevent, mitigate, bring to an end or minimise these first.

Under the risk-based approach prescribed in the CSDDD, companies should not be penalised for failing to address all adverse impacts in their chain of activities at the same time. A company should use its resources efficiently by focusing on adverse impacts that are most likely to occur and most severe <sup>(109)</sup>. Notably, prioritising severe adverse impacts on living incomes is likely to address other related adverse impacts at the same time. Importantly, the actual or potential influence of a company on its business partners, the level of involvement in the adverse impact, the proximity to the subsidiary or business partner, or its potential liability shall not be considered as relevant factors when prioritising at this stage <sup>(110)</sup>. These factors may, however, influence the design of appropriate measures, once adverse impacts have been prioritised.

*Living income in relation to other adverse impacts*

When assessing adverse impacts, a company should consider the right to a living income and its links to other human and environmental impacts. Harm to the right to earn a living income is linked to poverty and inequality – root causes of other harms listed in Part I and II of the Annexe to the CSDDD. Thus, prioritising living income gaps can be an effective and efficient way to address other adverse impacts.

<sup>106</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>107</sup> Living Income Community of Practice (2025), *Looking for a Living Income Benchmark? FAQ v.2.0*. Available at: [https://www.living-income.com/fileadmin/living\\_income/Publications/Actual\\_Income\\_and\\_Gap\\_Measurement/Benchmarks\\_-\\_LICoP\\_FAQ\\_April2\\_2025.pdf](https://www.living-income.com/fileadmin/living_income/Publications/Actual_Income_and_Gap_Measurement/Benchmarks_-_LICoP_FAQ_April2_2025.pdf)

<sup>108</sup> Articles 10 and 11 CSDDD.

<sup>109</sup> Article 9(3) CSDDD.

<sup>110</sup> See Recital 44 CSDDD.

### *Prioritising severe living income gaps*

The CSDDD does not establish a hierarchy between severity and likelihood. However, according to the UNGPs and OECD Guidelines, severity is the single most important factor – before likelihood – in determining the processes needed to address living income impacts<sup>(111)</sup>. This reflects the standard for human rights, where severity outweighs likelihood in prioritisation<sup>(112)</sup>. Accordingly, companies should first prioritise the most severe impacts – such as chronic, widespread, or systemic living income shortfalls, especially where they contribute to other rights violations. This includes prioritising value chain segments<sup>(113)</sup>, vulnerable groups, or locations where gaps are the largest, affect the most people, or the risk of sustained poverty is highest. Less severe impacts (i.e. accidental or affecting few people) may be delayed until more severe ones have been addressed.

As part of their general due diligence process under the CSDDD, a company will look to identify and assess all the relevant adverse impacts to which the company’s activities or business relationships may be connected. The most severe and likely risks must be prioritised. This is a comparative exercise, and whether or not living income risks need to be prioritised depends on factors such as:

- the severity and likelihood of other adverse environmental and human rights impacts to which the company may be connected;
- the severity and likelihood of the various other living income risks to which the business may be connected.

See *Technical Guidance on Due Diligence for Living Income — Guidance Point A2: Prioritize Risks based on Severity and Likelihood*<sup>(114)</sup>.

### *Stakeholder engagement*

Meaningful stakeholder engagement is central to due diligence, particularly for identifying and prioritising living income gaps<sup>(115)</sup>. Companies must engage affected stakeholders – including smallholders and self-employed workers, their representatives, communities, households, and national human rights institutions – to assess real-world effects and ensure that prioritisation reflects their perspectives. Effective engagement requires feedback loops, accessible grievance mechanisms, and consultation throughout the due diligence process ([section 3.g](#)).

## d) *Prevent and mitigate potential adverse impacts (Article 10)*

### **Summary of concrete steps:**

- When a company has identified and prioritised potential living income gaps it must develop and implement a prevention action plan, including clear timelines to implement appropriate measures.
- The level of involvement of the company in potential adverse impacts should be taken into account when designing and implementing appropriate measures.
- Seek and implement (cascading) regarding compliance with the company’s code of conduct, and (cascading) contractual assurances, purchasing practices and price measures.
- Prevention action plans shall be adapted to the companies’ operations and chains of activities. Measures need to be proportionate to severity and focus on areas where living income gaps are the largest. Plans must include clearly defined timelines and respond to the specific risk factors identified

<sup>111</sup> See Question 28 in UNHR (2012), *The Corporate Responsibility to Respect Human Rights - An Interpretive Guide*, New York and Geneva, <https://doi.org/10.18356/65932e19-en>; See also: Guiding Principle 24 of the UN Guiding Principles: “Where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.”

<sup>112</sup> OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/15f5f4b3-en>. See Q5. How does prioritisation differ for human rights risks than for other adverse impacts?

<sup>113</sup> See for instance, BEAM Exchange (2022), *Farmer segmentation*. Available at: <https://beamexchange.org/resources/resource-library/1794/>

<sup>114</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>115</sup> See also [Chapter 2](#) on ‘Stakeholders’.

during the scoping phase.

- Typically, prevention action plans for LIDD include appropriate measures related to supplier management, purchasing practices, pricing and transparency, and certifications and premiums.

To exercise due diligence under Article 10 of the CSDDD, a company must take appropriate measures to prevent or mitigate potential adverse impacts that have – or should have – been identified. Prevention refers to measures intended to avoid living income gaps, and mitigation refers to measures effectively addressing potential gaps. These measures must address impacts commensurate to their severity and likelihood, considering the specific case circumstances, nature of the impact, and risk factors <sup>(116)</sup>.

#### *Understanding a company's relationship to living income gaps*

When assessing prevention or mitigation measures, due account should be taken of the company's level of involvement in potential adverse impacts and its ability to influence the business partner(s) causing or jointly causing the impact (see [Chapter 2](#) on level of involvement). The level of causality informs the required response and the available options for prevention, ending the adverse impact or remediation.

It is essential to understand the company's relationship to living income gaps within its operations or supply chain through mapping and an appropriate level of traceability ([section 3.b](#)). Where gaps are identified in its own operations, that are caused solely or jointly by the company, it must prevent and mitigate them. When gaps are caused only by – as opposed to caused jointly by – a business partner further down the supply chain, the company must use its influence to close the gap. Living income gaps are often (jointly or solely) caused by a company's omission to take appropriate preventive measures, which then allows or enables the conditions for the exploitation of self-employed workers and smallholders who are unable to reach and maintain a living income. The preventive measures could include scoping and, if relevant, doing in-depth identification of risks by assessing income levels of self-employed workers and smallholders in one's chain of activities and comparing those against the relevant living income benchmark and then taking appropriate measures in terms of living income-specific purchasing practices, price tools, productivity measures, etc.

When assessing links to living income gaps, companies should also consider externalities that may (in)directly affect household incomes (e.g. extreme weather events, macroeconomic changes). However, externalities do not remove the responsibility of companies to identify and address those remaining adverse impacts which are within their control. For example, global commodity price fluctuations may be external, but companies may still be able to exert influence to address any resulting living income gaps, and should assess if and how they can do so. Similarly, issues related to low productivity, small plots, part-time work or farming can be addressed by companies to ensure progress towards living income levels, but these circumstances are not considered an adverse impact if they are not caused by the company or its business partners.

Similarly, externalities such as upward commodity price fluctuations do not relieve companies from their responsibilities, especially in terms of prevention. Although these may temporarily, or appear at first sight to, benefit the income position of smallholders' or self-employed workers' households, other facts still need to be taken into account by companies as part of their prevention and monitoring. Higher prices do not automatically improve income levels, i.e. market price increases may not reach households because margins may have increased elsewhere, production costs may have increased even more than prices received, price may have increased due to scarcity (e.g. lower yields related to climate change) and may not translate to higher income levels (volume x price). In addition, companies should continuously contribute to living income levels, even when living income gaps have been temporarily closed by external factors. Periods of higher prices (especially when linked to higher margins) can be used by companies to make improvements towards sustained and resilient production by taking non-price measures which prevent future living income gaps, for example (co-)investing in productivity improvements, monitoring, stakeholder engagement, etc.

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<sup>116</sup> Pursuant to Article 3(1)(o) CSDDD. See [section 3.b](#).

**Box 8: What are ‘appropriate’ measures in terms of causality?**

The CSDDD (<sup>117</sup>) mentions that the appropriateness of measures should be guided by:

- whether the potential adverse impact may be caused only by the company;
- whether it may be caused jointly by the company and a subsidiary or business partner, through acts or omissions;
- whether it may be caused only by a company’s business partner in its chain of activities;
- whether the potential adverse impact may occur in the operations of a subsidiary, direct business partner or indirect business partner;
- the ability of the company to influence the business partner that caused or jointly caused the potential adverse impact;
- the complex nature and urgency of the measures required.

For example, if company A buys 50 per cent of the volume of products from supplier B – then company A is responsible for 50 per cent of the identified living income gap cases which were caused jointly. Therefore, it must put in place prevention, mitigation, ending and/or remediation measures as required by the CSDDD. The remaining 50 per cent of the cases are considered to be caused only by the company’s business partner. So, for that share of the cases, company A will need to use its influence over supplier B (e.g. due to its substantial share of the supplier’s sales volume) to take measures to prevent, mitigate and end living income gaps for the remaining 50 per cent. Remediation is possible, but not mandatory, under the CSDDD if caused only by a company’s business partner. This example is for illustrative purposes only, without implying precise quantitative attribution of responsibilities.

*Prevention action plan*

First, a company identifying and prioritising potential living income gaps must, without undue delay, develop and implement a prevention action plan. This plan must be adapted to the company’s operations and chains of activities and focus on areas where gaps are most severe (<sup>118</sup>). The plan – or plans, in the case of different regions or product categories – should align with the scoping and prioritisation results (<sup>119</sup>) and respond to the specific risk factors identified ([section 3.c](#)). This should include a review of purchasing practices, assessment of the compatibility of price levels with living income benchmarks, capacity building for informal operators, predictable income for seasonal workers, income diversification support, and consideration of in-kind payments. A prevention plan should include:

- a methodology with qualitative and quantitative indicators for identifying and measuring potential living income gaps, considering regional, national and sectoral differences, as well as household segments ([section 3.b](#));
- measures to prevent and/or mitigate gaps regarding, for instance a) supplier management, b) pricing and transparency, c) certifications, premiums, cash transfers or ‘safety nets’ going directly to affected rightsholders (<sup>120</sup>);
- how a company aims to address (potential) living income-related risks in its supply chains, for example through the use of leverage such as contractual cascading where appropriate ([section 3.e](#));
- reasonable, clearly defined timelines for implementing measures in the plan;

<sup>117</sup> Articles 10(1 and 2) and 11(1 and 2) CSDDD.

<sup>118</sup> Ibid. See also OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>;

<sup>119</sup> Articles 8 and 9 CSDDD.

<sup>120</sup> Cf. See also OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>; GIZ (2020), *Living Income Community of Practice, Guiding steps towards living income in the supply chain: how to mainstream living income in your company’s activities*, Bonn, Available at: <https://www.living-income.com/tools-resources/company-toolkit>

- a timeline for periodic assessment of operations and measures to monitor adequacy and effectiveness under (section 3.i) <sup>(121)</sup>;
- an overview of how relevant stakeholders, particularly smallholders and cooperatives, are involved in developing the plan (section 3.g);
- how to identify and address issues linked to specific vulnerable or marginalised groups, as well as gender-specific barriers;
- if relevant, participation in joint initiatives (e.g. industry / multi-stakeholder initiatives, sustainability schemes) and use of their methodologies <sup>(122)</sup>.

#### **Box 9: Example of implementing a preventive action plan**

A large retailer has identified that one of its products (e.g. canned tomatoes) is potentially linked to severe and likely living income gaps due to its purchasing practices. They decide to establish a preventive action plan for that product, consisting of the following elements:

- Identifying and using relevant living income benchmarks and methodologies to assess potential living income gaps.
- Assessing and possibly reviewing its price negotiations and purchasing practices to address whether these practices contribute to living income-related risks.
- Seeking and establishing clear and concrete contractual commitments with suppliers, accompanied by appropriate engagement and support, based on shared responsibility, with realistic implementation timelines and clarity on how such commitments may be cascaded where appropriate.
- Adopting measures based on work together with the relevant business partners to prevent or mitigate living income gaps. In case of SMEs, providing them with support, where necessary, to comply with the code of conduct (which might need to be updated to include living income risks and policies).
- Creating engagement opportunities with the relevant stakeholders, through a local civil society organisation, by organising field visits to meet with representatives of the persons who may face living income gaps.
- Identifying qualitative and quantitative indicators for regularly measuring (actual or potential) living income gaps. The company's action plan could also indicate the use of external audits as a preventative measure.
- Joining a multi-stakeholder initiative involving stakeholders and other companies working together to prevent living income gaps in this sector.
- Developing indirect preventive actions – for example, productivity and geographical level measures – could also be an option where necessary in contexts where the adverse impact cannot be immediately brought to an end.

Where (severe) living income gaps occur, a company must take appropriate (financial and non-financial) measures, including preventive ones. These should take into account relationships with the relevant business partner(s) and the nature of the adverse impact(s) (see Box 9). i.e. if and how the company causes, or jointly causes, living income gaps. Once established, the following measures may be appropriate to prevent further and future living income gaps:

**Supplier management** will often be central to effective income-related interventions. Examples include:

<sup>121</sup> Article 15 CSDDD.

<sup>122</sup> See e.g. OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>; GIZ (2020), Living Income Community of Practice, *Guiding steps towards living income in the supply chain: how to mainstream living income in your company's activities*, Bonn. Available at: <https://www.living-income.com/tools-resources/company-toolkit>

- the establishment of longer-term partnerships with suppliers to create more enduring and resilient ties. This can allow smallholders and cooperatives to invest in resilience, sustainability and productivity, while longer-term contracts also benefit buyers through supply security and enhanced traceability <sup>(123)</sup>. Longer-term partnership commitments may be expressed through contractual assurances;
- engagement in risk sharing through guarantees for loans to primary producers, which may increase access to finance for smallholders. For SMEs, the CSDDD requires the provision of targeted and proportionate support to direct or indirect business partners, where necessary, in light of their limited resources, knowledge and other constraints. This will be relevant for SME smallholders and for producer organisations and cooperatives which are SMEs <sup>(124)</sup>. The CSDDD mentions support measures such as capacity-building, training or upgrading management systems. It also mentions providing targeted and proportionate financial support, such as guarantees of continued sourcing, direct financing, low-interest loans, or assistance in securing them in cases where compliance with the code of conduct or the prevention action plan would jeopardise the viability of the SME;
- the introduction of risk-based screening requirements for new suppliers and the establishment of contractual commitments with business partners. Screening processes should be designed to support progressive improvement and should not be applied in a way that excludes vulnerable suppliers without first addressing buyer practices. Contractual commitments should be based on collaboration and burden sharing, and accompanied by appropriate engagement and, if necessary, proportionate support for SMEs to address living income-related risks in line with the company’s code of conduct <sup>(125)</sup>;
- direct or indirect non-financial support to primary producers to enhance quality and productivity, and diversify income streams, such as technical advice, access to affordable high-quality inputs, and post-harvest storage <sup>(126)</sup>;
- collaboration within the sector to address systemic issues and joining industry initiatives or MSIs working on living income.

**Pricing and transparency** can be effective tools to address living income gaps, particularly when combined with other appropriate measures. A company may, for example, commit to paying a Living Income Reference Price (LIRP) per region <sup>(127)</sup>. To establish LIRPs, companies may collaborate with business partners through joint initiatives. Supplier contracts referring to codes of conduct and including living income assurances may cascade due diligence responsibilities <sup>(128)</sup>, requiring downstream actors to pay LIRPs or take other price measures ([Chapter 1](#) and [section 3.b](#)). Beyond LIRPs, companies may implement other price interventions, for example <sup>(129)</sup>:

- Price premiums: direct (fixed or variable) payments above market price, based on volumes per unit of product purchased;
- Minimum or floor prices: commit to a minimum price, regardless of market fluctuations, to protect farmers from price volatility;

<sup>123</sup> See e.g. Voice Network (2025), *Good Purchasing Practices, 2025 Cocoa Barometer Consultation Paper*, Amsterdam. Available at: <https://voicenetwork.cc/resources/purchasing-practices-in-cocoa-2/>

<sup>124</sup> The CSDDD does not provide a definition and ceilings for the SME status. It should be assumed, that companies use the SME definition as applied in the country of the business partner. Otherwise, the use of the EU definition for SMEs would not be realistic and become irrelevant for most SMEs in countries outside the EU.

<sup>125</sup> See also [section 3.e](#) on contractual cascading.

<sup>126</sup> See e.g. Sustainable Food Lab (2017), *Enabling smallholder farmers to improve their incomes*. Available at: <https://sustainable-foodlab.org/enabling-smallholder-farmers-to-improve-their-incomes/>;  
World Bank Group (2018), *Working with Smallholders : A Handbook for Firms Building Sustainable Supply Chains*, Washington, D.C., <http://documents.worldbank.org/curated/en/769991543589955174>

<sup>127</sup> See for instance Fairtrade Reference Prices. Available at <https://reference-prices.fairtrade.net/about>

<sup>128</sup> See Responsible Contracting Project (2025), *European Model Clauses (EMCs)*. Available at: <https://www.responsiblecontracting.org/emcs>

<sup>129</sup> Oxfam International (2023), *Price Interventions as a Part of Living Income Strategies: Lessons learned from piloting a price premium mechanism for basmati rice farmers in Pakistan*, Oxfam Discussion Paper. Available at: <https://policy-practice.oxfam.org/resources/price-interventions-as-a-part-of-living-income-strategies-lessons-learned-from-p-621486/>

- **Living income differential (LID)**: advocating for country-level price differentials to be set by governments, aimed at lifting all farmers closer to relevant living income benchmarks (e.g. Ghana and Côte d’Ivoire’s cocoa LID) <sup>(130)</sup>;
- **True pricing**: incorporating (environmental and social) externalities into farm-gate prices, such as adjustments for living income gaps, cost of sustainable production, and fair labour;
- **Direct transfers and segmented support**: cash transfers or segmented eligibility mechanisms ensuring payments reach the most vulnerable self-employed workers and or smallest-scale farmers. This may include gender-inclusive premiums benefiting women, when identified as being at higher risk, or fixed lump-sum payments per household or per season that are not connected to production volumes;
- **Cash transfers**: companies could provide direct cash transfers linked to households rather than productivity. Such cash transfers are often used in combination with other non-price interventions to build resilience and facilitate investments by self-employed workers and farmers;
- **Ring-fenced labour costs and prices**: structuring purchasing prices as part of (cascaded) contractual assurances so that the labour cost part in the price is calculated and protected as a separate, non-negotiable element in alignment with living wage or income benchmarks, for example in high-risk sectors such as garments and mining.

In general, companies may improve market information systems (e.g. prices, risk indicators) to enhance transparency and decision -making.

Lastly, **certification schemes** (often combined with premiums) can, where relevant, effectively contribute to closing living income gaps while also communicating a company’s sustainability commitment. It should be noted that premiums alone are generally insufficient to address living income-related risks. Certification schemes that allow primary producers to receive a premium, alongside technical training and support to enhance long-term sustainability, should be considered here <sup>(131)</sup>. However, certification or standards schemes should not be relied upon as evidence in themselves that living income-related risks have been addressed. Cash transfers and financial and technical support to enhance productivity levels or diversify and increase income sources should be considered as well, as part of a larger package of measures <sup>(132)</sup>.

#### **Box 10: Example of LIRP schemes: Fairtrade’s Living Income Reference Price (LIRP)**

Fairtrade has developed a LIRP scheme which is a voluntary, data-driven pricing approach indicating the farm-gate price required by a typical smallholder household – with a viable farm size and sustainable productivity level – to earn a living income. Drawing on benchmarks and farm-level economic analysis, Fairtrade sets country- and commodity-specific reference prices for products like cocoa, coffee and bananas, which buyers can commit to pay. The use of LIRPs happens alongside Fairtrade Minimum Prices and Premiums.

As the LIRP assumes that the typical smallholder has a viable farm size (based on averages), a company should not take the amount at face value and should consider it in the context of other available information. This could include results of stakeholder consultations and variability of farm size, yields, household FTE, costs, etc. among smallholders. Notably, LIRPs are also not set in stone, rather they

<sup>130</sup> See e.g. Boysen, O., Ferrari, E., Nechifor, N., Tillie, P. (2021), *Impacts of the Cocoa Living Income Differential Policy in Ghana and Côte d’Ivoire*. Publications Office of the European Union, Luxembourg. doi:10.2760/984346. Available at: <https://publications.jrc.ec.europa.eu/repository/handle/JRC125754>

<sup>131</sup> Certification schemes such as Fairtrade and Rainforest Alliance are increasingly used as levers to move farm incomes toward living income benchmarks, typically through minimum price mechanisms, premiums, and dedicated “living income” add-ons. For example, Fairtrade has developed “Living Income Reference Prices” (LIRPs) for cocoa in Ghana and Côte d’Ivoire; See also: Humbeeck, Snoeck (2024), *Putting Living Income at the heart of your sustainability strategy - A roadmap for Belgian chocolate makers*, Beyond Chocolate secretariat IDH. Available at: <https://idh.org/news/publication-living-income-roadmap-for-belgian-chocolate-makers>

<sup>132</sup> Article 10(2)(c) CSDDD.

are subject to regular updates to reflect changing circumstances. Furthermore, the situation of certain segments of rightsholders, for example sharecroppers, requires specific attention <sup>(133)</sup>.

While a LIRP alone does not guarantee that every household reaches a living income, it guides responsible procurement and shifts value distribution, providing a transparent benchmark for companies aiming to contribute credibly to decent livelihoods <sup>(134)</sup>. In addition to using a LIRP, companies should seek to influence their business partners to use LIRPs, supported by contractual commitments, engagement and support measures, and to improve the likelihood that the benefits of these measures will reach households on the ground through monitoring and stakeholder engagement.

#### *Addressing gendered income gaps and collaboration with other entities*

Living income gaps can also be linked to specific groups due to vulnerabilities and power asymmetries. When designing prevention action plans, companies should also pay specific attention to living income gaps that differ among genders. This could be explored by collecting gender-disaggregated data, including women in the design and evaluation of measures, and ensuring that women (including registered female farmers, spouses and female workers) can access training and capacity-building programmes. To address systemic living income risks, companies are advised to coordinate with other entities to scale up effective identification, prevention, and mitigation measures. This may include joining multi-stakeholder initiatives, cross-sectoral collaboration, government engagement, and support for professional producer organisations ([section 3.g](#)).

#### *Qualitative and quantitative indicators for measuring improvement*

The prevention action plan must include qualitative and quantitative indicators for measuring improvement concerning living income gaps. Qualitative indicators include information and evidence about effectiveness based on information gathered through the stakeholder engagement. Indicators could relate to income metrics, stakeholder engagement or purchasing practices. The section on monitoring ([section 3.i](#)) provides recommendations on verifying, monitoring, and validating measures to prevent and mitigate gaps in operations and supply chains. Importantly, relevant upstream business partners and rightsholders, especially those closest to the relevant self-employed workers and smallholders and the adverse impacts (e.g. producer cooperatives, mining companies, factory owners) should be involved and play an integral role in monitoring progress. All measures in the plan should be carefully designed to avoid unintended consequences (e.g. increased deforestation and market distortion caused by increased prices). Policies or measures to block, prevent, deselect or disengage from self-employed workers and smallholders with higher living income risks within a company's chain of activities is not an appropriate prevention or remediation measure and should not be counted as an improvement. On the contrary, this would be a discriminatory measure and an abuse of the right to a living income under the CSDDD.

#### *Disengage as a last resort*

To ensure that measures are effective, companies should prioritise engagement with business partners. They must only suspend a business relationship when prevention plans, direct and indirect contractual assurances, investments, collaboration, and verification measures fail to prevent or adequately mitigate impacts <sup>(135)</sup>.

Suspension – or (non-mandatory) termination – of business relationships can be assumed, in most cases, to worsen the situation of smallholders or self-employed workers, as it may remove a key source of income and thus exacerbate the living income gap. It should therefore remain a measure of last resort. Accordingly, the CSDDD requires that, only as a last resort and until the impact is addressed, a company must responsibly suspend relations (and refrain from new or extended ones) where living income risks arise. Responsible suspension means that potential impacts (including impacts on living incomes) resulting from suspension must be assessed and potentially addressed. In case

<sup>133</sup> Impact Institute & Fairtrade International (2025) The household income of cocoa farmers in Côte d'Ivoire and strategies for improvement. Available at: <https://www.fairtrade.net/content/dam/fairtrade/fairtrade-international/library/2025/cocoa-household-income/Cocoa%20household%20income%20study%202025.pdf>.

<sup>134</sup> See <https://reference-prices.fairtrade.net>

<sup>135</sup> Article 10(6) CSDDD.

of suspension, the company must adopt and implement an ‘enhanced prevention action plan’ – based on consultation with stakeholders<sup>(136)</sup> – which details further measures to prevent or mitigate the impact<sup>(137)</sup>.

Where a company decides to suspend a business relationship, it shall first assess if the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the adverse impact that could not be prevented or adequately mitigated. In case of suspension, the company must take steps to prevent, mitigate or bring to an end any impacts of the suspension, shall provide reasonable notice to the business partner concerned and shall keep that decision under review.

As long as there is a reasonable prospect that this enhanced plan will succeed, the CSDDD holds that the company can continue the business relationship without being subjected to penalties or civil liability. Hence, (responsible) disengagement is only allowed under the CSDDD if it can prove that it’s not reasonable to expect that the enhanced prevention action plan will succeed – or else the company would be exposed to penalties pursuant to Article 27 or to liability under Article 29.

Given the complex, enduring nature of living income gaps, companies will likely have to focus on enhanced plans rather than suspensions. Suspension of business relationships can, in certain contexts, worsen adverse impacts, particularly where it removes a key source of income and alternative livelihoods are limited, thereby risking an aggravation of the living income gap. The next section ([section 3.e](#)) details contractual assurances and suspension.

See *Technical Guidance on Due Diligence for Living Income — Guidance Point B5: Lean into Living Income*<sup>(138)</sup>.

#### **Box 11: Living income & purchasing practices**

Responsible purchasing practices, including pricing, are central to closing living income gaps in global supply chains. The CSDDD requires companies to assess and adapt purchasing practices, including price negotiations and payment terms, to prevent and mitigate living income impacts<sup>(139)</sup>. The OECD Handbook<sup>(140)</sup> reinforces that responsible purchasing – paying prices reflecting sustainable production and living income costs – is an integral part of due diligence, influencing contracts, payment timelines and cost sharing of sustainability measures. Practices like long-term relationships, transparent pricing, prompt payments and collaborative planning improve predictability, enabling supplier investments. In practice, some companies use living income models to operationalise this by paying a Living Income Reference Price (LIRP) to bridge the gap between the market price and a decent standard of living, regardless of volatility<sup>(141)</sup>. This approach goes beyond minimum legal prices and fixed premiums, directly linking purchasing with social impact. Responsible purchasing is a legal requirement and a proven means for equitable value distribution and resilient business relations.

Responsible purchasing practices alone are no guarantee for companies against adverse impacts on living incomes. Ensuring the right to a living income is respected is complex and depends on many variables (crop yield, farm size, costs, productivity, and external factors such as weather, climate change and disease). Although purchasing practices and living income models effectively reduce gaps, additional due diligence measures are required, such as regular monitoring, stakeholder engagement and cascading contractual assurances. Ancillary measures related to productivity levels and income diversification are also used in practice by companies to help self-employed workers and farmers to reach living income levels. Where productivity improvements are pursued, care should be taken that these translate into higher net incomes and do not exacerbate vulnerability or exclusion.

<sup>136</sup> See Articles 10(6) and 13(3)(b) CSDDD.

<sup>137</sup> Article 10(6) CSDDD.

<sup>138</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>139</sup> See Recitals 46, 47 and 54 CSDDD.

<sup>140</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

<sup>141</sup> For example, Tony’s Chocolonely’s Living Income Model: <https://tonyschocolonely.com/pages/living-income-model> and the Living Income Roadmap for Belgian Chocolate Makers: <https://idh.org/resources/living-income-roadmap-for-belgian-chocolate-makers>

See *Technical Guidance on Due Diligence for Living Income — Guidance Point B2: Review Purchasing Practices, Adopt Approaches to Sharing Risk and Establish Criteria for Price* <sup>(142)</sup>.

e) ***Bring actual adverse impacts to an end and minimise their extent (Article 11)***

**Summary of concrete steps:**

- A company is required to take appropriate measures to end or minimise identified living income gaps, taking into consideration its level of involvement.
- Appropriate measures should be included in a corrective action plan, developed in cooperation with supply chain partners. These could include a combination of measures related to supplier management, pricing and transparency, and certifications and premiums.
- To address living income gaps within its supply chain, a company should use its influence vis-à-vis business partners, through informal engagement, contractual assurances, contractual cascading and business incentives.
- Only as a last resort, a company may have to suspend a business relationship. In this case, a company is expected to disengage responsibly.
- A company will have to (responsibly) suspend a business relationship when it may no longer be reasonably expected that the enhanced corrective action plan will succeed. Companies shall assess any potential adverse impacts, including on living incomes, before deciding to disengage.

*Corrective action plan*

A company must take appropriate measures to end or, if not possible, minimise the extent of identified living income gaps in its operations or supply chains. When the adverse impact cannot be immediately brought to an end – which is likely when severe and structural living income gaps have been identified – the company must develop and implement a corrective action plan setting out the measures it aims to take to end these gaps and taking into account its level of involvement in the adverse impact <sup>(143)</sup>. Companies may develop such plans in cooperation with other industry actors, which can support more effective and (cost-)efficient measures.

Importantly, the plan should consider the company’s level of involvement (see [section 2.c](#)) and the degree of influence or leverage it can reasonably exercise, for example through cooperation or engagement with supply chain partners. In addition, the corrective action plan should include a timeline for periodic assessment of operations and implemented measures, particularly where living income gaps cannot be immediately brought to an end.

Relevant stakeholders shall always be consulted by the company when developing prevention action plans <sup>(144)</sup>.

Addressing actual adverse impacts, here as part of the corrective action plan, should also trigger a review of (forward-looking) due diligence policies and preventive measures where the need to remediate is evidence of a company’s inadequate or ineffective measures. This includes addressing and reviewing purchasing practices through living income KPIs for the procurement units or managers, long-term contracts, price guarantees and premiums, and direct trading relationships with farmers. Pricing interventions to prevent more remediations should include analysis of price mechanism impacts, possible adoption of LIRPs, and support for government price guarantees. Where living income gaps occur indirectly despite the efforts of a company, it could engage in deeper business relationships to overcome supply chain fragmentation – eventually with the help of sustainability initiatives, collaborative action encompassing industries, advocacy for supportive government policy, and engagement in sector-wide initiatives.

<sup>142</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>143</sup> See [section 3.d](#).

<sup>144</sup> Article 13(3)(b) CSDDD.

### *Using influence to address living income gaps within a company's chain of activities*

When adverse living income impacts are caused only by a business partner, the company shall take appropriate measures to address these according to its ability to influence the business partner or, where necessary, seek to increase its leverage to do so <sup>(145)</sup>. This should be done when a company has taken necessary precautions and appropriate measures (e.g. on price and capacity building) to create conditions for living incomes, but its business partner does not take similar measures, preventing self-employed workers and smallholders from earning a living income.

Thereafter, it is essential to build a common understanding and shared expectations around LIDD with business partners. In this regard, a company shall seek contractual assurances from a business partner that it will cooperate in implementing the company's code of conduct and, as applicable, prevention or corrective action plans. Such contractual assurances should be designed to ensure that responsibilities are shared appropriately by both parties.

Through contractual cascading, a company may seek corresponding contractual assurances from their business partners where their activities are part of the company's chain of activities. The connection between (cascading) contractual assurances and responsible purchasing practices is central here. Contractual assurances will be difficult to for business partners to fulfil if they are not combined with responsible purchasing practices. In that case, suppliers will simply not have the financial means to provide a living income. Additionally, in this context, cascading contractual assurances mean that obligations to use responsible purchasing practices – as required by the buyer – should always be part of the contract and should be cascaded, meaning that suppliers to the company are bound by the same responsible purchasing practices when acting as buyers.

The European Commission's guidance on voluntary model contractual clauses will provide more specific recommendations to facilitate their use. The European Model Clauses (EMCs) are a set of model clauses designed by the Responsible Contracting Project to align with the CSDDD <sup>(146)</sup>. It is important to note that the mere use of contractual clauses cannot, on its own, satisfy the due diligence obligations in the CSDDD. Furthermore, such clauses should not be used to transfer all due diligence obligations to a business partner. Contractual assurances, based on responsible purchasing practices and appropriate price measures, must be accompanied by appropriate measures to verify compliance <sup>(147)</sup>.

#### **Box 12: What companies can and cannot cascade in due diligence obligations**

While contractual cascading is an important tool for extending responsible business conduct in a supply chain, companies cannot assume that due diligence obligations can simply be passed on to upstream suppliers. The CSDDD maintains a clear distinction between a company's own responsibility and the supporting duties that suppliers may reasonably be expected to fulfil. Contractual clauses can require suppliers to provide information, follow standards or cooperate with mitigation measures, but they do not transfer the legal duty of due diligence to upstream actors. Companies remain responsible for identifying, prioritising, preventing, mitigating and remediating adverse impacts throughout their chain of activities, even where impacts occur in entities they do not own or control.

For this reason, cascading expectations must be proportionate to a supplier's size, capacity and role. Large, well-resourced suppliers may be expected to map the risks associated with selected upstream sources, maintain documentation, operate grievance channels and implement mitigation aligned with the company's risk management system. By contrast, SMEs, smallholder cooperatives or informal producer groups may have limited administrative capacity, which makes extensive reporting or formal compliance systems unrealistic or counterproductive. In such cases, companies should adapt

<sup>145</sup> See also UNHR (2012), *The Corporate Responsibility to Respect Human Rights - An Interpretive Guide*, New York and Geneva, <https://doi.org/10.18356/65932e19-en>;

OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/15f5f4b3-en>;

OECD (2023), *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/81f92357-en>.

<sup>146</sup> European Working Group for Responsible and Sustainable Supply Chains (2024), *Zero Draft for Consultation: The European Model Clauses (EMCs) for Responsible and Sustainable Supply Chains*. <https://www.responsiblecontracting.org/emcs>

<sup>147</sup> Article 11(6) CSDDD.

expectations and, where relevant, shall offer financial and technical support to SMEs, or where possible, collect key data directly from the source rather than relying on SMEs<sup>148</sup>).

Crucially, companies cannot rely on contractual clauses as proof that due diligence has been carried out. A supplier's promise to comply with applicable law or respect human rights is not, on its own, evidence that risks have been identified or mitigated. Such clauses are one element to extend influence, signal expectations and facilitate cooperation in risk management. The company must still apply its own systems to analyse risk likelihood and severity, verify supplier information, conduct or commission checks where needed, and determine appropriate preventive and corrective actions. In the context of living incomes, most crucially, this also means implementing responsible purchasing practices and responsible pricing.

Contractual cascading supplements and enables, but does not replace, the company's due diligence obligations. A company shall therefore always need to take additional appropriate measures to verify, support and ensure compliance, especially if the company has a price-setting power over its suppliers and SMEs are involved as suppliers, or if the impacts are very severe.

Cascading obligations must also be designed so they do not shift inappropriate risks or burdens onto suppliers, particularly smaller actors. For example, requiring an SME exporter or cooperative to guarantee the absence of adverse impacts across a multi-tier upstream network is neither reasonable nor consistent with the Directive's shared-responsibility approach. This approach takes into account the level of involvement of a company in the adverse impact and the ability of a company to influence the business partner that caused or jointly caused the actual adverse impact<sup>149</sup>. Companies should instead specify the behaviours and cooperation they expect – such as providing access to farms or mine sites for verification, sharing purchase records or payment logs, or implementing agreed mitigation steps. Notably, the company retains responsibility for overall risk assessment, prioritisation and decision-making (see above regarding the need for responsible purchasing practices when cascading).

Finally, cascading obligations must be backed by appropriate support measures. This may include training suppliers on due diligence requirements, responsible purchasing practices, living income-compatible prices, co-financing traceability or data systems, simplifying reporting templates, or establishing joint monitoring mechanisms across buyers to reduce duplication. Where suppliers face structural constraints, such as cooperatives working with many dispersed smallholders, companies may need to complement contractual expectations with direct engagement, collective action with peers, or partnerships with local organisations to fill capacity gaps. Companies remain accountable for the quality and effectiveness of due diligence across their supply chains. They must calibrate what they ask of business partners in a realistic, proportionate and supportive way and remain responsible for the identification, prioritisation, mitigation and remediation of risks.

### **Principles for contractual cascading in living income due diligence**

Although companies cannot transfer their due diligence obligations to suppliers, they must still seek to establish some responsibilities for them. Contractual cascading remains an important tool for extending expectations, improving information flows and enabling cooperation to prevent and address living income risks. When carefully designed, cascading clauses can help translate income-relevant commitments by downstream companies into practical actions across the supply chain, while overall responsibility remains with the company.

Effective measures for living incomes that involve suppliers begin with ring-fencing income-related payments, such as premiums or differentials paid by the company to its (direct or indirect) supplier. By explicitly separating these amounts from the commercial price and prohibiting deductions or offsets, companies can create a protected financial stream that reliably reaches producers through additional measures. Ring-fencing can enhance transparency about living income-related costs and help reduce the risk of erosion of value as funds move through intermediaries, as well as being effective tool during remediation. Relatedly, companies can use mandatory pass-through clauses. These

<sup>148</sup> Article 11(3)(f) CSDDD.

<sup>149</sup> Article 11(1) and recitals 45, 54, 66 CSDDD.

provisions require suppliers to apply the same income-related expectations – such as payment timelines, reporting requirements and documentation standards – to the next tier. Pass-through clauses should not shift responsibility onto suppliers, rather they should help to support the fulfilment of the company’s due diligence requirements beyond the first tier and remove obstructions by commercial interfaces.

Companies can also establish standardised payment protocols specifying how income-relevant payments must be made and documented. Clear rules on transfer methods, timing and record-keeping reduce ambiguity and help ensure consistency across suppliers, as well as simplifying monitoring. Cascading can, additionally, be supported by independent verification rights, allowing companies or third parties to review payment flows, interview producer groups or conduct spot checks where appropriate. Such rights strengthen information reliability and help companies meet their CSDDD obligations, particularly in complex or multi-intermediary supply chains.

Companies must also consider how their own purchasing behaviour interacts with cascading clauses. Cascading must be accompanied by safeguards against buyer-induced distortions, such as lowering base prices to offset premiums, imposing unpredictable lead times or shifting risk upstream. Ensuring coherence between purchasing practices and contractual expectations is essential to avoid undermining the income goals cascading aims to support. Finally, contractual cascading should incorporate clear remediation provisions. If income-related funds do not reach producers as intended, contracts should outline corrective steps, such as restitution payments, strengthened monitoring or suspension of sourcing until the issue is resolved. These provisions make cascading an integral part of effective remediation ([section 3.f](#)).

#### **Example of contractual cascading in artisanal gold supply chains**

In the artisanal gold sector, several responsible-sourcing initiatives, including the Swiss Better Gold Initiative (SBGI) and Fairtrade Gold<sup>150</sup>, use contractual cascading to ensure that price premiums and development funds agreed by downstream refiners and jewellery brands reach the mining communities that produce the gold. Under these arrangements, the refiner signs a purchase agreement with an authorised aggregator or exporter that includes a mandatory premium payment to the producing mine site. The exporter is contractually required to pass through (cascade) this obligation into its own contracts with mine cooperatives, specifying a) the premium amount per kilogram of gold, b) the timing and modality of disbursement, c) documentary proof required (e.g. bank confirmation, signed member distribution lists), and d) the prohibition of deductions from the premium. Cooperatives must document how the funds are distributed to miners – through direct cash top-ups, miner-identified community projects, or equipment purchases benefiting the group – and make records available for audit. Independent verifiers review financial flows, interview miners and validate cooperative records to verify the integrity of premium pass-through.

This cascading structure helps to translate commitments made by downstream buyers into enforceable upstream obligations, reducing leakage through intermediaries and strengthening income outcomes for artisanal miners. While these premiums alone do not close living income gaps, they demonstrate how contractual cascading can be used in mining supply chains to help increase the likelihood that agreed financial benefits reach workers at the extraction site.

Alongside contractual assurances, companies shall also take measures related to responsible purchasing practices, if relevant and appropriate, such as linking business incentives to performance on living incomes. Such incentives could include commitments to long-term supplier contracts and future orders. Longer-term partnerships can support living income goals by enabling a company to jointly develop LIDD requirements, increase leverage to drive changes in business partner behaviour, and give smallholders and cooperatives greater confidence to invest in resilience and long-term productivity. A company should also clearly communicate to, and seek contractual assurances from, its business partners regarding the process and consequences applicable where mutually agreed LIDD

<sup>150</sup> Website Fairtrade Gold: [https://www.fairtrade.net/en/products/Fairtrade\\_products/gold.html](https://www.fairtrade.net/en/products/Fairtrade_products/gold.html)  
Website SBGI: <https://www.swissbettergoldassociation.ch>

expectations are not met. This should emphasise progressive engagement, shared responsibility, support for improvement, and that measures such as (temporary) suspension may be considered only as a last resort, after reasonable efforts to prevent and mitigate living income-related risks have been undertaken.

### *Responsible disengagement*

When it becomes clear that, despite reasonable and sustained efforts through the measures above and the use of available leverage, a company is unable to prevent, end or mitigate its adverse living income impacts<sup>151</sup>, the company must, as a last resort and until the impact is addressed: 1) refrain from entering into new or extending existing relations with business partners that are connected, directly or through their chain of activities, with the living income gap(s); and 2) suspend (if lawful) the business relationship with respect to those activities – meaning in practice that products can no longer be purchased through those partners. Where there is a reasonable prospect of change, the company shall without undue delay, develop an ‘enhanced corrective action plan’ with the business partner concerned. Importantly, these actions are to be read as interconnected: suspension of business relations must be accompanied by an enhanced corrective action plan, be a measure of last resort, and it shall only last until the impact is addressed.

While doing so, a company may use or increase its leverage through the suspension of the business relationship. An enhanced corrective action plan should take into consideration the impact of any measure on smallholders and self-employed workers, in particular vulnerable groups. Companies must therefore always consult relevant stakeholders when developing enhanced prevention action plans<sup>152</sup>.

When making a decision about the suspension of a business relationship, a company shall assess whether the impact of suspension would be reasonably expected to be manifestly more severe than if the company did not suspend the relationship. In the case of living income violations that could not be adequately addressed, the company must therefore assess whether disengaging would aggravate the adverse living income impact, for example if the suspension would mean further loss of livelihoods. The company should also consider the emergence of other potential human rights or environmental adverse impacts. In order to assess this accurately and to be able to report to the competent supervisory authority, it is strongly advised to consult all relevant stakeholders, especially smallholder farmers and self-employed workers and their representatives. For example, a decision to suspend a (direct or indirect) business relationship could risk cutting off a vital source of income for the self-employed workers, therefore aggravating the adverse living income impact. In such a case, the company must continue the business relationship and monitor the living income gap(s), including its evolution in terms of scale and severity, and periodically reassess its decision and the availability of further appropriate measures.

After a decision to disengage has been made, a company should provide reasonable notice, ensure that disengagement is in compliance with national and international legislation, and support its decision with detailed information. As long as there is a reasonable expectation that the enhanced corrective action plan would succeed, the company will not be exposed to penalties or civil liability. When taking into account the systemic challenges linked to living incomes and the scale and severity related to a living income case, evidence of continuous improvements in addressing living income adverse impacts is an indication of reasonable expectations being met. Under the CSDDD, a company can only (responsibly) discontinue a business relationship when it is no longer reasonable to expect that the enhanced corrective action plan will succeed – or else the company would risk facing penalties or liability.

Finally, if an adverse living income impact has been identified as an adverse impact and could not be prevented or adequately mitigated, the logical consequence is that the violation of the right to living income will need to be remediated if it was caused or jointly caused by the company, as described in the following section.

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<sup>151</sup> Article 11(3, 5 and 6) CSDDD.

<sup>152</sup> See Articles 11(7) and 13(3)(b). See also [section 3.g](#).

f) *Provide remediation for actual adverse impacts (Article 12)***Summary of concrete steps:**

- The requirement to provide remediation is related to the question of causality of the adverse impact. When a company has caused or jointly caused adverse living income impacts, it must provide (appropriate and proportional) remediation. Remediation can take the form of monetary compensation or other appropriate measures.
- To determine the appropriate form of such remediation, a company must consult those affected and other relevant stakeholders.
- A company should particularly take into account and address barriers to stakeholder engagement related to remedies (e.g. knowledge gaps).
- Where the actual adverse impact is caused only by the company's business partner, the company may still take a role in remediation by using its ability to influence the relevant business partner.

When assessing the appropriate form of remediation for identified adverse impacts, due account should be taken of the level of involvement of the company in the adverse living income impacts in its supply chains. The extent to which a company is expected to cooperate in remedy of a living income violation largely depends on whether a company is causing or jointly causing the adverse impacts that it has identified during the scoping exercise ([section 3.b](#)) – or if they are caused only by a business partner linked to the company's value chain. As mentioned before, it is important to acknowledge that adverse living income impacts can exist and need to be addressed even while a company complies with national legislation and negotiated wage levels <sup>(153)</sup>. Nonetheless, companies cannot be held responsible for remediating living income gaps if these are only caused by circumstances fully outside of their control (e.g. land size, family size).

*Remediation of harm related to income gaps (solely or jointly) caused by a company*

When a company has (jointly) caused actual adverse impacts, it must provide remediation <sup>(154)</sup>. For example, in the case of living income gaps, harm caused directly will typically relate to non-payment of products, prices below the cost of production, prices below the LIRP (whether due to general market fluctuations, negotiation outcomes, price discounts, or something else), breaches of contracts, or unexpected order cancellations. In such cases, monetary compensation will often be the most appropriate form of remedy <sup>(155)</sup>.

It is important that a company engages with those affected to determine the form of remedy required. A company should particularly take into account, and actively attempt to reduce, barriers to access to remedy for vulnerable groups, such as strict evidentiary requirements, knowledge gaps, a lack of legal assistance and physical distance to remedial forums when these are located far from communities and worksites. Remediation should also be compliant with national legislation <sup>(156)</sup>.

In line with recital 58 and the international standards set by the UNGPs and OECD Guidelines, remediation should be proportionate to the significance and scale of the adverse impact, and should seek to restore the affected person(s) to the situation they would be in had the adverse impact not occurred, where possible <sup>(157)</sup>. The calculation of compensation for harm related to living income, as a form of remediation, should therefore take into account the total size of the living income gap, the number of households affected and the duration of the adverse impact. The proportionality principle also applies to the degree and the role of the company in (jointly) causing adverse impacts,

<sup>153</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

<sup>154</sup> Article 12(1) CSDDD.

<sup>155</sup> Article 3(l)(t) and Recitals 58 and 87 CSDDD. Cf. OECD (2024) *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>

<sup>156</sup> OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

<sup>157</sup> OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/15f5f4b3-en>;

i.e. based on the company's volume of orders as a share of the total orders received by the other company or companies with whom it has jointly been causing living income gaps.

### *Remediation of income gaps linked to a company*

A company shall provide the possibility for persons and organisations to directly submit complaints in case of legitimate concerns regarding living income gaps in a company's supply chain ([section 3.h](#))<sup>(158)</sup>. Where the company has not caused or contributed to an actual adverse impact, rather it was caused only by a business partner, the company may still play a role in remediation by using its ability to influence the business partner that is causing the adverse impact to enable remediation.

#### **Box 13: Examples on remediation**

##### **Employees of a banana plantation in Costa Rica**

A group of employees received compensation for violations of labour rights – related to wage payments and working conditions – on the plantations. An NGO, a local trade union, a trader, a producer and a retailer negotiated compensation payments and other remediation measures. This was made possible due to the grievance and remediation measures required by the German Supply Chain Act (which will be replaced by the CSDDD)<sup>(159)</sup>. However, the terms of the compensation were kept confidential as part of the agreement. The companies insisted that the payments must not constitute an admission of guilt<sup>(160)</sup>. Although related to wages, this example shows the possibilities and challenges that also arise in remediation related to violations of human rights abuses regarding living incomes. Another example from the banana sector in terms of causality and proportionality, is Lidl Netherlands which paid its share of the wage gap in the form of a living wage premium via wages / salaries, vouchers or cash<sup>(161)</sup>.

##### **Homeworkers in the Nike footwear supply chain in Spain and Portugal**

Homeworkers producing footwear components for Nike subcontractors in Spain and Portugal received retroactive compensation for unpaid work and underpayment, following investigations by trade unions, local NGOs, and the OECD National Contact Point (OECD NCP). The grievance process revealed that homeworkers were paid below the legally required minimums as a result of low piece rates and unrecorded hours. As part of the negotiated remediation, affected workers received back payments, subcontractors formalised employment arrangements, and Nike strengthened oversight of subcontracting to prevent recurrence. The full compensation agreement was not made public, but Nike stated that the remediation was implemented without constituting an admission of legal fault<sup>(162)</sup>.

##### **Uber drivers receiving compensation after misclassification findings in the United Kingdom**

Following the UK Supreme Court ruling that Uber drivers were 'workers' rather than independent contractors, affected drivers became entitled to compensation covering minimum wage arrears, holiday pay, and other statutory earnings. The case was brought forward by drivers' representatives and unions, resulting in a structured remediation process that included back payments and changes to pay calculation methods across the UK market. Uber also introduced new transparency measures regarding

<sup>158</sup> Article 14 CSDDD.

<sup>159</sup> German Supply Chain Act: Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten (Lieferkettensorgfaltspflichten-gesetz, LkSG)", which came into force on 1 January 2023.

<sup>160</sup> See Spiegel (2025), *Banana workers receive compensation after complaint*. Available at: <https://www.spiegel.de/wirtschaft/costa-rica-bananenarbeiter-erhalten-nach-beschwerde-entschaedigung-a-d0d01b16-a25f-42c6-85e9-0e8de1fe25ee>

<sup>161</sup> Lidl (2024), *Living Wages in the Banana Supply Chain Project Report*. Available at [https://corporate.lidl.nl/content/download/89171/fileupload/Living%20Wage%20on%20Bananas\\_Final%20Report.pdf](https://corporate.lidl.nl/content/download/89171/fileupload/Living%20Wage%20on%20Bananas_Final%20Report.pdf)

<sup>162</sup> See: OECD NCP statements; Clean Clothes Campaign reports: <https://cleanclothes.org/file-repository/nike-lies-report-july-2024-1.pdf>; <https://www.businessoffashion.com/articles/sustainability/worker-rights-nike-oecd-complaint-covid-19-pandemic-wage-theft/>

working time and earnings to reduce the risk of similar issues arising. As in comparable settlements, the details of individual compensation amounts were not publicly disclosed, and the company stated that compliance with the ruling did not constitute an admission of wrongdoing for earlier practices<sup>163</sup>).

### **Artisanal gold mining in the Democratic Republic of Congo**

A range of OECD NCP cases and investigations in the artisanal gold sector (e.g. Afrimex UK NCP case; OECD Gold Supplement; IPIS and Global Witness reporting) have documented patterns of unfair pricing, under-weighting and harmful fee structures affecting artisanal miners. In several cases, OECD NCP-mediated processes resulted in commitments to corrective actions and improved transparency and oversight of intermediaries. Although financial compensation terms are typically confidential, these cases illustrate the types of income-restoration and system-correction measures that would constitute remediation under the CSDDD.

Artisanal gold miners in eastern Democratic Republic of Congo received restitution for economic losses after an OECD NCP complaint found that buying practices by a gold exporter had contributed to unfair pricing and harmful trading conditions. The complaint was brought forward by civil society organisations representing miners who reported systematic under-weighting, unjustified price deductions, and coercive fee structures at local buying houses. Through the mediation process, the company agreed to compensate miners for documented underpayments and to implement corrective measures, including transparent mineral valuation procedures, the removal of arbitrary fees, and public disclosure of pricing formulas. It also committed to strengthening oversight of intermediary buying agents and establishing grievance channels accessible to miners. As in similar cases, the terms of financial compensation were confidential, and the company clarified that the agreement did not constitute an admission of legal liability. These cases illustrate how remediation in the mining sector often combines income restitution with systemic corrective actions that address pricing practices and intermediary behaviour, which are central drivers of living income risks in artisanal mining communities<sup>164</sup>).

### **g) Engage meaningfully with stakeholders (Article 13)**

#### **Summary of concrete steps:**

- A company must take appropriate measures to carry out effective engagement with relevant stakeholders throughout various specific due diligence steps.
- Stakeholder engagement should be transparent and due account should be taken of inclusivity, two-way dialogue and (potential) barriers that stakeholders may face in engaging with company representatives, including cultural, linguistic, gender-related and financial barriers.
- To exercise LIDD, a company should particularly facilitate meaningful exchange between self-employed workers or smallholders, their immediate buyers and international buyer companies.

<sup>163</sup> See: UK Supreme Court (2019), *Uber BV and others (Appellants) v Aslam and others (Respondents)*. Available at: <https://www.supremecourt.uk/cases/uksc-2019-0029>;  
See: The Guardian (2021), *Uber drivers entitled to workers' rights, UK supreme court rules*. Available at: <https://www.theguardian.com/technology/2021/feb/19/uber-drivers-workers-uk-supreme-court-rules-rights>  
See: Keystone Law (2021), *Supreme Court judgment confirms employment status for Uber drivers*. Available at: <https://www.keystonelaw.com/keynotes/supreme-court-judgment-confirms-employment-status-for-uber-drivers>;  
See: Harvard Law Review (2021), *Recent Case: Uber BV v. Aslam*. Available at: <https://harvardlawreview.org/blog/2021/03/recent-case-uber-bv-v-aslam>;

<sup>164</sup> See: OECD Watch (2007), *Global Witness vs. Afrimex*. Available at: <https://www.oecdwatch.org/complaint/global-witness-vs-afirmex/> and the OECD Complaints database available at: <https://www.oecdwatch.org/complaints-database/>  
See: Impact, *Just Gold project*. Available at: <https://impacttransform.org/en/work/project/just-gold/>;  
See Global Witness (2026), *River of Gold*. Available at: <https://www.globalwitness.org/en/campaigns/democratic-republic-congo/river-of-gold/>;  
See IPIS, *Carte de l'exploitation minière artisanale dans l'Est de la RD Congo*. Available at: <https://ipisresearch.be/maping/webmapping/drcongo>

- Industry and government engagement are often essential to effectively address adverse living income impacts and living income gaps.
- Relevant stakeholder categories for adverse living income impacts include producer organisations, farmer cooperatives – as legitimate representatives of smallholders – and households of self-employed workers and smallholders.

### *Stakeholders*

In order to conduct meaningful due diligence, companies must take appropriate measures to carry out effective engagement with stakeholders (see the definition in [section 2.c](#)). For the purposes of Article 13 of the CSDDD, stakeholders should be interpreted broadly. In terms of LIDD, this group should be understood to include:

- individuals whose rights and interests are, or could be, directly affected by the products, services and operations of the company, its subsidiaries and its business partners, including among others smallholders and their households, as their right to an income will be affected given that living income is calculated at household level;
- self-employed workers and smallholders in the company's value chain;
- legitimate representatives of smallholders or self-employed workers, including trade unions, workers' representatives, producer organisations and cooperatives
- local communities, when a large part of the community has direct or indirect links with the company's chain of activities;
- other legitimate representatives of those individuals or communities.

Living income levels and gaps may fluctuate due to local circumstances (e.g. inflation or loss of production) and may not be noticed immediately by a company. Engaging regularly with the relevant groups of stakeholders can help a company to select appropriate living income benchmarks, identify living income gaps, and track effective interventions <sup>(165)</sup>.

### *Meaningful engagement*

Stakeholder engagement should be meaningful in the sense that it is transparent, includes equitable and diverse participation, clearly addresses the boundaries of decision-making, is conducted in good faith, and goes beyond merely informing those affected to actually engage meaningfully with them. The goal of stakeholder engagement is to obtain feedback and relevant information on actual or potential adverse impacts and the effectiveness of appropriate measures <sup>(166)</sup>. Related to living incomes, exchanges should not only discuss price levels, but also purchasing practices and other measures which can or should be taken to address adverse living income impacts. Engagement can take many forms, including dialogues, consultations, public hearings and other in-person meetings. A company should decide on the most appropriate type depending on context and purpose.

Stakeholder engagement should be organised regularly and enable two-way communication between the company (or companies) and stakeholders. The company must provide relevant information specifically requested by consulted stakeholders, unless the information qualifies as a trade secret under Union law <sup>(167)</sup>. If the company refuses such a request, it must provide written justification. In the case of LIDD, stakeholders should have equal access to relevant information, including the living income benchmarks used and information about the implementation of actions included in the prevention and/or corrective action plan.

Meaningful engagement requires a company to properly announce, prepare, conduct and follow-up after engagement opportunities. Stakeholders should be informed about topics and be able to add issues to the agenda. They should have time to prepare information and data requested by a company in order for meaningful engagement to

<sup>165</sup> See also OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/15f5f4b3-en>;

OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>

<sup>166</sup> See e.g. Sivaramakrishnan et al., (2024), *Meaningful stakeholder engagement with smallholder farmers in due diligence processes of companies*, Fair Trade Advocacy Office, Brussels. Available at: <https://fairtrade-advocacy.org/posts/61-meaningful-stakeholder-engagement-with-smallholder-farmers-in-due-diligence-processes-of-companies>

<sup>167</sup> Article 13(2) CSDDD.

be possible. Regarding discussions on living income, regular engagement opportunities should be organised to discuss and exchange information on prices, purchasing practices, production costs and the resulting working and income conditions.

#### *Engagement throughout the due diligence process*

Meaningful stakeholder engagement is essential throughout the due diligence process required under the CSDDD, and should take place (at least) during the following stages:

- when gathering information on potential or actual adverse living income impacts, in order to identify, assess and prioritise adverse impacts <sup>(168)</sup>;
- when developing prevention and corrective action plans (and enhanced versions of these) to address potential or actual living income gaps <sup>(169)</sup>;
- when adopting appropriate measures to remediate adverse impacts <sup>(170)</sup>.

For the purpose of exercising LIDD under the CSDDD, a company should take concrete actions to facilitate meaningful exchange between self-employed workers and smallholders (and/or their representatives) on one hand and their immediate buyers and international buyer companies (involving their procurement and pricing teams) on the other hand in developing responsible purchasing practices. This could include, for example, regular meetings at local level (which may include the involvement of spouses, adult children, tenants, etc.) or other communication forums <sup>(171)</sup>. This will allow those affected to articulate concerns and help companies develop effective interventions to address potential or actual adverse living income impacts together with business partners. When a company has no direct link to smallholders and self-employed workers, it could consider contributing to the right to a living income by collaborating and engaging with producer organisations and their cooperatives, and using the expertise of industry initiatives or MSIs. The company could also consider using its own influence as leverage to seek remediation and meaningful engagement from the most appropriate business partners, without prejudice to its own responsibility to consult stakeholders <sup>(172)</sup>.

#### **Box 14: Examples of where companies and their business partners may need to engage directly with producer organisations and workers representatives, if relevant:**

In addition to the general stakeholder engagement requirements of Article 13, the following requirements of the CSDDD would probably entail engagement with producer organisations and workers representatives:

- A business partner must disclose the identity of direct and indirect business partners (including producer organisations and cooperatives) or essential information needed to identify actual or potential adverse impacts (Article 5(3)).
- Where the necessary information can be obtained from different business partners, companies prioritise requesting information, where reasonable, directly from the business partner or partners where the adverse impacts are most likely to occur (Article 8(3)(b)).
- Companies' business partners should establish corresponding contractual assurances from their own business partners, to the extent that their activities are part of the company's chain of activities (Articles 10(2)(b) and 11(3)(c)).
- The company may seek contractual assurances from an indirect business partner to address adverse impacts that could not be prevented or adequately mitigated by other appropriate measures (Articles 10(4) and 11(5)).

<sup>168</sup> As required by articles 8 and 9 CSDDD.

<sup>169</sup> Pursuant to Articles 10(2) and 11(3) and articles 10(6) and 11(7).

<sup>170</sup> Pursuant to Article 12 CSDDD.

<sup>171</sup> Sivaramakrishnan et al., (2024), *Meaningful stakeholder engagement with smallholder farmers in due diligence processes of companies*, Fair Trade Advocacy Office, Brussels. Available at: <https://fairtrade-advocacy.org/posts/61-meaningful-stakeholder-engagement-with-smallholder-farmers-in-due-diligence-processes-of-companies>

<sup>172</sup> See also the guidance below on collaboration on LIDD.

- The company shall have appropriate measures to verify compliance – which is likely to require the involvement of producer organisations and workers representatives (Articles 10(5) and 11(6)).
- Regarding monitoring of business partners’ operations where these are related to a company’s chain of activities, the company shall periodically assess the appropriate measures to address adverse impacts in terms of their adequacy and effectiveness (Article 15).

### *Addressing potential barriers to stakeholder engagement*

A company should be sensitive to barriers to engagement that stakeholders may face, including linguistic, cultural, gender or other barriers<sup>(173)</sup>. The company should be aware of actual or perceived power imbalances and be mindful that the most vulnerable stakeholders may be the most significantly affected. The company should not only be aware of these barriers but also take concrete and appropriate measures to address them and create an enabling environment for meaningful exchange.

Earning a living income is not only a desired outcome, but also a crucial pre-condition for meaningful stakeholder engagement. Companies should therefore also treat living income and fair payment terms as an enabling factor for meaningful stakeholder engagement. Meaningful engagement with self-employed workers and smallholders cannot take place at scale if they are not earning a living income, because time, mobility and connectivity constraints make participation practically impossible, and participating in stakeholder engagement may reduce incomes due to lost working hours.<sup>(174)</sup> This means compensating smallholders or self-employed workers for their time and efforts in engagement processes<sup>(175)</sup> and ensuring that stakeholders are free from retaliation and retribution, including by maintaining confidentiality and anonymity.

In the case of smallholders, stakeholder engagement should involve their producer organisations or cooperatives. When smallholders or self-employed workers are not part of a cooperative, a company should map and consult them with the help of relevant actors such as informal producer groups, community-based organisations, local groups, NGOs or CSOs. A risk-based approach requires that those most at risk of adverse impacts (including women, youth, migrant workers, smallholders, minorities, marginalised or vulnerable groups) are treated as priority interlocutors – instead of being overlooked.

In principle, stakeholder identification (as part of the in-depth risk assessment stage) should encompass communities, smallholders and self-employed workers and other individuals whose interests may be affected<sup>(176)</sup>. When meaningful engagement with all relevant stakeholders is not possible, companies should consult with recognised, company-independent representatives and experts such as civil society organisations or human rights defenders to gain credible insights into actual or potential adverse impacts. Given the complex nature of LIDD, even if a company has internal expertise on human rights due diligence, it is also expected to consult external sources, reflecting evolving best practices to effectively address adverse living income impacts.

### *Collaboration on due diligence for living income*

To effectively address adverse living income impacts, a company may collaborate with other buyers individually or through industry initiatives<sup>(177)</sup>. Such collaboration may harmonise efforts, reduce costs and increase leverage. A company may also collaborate with local governments in sourcing areas, which play a major role as regulators,

<sup>173</sup> See also UNHR (2012), *The Corporate Responsibility to Respect Human Rights - An Interpretive Guide*, New York and Geneva, <https://doi.org/10.18356/65932e19-en>;

<sup>174</sup> Sivaramakrishnan et al., (2024), *Meaningful stakeholder engagement with smallholder farmers in due diligence processes of companies*, Fair Trade Advocacy Office, Brussels. Available at: <https://fairtrade-advocacy.org/posts/61-meaningful-stakeholder-engagement-with-smallholder-farmers-in-due-diligence-processes-of-companies>

<sup>175</sup> It is important to distinguish the payment of a fair compensation - to ensure time is made available for honest and objective feedback - from overcompensated payments or the normal payments of goods and services by smallholders or self-employed workers, which are perceived/linked to company requirements.

<sup>176</sup> OECD (2017), *OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264252462-en>.

<sup>177</sup> Article 13(6) CSDDD.

economic actors and partners in multi-stakeholder cooperation (<sup>178</sup>). For example, through data sharing, government engagement can help a company understand its role in living income gaps and design effective interventions.

**Box 15: Example of effective sector collaboration to address living income gaps**

**National multi-stakeholder living income commitment: Belgium’s ‘Beyond Chocolate’ initiative in the cocoa sector**

Beyond Chocolate is a government-led partnership involving all major Belgian chocolate companies, retailers, NGOs, traders / processors, certification bodies, and donors. It includes explicit living income targets for cocoa farmers in Côte d'Ivoire and Ghana. Companies jointly committed that by 2030 all cocoa farmers in their supply chains shall reach a living income. This includes a national-level agreement ensuring all actors use comparable living income benchmarks and farm-economic models. The initiative funds joint programmes (co-financed by companies and public donors) where closing the income gap is a shared objective instead of individual company efforts. Partners participate in transparent reporting to track living income progress across the Belgian market.

This example from Belgium illustrates what LIDD collaboration under the CSDDD could look like using shared benchmarks, shared tools, joint funding, and coordinated supplier requirements (<sup>179</sup>). While Beyond Chocolate was the first initiative to include living income as an objective, similar initiatives on sustainable cocoa (ISCOs) have followed.

**Aligned income measurement for the cocoa sector**

The World Cocoa Foundation launched the Cocoa Household Income Survey (CHIS) in 2023. CHIS represents cross-sector efforts to harmonise how cocoa and chocolate companies measure smallholder household income. It establishes a shared, academically-robust methodology for calculating total household income – including cocoa and non-cocoa farm revenue, off-farm employment, remittances, business income and in-kind benefits – in combination with data on cost of production, farm size, labour use and diversification. By providing a common income measurement framework and dataset, CHIS reduces fragmentation across companies, certification bodies and development partners, enabling supply chain actors to measure and report according to the same methodology. The initiative helps align cocoa sector stakeholders around consistent definitions, indicators and survey tools, strengthening the comparability and credibility of living income assessments and supporting coordinated action on income gap reduction at sector level.

h) ***Establish notification mechanisms and complaints procedures (Article 14)***

**Summary of concrete steps:**

- Provide (online and offline) access to a mechanism where smallholders and self-employed workers and their representatives can submit complaints, in order to receive timely signals on any actual or potential living income issues.
- Provide an accessible mechanism for the submission of notifications.
- Make sure smallholders and self-employed workers are informed about these possibilities and ensure their safety when using them, noting that a lack of complaints does not imply a lack of adverse impacts.

<sup>178</sup> See e.g. Altmann, Kannabhiran and Altmann (2024), *Public Policy Roadmap on Living Income and Living Wage in Global Agricultural Supply Chains*, Fair Trade International, Bonn. Available at: <https://www.fairtrade.net/en/get-involved/library/public-policy-roadmap-on-living-income-and-living-wage-.html>

<sup>179</sup> Website Beyond Chocolate: <https://www.idhsustainabletrade.com/initiative/beyondchocolate>

Companies must 1) enable relevant persons and entities to submit complaints, and 2) have an accessible mechanism for the submission of notifications <sup>(180)</sup>.

### Complaints

A complaint mechanism is a relevant measure for a company to receive grievances and signals from victims and potential victims and to identify living income issues. Companies are required to establish fair, publicly available, accessible, predictable and transparent procedures for dealing with complaints. This may be organised jointly, for example through industry associations, multi-stakeholder initiatives or global framework agreements.

Those entitled to access the CSDDD complaint mechanism include smallholders and self-employed workers who are affected or who have reasonable grounds to believe they might be affected by an adverse impact. Trade unions <sup>(181)</sup> and other workers' representatives, such as producer organisations representing natural persons working in the chain of activities, are also entitled to lodge complaints. Civil society organisations and human rights defenders may also submit complaints <sup>(182)</sup>.

Where a complaint about living income gap issues is well founded, it is deemed to be an adverse impact within the meaning of the CSDDD. For finished products (e.g. handcrafted home decor) it is easier for self-employed workers to provide evidence that their products are part of a company's chain of activities (e.g. a large EU retailer), whereas smallholders producing agricultural products face the challenge that their products are commodified and transformed, making it more difficult to link them to any specific company.

Under Article 14(3) of the CSDDD, the company must “establish a fair, publicly available, accessible, predictable and transparent procedure for dealing with complaints (...)”. This includes a procedure for when a company considers a complaint unfounded, in which case it shall provide the reasons. Company procedures should address product traceability <sup>(183)</sup> and, in cases of (actual or risks of) adverse human rights impacts, ensure identification and consultation of the smallholders and self-employed workers in their chain of activities and their representatives.

When a complaint is deemed as having identified an adverse impact and as well founded, the company must take appropriate measures related to prevention, ending and remediation <sup>(184)</sup>.

### Notifications

Companies shall establish an accessible mechanism for the submission of notifications. The submission of notifications to companies is open to any person or entity which has ‘information or concerns’ regarding actual or potential adverse impacts with respect to the operations of the company, its subsidiaries and its business partners in its chain of activities <sup>(185)</sup>.

Notifications may include references to generally available information or specific evidence of living income gaps in a company's value chain. Notifications can be considered as part of the identification steps ([section 3.b](#)).

As self-employed workers and smallholders are often in economically vulnerable positions, they should not fear retaliation, for example through order cancellations or exclusions from the value chain. Companies must take reasonably available measures to prevent any form of retaliation against complainants or notifiers, and to ensure the confidentiality of their identities. Although this ensures that everyone can submit a notification, the CSDDD does not impose requirements on companies to follow up on notifications, as it does with complaints.

<sup>180</sup> Article 14 CSDDD.

<sup>181</sup> National trade unions, with the support of the European Trade Union Confederation (ETUC), are also protecting the interests of riders, drivers and other platform workers, including those classified as self-employed. According to ETCU they are also in risk of facing an “inability to enforce their right to a decent income.” See, ETUC (2020) *Resolution on the protection of the rights of non-standard workers and workers in platform companies (including the self-employed)*. Available at <https://www.etuc.org/en/document/etuc-resolution-protection-rights-non-standard-workers-and-workers-platform-companies>

<sup>182</sup> Article 14(2) CSDDD.

<sup>183</sup> If relevant, companies can try using their traceability systems as required by the EUDR for certain commodities. Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation. Available at: <http://data.europa.eu/eli/reg/2023/1115/2024-12-26>

<sup>184</sup> In accordance with Articles 10, 11 and 12 CSDDD.

<sup>185</sup> Article 14(5) CSDDD.

i) *Monitor the effectiveness of due diligence measures (Article 15)***Summary of concrete steps:**

- Adopt a monitoring framework and a reliable methodology with quantitative and qualitative indicators to regularly assess developments in living income levels, benchmarks and gaps.
- Report on the monitoring framework and include the outcomes of the assessments in the annual CSDDD statements (Article 16).
- For living income risks, a more regular approach to monitoring than the minimum five-yearly period should be considered, given the nature of living income risks (e.g. price and income volatility). “Significant changes” require more regular, or even immediate, monitoring because of new sourcing practices, contract reviews, procurement policies, pricing mechanisms or external shocks (e.g. climate events, market volatility, inflation and cost increases). Annual monitoring of the effectiveness and adequacy of living income measures is advised.
- Companies may involve relevant stakeholders – such as smallholders and self-employed workers or their representatives – as part of the monitoring process and the development of qualitative and quantitative indicators.
- As part of a company’s monitoring framework, establish robust feedback loops to review inadequate and ineffective policies and measures under the CSDDD.

As part of its due diligence obligations under the CSDDD, a company is required to monitor the adequacy and effectiveness of its own due diligence policy<sup>(186)</sup> and due diligence measures<sup>(187)</sup>. This assessment is related to its own operations, subsidiaries, and to business partners' measures. It should be based, where appropriate, on qualitative and quantitative indicators and focus on identifying, preventing, mitigating, bringing to an end, and minimising adverse impacts<sup>(188)</sup>.

When applied to LIDD, this monitoring requirement presents particular challenges, especially when living income risks have been identified as systemic and continuous in a company's chain of activities. In such cases, a company should have a clear framework in its due diligence policy for how, and how regularly, it will assess whether its policies and measures remain adequate and effective to address its own living income-related adverse impacts, despite persistent gaps.

For LIDD, monitoring of severity and likelihood of adverse living income impacts, actual incomes, living income benchmarks and actual living income gaps – which requires a reliable and proven methodology with quantitative and qualitative indicators – is central to the monitoring obligation. The indicators should be adapted to the identified living income risks ([section 3.b](#)).

*Assessment frequency and triggers*

Such monitoring must be done at least every five years. However, it should also be done as soon as a company has reasonable grounds to believe that the measures are no longer adequate or effective. When a significant change occurs, monitoring needs to be carried out without undue delay. When living income risks have been identified, monitoring will probably be required more often since living income situations fluctuate constantly for vulnerable groups. Stakeholders, including farmers and their organisations, may also signal the need for more regular monitoring. The presence of fluctuations in commodity prices and income volatility affecting relevant shares of the households of smallholders and self-employed workers in a value chain are “reasonable grounds” for more regular (e.g. 6- or 12-monthly) monitoring of living income gaps. When net household income is (or might be) affected as a consequence of new sourcing practices, contract reviews, procurement policies, pricing mechanisms or external shocks (e.g. climate events, market volatility, inflation, cost increases) form reasonable grounds to carry out

<sup>186</sup> Article 7 CSDDD.

<sup>187</sup> Articles 8 – 12 CSDDD.

<sup>188</sup> Article 15 CSDDD.

monitoring before the minimum five-year period. When living incomes have been identified and prioritised, it is recommended to monitor living income gaps, measures and results at least every 12 months.

#### *Quantitative and qualitative indicators*

Quantitative indicators should include living income gap measurements (disaggregated by gender, farm size, and vulnerable groups), relative income gains rather than solely benchmark achievement, income volatility over time, number and percentage of farmers with increased or decreased income gaps, price levels relative to LIRPs, and costs of production covered by procurement prices. Monitoring should focus on whether preventive, mitigation and remedial measures are effective in reducing risks and adverse impacts related to living income, including by identifying unintended consequences and informing adjustments of appropriate measures.

Qualitative indicators should assess the participation of smallholders and self-employed workers in strategy design and implementation, accessibility and effectiveness of grievance mechanisms, depth and duration of supply chain relationships, integration of living income into procurement practices and objectives, gender inclusivity of interventions, and bargaining power of farmer organisations. The reasons behind high or increased turnover (entry and exit) rates of self-employed workers or farmers are also important qualitative indicators to take into account because a high workforce turnover rate limits the impact of appropriate measures and may, in some cases, point to underlying issues preventing sustainable employment relationships from being maintained as part of responsible purchasing practices. Stakeholder engagement may also be used for monitoring based on qualitative indicators. The ILO's principles for estimating the living wage, as outlined in the ILO Conclusions are relevant to take into account here as well and the methodology used should be ILO aligned<sup>(189)</sup>.

See *Technical Guidance on Due Diligence for Living Income — Guidance Point B4: Leverage for Living Income*<sup>(190)</sup>.

#### *Addressing persistent living income gaps*

The continuous identification of living income gaps does not automatically indicate that measures are inadequate or ineffective. However, companies must demonstrate progressive realisation and continuous attention – measures should show clear trajectories towards closing income gaps, with specific, time-bound milestones. Stagnant or widening gaps trigger the need for enhanced, more adequate and effective measures. See also the need for enhanced prevention and corrective action plans ([section 3.d](#) and [section 3.e](#)).

#### *Monitoring effectiveness through stakeholder engagement*

Effective monitoring requires meaningful engagement with affected stakeholders, particularly self-employed workers, farmers and their representative organisations. Companies must establish robust feedback loops as part of their monitoring frameworks, include farming households' participation in assessing the effectiveness of measures, collect gender-disaggregated data on income impacts, engage women and women's rights organisations explicitly, and support strengthening of farmer organisations as vehicles for raising their collective voice<sup>(191)</sup>.

#### *Documentation and transparency*

Under the CSDDD, assessments must be documented, demonstrating the methodology used for measuring income gaps, providing evidence of relative income improvements (disaggregated data), analysing why gaps persist and root causes remain unaddressed, providing updated measures in response to assessment findings, chronicling stakeholder consultation processes and outcomes, and showing a timeline for achieving progressive milestones towards living income. Companies must recognise that achieving living incomes at scale requires structural change beyond individual supply chains. Effective monitoring therefore includes assessing whether and how companies support, rather than hinder, access to living income levels for identified groups of smallholders and self-employed workers in their chains of activities.

<sup>189</sup> ILO (2024), *Conclusions adopted by the Meeting of experts on wage policies, including living wages*. Available at: <https://www.ilo.org/meetings-and-events/meeting-experts-wage-policies-including-living-wages/>

<sup>190</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>191</sup> Article 15 requires that the due diligence policy, the adverse impacts identified and the appropriate measures that derived shall be updated in accordance with the outcome of such assessments.

Due diligence monitoring should be conducted in a manner that does not overburden smallholders and self-employed workers with excessive data collection. Companies must realise that data ownership lies with the rightsholders in the first place and they should engage with stakeholders to clarify how they intend to use the data. They shall ensure transparency, support and compensation to SME suppliers, smallholders and self-employed workers or their representatives for the time and money spent on sourcing or sharing information. These measures protect their rights and enable stakeholder engagement through transparent information sharing.

j) ***Publicly communicate and report on due diligence (Article 16)***

**Summary of concrete steps:**

- If living income risks have been prioritised, companies must report annually on their LIDD through an online statement.
- Companies that need to comply with the Corporate Sustainability Reporting Directive (CSRD) are exempted from reporting under the CSDDD. They should report using the CSRD and European Sustainability Reporting Standards (ESRS) indicators. For the rest of the companies, the European Commission will issue a delegated act with more details.
- Statements should be accurate, easily accessible and include information, if identified, on the methodologies used for assessing living income gaps, key components of the prevention and/or corrective action plan, stakeholder engagement, and the results of interventions as well as progress made towards addressing living income risks and their underlying (systemic and company-related) drivers.
- In the context of meaningful stakeholder engagement, a company should furthermore take steps to communicate directly with affected stakeholders on their LIDD.

*External communication on LIDD*

Companies are required to report annually on each of the due diligence obligations covered by the CSDDD<sup>(192)</sup>. The annual CSDDD statement should detail the company's due diligence policies, describe the actual and potential adverse impacts identified, and the appropriate measures taken with respect to those impacts.

*Publication of the online statement*

The annual CSDDD statement should be accurate and easily accessible. Preferably, a translation of the statement should be available in the language most commonly used in the sourcing countries.

In terms of content related to LIDD, if relevant, the statement could include information on:

- the approach and methodologies used to identify and prioritise living income risks, including the categories of affected groups or households, the geographic or sectoral scope concerned, and the use of living income gaps as risk indicators;
- the sources of information and expertise used, including the involvement of external parties (such as experts, civil society organisations, or multi-stakeholder initiatives) in data collection, research and validation;
- how the company assessed the reliability and limitations of the data used, including the use of proxies, assumptions made, and key uncertainties affecting the assessment outcomes;
- the nature and relative severity of identified living income risks, including, where appropriate, aggregated or indicative information on the existence and persistence of living income gaps, without implying guaranteed outcomes at household level;
- the rationale for prioritisation decisions, including, where applicable, an explanation of why certain living income risks or gaps were not prioritised at a given time;

<sup>192</sup> Articles 7 – 15 CSDDD.

- the key elements and concrete (quantitative and qualitative) results of preventive and mitigation measures adopted to address living income-related risks, including changes to purchasing practices, pricing approaches, use of leverage, and indicative timelines for implementation;
- how gender considerations and risks to vulnerable groups (including vulnerable smallholders and self-employed workers) were identified and addressed through due diligence measures;
- how meaningful stakeholder engagement was carried out, including the categories of stakeholders engaged, the methods used, and how insights gathered informed decisions and actions;
- the use of leverage and collaboration, including participation in sectoral, cross-sectoral or government initiatives, collaboration with business partners, and the role of certification or standards where relevant;
- how the effectiveness of measures is monitored and evaluated, including qualitative and quantitative indicators, use of stakeholder feedback and complaints mechanisms, and the subsequent adjustments made based on the findings;
- key challenges, constraints and lessons learned, including limits of leverage, data gaps, risks of unintended consequences, and steps planned to address these over time.

Companies that need to comply with the CSRD are exempt from the CSDDD reporting requirements. They report under the CSRD directly and use the indicators from the ESRS<sup>(193)</sup>. The European Commission will adopt a delegated act with more details on the reporting requirements. Meanwhile, if due diligence conducted under the CSDDD identifies and prioritises living income risks in the chain of activities, these risks become material human rights impacts and must be reflected in CSRD reporting. The CSRD and ESRS require disclosure of material human rights impacts, risks and opportunities, and the due diligence processes used to identify and address them, across the value chain.

#### *Direct contact with affected stakeholders*

In the context of meaningful stakeholder engagement ([section 3.g](#)), a company must communicate directly with affected stakeholders about its due diligence policies, processes and activities to address adverse living income impacts alongside the publication of the public statement. A company may disclose the names of upstream business partners and provide transparency about pricing mechanisms and calculations. Hence, a company can enhance transparency in its supply chain and strengthen the position of smallholders and cooperatives<sup>(194)</sup>.

#### *Report on monitoring outcomes*

Companies must report objectively, transparently and clearly about the monitoring outcomes regarding the adequacy and effectiveness of their LIDD measures ([section 3.i](#)). Companies may also provide updates on progress achieved in their due diligence policy and appropriate measures, as under certain circumstances certain policies may require time or continuous attention before showing significant results in preventing, ending or mitigating adverse impacts. For instance, sourcing of increasing volumes means new groups of smallholders or cooperatives will be integrated into a company's chain of activities, requiring new assessments of actual or potential adverse impacts and measures. Reporting on outcomes based on a set of selected – preferably longitudinal and continuous – qualitative and quantitative indicators support effective monitoring. By 31 March 2029, the European Commission will lay down the exact content and criteria for these types of statements through a delegated act<sup>(195)</sup>.

<sup>193</sup> The draft simplified ESRS S2 published on December 2, 2025 include, in relation to workers in the value chain, “*working conditions (including adequate wages, work-life balance, working time, secure employment, social protection) (...) and other labour-related human rights.*” Available at: <https://www.efrag.org/en/draft-simplified-esrs>

<sup>194</sup> For instance, ‘open book awards’ are used to negotiate prices based on the transparent disclosure of certain costs and prices in view of sharing risks and opportunities between buyers and suppliers. However, cost transparency can also contain the risks that buyers gain a better understanding for potential price putting further pressure and possibly increasing adverse impacts. See Schönfelder et al., (2025) *Responsible purchasing and responsible procurement as part of HREDD – the example of the CSDDD*. Available at: <https://ssrn.com/abstract=5052020> or <http://dx.doi.org/10.2139/ssrn.5052020>.

<sup>195</sup> Article 16(3) CSDDD.

#### 4) Sector-specific parts

While companies are expected to follow the same due diligence steps across all sectors under the CSDDD, the way in which living income due diligence (LIDD) is operationalised differs significantly between sectors. These differences stem from the structure of value chains, the nature of production systems, the organisation of labour and self-employed work, and the purchasing practices that shape income distribution. This section outlines key sector-specific considerations to support companies in tailoring appropriate measures.

Four broad clusters are addressed: (1) smallholder-based agricultural supply chains; (2) textiles, garments, leather and footwear (TGLF); (3) mining, minerals and extractives; and (4) platform work and services.

##### **Box 16: Pricing as a core, but non-exclusive, lever for LIDD**

Across all sectors, pricing is a central lever companies must address in relation to living income risks. Where prices paid at the farm gate, mine site, factory, or online platform level are structurally insufficient and generate living income gaps, no amount of auditing, capacity building, or contractual requirements can deliver sustainable income outcomes. At the same time, pricing measures alone are rarely sufficient to close living income gaps. If poorly designed, they may create unintended effects such as inefficiencies, dependency, overproduction, or exclusion of less productive actors. Effective LIDD under the CSDDD requires companies to consider pricing as part of a broader package of due diligence measures – including purchasing practices, productivity, cost structures, transparency, monitoring, and risk sharing – to prevent, end and mitigate adverse living income impacts..

#### **Smallholder-based agricultural supply chains (perennial, annual and mixed crops)**

Agricultural supply chains involving smallholder farming families – whether using perennial, annual, or mixed cropping systems – face shared structural income challenges. They typically operate as price takers in global commodity markets, with limited bargaining power, low and fluctuating yields, high input costs, and dependence on intermediaries.

Production is characterised by diversified smallholder livelihood systems, in which households combine multiple crops with seasonal off-farm labour. Income is influenced by yields, phytosanitary diseases, seasonal expenses, access to inputs and credit, and local market conditions. These sectors are highly exposed to volatile prices, climate variation and fluctuating production costs, which when combined with thin margins, often leave producers below living income thresholds even in productive seasons. Because production cycles are short, income volatility can be extreme.

Procurement arrangements tend to be short term, opportunistic and transactional, making it difficult for producers or their organisations to invest in productivity, quality or resilience, including in relation to climate change. In this context, several structural patterns of living income risk frequently arise: farm-gate prices below living income benchmarks; persistent income gaps among smallholders across entire regions; liquidity strain during price volatility or market downturns; and limited ability by downstream actors to trace income conditions without dedicated due diligence systems. These challenges manifest as adverse impacts, including child labour and deforestation.

##### *Implications for Article 7 (policy and risk management systems)*

Because the structural patterns of living income risk are similar across crop types, companies should adopt an integrated approach to identifying and managing income-related risks. When developing due diligence policies for agricultural sourcing, companies should explicitly recognise income insufficiency as a predictable and systemic risk among smallholders.

See *Technical Guidance on Due Diligence for Living Income — Chapter 3. The Structural and Systemic Determinants of Living Income Gaps* <sup>(196)</sup>.

<sup>196</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

Company policies should address low and volatile farm-gate prices, inadequate market access, and purchasing practices which (may) contribute to, or exacerbate, income risks. The CSDDD risk management systems should have concrete criteria to identify high-risk scenarios, including ([section 3.a](#)):

- sourcing periods where global market prices fall below reference floors (e.g. Fairtrade Minimum Price, national minimum farm-gate price, Living Income Reference Price);
- geographic regions with known income gaps, high prevalence of child labour, or rapid land-use change;
- signs of structural indebtedness, such as widespread use of informal credit or pre-harvest financing from buyers;
- fragmented chains with many intermediaries, where value losses are typically largest;
- seasonal income risks, recognising that households earn income from multiple crops and sources.

Purchasing practices should reflect seasonal cash-flow needs, avoiding late payments, unfair contract changes or procurement decisions that exacerbate volatility. Companies should examine how their own purchasing practices might create or worsen income risks, such as transferring price volatility upstream, setting unrealistic quality requirements without compensation, or unpredictable purchasing volumes. This includes procurement practices which ensure pricing, contract terms and incentives that contribute to stable living incomes rather than short-term price minimisation. Input financing terms should also be considered as these may contribute to income instability.

In agricultural supply chains, pricing is a particularly critical element of risk management and identification of living income risks ([section 3.a](#) and [section 3.b](#)). When identified and prioritised, companies should explicitly assess whether the prices they pay (directly or indirectly) are generating adverse impacts – i.e. an abuse of the right of smallholders and self-employed workers to achieve a living income – considering typical farm sizes, yields and costs in the sourcing region. Where prices fall consistently below established reference points such as cost-of-production benchmarks, Fairtrade Minimum Prices or LIRPs, companies should treat this as a high-risk scenario requiring additional identification, preventive and/or mitigation measures, including (re)considering their costing, purchasing and pricing approaches.

At the same time, companies may recognise that price increases alone do not necessarily translate into higher net incomes where productivity constraints, high input costs, supply chain obstacles or governance weaknesses persist. Poorly designed price interventions can incentivise overproduction, reinforce inefficient production systems, or exclude less competitive producers. Pricing measures may need complementary actions, such as improved purchasing practices, collaborations with MSIs or industry initiatives, productivity support, cost transparency and cooperative governance. Where productivity improvements are pursued, care should be taken to that these translate into higher net incomes and do not exacerbate vulnerability or exclusion.

It is also important to strengthen cooperative governance and transparency, given their central role in price transmission and payment practices. Note that while suppliers may be asked to cooperate with mitigation efforts, companies cannot expect small cooperatives or SMEs to conduct full value chain due diligence – unless further support is provided – which remains the responsibility of the company.

#### *Implications for Article 8 (identification and assessment of adverse impacts)*

Companies will rarely have access to household-level income data to assess living income gaps. Under the identification requirements (<sup>197</sup>), as part of the initial scoping companies should make use of reasonably available information, including national price bulletins, historical price differentials, typical yields and cost structures, cooperative delivery records, and existing living income benchmarks. Companies can use credible proxy indicators to determine where risks of farmers not earning a living income are likely and severe. These include:

- price-based indicators, such as farm-gate prices that are below cost-of-production benchmarks or below known sustainability reference prices;
- production stress indicators, such as declining yields, pest prevalence or ageing tree stock that reduce earning potential;

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<sup>197</sup> Article 8 – see [section 3.b](#).

- correlated risk indicators, such as child labour cases, seasonal migration, deforestation, or high turnover of hired labour, all of which strongly correlate with income insufficiency;
- general information about financial stress indicators, such as reliance on moneylenders, side-selling driven by liquidity constraints, or high debt-to-income ratios.

For the scoping stage (see [section 3.b](#)), companies do not need to quantify exact income gaps in order to identify a high-risk scenario; only general areas of living income-related adverse impacts risks are required. Subsequently, when the in-depth assessment shows income bottlenecks and structural constraints, this is sufficient to prioritise the most severe and likely risks under Article 8.

#### *Implications for Articles 9–12 (prevention, mitigation, remediation)*

The prioritisation of risks should focus on contexts where relevant income shortfalls are recurrent or structurally embedded across multiple cropping seasons. Severity increases where low income is associated with heightened risks of child labour, bonded labour or food insecurity between harvest cycles.

Preventive and mitigation measures may include stabilising purchasing practices (including pricing measures, improving payment terms, supporting traceability and transparent value distribution), co-investing in productivity or climate resilience programmes, or participating in sector-level initiatives on living income. Producer cooperatives may require strengthened financial management or enhanced capacity to communicate prices and deductions transparently.

Remediation in agricultural supply chains focuses on addressing specific adverse impacts that have occurred as a result of living income gaps and income-related vulnerabilities, then implementing measures to prevent recurrence. This may include correcting withheld or delayed payments, compensation of imposed costs, resolving unfair deductions, addressing harmful purchasing practices, or supporting the removal of children from hazardous work when income pressures have driven families to rely on child labour. Where income constraints have contributed to harmful coping strategies, remediation should focus on restoring safe conditions, resolving immediate harm, and implementing corrective actions to change underlying practices or incentives that contributed to the adverse impacts.

Contractual cascading may be used to require that cooperatives and intermediaries provide transparent documentation of payment flows and pricing practices, but companies must retain responsibility for verifying information and determining whether further remediation or preventive action is required. Companies should combine remediation with preventive measures, such as improving payment terms, stabilising purchasing practices, strengthening grievance channels, or participating in joint initiatives, to reduce the likelihood that income-related risks give rise to future adverse impacts.

Finally, companies must ensure that data collection reflects net household income rather than gross revenue from the primary crop alone. Some relevant data sources – gathered through joint initiatives – include cooperative records, price series, agronomic extension data and household surveys. Living income benchmarks should be specific to geographic regions and crops, and aligned with recognised methodologies that comply with the ILO’s principles for estimating the living wage, as outlined in the ILO Conclusions <sup>(198)</sup>.

#### **Textiles, garments, leather and footwear (TGLF)**

The TGLF sector is characterised by multi-tiered and fragmented global supply chains that combine formal factories with extensive subcontracting networks, informal workshops, and home-based production. Living income risks emerge predominantly among self-employed homeworkers and informal subcontracted producers who work outside of regulated employment relationships and therefore fall under the scope of living income rather than living wage considerations.

Income for these workers is shaped by piece-rate structures, order volumes and buyer purchasing practices such as lead times, price negotiations and last-minute order changes. Payment is often mediated through agents or intermediaries, resulting in deductions that reduce net earnings. Opaque subcontracting structures make it difficult to track how much of the brand’s purchasing price reaches self-employed workers at lower tiers.

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<sup>198</sup> ILO (2024), *Conclusions adopted by the Meeting of experts on wage policies, including living wages*. Available at: <https://www.ilo.org/meetings-and-events/meeting-experts-wage-policies-including-living-wages>

Further, natural fibres are widely used in the TGLF sector and for many smallholder families in the Global South, fibres such as cotton, jute, abaca and sisal often represent their primary source of cash income. Approximately 250 million smallholder farmers worldwide are dependent on cotton for their livelihood and income. Smallholder farmers are estimated to produce over 75 per cent of the world's cotton. Regarding abaca, 86 per cent comes from the Philippines, where the sector consists of an estimated 90 000 smallholder farmers<sup>(199)</sup>. Further, jute is commonly grown by smallholder farmers, often intercropped with legumes or cereals<sup>(200)</sup>.

With regard to smallholders farming natural fibres such as cotton, TGLF companies should consider the specific aspects applicable to agricultural supply chains. The section below examines the case of home-based workers and other self-employed workers that have not been covered by the section above.

#### *Implications for Article 7 (policy and risk management systems)*

Companies should explicitly recognise the presence of self-employed workers in their sector and integrate LIDD considerations into their sourcing and purchasing policies. This includes ensuring that pricing, forecasting and negotiation practices do not create pressure that generates low piece rates or prohibited deductions at lower tiers.

Policies should explicitly address living income insufficiency, purchasing practices and subcontracting as structural income-related risks, and companies should assess:

- whether purchasing practices (e.g. short lead times, price pressure, late changes) create living income suppression risks;
- whether suppliers rely heavily on subcontracting or homeworkers (with very likely living income risks);
- wage-setting environments where legal minimum wages are demonstrably below living wages;
- geographic hotspots with known wage theft, union suppression or systemic unauthorised subcontracting, as a possible reflection of the situation for living income gaps.

Companies should clarify what suppliers can realistically implement (e.g. transparent wage records) and what must be assessed by the company itself (e.g. the workers' capacity to earn a living income under the company's purchasing model).

In TGLF supply chains, pricing decisions by companies on unit prices, lead times and order stability determine directly whether suppliers can pay living wages or living incomes. Companies should integrate pricing adequacy into risk management systems, assessing whether prices realistically cover labour costs under (lawful) working hours and transparent piece-rate systems. Where prices are systematically incompatible with achieving living income levels, this constitutes a structural risk for the company, not a supplier failure. In this case, severity and likelihood are deemed established and companies cannot claim detachment from these adverse impacts and must address them under the CSDDD.

#### *Implications for Article 8 (identification and assessment of adverse impacts)*

The identification of adverse impacts should draw on available data on piece rates, output expectations, deductions and seasonal order fluctuations. Reasonable expectation of risk is established where earnings fall below living income benchmarks or proxies tied to low wages, or inability to increase wages. This could, for example, include data or proxies indicating:

- minimum wages far below living wage benchmarks, signalling structural income risk;
- piece-rate systems where self-employed workers must exceed legal working hours to earn minimum wages;
- frequent wage arrears or delayed payments, indicating income instability;
- excessive overtime, a common coping mechanism for low wages;
- high turnover or absenteeism, signalling wage insufficiency;
- reliance on migrant or temporary workers, where wage exploitation is more common.

<sup>199</sup> Council of Fashion Designers of America. (n.d.). Abaca. See: <https://cfda.com/resources/materials-hub/materials-index/abaca/>

<sup>200</sup> Crop Trust. (n.d.) Jute mallow. See: <https://www.croptrust.org/knowledge-hub/crops/crops/jute-mallow/>

The indicators above enable risk identification even in opaque or fragmented supply chains.

*Implications for Articles 9–12 (prevention, mitigation, remediation)*

Priority should be given to supply chains with high severity or likelihood of informal or home-based work, widespread subcontracting and predictable patterns of low income. National environments which are not supportive of living income and wages or have weak worker representation raise red flags. Severity increases where inadequate income is linked to adverse impacts such as child labour, unsafe conditions or excessive working hours.

Mitigation should combine supplier engagement with adjustments to purchasing practices, including fairer lead times, stabilising order volumes, preventing abrupt cuts, protecting wage components in costing, formalising subcontracting chains and co-investing in wage systems. This should create ripple effects towards fair and transparent piece-rate pay systems and payment for all working time, not only productive time.

Remediation may include restitution of unpaid wages or underpayments, compensation for illegal deductions, joint wage recovery funds after closures, compensation for losses from unfair piece rates or payment delays, regularising homeworker relationships and integrating self-employed workers into transparent payment systems. Remediation should address both lost earnings and structural drivers of income instability. Contractual cascading can require payroll transparency or prohibit unauthorised subcontracting, but companies must retain responsibility for monitoring and remediation.

Income assessments for self-employed workers must reflect actual outputs, hours worked and deductions or cost burdens. Benchmarking must distinguish living wages (for employees) from living incomes (for self-employed workers). Collaboration with trade unions, homeworker associations and civil society organisations is essential for robust data collection and credible improvements.

### **Mining, minerals and extractives**

The artisanal and small-scale mining (ASM) sector remains a major source of livelihood for millions of households, yet income conditions are extremely unstable. Earnings fluctuate daily depending on mineral yields, equipment access and local market conditions. Intermediaries often control pricing, liquidity and market access, imposing fees or deductions which erode incomes. Debt arrangements or advance-payment systems can trap miners in exploitative relationships. The volatility and informality of ASM work heightens exposure to human rights risks such as hazardous conditions, child labour or involvement of security actors.

*Implications for Article 7 (policy and risk management systems)*

Companies sourcing from ASM contexts must recognise specific income vulnerabilities in their due diligence policies and take steps so that their procurement practices do not exacerbate exploitative pricing structures. The displacement of smallholders and the impact on their living income situation is also a risk in the ASM context. This includes monitoring and addressing intermediaries and avoiding purchasing arrangements that directly or indirectly encourage income-abusive practices. Companies should include income-related risks explicitly within their mining due diligence policies, recognising living income gaps and related adverse impact risks (e.g. child labour, environmental degradation, unsafe practices). Under risk management systems, companies should assess:

- commodity price trends, particularly when ASM gold or mineral prices fall below multi-year averages, increasing income instability and risk taking;
- high risk geographic regions, including those with widespread informal mining, known child labour prevalence, or high fatality rates;
- middlemen-dominated chains, where miners receive only a fraction of international prices;
- their own buying practices, including discounts, purity penalties, delayed payments or fixed-price pre-financing agreements that may embed miners into exploitative relationships.

Suppliers cannot be expected to conduct full due diligence across all informal ASM sites. Companies should prioritise direct stakeholder engagement, multi-stakeholder collaboration and/or alignment with established due diligence schemes (OECD, RMI, Fairtrade Gold, SBGI) <sup>(201)</sup>.

*Implications for Article 8 (identification and assessment of adverse impacts)*

Risk assessments should draw on data about daily earnings, local trading dynamics, evidence of informal fees or abusive financing practices, as well as known risks linked to conflict actors or unregulated intermediaries. Direct income measurement will rarely be feasible in ASM contexts. Companies should use proxy indicators such as:

- declining production volumes and increased hazardous work, signalling economic stress;
- use of children or family labour at mine sites, indicating income pressure;
- spikes in the number of accidents, often correlated with miners taking greater risks to increase daily output;
- evidence of exploitative trading arrangements, such as credit-based dependency or buyers purchasing below regional reference prices;
- migration surges, indicating instability in local income opportunities;
- sourcing from Conflict-Affected and High-Risk Areas (CAHRAs) <sup>(202)</sup>.

Living income risks are evident where miners' incomes consistently fall below benchmarks or where dependency on intermediaries creates predictable income loss. These proxies enable companies to identify high-severity income risks when formal income data is unavailable.

*Implications for Articles 9-12 (prevention, mitigation, remediation)*

Priority should be given to areas where large populations rely on ASM, informality is entrenched or income instability intersects with severe rights risks. Severity increases in contexts involving hazardous conditions or exploitation linked to income deprivation. Appropriate measures for mitigation may include stabilising pricing mechanisms (e.g. fixed differentials, premium payments), supporting safer mining methods, improving pricing transparency at buying centres, establishing fair mineral valuation practices, supporting formalisation initiatives, reducing exploitative deductions and improving access to equipment or safer production methods. Companies may also support alternative livelihoods or diversification strategies in areas with inherently unstable mineral yields.

Regarding prevention and mitigation, where pricing practices have contributed to adverse impacts, for example, when purchase prices fell significantly below prevailing reference prices or production costs exacerbated economic pressure, remediation should involve (new or strengthened) living income risk management and monitoring measures and corrective pricing measures going forward. Such measures – if relevant, through contractual assurances – could include revising valuation formulas, removing unjustified deductions, ensuring timely payment at transparent and verifiable prices or applying temporary price adjustments or premiums to prevent recurrence of harm while structural issues are addressed and meaningful engagement takes place with victims and stakeholders. These types of actions should be understood as corrective and preventive responses, not as attempts to close living income gaps structurally by a company.

Remediation in mining supply chains should focus on addressing specific potential or actual adverse impacts, including those linked to pricing practices that contribute to income-related harms. While companies are not expected to compensate for structural living income gaps unrelated to their actions or omissions, remediation may require correcting harmful pricing outcomes, such as unsafe working practices, debt dependency or child labour at mine sites. This may include remedying situations where miners were systematically underpaid below living income

<sup>201</sup> Website Responsible Mining Index (RMI): <https://www.wrforum.org/responsible-mining-index/>  
 Website OECD on Responsible mineral supply chains: <https://www.oecd.org/en/topics/sub-issues/due-diligence-guidance-for-responsible-business-conduct/responsible-mineral-supply-chains.html>  
 Website Fairtrade Gold: [https://www.fairtrade.net/en/products/Fairtrade\\_products/gold.html](https://www.fairtrade.net/en/products/Fairtrade_products/gold.html)  
 Website Swiss Better Gold Initiative (SBGI): <https://www.swissbettergoldassociation.ch>

<sup>202</sup> The EU CAHRA Guidelines provide an indicative, non-exhaustive list of conflict-affected and high-risk areas under the Conflict Minerals Regulation. See Commission Recommendation (EU) 2018/1149 of 10 August 2018 on non-binding guidelines for the identification of conflict-affected and high-risk areas and other supply chain risks under Regulation (EU) 2017/821. Available at: <http://data.europa.eu/eli/reco/2018/1149/oj>

levels due to opaque valuation methods, unfair deductions, delayed payments or exploitative trading arrangements that deviate from living income benchmarks or reference prices.

In cases where low and volatile prices have driven miners into high-risk behaviours resulting in other adverse impacts (e.g. child labour, injury, environmental damage or hazardous site abandonment), remediation should address both immediate harm (e.g. medical support or site rehabilitation) as well as the underlying price and purchasing conditions and lack of due diligence contributing to these harms. Contractual cascading may be used to improve transparency in price transmission and deductions through intermediaries, but companies remain responsible for verifying pricing practices and living income monitoring, determining whether pricing-related remediation is required, and ensuring future purchasing arrangements do not recreate conditions leading to harm.

Living income gap measurements for ASM contexts must reflect daily or weekly income variability rather than long-term averages. Relevant data sources include buying centre records, miner self-reporting, local price series and surveys conducted by civil society or government actors.

### **Platform workers and services**

Platform-mediated work, including ride hailing, delivery, cleaning and domestic tasks, or digital microtasks, relies predominantly on independent contractors whose net income depends on algorithmic task allocation, piece-rate payments, dynamic pricing systems and demand fluctuations. Living income risks arise from irregular earnings, unpaid waiting time, high operational costs borne by workers, and limited transparency in how platforms set rates or allocate work.

**Companies should align with the upcoming binding standards for platform workers that are currently undergoing negotiation by the International Labour Conference, and are due for publication in 2026<sup>(203)</sup>. Pending this, companies should consult the ILO's report, *Realising decent work in the platform economy*<sup>(204)</sup>.**

#### *Implications for Article 7 (policy and risk management systems)*

In case the applicable law does not recognise platform workers as employees, companies must ensure that procurement of platform-mediated services integrates living income considerations, including expectations on commission structures, waiting-time compensation and pricing transparency. Procurement contracts should avoid cost shifting onto self-employed workers that undermines their ability to earn a living income. Policies should recognise structural income risks in piece-rate and algorithmically-managed work, and companies should assess:

- whether the platform's pricing algorithm creates systematic downward pressure on earnings;
- the impact of penalties, deactivation threats, or acceptance-rate requirements on workers' ability to earn a stable income;
- whether operating costs (e.g. fuel, insurance, equipment) exceed typical earnings during low-demand periods;
- the presence of high-risk worker groups such as migrants or informal workers who may lack bargaining power or legal protections.

Companies cannot cascade algorithmic responsibility to subcontractors or intermediaries, so algorithm design, transparency and oversight remain the company's responsibility.

#### *Implications for Article 8 (identification and assessment of adverse impacts)*

Companies should review reasonable available information on living income risks related to specific types of platform work when these are used in its operations or value chains. Data on typical gross and net earnings, platform commission rates, waiting times, cost burdens and seasonal or geographic variation in work availability should be

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<sup>203</sup> Human Rights Watch (2025), *ILO Commits to International Standards on Gig Work*. Available at: <https://www.hrw.org/news/2025/06/13/ilo-commits-to-international-standards-on-gig-work>

<sup>204</sup> ILO (2025), *Realizing decent work in the platform economy*. Available at: <https://www.ilo.org/resource/conference-paper/ilc/113/realizing-decent-work-platform-economy-0>

assessed as part of the in-depth identification. Likely and severe risks arise where net incomes fall below living income benchmarks or where opaque pricing practices create predictable income instability.

*Implications for Articles 9-12 (prevention, mitigation, remediation)*

Priority should be given to contexts with high dependence on platform work, high-cost burdens, or algorithmic practices that shape income access, with severity increasing where low income drives excessive hours, fatigue-related safety risks or debt for vehicles or equipment.

Under Articles 10 and 11 companies need to encourage or require platforms to adopt fair, transparent rate setting (including stabilised minimum earning rates), compensate waiting time and cancellations, ensure transparency in algorithmic decision-making, reduce worker-borne costs, limit punitive penalties, provide predictable scheduling, and ensure operating cost increases are reflected in fee or fare adjustments. Pricing algorithms function as the primary income-setting mechanism, so algorithmic pricing and commission structures must be treated as core elements of living income due diligence. Where systems predictably produce net earnings below living income benchmarks, mitigation is required regardless of employment status.

Remediation may require restitution for unjust deactivations, compensation for unpaid waiting time, or corrective payments when earnings fall below reference thresholds. Contractual cascading may apply where platforms use intermediaries (for example fleet managers), but companies retain responsibility for pricing systems and overall risk management. Benchmarking in platform work must assess net income after costs (e.g. fuel, insurance, maintenance, digital costs, depreciation), drawing on pay statements, anonymised platform earnings data, independent worker surveys and civil society research.

## 5) Enforcement

### *General*

The CSDDD is an important legislative tool to ensure corporate transition to a sustainable economy and implementation of the UN's 2030 Agenda for Sustainable Development. Addressing adverse living income impacts in global value chains contributes directly to several sustainable development goals, including ending poverty (SDG 1), zero hunger (SDG 2), achieving good jobs and economic growth (SDG 8), reducing inequalities (SDG 10), and promoting sustainable communities (SDG 11), thereby reinforcing the Directive's overarching aim of achieving a just transition towards a sustainable future<sup>(205)</sup>.

### *Public enforcement*

In order to conduct monitoring that ensures the correct implementation of companies' living income due diligence obligations and ensure the proper enforcement of the CSDDD, Member States shall designate a national supervisory authority<sup>(206)</sup>. This authority should be entitled to carry out investigations, specifically related to income-related adverse impacts, on their own initiative or based on substantiated concerns raised under the Directive<sup>(207)</sup>.

In carrying out its supervisory function, the designated authority may request detailed information on purchasing practices, supplier contracts, wage and income structures, and risk assessment documentation. It may also conduct on-site inspections in high-risk value chain segments, issue corrective action orders, and impose proportionate and dissuasive sanctions, including periodic penalty payments, until compliance is achieved. These powers are especially relevant where persistent adverse living income impacts indicate structural deficiencies in a company's due diligence system.

As stipulated in Article 26 of the CSDDD, Member States shall ensure that natural and legal persons are entitled to submit substantiated concerns through easily accessible channels when they have reasons to believe that a company is failing to exercise LIDD under the provisions of national law adopted pursuant to the Directive. Natural or legal persons should be able to do so free of charge or for a minor fee covering administrative costs only, and the personal information provided should remain confidential at their request<sup>(208)</sup>. In this regard, it is important to recognise the essential role of civil society organisations, producer cooperatives and the representatives of smallholders and self-employed workers in documenting income-related harms.

Finally, Member States' supervisory authorities are expected to cooperate at EU level, including through information exchange and coordinated investigations within the European Network of Supervisory Authorities<sup>(209)</sup>. This cooperation is crucial for addressing adverse living income impacts that arise in cross-border or complex global value chains.

### *Civil liability*

To ensure that victims of adverse living income impacts have effective access to justice and compensation, Member States should furthermore lay down rules governing the civil liability of companies<sup>(210)</sup>. In particular, pursuant to Article 29, Member States must ensure that national rules on the beginning, duration, suspension or interruption of limitation periods do not unduly hamper the bringing of actions for income-related damages. The limitation period must at least be five years, and may not begin before the infringement has ceased and the claimant knows, or can reasonably be expected to know:

- that they have experienced an adverse living income impact constituting an adverse impact under the CSDDD, which is caused by, contributed to, or can be linked to a company which falls under the scope of the Directive; and
- the identity of the infringer (the company who caused or jointly caused the adverse impact).

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<sup>205</sup> See also Recitals 8, 16, 73 CSDDD.

<sup>206</sup> Article 24 CSDDD.

<sup>207</sup> Article 25 CSDDD.

<sup>208</sup> See also Recital 75 CSDDD.

<sup>209</sup> Article 28 CSDDD.

<sup>210</sup> Article 29 CSDDD.

Member States should actively address other practical and procedural barriers to justice, including limited access to reliable living income benchmarks, a lack of supply chain transparency, insufficient mechanisms for representative or collective actions, and prohibitive costs of civil proceedings for claimants seeking justice <sup>(211)</sup>. Because adverse living income impacts usually affect vulnerable groups of smallholders and self-employed workers, accessible collective redress mechanisms are particularly important to enable effective enforcement.

Given the complex nature of income-related harms, it is essential that Member States address the practicalities of establishing causation in living income cases <sup>(212)</sup>. Causation may, for instance, arise where a company's purchasing practices result in prices below the cost of production or net incomes below living income benchmarks. It may also arise where contractual requirements contribute to income suppression, or where the company fails to take appropriate measures to identify, prevent or mitigate income-related risks in its value chain. Facilitating access to internal company documents – such as pricing models, supplier requirements and risk assessments – is critical to ensuring that the burden of proof does not render claims practically impossible.

In addition to judicial avenues, companies must maintain or participate in accessible non-judicial grievance mechanisms through which individuals and communities experiencing adverse living income impacts can raise concerns and seek early stage remediation, as discussed above in [section 3.h](#). Crucially, companies shall take reasonable available measures to prevent any form of retaliation by ensuring the confidentiality of the identity of the person(s) or organisation(s) submitting the complaint <sup>(213)</sup>. These mechanisms complement civil liability regimes and form an integral part of the Directive's overarching aim of ensuring effective, rights-based due diligence.

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<sup>211</sup> See also Recital 82 CSDDD.

<sup>212</sup> See also [Chapter 2](#), which outlines the three different ways in which a company may be involved in income related adverse impacts under the CSDDD.

<sup>213</sup> Article 14(3) CSDDD.

6) **Annexes & References***ANNEXE I***CODE OF CONDUCT ELEMENTS RELATED TO LIDD**

The following elements should be considered for inclusion in the company's code of conduct mentioned in Article 7(2)(b) of the CSDDD<sup>(214)</sup>:

- A reference to its obligations under the CSDDD and, specifically, Part I on Rights and Prohibitions Included in International Human Rights Instruments, including the right to a living income.
- A statement on the company's commitments to living incomes, linking the issue to its due diligence risk assessments, with reference to relevant global human rights standards and the CSDDD.
- A risk assessment policy that takes account of all relevant factors that contribute to living income risks or that make living income risks contribute to other risks. It should also include methods for data collection, benchmarks for measurement or proxies, including explanation of any deviations from international standards, including ILO standards. In other words, this should go beyond mere transparency about risk assessment policy to be substantially adequate. Risk assessment should also be iterative (see literature on risk regulation in general), or in other words, mitigation measures need to be assessed for how well they work and whether they produce unintended adverse consequences.
- A roadmap that establishes an action plan with specific targets, milestones and timelines, with a commitment to allocate adequate resources and staff time.
- A commitment to transparency about the selection process for methodologies and benchmarks used by the company to estimate living incomes (including actual, benchmarks and gaps).
- A commitment to the company's purchasing practices (including prices) and other appropriate measures related to respecting the right to a living income.
- A commitment to include the implementation of responsible purchasing and pricing practices as one component of the company's strategy to address adverse living income impacts and living income gaps among (households of) self-employed workers and smallholders in its value chain.
- A commitment to (jointly) engage with relevant stakeholders, including the specific mechanisms to be used (such as smallholder focus groups or meetings with cooperatives, associations and/or their representatives), an up-to-date list of nominated stakeholder representatives, and the topics related to living income (including methodologies and validating estimates) on which relevant stakeholders' views will be sought.
- Qualitative and quantitative indicators on the living income situation and related adverse impact risks – in order to ensure compliance with the CSDDD (Articles 8, 10, 11 and 15).
- A commitment to address high-risk payment methods, such as piece-rate payments in formal settings, as well as a clear approach to how bonuses and in-kind benefits should be managed as part of living income policy.
- The criteria used to prioritise actions (according to the risk-based approach) in parts of the supply chain with the largest living income gap risks.
- A commitment to joint monitoring, participation in assessments and accountability (including publicly reporting on progress and challenges), and communicating with affected stakeholders. The monitoring and assessments should be part of an iterative process with feedback loops between assessments to improve the effectiveness of appropriate measures taken as required under the CSDDD.
- When, and how regularly, the code of conduct will be reviewed – especially in light of changing circumstances and new information.

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<sup>214</sup> See also OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing, Paris, <https://doi.org/10.1787/15f5f4b3-en>;  
OECD (2024), *Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains*, OECD Publishing, Paris, <https://doi.org/10.1787/6ff52567-en>.

- A reference to the policy framework used by the company regarding how due diligence findings on adverse living income impacts are identified, verified, monitored and addressed.
- If relevant, the company's participation in collaborative initiatives and certification schemes to provide assurance on living incomes.
- The need for remediation plans in partnership with affected stakeholders.

Finally, companies may consider using two-way codes of conduct in order to set realistic and clear expectations between both parties, on an equal partnership basis <sup>(215)</sup>.

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<sup>215</sup> Ethical Trade Initiative (2025), *Agree mutual responsibilities*. Available at: <https://www.ethicaltrade.org/resources/guidance-and-reports/responsible-purchasing-practices-rpp-resource-hub/principle-2-2>

## ANNEXE II

## SPECIFIC RISK FACTORS &amp; RISK SECTORS FOR LIDD

Adverse living income impacts are most likely in countries and sectors with extensive self-employed and smallholder production, weak protection systems, weak market power for producers, high inequalities and poverty levels, and volatile or low prices for key commodities. The following risk factors are relevant when carrying out the scoping under Article 8 of the CSDDD (see [section 3.b](#)):

- **Risks related to the locations or countries in a company's chain of activities:** These are based on available (high-level) information about wage levels, poverty levels, social protection and other relevant data points which are important to further assess risks. Information about the relevance of social protection guarantees to formal and informal self-employed workers (including agricultural workers) and smallholders will also be relevant. The lack of such data and information should also be considered as a risk. Finally, Conflict-Affected and High-Risk Areas (CAHRAs), high poverty or inequality levels, and domestic inflation are factors to be considered as well.
- **Risks related to purchasing practices and price setting:** A lack of provisions for upholding the right to a living income in a (cascaded) code of conduct and its implementation in the purchasing practices of a company and its business partners raises a red flag in terms of living income risks, especially in connection with sectoral or country risk factors. Pricing practices that do not take into account the production costs of smallholders and self-employed workers raises another red flag for a company <sup>(216)</sup>. Other risk factors are general information showing the widespread occurrence of short-term contracts between suppliers, and the possibility to change, cancel, or place orders without sufficient notice or very short lead times. Finally, when a company pays prices or when other price indicators from the value chain – for instance publicly available information on farm-gate prices – are below a Living Income References Price (LIRP), this is a clear risk factor which requires an in-depth assessment and appropriate measures. Another price risk factor is present where buyers of commodities hedge their price exposure regardless of living income considerations <sup>(217)</sup>.
- **Risks related to the type of materials, products or services in a company's chain of activities:** Relevant risk factors include the type of (final and intermediary) products, the method of production (e.g. handmade), and the use of outsourced suppliers, and seasonal, temporary or platform workers.
- **Risks related to the presence of vulnerable and low-skilled smallholders and self-employed workers in precarious employment:** The risk of exploitation and abuse of the right to a living income increases when a chain of activities relies on the work of vulnerable groups (e.g. migrants, ethnic minorities, women) or workers paid per piece, by weight or on day rates.
- **Risks related to the presence of interlinked risks:** Cases of child labour or forced labour, lack of access to health care, education and other basic needs, as well as labour risks including excessive overtime, poor health and safety and economic deprivation are often linked to living income risks. Living income gaps can also be linked with other adverse impacts such as the payment of unequal remuneration for work of equal value and discrimination (e.g. based on gender, social origin or race) <sup>(218)</sup>.
- **Risks related to business models and sourcing practices:** A company's use of indirect sourcing models, numerous intermediaries, subcontracting, and reliance on the work of smallholders and self-employed workers in its chains of activities, as well as having a large base of suppliers spread across multiple countries, combined with volatile supplier relationships, are known to contribute to a significant lack of visibility

<sup>216</sup> See LICoP (2026), *Technical Guidance on Due Diligence for Living Income* and Shift's Red Flag 19: 'if the business's commercial success substantially depends upon trading or sourcing agricultural commodities that are priced independently of production costs, such that farmers are unlikely to be able to sustain a living income.' Available at: <https://shiftproject.org/re-source/redflag-19/>

<sup>217</sup> This has had negative consequences for instance on the Living Income Differential. See Oxfam België/Belgique (2024). *The Living Income Differential for cocoa: futures markets and price setting in an unequal value chain*. Available at: <https://oxfam-belgique.be/publications/living-income-differential-cocoa-futures-markets-and-price-setting-unequal-value-chainOxfam>

<sup>218</sup> Point 14 of the Annexe Part I of the CSDDD on the Rights and Prohibitions included in International Human Rights Instruments.

and control over upstream production conditions which increases living income risks. Frequent product cycles may also diminish transparency in the supply chain.

The risk factors above should be taken into account by companies. Notably, information or claims about actual or potential adverse impacts do not have to be completely verified in order to trigger further assessment <sup>(219)</sup>.

A number of sectors are known for their severity and likelihood of living income gaps. Despite this awareness, living income issues are not being identified or addressed widely and in a structural and substantial way by companies, making the risks more likely and potentially more severe. Sectors which are particularly prone to living income gaps include:

- **Cocoa:** This is one of the most visible sectors where living income risks are apparent, particularly in West Africa (Ghana, Côte d'Ivoire), where the majority of households consistently earn far below decent livelihood benchmarks. Furthermore, with regard to the share of cocoa beans sourced indirectly – via local intermediaries and non-contracted cooperatives rather than through companies' direct, traceable sourcing schemes – companies generally have limited knowledge of the vulnerabilities of farming households (and household members).
- **Coffee:** Smallholder coffee farming households in Latin America, Africa and Asia frequently face net incomes below the living income benchmark due to market volatility, low farm-gate prices, small plot sizes, and climate impacts.
- **Cotton:** Many cotton producing households, especially in sub-Saharan Africa and South Asia, earn incomes well below the living income threshold, facing risks from fluctuating global prices and limited access to value addition.
- **Textile, Garment, Leather and Footwear sector (TGLF):** The households of many self-employed workers in these supply chains, particularly in Bangladesh, Vietnam and Cambodia, face living income gaps due to low purchasing prices, insecure subcontracting and limited bargaining power. Living income risks are especially present where workers or families are paid per piece as self-employed homeworkers, or where no formal work contract exists leaving workers with unstable workloads, lack of social protection, absence of minimum wage enforcement and volatile incomes.
- **Vanilla:** Vanilla farming in countries like Madagascar often involves small-scale producers whose households are facing considerable income gaps due to unstable markets, limited bargaining power and low farm productivity.
- **Rice:** In countries and regions with large smallholder rice sectors (e.g. India, Pakistan, Southeast Asia), living income gaps are common as farming households have small plots, limited bargaining power and exposure to weather and market shocks.
- **Tea:** Tea production in countries such as Kenya, India and Bangladesh is dominated by smallholder families who face price volatility and marginal returns, leading to persistent living income gaps.
- **Fruit (including bananas and citrus):** Many fruit supply chains, exemplified by banana production in Latin America and the Caribbean, feature living income and wage deficits for self-employed workers and smallholder suppliers.
- **Tobacco:** This product is linked to persistent poverty among smallholder families as well as vulnerability to price shocks.
- **Natural rubber:** Mainly grown by smallholder families in countries like Thailand and Indonesia, where prices received for rubber often do not cover the cost of sustainable production.
- **Sugarcane:** Small- and medium-scale sugarcane farms in developing regions often yield incomes below national poverty and living income lines.

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<sup>219</sup> See also Question 22 of the OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct, OECD Publishing, Paris <https://doi.org/10.1787/15f5f4b3-en> (

These sectors share similarities regarding their reliance on global commodity markets and strong power imbalances between value chain actors, as well as a predominance of smallholders, which makes living income gaps systemic unless measures are taken by companies <sup>(220)</sup>.

It is also highly recommended to consult the OECD sector-specific guidance for other sector-based risks (e.g. for the minerals, mining, extractive and finance sectors) which are interlinked with risks such as child or forced labour, lack of basic needs, gender discrimination, labour risks and economic deprivation. With regard to this, it should be reiterated that all companies – regardless of their size – are expected to respect the international frameworks of the UNGPs the OECD Guidelines. In addition to the CSDDD requirements and this shadow guidance document it is also recommended to consult LICoP’s *Technical Guidance on Due Diligence for Living Income* <sup>(221)</sup>.

Finally, service sectors should not be left out and can also be prone to living wage and living income risks. This is the case, for example, for platform workers who are often in a vulnerable position, especially compared to the power of online platforms <sup>(222)</sup>.

In terms of country or region risks, there are several useful instruments for companies to consult to assess the likelihood of living income risks:

- The Global Living Wage Coalition and Living Income Benchmarks provide regional and national living wage studies for more than 70 countries. <https://www.globallivingwage.org>.
- The WageIndicator Foundation maintains quarterly living wage estimates across over 200 countries and sub-national regions. <https://wageindicator.org/salary/living-wage/list-of-country-region-living-wages-data-availability>.
- The International Labour Organization (ILO)’s data includes sectoral average earned wages and gender gaps for around 190 countries. <https://ilostat.ilo.org/topics/wages/> This can provide an indication of the likelihood of living income risks as well.
- ALIGN’s source map provides data on living wages and living incomes per country for several agricultural commodities. <https://align-tool.com/source-map>.
- More high-level risk factors can be found on the World Bank’s Poverty and Inequality Platform (PIP), which provides a comprehensive open database for national and sub-national poverty indicators. <https://pip.worldbank.org/>. National or sub-national poverty rates are to be considered as they increase the likelihood of living income risks, especially when they reach levels above the world average <sup>(223)</sup> and are combined with high rates of informal work or smallholders.

<sup>220</sup> Oxfam International (2021), *Living Income: From Right to Reality*. Oxfam briefing paper.; Sustainable Food Lab (2021), *Achieving Living Income. Sustainable Food Lab pocket guide*.

ICO Task Force Roadmap (2020), *Living Prosperous Income LPI Orientation*, International Coffee Organization.

Alestig, M. (2023), *Price Interventions as a Part of Living Income Strategies: Lessons learned from piloting a price premium mechanism for basmati rice farmers in Pakistan*, Oxfam Discussion Paper.

<sup>221</sup> LICoP (2026), *Technical Guidance on Due Diligence for Living Income*.

<sup>222</sup> A recent decision by the Dutch National Contact Point for Responsible Business Conduct (NCP) involving Uber concluded that there is a significant risk of living income and living wage gaps. Uber was expected to exercise due diligence on this issue and select a reliable and recognised methodology, adapting it to the platform work context, setting a roadmap with clear milestones and timelines in order to take steps to progressively achieve a living wage or living wage equivalent for all Uber drivers and reporting regularly on steps taken and progress made. The NCP also noted that recent legislative and policy efforts worldwide are ranging from providing protection through reclassifying platform workers as employees to providing them protection similar to workers while confirming their status as self-employed workers. While living wages would apply to the former, a company would need to take a living income approach to the latter. <https://www.oecdguidelines.nl/site/binaries/site-content/collec-tions/documents/2025/5/21/final-statement-iaatw-vs.-uber/Final+Statement+IAATW+vs+Uber.pdf>

<sup>223</sup> ≈10.1 per cent of the world’s population has less than USD 3 per day in terms of purchasing power in 2025.

## ANNEXE III

## TOOLS &amp; RESOURCES FOR BUSINESSES

- *Technical Guidance on Due Diligence for Living Income* has a focus on agribusiness and was prepared by Shift and commissioned by the Living Income Community of Practice (LICO<sub>P</sub>) and ISEAL<sup>(224)</sup>.
- The Global Living Wage Coalition publishes benchmark reports on living wages and living incomes per country or region: [https://www.globallivingwage.org/resource-library/?fwp\\_resource\\_type=benchmarkstudy](https://www.globallivingwage.org/resource-library/?fwp_resource_type=benchmarkstudy)
- The Living Income Community of Practice (LICO<sub>P</sub>) focuses on improving smallholder incomes towards living incomes, aiming to enable smallholder farmers to achieve a decent standard of living. This community is a result of a partnership between Sustainable Food Lab, GIZ and ISEAL: <https://www.living-income.com>
- The Anker Institute developed a living income methodology and reference values which offer a recognised methodology for estimating living incomes and reference values for credible, comparable estimates of living incomes where benchmarks are not available yet: <https://www.ankerresearchinstitute.org/working-papers/reference-value>
- WageMap is a consortium of living wage data and service providers that have come together to align different living wage methodologies and frameworks. Their methodology and data on the costs of living is relevant for living income benchmarks as well: <https://wagemap.org/>
- As part of its Living Income Strategy, Fairtrade has developed a price discovery model for establishing living income reference prices (LIRPs) to help companies calculate the farm-gate price needed for a typical farmer to earn a living income: <https://www.fairtrade.net/en/why-fairtrade/why-we-do-it/decent-livelihoods/living-income.html> and <https://reference-prices.fairtrade.net/about>
- The Living Income Reference Price Estimator created by Sustainable Agricultural Supply Chains Initiative and GIZ is a tool to estimate living income reference prices for different production scenarios. <https://www.sustainable-supply-chains.org/toolbox/tools-on-living-income-and-wages/#c11685>
- IDH's Living Income Roadmap provides companies with concrete steps, guiding questions and data-driven tools in order to take actions to improve incomes and close living income gaps of farming households: <https://incometoolkit.idhtrade.org>. IDH also provides a tool to find relevant living income and living wage benchmarks: <https://salarymatrix.idhtrade.org/benchmark-finder>
- The WageIndicator Foundation is a global, independent, non-profit organisation. They provide living wage estimates for more than 4 000 regions across 184 countries: <https://wageindicator.org/>
- ALIGN is a guidance tool on living wages and living incomes for agri-food companies: <https://align-tool.com/> In particular, ALIGN provides a database of living wage and living income benchmarks, searchable by commodity and country: [https://align-tool.com/resource-library?types\[\]=benchmark](https://align-tool.com/resource-library?types[]=benchmark)
- CSR Risk Check is a freely available tool aimed at companies that are importing from, or have production facilities in, foreign countries. This online tool helps them to quickly check and find out which international CSR risks their business activities are exposed to and what they can do to manage these risks. It was commissioned by the Dutch Ministry of Foreign Affairs, the German Ministry of Economic Cooperation and Development, and the Swiss State Secretariat for Economic Affairs: <https://www.mvorisicochecker.nl/en/>
- The World Bank's Poverty and Inequality Platform (PIP) provides national and sub-national data with estimates of poverty: <https://pip.worldbank.org>

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<sup>224</sup> LICO<sub>P</sub> (2026), *Technical Guidance on Due Diligence for Living Income*.

- The UNDP Global Multidimensional Poverty Index (MPI) is a method of measuring household-level non-monetary poverty and deprivation. The MPI website contains data reports from more than 100 countries covering more than 1 000 subnational regions: <https://hdr.undp.org/mpi-country-notes>
- The Poverty Probability Index (PPI®) is a poverty measurement tool for organisations and businesses covering household characteristics and asset ownership which are scored to compute the likelihood that the household is living below the poverty line. PPI scorecards are available: <https://www.povertyindex.org/ppi-country#Old%20PPIs>
- The Cocoa Household Income Study (CHIS) Programme is a recent sector-wide initiative to create a harmonised methodology for living incomes, including household differences, indirect suppliers and income drivers in the cocoa sector: <https://www.kit.nl/institute/project/the-cocoa-household-income-study-methodology-chis>
- Numbeo is a global database on cost of living in many countries and regions: [https://www.numbeo.com/cost-of-living/rankings\\_current.jsp](https://www.numbeo.com/cost-of-living/rankings_current.jsp)
- Companies may also find useful inspiration in the living wage add-on for the FSSC 24000 certification standard, which is a management standard across the entire supply chain, and as such it is quite amenable to being integrated into a negligence framework under the CSDDD: <https://www.fssc.com/fssc-24000/>

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