

Essential elements of EU human rights due diligence legislation for a positive impact on small farmers, workers, and artisans in global supply chains
- Fair Trade movement position -



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The upcoming Human Rights and Environmental Due Diligence (HREDD), as part of the EU Sustainable Corporate Governance initiative, will be a key tool to get companies to reduce human rights violations and environmental degradation occurring in their supply chains. Yet the form that HREDD takes is crucial and its effectiveness depends on its design.

Given that stark power imbalances in global supply chains and resulting excessive price pressure and unfair purchasing practices often lead to human rights violations, here are some essential elements for the EU HREDD legislation to ensure a positive impact throughout the supply chains, including for small farmers, workers, and artisans in the Global South.

Sustainable Corporate Governance legislation and accompanying mandatory guidance should ensure the root causes of human rights and environmental violations are addressed and require a real shift in business practices, leading to better livelihoods for small farmers, workers, and artisans.

To have a positive impact on vulnerable rightsholders in global value chains, the human rights and environmental due diligence legislation needs to:

- **Cover the entire value chain:** Companies' due diligence should cover both, their own activities, and those resulting from their business relationships, including entire value chains.
- **Address purchasing practices:** In global supply chains, common practices include insufficient lead times, last minute changes to orders, prices that undercut the costs of sustainable production and fraudulent quality complaints. They contribute to many human rights violations, such as excessive overtime and lack of living wages and living incomes. The legislation should explicitly state that due diligence is to always cover the company's own purchasing practices.
- **Prevent disengagement from vulnerable suppliers:** Many human rights violations are rooted in the economic and social context, so it takes time and partnerships to mitigate and cease them. The legislation should clarify that business relationships can only be ended where sustained efforts to address the negative impacts have failed. When disengaging, companies need to assess and potentially remediate the adverse human rights impacts of disengagement.
- **Support long-term sourcing relationships:** Implementation guidelines should highlight the importance of long-term relationships with suppliers, to provide them with stability and enable them to invest in sustainable production.
- **Aim at living wages and living incomes:** Advancement towards decent livelihoods, living wages and living incomes for every human being should be recognized as one of the purposes of this law. Living wages and – for farmers – living incomes are human rights in their own right and indispensable components in human rights and environmental protection.
- **Require rightsholder consultation:** Companies should actively seek and heed the perspectives of potentially affected workers, farmers and other rightsholders at every step of the due diligence process.
- **Encourage the adoption of mission-led business models:** To make corporate governance truly sustainable, the legislation should be based on the expectation that businesses move away from short-termism rooted in profit-maximization, by integrating sustainability in their business models as a core purpose. This is key to ensuring that businesses integrate due diligence throughout their operations and go beyond a mere 'minimum compliance' approach.



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We also support the recommendations, shared by many CSOs that the human rights and environmental due diligence legislation needs to:

- **Apply to all sectors with complementary guidance** for specific high-risk sectors and/or specific types of human rights risks.
- **Cover all business enterprises** placing products and services on the internal market, including financial institutions, as well as companies domiciled or based in the EU.
- **Be proportionate to company's actual and potential impacts.**
- **Require a continuous, risk-based due diligence process and access to effective remedy**, based on the UNGP and OECD Due Diligence Guidance.
- Include an **explicit gender dimension** and perspectives of particularly vulnerable groups.
- Enable **participation and empowerment** of human rights defenders from trade unions, civil society, and human rights organisations.
- Establish an **inclusive monitoring system** in cooperation with rightsholders.
- Include at least **civil and administrative liability**.



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