

Fairtrade position on mandatory Human Rights and Environmental Due Diligence

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This paper sets out the Fairtrade position on the key elements needed in any regulation on Human Rights and Environmental Due Diligence (HREDD)¹. The position is grounded in Fairtrade's close collaboration with agricultural actors, from farmers and farm workers to retailers and governments.

Fairtrade has long championed voluntary measures to mitigate harms in supply chains. However, voluntary action has proven insufficient: environmental degradation and human rights abuses remain widespread in global supply chains.

The [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) and [OECD Guidelines](#) provide a global consensus on corporate responsibilities, but binding laws are needed to ensure all companies meet these norms.

Well-designed HREDD regulation can benefit all actors in supply chains by establishing consistent rules for responsible business conduct.

It can strengthen rightsholder influence on business practices, build wellbeing among farmers and workers, help address environmental degradation and climate change, and enhance consumer trust. It can also benefit Fairtrade certified organisations, who already meet key due diligence requirements and may therefore gain competitive advantage.

However, poorly designed legislation could aggravate problems in supply chains. If laws impose demands on smallholder farmers without providing the financial and technical means to invest in implementation, these laws may exacerbate poverty and increase human rights and environmental harms, rather than reduce them.

As due diligence-based regulations are implemented across Europe and several countries in Asia-Pacific and the Americas, **clear guidelines, effective enforcement and strong accompanying support are essential to ensure fairness and effectiveness.**

To strengthen farmers' and workers' rights, Fairtrade calls for HREDD regulation and accompanying measures that address:

1. living incomes and living wages
2. environmental impacts and climate change
3. meaningful rightsholder engagement
4. salient risks while discouraging disengagement from high-risk contexts
5. farmer's data rights
6. fair purchasing practices and contracting
7. the use of voluntary sustainability standards as supporting tools

This paper sets out our recommendations for each of these areas one-by-one.

Shared responsibility

The responsibility to address harms in supply chains is shared among companies in the chain.

Supply chain harms are often caused or contributed to by the actions of several companies. For example, suppliers may violate labour standards because buyers pressure them with low prices or short deadlines. Collaboration is crucial to address harms and their root causes.

Therefore, companies cannot simply audit suppliers and consider their duty discharged. Companies need to:

- Cooperate with their suppliers. Termination of a business relationship is only a last resort when risks or violations are identified.

- Share the costs of due diligence fairly, including the costs of preventing, mitigating and remediating harms, to prevent disproportionate costs from falling onto the most vulnerable actors.
- Address their own purchasing practices (pricing, short contracts, last-minute orders), if these drive harms in supply chains.
- Use data collection methods that are accessible and workable for all actors in the supply chain and allow actors to retain ownership of their own data.

¹ This includes due diligence-based regulations across the world, whether they focus on sustainability reporting, HREDD in general, or specific issue. In the EU, recent due-diligence based

rules include those on corporate sustainability reporting (CSRD), deforestation (EUDR), forced labour (FLR) and sustainability due diligence in general (CSDDD).

1. Living incomes and living wages

Everyone has a right to an adequate standard of living. Workers, including those in informal employment, have the right to a living wage that enables a dignified living for themselves and their families.

Similarly, self-employed producers, such as smallholder farmers, have a right to a living income. Given that only one in two workers earns a formal wage, recognising right to living income is crucial to extend human rights protections across different forms of work and livelihoods.

Living incomes and living wages are also essential for the attainment of other human rights, including right to food, shelter, sanitation, health and freedom from child labour.

Persistent low prices in global supply chains undermine these rights. They also limit producers' ability to invest in climate change mitigation and protection of forests, biodiversity, water and soil.

While some due diligence laws already recognise living income and living wage as human rights, corporate pricing and trading practices often fail to account for them.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Recognise living income and living wage as a fundamental human right.
- Require companies and producers to set up an inclusive pricing regime: identify the real costs of sustainable production, including living incomes, living wages and costs of regulatory compliance, and pay prices that cover these costs.
- Require companies to identify and change purchasing practices that shift an excessive share of risks or costs on suppliers and contribute to human rights or environmental risks or harms.
- Provide clear guidance to companies on how to address living wage and income gaps.

2. Environmental impacts and climate change

Fairtrade celebrates due diligence regulations that recognise the strong interlinkages between human rights, the environment, and climate change, requiring business to respect all of these, and address them holistically instead of in silos. If the right to a clean,

healthy, and sustainable environment is neglected, other human rights cannot be protected either – and vice versa.

Ecological health lays the foundation for all food production: without clean and healthy soil, water and air, many commodities like coffee and cocoa will cease to exist. Pollinator collapse and soil degradation are examples of serious ecological threats that can devastate ecosystems, food production, and farmers' livelihoods.

It is important for HREDD rules to also require ambitious measures on climate change mitigation and adaptation. Farmers are the primary victims of a climate crisis they did not create. They face an existential threat: climate change may lead to a vicious cycle of productivity losses, poverty, and deforestation.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Acknowledge the indivisibility of climate change, environmental impacts, and human rights.
- Mandate companies to align their business models and practices with international climate agreements and science.
- Require companies to co-invest in climate change adaptation and environmental prevention and remediation throughout their supply chains, recognising the shared responsibility in covering these costs.
- Introduce dedicated remediation funds for regions frequently hit by climate shocks, involving civil society in decisions on their use.
- Focus on ecological impact rather than compliance reporting.
- Adopt a territorial approach in data collection, e.g., recognising that indigenous lands are governed by collective rather than individual property rights.

3. Meaningful rightsholder engagement

Meaningful rightsholder engagement is crucial at each step of the HREDD process. This norm is set by the UNGPs and OECD Guidelines. It also makes good business sense: rightsholder engagement provides companies with valuable information about salient issues, their root causes, and effective solutions.

Still, companies rarely consult rightsholders' in their HREDD². As a producer-driven system – 50% owned

² Social Benchmark (January 2026) finds that affected stakeholders are rarely consulted on assessing human rights

risks (by just 13% of companies) and even more often excluded from decisions about solutions (4%).

by smallholder farmers and workers – Fairtrade strongly believes in listening to and incorporating the experiences and knowledge of affected people.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Require meaningful engagement with rightsholders, including farmers and workers, and their representatives at each step of the HREDD process, from risk assessment to remediation and decisions to suspend or disengage from a business relationship.
- Encourage companies to pay special attention to groups at heightened risk of marginalisation, such as women, indigenous people, migrant workers, and persons with disabilities.
- Promote two-way dialogue between companies and rightsholders, where parties share equal influence over the goals, agenda and process of engagement, rather than unilateral consultation.
- Support awareness-raising and capacity-building measures for rightsholders through training, tools and partnerships with civil society organisations and other actors.
- Recognise producer organizations as key actors in implementing HREDD in global agricultural supply chains. These organisations play a critical role in rightsholder engagement, capacity building, prevention and remediation measures, and data management.

The development of HREDD regulations, guidance and accompanying support should also be informed by meaningful engagement with rightsholders and the governments of major sourcing areas.

4. Addressing most salient issues rather than disengaging from high-risk contexts

The primary aim of HREDD regulation is to ensure that companies take action on the salient risks and harms.

Retailers, manufacturers, and traders often contribute to risks and harms in primary production, and therefore have a responsibility to support producers' prevention, mitigation and remediation measures. Such support can take multiple forms, including financial and technical support, capacity building, and long-term business relationships.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Align with the UN Guiding Principles and OECD Guidelines, for example by covering all companies, all internationally recognised human rights, and

full supply chains. Coherence brings impact and reduces compliance burden on in-scope companies and their suppliers.

- Set mandatory 'improvement-before-exit' clauses to protect producers who disclose their risks. Ending business relationships must be a last resort, undertaken responsibly and only after genuine attempts to mitigate negative impacts have failed.
- Require effective prevention, mitigation and remediation measures that are proportional to each company's size, resources, operational risks. Buyer companies must support producer organisations' due diligence through financial co-investment, capacity building, long-term contracts and partnerships, and technical advice.
- Direct corporate focus to salient issues and restrain market actors from shifting the burden of compliance proof onto producers.
- Ensure effective enforcement of due diligence obligations, including civil liability.

5. Farmers' data rights

Global trade is shaped by power imbalances where buyers impose compliance and data requirements on producers without sharing the associated costs.

New sustainability regulations are further expanding these demands, including requirements for geodata and risk assessment findings, which are time-consuming and resource-intensive to produce.

Farmers must be able to understand why data is collected, who has access to it, and how it is used. They need to share control over the data and benefit from it. Interoperability between different buyers' data collection platforms is essential to reduce manual work on farmer organisations.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Support farmers in transitioning from 'data subjects' to 'data entrepreneurs' who own and gain compensation for their data and data collection.
- Protect farmers' privacy. Legislation needs to provide remediation through indemnity clauses if damages arise from the misuse or irresponsible handling of farmers' information.
- Ensure that smallholder farmers do not lose market access due to administrative or digital reasons, such as lack of means for data sharing.

6. Fair purchasing practices and responsible contracting

When buyers make late payments or cancellations, or pay prices that undercut the costs of sustainable production, they place financial strain on suppliers, making it harder for suppliers to respect human rights and the environment.

Contracts are often set by international brands or traders and then cascaded to suppliers, limiting farmers' ability to influence the terms under which they operate.

Fairtrade commends the EU due diligence directive for recognising that corporate purchasing practices can significantly influence supplier wages and incomes. Fair pricing, fair contracts and long-term business relationships are key to ensuring that producers receive a fair share and can meet human rights and environmental standards.

Fairtrade calls for regulation, implementation guidance and accompanying measures that:

- Require companies to assess, identify and change purchasing practices and contract terms that contribute to human rights or environmental risks or harms in their supply chains.
- Set a clear definition and benchmark for responsible purchasing practices. This needs to include paying prices that cover the costs of sustainable production, including living incomes, living wages and ongoing due diligence.
- Ban abusive contract clauses, such as automatic termination. Contracts should include responsibilities for both parties, minimum pricing and cost-sharing obligations, indemnity clauses to protect producers if damages arise from breach of contract, and be co-designed.

7. Voluntary Sustainability Schemes support companies' due diligence

Voluntary Sustainability Standards (VSS) can support corporate due diligence work. However, they are not safe harbour mechanisms that protect companies from liability. Certification can assist companies in managing risks but cannot remove them or replace companies' own due diligence responsibility.

The most robust VSS have rigorous standards, independent third-party audits, close rightsholder engagement, programmes that address root causes, and strong remediation procedures.

HREDD regulations should establish or refer to objective criteria for assessing VSS, ensuring alignment across legislation. Assessment should be anchored to the specific due diligence functions a VSS performs rather than applying uniform requirements to all initiatives. Criteria should distinguish core from supportive elements, moving beyond a binary yes/no structure.

These criteria should include that VSS shall:

- Involve rightsholders and civil society actors.
- Have inclusive and transparent standard-setting.
- Operate a credible assurance system, ideally with ISO 17065 accreditation.
- Encourage HREDD and continuous improvement among supply chain partners and the VSS itself.
- Prevent buyer companies from shifting costs or burdens onto smallholders or other primary producers.
- Identify and address root causes of violations and encourage participating companies to review and adjust their own practices where these contribute to identified risks.

Accept accountability for driving impact and use independent research to develop and refine their schemes over time.

The role of Fairtrade

The international Fairtrade system works with a rights-based approach, strengthening farmer and worker voices by encouraging collaboration between stakeholders in global supply chains. For business, the use of Fairtrade certification can be a valuable tool in mitigating many adverse human rights impacts in several global supply chains.

Fairtrade supports HREDD regulation, implementation guidance and accompanying measures by:

- Bringing the voice of farmers and workers to due diligence discussions and coalitions.
- Providing concrete suggestions for accompanying measures to make sure these work in practice.
- Sharing the learnings from decades of human rights-related work in global supply chains.
- Working with commercial partners in the market areas to co-create practical solutions for addressing risks and violations, and developing sustainable business models.
- Advocating for living incomes, living wages, fairer pricing policies and meaningful rightsholder engagement.