



Supporting shared responsibility

**Fairtrade's Human Rights and
Environmental Due Diligence Report 2023**

First edition, December 2023



FAIRTRADE
INTERNATIONAL

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Foreword

There is a lot to do to make global supply chains fair and sustainable. Fairtrade has worked for more than three decades to support the prevention, mitigation and remediation of human rights and environmental wrongs in supply chains and research says we have made a difference for many people – but many wrongs persist.

Along with numerous other civil society and multi-stakeholder initiatives, we've long called for legislators and corporate leaders to focus more of their attention in this area.

It is therefore encouraging that Human Rights and Environmental Due Diligence (HREDD) is becoming increasingly obligatory. Fundamentally, we view the HREDD approach with great hope.

If conducted fairly, HREDD can be groundbreaking in advancing human rights and environmental sustainability in global supply chains.

However, fairness doesn't come automatically.

Global supply chains are fraught with disparities in economic power. In many commodities, producers at the beginning of the supply chain receive a very small portion of the total value. If buyers push the costs of due diligence onto these producers, HREDD can deepen poverty and actually aggravate risks. Similarly, if buyers turn away from poor, "high-risk" sourcing areas and suppliers – even where these suppliers are taking meaningful measures to mitigate the risks – trade becomes less fair.

That's why we're calling for fair due diligence, based on dialogue with rightsholders – the people whose rights may be harmed by business – along with fair cost sharing, collaboration and continuous improvement. We discuss these crucial elements on page 4.

This report – the first of its kind for Fairtrade – showcases what we do in relation to human rights and environmental due diligence.

This encompasses our actions across three roles: first, as an employer and a system with 25 member organisations; second, as a supporter of sustainable practices at companies throughout supply chains; and third, as an advocate for fairer laws and business practices globally.

Fairtrade exists to advance and support small-holder farmers' and workers' rights. We seek to do this through a holistic set of approaches, including ongoing producer support, Standards, certification and development projects. Meanwhile, our awareness raising and advocacy work seeks to highlight and transform unfair and unsustainable public policies, business practices and consumption patterns.

With specific HREDD requirements now being legislated in some regions, we are aligning our work with the due diligence approach.

In this work, we are building on our ongoing engagement with rightsholders and focusing on the root causes of many challenges in global supply chains. We address unfair pricing and purchasing practices and build toward living incomes, living wages, cooperation with farmers and workers, and co-investment amongst supply chain actors.

While we can support companies with each step of the due diligence process, participation in a sustainability initiative like Fairtrade can never absolve a company of its responsibility to conduct due diligence.

We hope what you read in this report prompts feedback that helps us develop our HREDD work further – and drives forward the discussions on the role of multi-stakeholder initiatives in due diligence.

We look forward to hearing what you think.

Sandra Uwera Murasa
Global CEO
Fairtrade International

Melissa Duncan
Executive Director
Fairtrade International



We call for fair due diligence, based on dialogue, fair cost sharing, collaboration and continuous improvement.



The five keys to fair due diligence

1

Dialogue with rightsholders

It's a fundamental principle in due diligence – and Fairtrade – that people should shape the decisions that influence their lives.

Guidance from the Organisation for Economic Cooperation and Development (OECD) clarifies that every step of human rights due diligence needs to be informed by rightsholders.

This is not only right, but also practical: where human rights or environmental problems are serious, local stakeholders are usually already mitigating and remediating them. It is most effective for companies to **join existing efforts**.

2

Interdependent human rights

Human rights are indivisible and interdependent. As long as the right to a **decent standard of living** goes unfulfilled, many other human rights and environmental harms will also persist in global supply chains. The illustration here highlights these linkages.

This means that to address child labour, forced labour and deforestation, we must address the lack of living incomes, living wages and collective bargaining.



4

3

Fair cost sharing

It is crucial that the costs of implementing due diligence are shared fairly among value chain partners. In many global supply chains, very little value goes to primary producers. Millions of farmers live in poverty and have limited or no means to invest in more sustainable production practices.

To invest in stronger due diligence measures, farmers need **better prices, longer-lasting business relationships and co-investment**.

4

Collaboration

To tackle poverty and inequality, which are the root causes of many human rights and environmental problems in supply chains, we need collaboration between **suppliers, buyers, governments and civil society actors**.

Everybody must play their part. Companies need to assess and reform their purchasing and pricing practices where these aggravate risks in supply chains. Multi-stakeholder initiatives like Fairtrade can support but not substitute corporate due diligence.

5

Continuous improvement

We need ambitious regulation and continuous improvement in business practices, not just a search for low-hanging fruit. **First steps must be taken by supply chain actors who hold the most power** and resources. Smallholder cooperatives need time to develop their due diligence measures.

Living Income – the foundation for many human rights and Sustainable Development Goals. Modified from a graph by Shift.

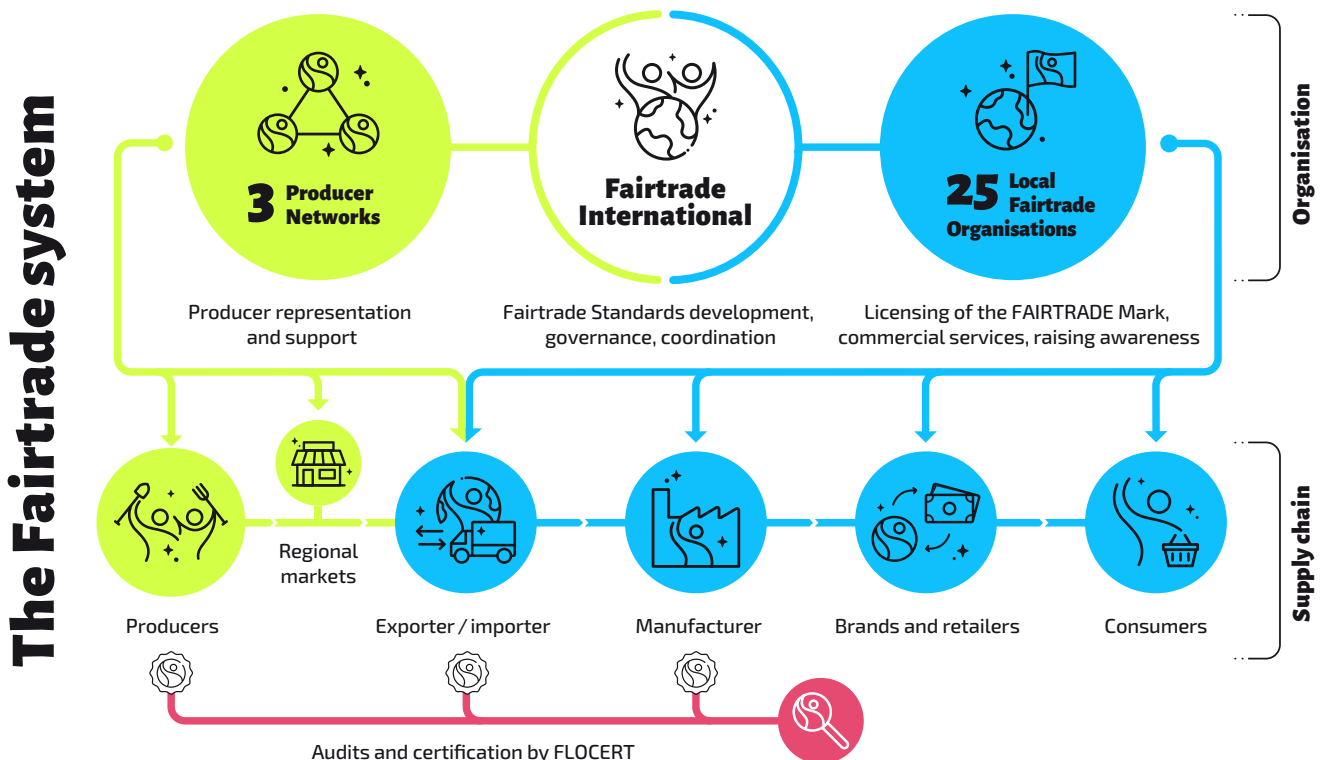
Fairtrade system and scope

Fairtrade exists to advance and support smallholder farmers' and workers' rights and environmental sustainability in global supply chains. We aim to bring these rightsholders the opportunity to earn fairer prices, build stronger communities, and have more say over their futures.

Fairtrade is co-owned by more than two million farmers and workers.

The Fairtrade system includes:

- Three regional producer networks, governed by their membership of more than 1,900 Fairtrade certified producer organisations representing more than two million farmers and workers. Producer networks support producer organisations to strengthen their operations, adhere to Fairtrade Standards, introduce best practices, address human rights and environmental challenges, and develop the needed capacities through thematic programmes and projects.
- 25 national Fairtrade organisations and marketing organisations, collaborating with local companies, civil society and governments, building awareness of Fairtrade and, for national Fairtrade organisations, licensing the use of the FAIRTRADE Marks to companies to place on their products.
- Fairtrade International, which serves as the membership association for the system, maintains and updates the Fairtrade Standards and pricing, owns the Marks, and organises multi-stakeholder decision-making bodies including the annual General Assembly, Fairtrade Standards Committee and more.
- FLOCERT, the main independent certifier for Fairtrade, which certifies companies throughout supply chains, from farms and mines to manufacturers.
- The Fair Trade Advocacy Office, which influences public policies to improve livelihoods in global supply chains. It is a joint initiative of Fairtrade International, the World Fair Trade Organization (WFTO) and the European branch of WFTO.





Global scope

Fairtrade producers are located in 70 countries.

A total of 68 percent of Fairtrade farmers and workers live in Africa and the Middle East region, while 18 percent are in Latin America and the Caribbean, and 13 percent are in Asia Pacific. These farmers and workers are organised into 660, 970 and 300 producer organisations, respectively.

Fairtrade certifies more than 150 products, and more than 300 herbs and spices. The products that involve more than 90 percent of Fairtrade farmers and workers are coffee, cocoa, tea, flowers and plants, cane sugar, cotton and bananas. In terms of selling Fairtrade-labelled products to consumers, in 2021 more than 2,500 companies licensed more than 37,600 products, which were sold in 143 countries. More detail on Fairtrade producers and sales can be found in our [monitoring reports](#).

Fairtrade's development projects, designed to support farmers, workers and their organisations with particularly entrenched challenges, also take place across the world. To date, we have implemented more than 150 projects. More detail can be found on our [project map](#).

More than 1,000 staff are employed by Fairtrade organisations around the world. Fairtrade International employs more than 90 people, of which 68 percent are women.



Fairtrade is co-owned by farmers and workers.

Producer co-ownership

Farmers and workers having a say in Fairtrade is an essential part of how we work. The system is governed by a [General Assembly](#) and a [Board of Directors](#). At the General Assembly, producer representatives hold 50 percent of the voting power.

Other Fairtrade entities have a similar emphasis on producer participation:

- The Fairtrade International Board comprises four producer representatives, four national Fairtrade organisation representatives and three independent members.
- The Fairtrade Standards Committee, which makes all final decisions on changes to Standards and prices, includes three producer representatives, one trade union representative, two national Fairtrade organisation representatives, one trader and one company that sells Fairtrade-labelled products (a licensee).
- The Fairtrade Executive Team guides members in the operational delivery of our strategic ambitions. It is made up of the CEOs from the three producer networks, three elected CEOs from the national Fairtrade organisations and the Global CEO of Fairtrade International.

Meaningful stakeholder engagement

We agree with the fundamental principle in human rights-related work that no one can decide for other people how their grievances should be ranked and addressed. They must be involved.

Every step of human rights and environmental due diligence needs to be informed by meaningful engagement with the farmers and workers in supply chains, respecting their views, experience and knowledge. Rightsholder views need to inform every decision.

Engagement is meaningful if it is based on open, two-way communication and good faith.

Fairtrade believes that changes in power relations are central in advancing human rights and environmental sustainability in global supply chains. Rightsholder voice should influence both due diligence practices and legislation.



Governance of Fairtrade's due diligence work

The Fairtrade International Board of Directors oversees the design and effectiveness of Fairtrade's policies and processes on due diligence, human rights and environmental sustainability. These issues are discussed at every Board meeting. For example, in 2023, the Board discussed the impact of new and upcoming due diligence legislation on Fairtrade's role, and Fairtrade's first set of business services on HREDD.

Our HREDD Centre of Excellence leads the development of Fairtrade's HREDD policies and processes, as well as supporting materials and training to educate staff about HREDD developments. The Centre is led by Fairtrade's Business and Human Rights Lead, Dr Tytti Nahi, and hosted by Fairtrade Finland.

In the development of our HREDD policies, processes and tools, we take meaningful engagement with internal and external experts and potentially affected stakeholders very seriously. Engagement is facilitated by an internal HREDD Working Group, which brings together HREDD experts from different functions and Fairtrade organisations on six continents.

The policies and processes for different salient issues are developed by senior advisors at Fairtrade International and the producer networks.



No one can decide for other people how their grievances should be ranked and addressed. People must be involved.



Fairtrade's HREDD process

Fairtrade calls for regulators and corporations to advance and conduct fair due diligence – and we also practise what we preach.

Since 2019, we have been making concerted efforts to strengthen Fairtrade's own process of due diligence on human rights and the environment.

We have seen that HREDD helps in developing Fairtrade Standards, policies and processes so that we become increasingly effective at addressing the salient issues and advancing the rights of farmers, workers and other rightsholders.

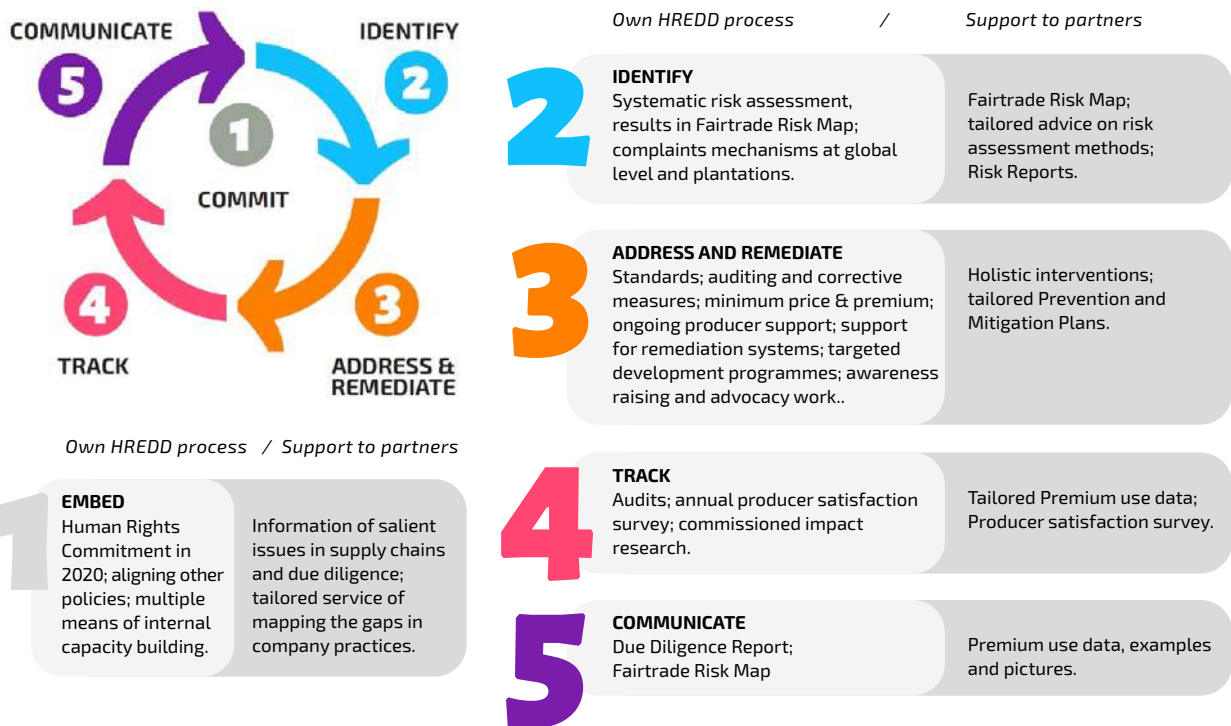
In this chapter, we discuss how Fairtrade conducts HREDD on our own operations, and in certified supply chains. Our HREDD process follows five steps: **commit and embed; identify risks and adverse impacts; prevent, mitigate and remediate; track progress; and communicate results.**

We also indicate how Fairtrade can support companies at each step of their due diligence process. For more information on Fairtrade as an HREDD partner, please see the [Fairtrade Risk Map](#).

Fairtrade's roles in HREDD

- 1 Bringing farmer and worker voices to policy discussions
- 2 Developing our own HREDD process
- 3 Supporting HREDD by commercial partners and farmer organisations

Highlights of Fairtrade's HREDD process and support for commercial partners



1 Commit and embed

This first step of HREDD is for the organisation to document its intentions on human rights and environmental sustainability, and operationalise these intentions across the business.

Fairtrade's Human Rights Commitment commits us to align with the United Nations' Guiding Principles on Business and Human Rights (UNGP) – and to develop HREDD policies and processes that are driven by the perspectives of Fairtrade farmers and workers.

This commitment is shared by all Fairtrade organisations. The text was the result of three years of internal dialogue. External guidance was provided by several experts, notably from the Danish Institute for Human Rights, as well as guidelines from the [UN](#), [OECD](#), [FAO](#) and [UN Global Compact](#). The CEOs of Fairtrade member organisations discussed the commitment in October 2019, and it was approved by the Fairtrade International Board in 2020.

The commitment has been communicated to all Fairtrade staff via internal newsletters and intranet, and to external stakeholders on Fairtrade International's website and through multiple publications, events and newsletters.

Training and advice supporting the implementation of the commitment has been offered to all Fairtrade organisations in the following ways:

- Fairtrade's HREDD Centre of Excellence answers internal queries and offers training.
- Our internal HREDD Working Group brings together 80 colleagues from around the world to learn from each other.
- An HREDD newsletter, plus webinars and workshops, inform Fairtrade staff members about internal and external due diligence developments.
- An e-learning course serves to orient staff to HREDD and Fairtrade's approach to it.

The Commitment: A snapshot

We seek to respect all internationally recognised human rights, including environmental – we all have the right to a safe, healthy and stable environment. We commit to developing our HREDD process and piloting new ways to facilitate collaboration between producers and other supply chain actors.

We recognise our opportunity – and responsibility – in encouraging companies to respect human rights, including environmental rights. We work with our business partners and networks to raise understanding of human rights and human rights-based approaches.

Aligning our strategy

We revise our global strategy every five years, through a broad consultation with internal and external stakeholders. [Our current strategy for 2021-2025](#) focuses on five priorities: expanding producer power and benefits in trade relations; innovation and growth; advocacy and citizen engagement; digitalisation for improved transparency and decision-making (for producers as well as for the Fairtrade system); and strengthening our system for the future.

The strategy highlights the key steps in aligning these strategic priorities with our Human Rights Commitment. As part of expanding producer power, we work to advance living income and living wages and support producers in strengthening their due diligence work and gaining leverage on how due diligence is conducted in their value chains.

Market innovation involves developing new solutions to support meaningful engagement and collaboration on HREDD among supply chain actors. Our advocacy work focuses on HREDD-related legislation, climate justice and deforestation, and workers' rights in the textile and garment industries, to name a few priorities.

In terms of digitalisation, we are rolling out systems that support greater data ownership by producers and greater two-way transparency between producer organisations and their commercial partners. At the moment, one focus area is deforestation and geolocation data.

Our commitment to human rights, environmental sustainability and due diligence is also reflected in the [Fairtrade Organisation Code](#), which lays out the human rights expectations of staff in Fairtrade organisations.

Strengthening due diligence in the Fairtrade Standards

The Fairtrade Standards convey our expectations to all Fairtrade certified organisations – almost 2,000 producer organisations and more than 3,000 traders, processors and manufacturers.

The Standards have long guided and expected certified producer organisations to take some due diligence measures, including risk assessments, policies and remediation work. Gender policies, for example, have been encouraged at both farmer cooperatives and plantations, and child labour monitoring and remediation systems especially for farmer cooperatives in known risk regions. The new [Fairtrade Cocoa Standard](#) includes the full HREDD cycle.

Importantly, the three Fairtrade producer networks offer advice, training and support to producer organisations on an ongoing basis.

At the moment, we are revising the Fairtrade Standards to strengthen our due diligence expectations for all Fairtrade certified organisations. In particular, we hope to encourage dialogue and concrete collaboration between Fairtrade producers and buyers.

In 2023, we have been reviewing our Standards for larger organisations that typically hold more economic power in supply chains – traders, plantations and other organisations with hired labour. We expect to follow this with the review of our Standards for farmer cooperatives and contract production settings.

Fairtrade Minimum Prices and Fairtrade Premium are also part of our Standards, and relate to improving farmer and worker incomes. In 2023, we completed

price reviews for coffee and bananas. For bananas, we introduced our first Living Wage Reference Price to close the gap to living wages. We will undertake a price and Premium review for cocoa in 2024. This review, and others moving forwards, will take into account HREDD costs for producers.

Consultations on Fairtrade Standards and prices are public, open for all stakeholders, and entail physical consultation workshops for rightsholders throughout Africa, Asia, Latin America and the Caribbean.

The inclusive process seeks to ensure that our Standards respond to the realities experienced by producers, workers and traders. We understand that **Standards need to be realistic, in order for them to actually contribute to the protection of people and planet and encourage organisations to remain certified.**

Establishing and maintaining HREDD systems requires expertise, time, partnerships and funding. In response, we have already published HREDD guides for producer organisations and traders and we strive to facilitate access to public funding and corporate partnerships for producer organisations.

How Fairtrade supports companies to build their own commitment

We can work with companies to develop their commitments, policies, and expertise. A fuller review of our support measures is available on the [Fairtrade Risk Map](#) but here are the highlights:

- **Information:** We offer all corporate partners information and support to understand human rights, environmental issues, due diligence, related legislative developments and the role of Fairtrade and meaningful rightsholder engagement in HREDD.
- **Sourcing:** Choosing Fairtrade certified commodities can play a significant part in a corporate risk management system.
- **Tailored service:** Fairtrade can offer [additional support](#) to a corporate partner for mapping the legal obligations, commodity-specific risks and geographic hotspots most salient to the partner.
- **Dialogue:** We are uniquely positioned to support meaningful engagement and dialogue among supply chain actors, as per UN and OECD due diligence guidance.



We are revising the Fairtrade Standards to strengthen expectations of due diligence, dialogue and collaboration in certified supply chains.

2 Identify and assess adverse impacts

The second step is about identifying and assessing the human rights and environmental risks and harms that are most common and serious – or “salient” – in the organisation’s operations and business relationships. This is often done through risk assessments and grievance mechanisms.

Fairtrade’s work has always been based on a rightsholder-driven assessment of the salient human rights and environmental issues. Fairtrade was originally established in 1988 by Mexican indigenous communities, coffee farmers and a Dutch civil society organisation to advance the livelihoods of those farmers and their communities and their right to a decent standard of living.

As Fairtrade expanded to new commodities, geographical areas and aims, our risk and impact assessments became fragmented, with different methods and processes used in different commodities and continents. Since 2020, we have been aligning this work with the UNGPs and carrying out an ongoing, system-wide assessment of human rights and environmental risks in our operations and global supply chains of the commodities we certify.

Assessing risks

The digital Fairtrade Risk Map summarises **our key findings**. Launched in early 2023, it highlights the salient risks in the commodities and countries where Fairtrade works. The highlighted risks are not specific to Fairtrade certified supply chains – they are deeply entrenched challenges that all actors face in these industries.

Our risk assessment process is described [on the map website](#). To identify and assess the commodity-, geographic- and organisation-related risk factors, we consider external research and data, Fairtrade’s internal expertise, and – importantly – rightsholder perspectives. The published findings have been validated by farmers and workers.

The map also discusses nine salient issues, including relevant data and information on Fairtrade’s preventive and remediating measures. The salient issues highlighted by our assessment are as follows:

- Living income and living wage
- Child labour and forced labour
- Gender rights and discrimination
- Working conditions, freedom of association and collective bargaining
- Climate change and deforestation
- Water and biodiversity

The risk map serves to share general product and regional risk information transparently with our stakeholders. It has improved the consistency of our internal insight as a system.

Grievance mechanisms

Fairtrade has global-level mechanisms where any stakeholder can report grievances related to Fairtrade, FLOCERT or a certified organisation. For example, in 2022, we received 115 allegations related to certified organisations and 44 complaints related to FLOCERT services.

Grievances can be reported confidentially via a website form, email, phone, or WhatsApp – all offered in multiple languages. Further information is available [on our website](#) and [you can read the 2022 statistics here](#).

As for certified entities, since 2015, the Fairtrade Standards have required human rights-based grievance mechanisms to be implemented by certified plantations and other organisations that depend on hired labour. A similar requirement is being considered for traders, farmer organisations and contract production settings.

Grievance mechanisms can only work where people are aware of their rights and are not scared to report their concerns. Fairtrade strengthens the voices of rightsholders by supporting worker committees and democratic farmer organisations, promoting fairer division of value between producers and buyers, and providing human rights training for farmers, workers and producer organisations.

It is best practice to complement grievance mechanisms with other approaches for identifying human rights breaches and victims. Initiatives such as Fairtrade that have a large presence in producer countries often find out about human rights breaches through discussion and observation rather than through formal grievance mechanisms.



Fairtrade helps to address human rights and environmental harms and root causes – but no sustainability standards can guarantee that supply chains are free from violations.

How Fairtrade supports companies to identify and assess risks or adverse impacts

Fairtrade – or any certification system – is not a substitute for a company's own due diligence work. But we can support corporate risk assessment in several ways:

- **Fairtrade Risk Map:** Supports any company to assess the human rights and environmental risks related to their own operations and supply chains.
- **Dialogue:** Fairtrade can work with companies to facilitate their rightsholder dialogue with farmers and workers in their supply chains.
- **Advice:** Fairtrade can offer advice on risk assessment methods and processes, including the related laws and norms.
- **Risk reports:** We can offer rightsholder-informed overviews of the salient risks, violations and root causes in a particular supply chain or commodity and country (for example, coffee beans from Ethiopia).
- **Supporting suppliers:** Fairtrade certified smallholder farmer organisations are required to conduct regular risk assessments and act on the identified risks. This will soon be extended to Fairtrade certified traders and plantations. We support producer organisations through training and by providing [Fairtrade risk assessment tools](#). A fuller review of our support measures is available on the [Fairtrade Risk Map](#).



3 Prevent, mitigate and remediate

This step refers to the organisation taking action on its identified salient issues, including putting policies and procedures in place, having an action plan and cooperating in the remediation of existing violations.

Human rights violations and environmental damages are broadly present in supply chains, affecting farmers, workers and other rightsholders. Work in agriculture and mining is often low paid, precarious and fraught with health hazards. Over 110 million children around the world are estimated to engage in agricultural work that threatens their health and safety or interrupts schooling. The dominance of chemical intensive production methods drives biodiversity loss, water pollution, greenhouse gas emissions, and health risks.

No actor can prevent or remediate these harms alone. Fairtrade uses many means to facilitate and contribute to multi-stakeholder collaboration that advances the prevention, mitigation and remediation of these harms.

Fairtrade mainly works with agricultural supply chains and the textile industry. Our main focus is at farm level, but we also work to promote due diligence and reduce unfair trading practices throughout supply chains.

Our leverage is greatest where Fairtrade production engages the most people and sales are highest, namely in the supply chains for coffee, cocoa, bananas, flowers and cane sugar.

Overall, research shows that Fairtrade's efforts do mitigate many salient risks and harms. A review of 151 recent academic studies shows that Fairtrade is effective in addressing low farmer incomes and worker wages, poor working conditions, weak democratic organising and adaptation to climate change. Through improved incomes and a better standard of living for farmers and workers, Fairtrade supports several other rights, such as health and education.

"Fairtrade has the capacity to contribute to ceasing, preventing, and mitigating certain human rights issues," notes an empirical study by van Baar and Knoote (2022). It states that "Fairtrade's impact, to a large extent, seems to be directed at the most salient human rights issues," and that Fairtrade producer networks have a "contextualised and nuanced understanding of thorny issues such as child labour."



Fairtrade fundamentals for addressing risks and harms in supply chains



Fairtrade Standards: Our Standards are designed to deepen respect for human rights and the environment among producers and other supply chain actors. These detailed Standards are based on UN human rights covenants and International Labour Organization conventions and are revised regularly, through inclusive processes, to increase their effectiveness. We encourage continuous development – our Standards become more demanding one, three and six years after certification. See Appendix 2 for different types of Standard requirements.

We are currently revising the Fairtrade Standards to strengthen our due diligence expectations for all Fairtrade certified organisations. See page 10 for further information.

The Fairtrade Premium – an extra sum of money paid on top of the selling price – allows farmers and workers to invest in community and business projects of their choice. Democratic decision-making on how to spend Premium funds can have positive ripple effects in contexts where democratic practices are not common.

The Minimum Price and Premium also benefit commercial partners, since too-low prices can be seen as contributing to human rights or environmental violations. In 2021, the total Fairtrade Premium paid amounted to €202 million. Plantation workers allocated 68 percent of their Premium and smallholder farmers 16 percent to social investments, including education, healthcare and housing. Our latest [monitoring report](#) offers more information.



Verification and corrective measures: Fairtrade's independent certifier, FLOCERT, follows rigorous practices in verifying whether a producer or trader fulfils the Fairtrade Standards. On-site audits can take more than two weeks for large producer organisations. Unannounced on-site audits are particularly common in areas with high human rights or environmental risks.

While not infallible, we find that independent auditing and subsequent dialogue remain useful tools in HREDD. Whenever an audit reveals non-conformities, it leads to an agreement on corrective measures that the organisation needs to implement. When the number of non-conformities is high and it is difficult to verify the completion of corrective measures through documents, FLOCERT conducts a follow-up audit. FLOCERT has ISO 17065 accreditation, which is only granted to highly competent, consistent and impartial certifiers. Audits are covered by the certification fee and not charged separately.



Support for farmers and workers: Fairtrade producer networks support farmers and workers to know their human rights, get organised, develop their business practices, and build environmental and social sustainability.

The needs of more than 1,900 Fairtrade certified producer organisations in 70 countries and territories are immense and varied – much more support is needed than we can deliver. Services are delivered through in-person or remote training, site visits and networking opportunities.

To support HREDD, we have started building producers' capacity to strengthen their HREDD systems. We are collaborating with the International Trade Centre to pilot producer support methods and learn about the [measures needed](#), in conjunction with legislation, to foster fair and impactful due diligence in global supply chains.

We have also published a first-of-its-kind [guide on HREDD for smallholder farmer cooperatives](#), and followed it with guides for [companies that rely on hired labour](#), ["first buyer" traders](#) and [small businesses and microenterprises](#).

Particular support is offered for **remediation** work when child labour, forced labour or gender-based violence is identified at a certified organisation. This builds on the Fairtrade producer networks' and



Minimum Price and Premium: Fairtrade is the only major certification with fixed minimum prices for most commodities. Producers earn the market price or the Minimum Price, whichever is higher. This price security can facilitate farmers' investments in fairer and more sustainable production practices.

Fairtrade International's protection committees and policies, which make it the top priority that protection measures respect the views of the impacted people and serve their best interests. We encourage producer organisations to engage all duty bearers, including local protection agencies.

Our latest annual survey shows that across [Africa](#), [Asia](#) and [Latin America](#), 75-84 percent of producer organisations are highly satisfied with Fairtrade's producer support activities overall.



Rightsholder engagement: Producers have equal decision-making power in Fairtrade, from standards setting and price updates to governance, oversight and strategy. Fairtrade only certifies smallholder farmers who are democratically organised into cooperatives, and plantations that allow their workers

to join trade unions.

Fairtrade has extremely close dialogue with farmers and workers. Our producer networks employ more than 230 staff who work directly and locally with farmers and workers. We call for and can facilitate dialogue and collaboration between farmers, workers and commercial partners in the supply chain.



Collaboration: Working with trade unions, NGOs, multi-stakeholder initiatives, development agencies, business coalitions and governments helps to develop and amplify our efforts.

For example, we have goal-driven collaboration with other sustainability standards through the Global Living Wage Coalition and Living Income Community of Practice.



Research: Fairtrade undertakes, commissions, reviews and disseminates a constant stream of research. Our goal is to generate understanding among companies, governments, civil society organisations and consumers about what works to prevent, mitigate or remediate human rights situations and provide solutions in global supply chains.

We publish our research on our website.



Advocacy and awareness raising: Fairtrade seeks to highlight imbalances of power in global supply chains and provide concrete recommendations to propel changes in legislation, norms and business practices. We amplify farmer

and worker voices in partnership with like-minded companies and organisations. At the moment, our advocacy work focuses on living incomes and living wages, mandatory HREDD, deforestation, climate change adaptation and resilience, gender inclusion and market access.

Fairtrade is a worldwide movement for fairer trade. Thousands of fair trade-affiliated towns, universities, faith-based organisations, schools and workplaces are actively raising public awareness of human rights abuses and environmental challenges in supply chains, supported by Fairtrade campaigns and events.



Development projects and programmes:

We know that farmer cooperatives and plantations need to strengthen their HREDD work. We also know that all business partners must assume their responsibility to support farmers with the necessary resources to make HREDD

a reality. Our tailored projects and ongoing programmes support producer organisations and offer opportunities for other companies to address adverse impacts in their supply chains.

To date, Fairtrade has completed about 150 projects around the world. These include developing opportunities for women, progressing towards living incomes, strengthening democratic management at farmer organisations or tackling deforestation. Details are available on our [project map](#).



Sustainability services: Fairtrade experts, in consultation with farmers and workers, develop innovations such as living income and living wage reference prices, and carbon credits. Fairtrade also offers advisory services on due diligence, which are summarised on the next page.

These mechanisms and resources are grounded in our long-standing experience, and are available to companies that seek additional progress towards specific goals. They can, for instance, help companies make progress in aligning with the EU Deforestation Regulation, Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive and Green Claims Directive. These services incur additional costs for corporate partners and are subject to availability.

How Fairtrade supports companies' prevention, mitigation and remediation efforts

Fairtrade's support for addressing and remediating salient human rights risks and harms is strongest where:

- the highest-risk commodities of the company are in Fairtrade's product portfolio;
- the company sources 100 percent of those commodities as Fairtrade;
- and the company also participates in Fairtrade's programme, advocacy and awareness raising work.

Collaboration with Fairtrade can form a larger part of due diligence efforts for a small or medium-sized enterprise (SME) because international due diligence guidance expects less extensive measures from SMEs than it does from large corporations. A fuller review of our support measures is available on the [Fairtrade website](#).

Fairtrade also offers four due diligence services:



Advisory service on HREDD

Understand due diligence expectations and obligations relevant to your company, and the role of Fairtrade and meaningful rightsholder engagement in this.



Advisory service on risk assessment

Understand human rights and environmental risk assessment, and the next steps in strengthening your own risk assessment processes.



Risk report

A tailored assessment of risks and root causes in a particular product and country, produced through meaningful rightsholder engagement.



Prevention and mitigation plan

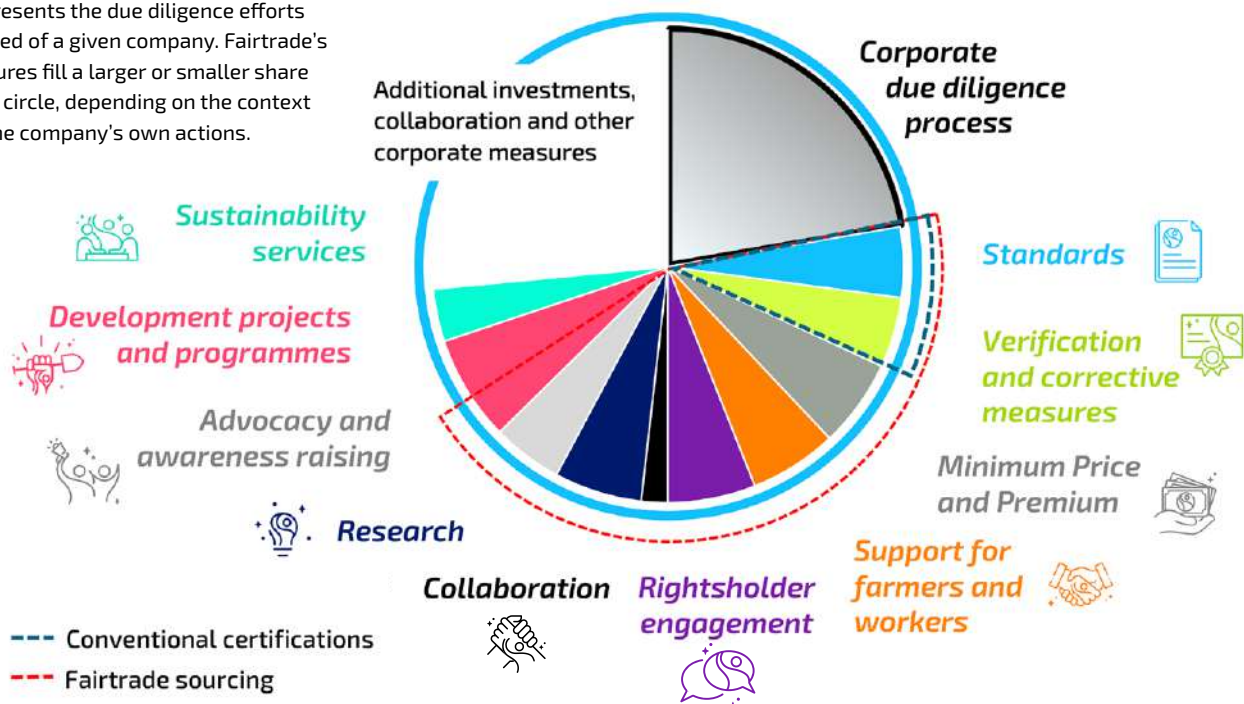
Overview of activities that your company could join or initiate to prevent and mitigate the salient risks and root causes in a particular product and country.

Can be accompanied by **real-time exchange with rightsholders** and Fairtrade staff.

How Fairtrade supports businesses in addressing risks and harms

This graphic is for illustrative purposes only.

It represents the due diligence efforts required of a given company. Fairtrade's measures fill a larger or smaller share of the circle, depending on the context and the company's own actions.



4 Track

Tracking refers to checking the progress of prevention, mitigation and remediation actions.

To track the effectiveness of our human rights and environmental interventions in certified supply chains, we draw on a number of key sources.

First, we analyse FLOCERT **audit data** on important human and environmental rights criteria. This analysis has a direct impact on the targeting of Fairtrade producer networks' ongoing producer support activities. The next chapter includes some of this analysis.

Second, the producer networks monitor their regular services and conduct an annual **satisfaction and needs survey** among their members.

Third, to track whether our work is bringing the intended outcomes and impact, our programmes include bespoke **monitoring and evaluation frameworks**. External consultants are sometimes engaged for mid-term or end evaluations.

Fourth, we commission **research**, including into specific aspects related to human rights and environmental impacts. To ensure that these research findings also influence our operations, we conduct learning workshops both with the participating producer organisations and all interested Fairtrade system staff. We also inform the Fairtrade International Board and publish the studies on our website.

In the past year, our research work has included:

- **Comparison of Fairtrade and non-Fairtrade sugarcane farmers in Mauritius:** A total of 93 percent of Fairtrade producer organisation members reported an improvement in the conditions for workers over the past 10 years, as opposed to just 40 percent of the non-certified farmers. Climate change and less participation by women than men were some of the ongoing reported challenges.
- **Impact of Fairtrade on flower workers in Kenya, Uganda and Ethiopia:** Better working conditions and greater fairness in recruitment and promotion were cited as the core benefits of Fairtrade by flower workers. For example, on average, women occupy more than 50 percent of leadership and management positions on Fairtrade certified farms. Progress is still required on union organisation and living wages.
- **Fairtrade's role in human rights due diligence:** In coffee farming in Ethiopia and Colombia, and banana production in the Dominican Republic and Colombia, Fairtrade interventions have advanced social and economic rights. In particular, the Fairtrade Minimum Price and Premium have made significant contributions.



Increasing transparency

Companies need knowledge about their value chains and their business partners' due diligence work to identify risks and harms, find partners, and track the effectiveness of mitigation and remediation efforts. Traceability (the route a product takes from farm to shelf) and transparency (of production practices and due diligence measures) are crucial to HREDD.

However, producer organisations have legitimate concerns that their buyers, if given a transparent view of the risks and challenges that producers face, could discontinue their purchases, regardless of the producer organisation's mitigation efforts. Many risks and harms at farms and factories are rooted in poverty, inequality, unfair business practices and weak public policies, and are slow to fix.

Producer organisations also need information about – and opportunities to influence – how their buyers prioritise different risks, challenges and solutions.

Fairtrade seeks to support all partners with the information they need.

There are many related developments at Fairtrade. Information on how producer organisations invest their Fairtrade Premium and the impact it makes, for example, is increasingly stored on our FairInsight platform. Producer organisations can then share this with commercial partners.

Forest landscape management is particularly topical in cocoa and coffee supply chains. Fairtrade is partnering with a satellite monitoring provider to support producer organisations to monitor deforestation risk based on farm geolocation data.



To achieve transparency, we need to build trust and collaboration, not just for measuring and tracking, but also resolving the problems that are identified.

How Fairtrade supports companies' tracking

Fairtrade offers information that helps companies track how our joint efforts prevent, mitigate and remediate risks and harms in supply chains:

- **Audit and monitoring data:** Fairtrade can offer data generated by our monitoring and evaluation work as well as aggregated audit data.
- **Project monitoring:** The outputs, outcomes and impacts of our programme and project work are monitored and evaluated, and we share the findings with all project participants and funders.
- **Research:** Fairtrade's impact is typically scrutinised in several academic articles each year, which we are happy to summarise to our corporate partners.

We are developing our data management systems and practices so that our data can be better analysed and more transparently shared with external stakeholders.

The tension

It is challenging to square the goals of advancing transparency, protecting people's privacy, and maintaining producers' ownership of their own information.

For example, while we require cocoa cooperatives in Ghana and Côte d'Ivoire to have systems to monitor and remediate child and forced labour, we are still working on fair means to collect and share information about the findings and progress made.

There are also practical challenges in data collection. Many cooperatives and even some plantations are very small organisations with limited digital fluency. These organisations need support and time.

To achieve transparency, we need to build long-term relationships and trust that ensure not just measuring and tracking, but also collaboration in resolving the problems that are identified.

5 Communicate

The last step of HREDD focuses on how the organisation shares information with partners and stakeholders about its salient issues, due diligence actions and effectiveness.

To foster greater awareness among consumers and companies, we strive to be increasingly open about the complexities of human rights issues – and our means of addressing them.

The Fairtrade International website goes into depth on issues related to human rights and environmental protection. We commission research into key areas, such as gender equality, climate change and household incomes, and make these findings publicly available. Our risk map goes even further in compiling the known problems in a given sector.

With a greater emphasis on advocacy in our current global strategy, we are working to make the challenges in supply chains even more visible, and to encourage citizens, businesses and governments to take action.



Fairtrade hosted a producer-led living income summit in Abidjan in May 2023, where cocoa farmers shared their priorities.

How Fairtrade supports companies in communication

Fairtrade can support companies in communicating about their due diligence work in line with laws and stakeholder expectations. This includes:

- **Credible claims:** Companies that source Fairtrade products and license the Fairtrade label can use the Fairtrade label and associated claims on their products and related sustainability reports.
- **Content for sustainability reports:** We can offer information and analysis to support reporting on sustainability and due diligence work.
- **Assets:** We offer examples, citations and tailored support in a multitude of languages to support your company's sustainability communications.
- **Advice** that supports credible and legitimate sustainable communications. Our [five key recommendations](#) are highlighted here.
- **Joint campaigns:** Many national Fairtrade organisations conduct marketing or communications campaigns to raise awareness about these issues, and invite commercial partners to participate.

Audit results

Audits can be one good tool in tracking the effectiveness of prevention, mitigation and remediation measures – and prompting further action. At Fairtrade, our audit approach, criteria and practices are increasingly aligned with due diligence thinking and many audits lead to further corrective measures.

This chapter shares audit results showing how Fairtrade producers and traders are meeting the Fairtrade Standards, and sheds light on their human rights and environmental challenges. The audit criteria relate both to Fairtrade's generic Standards for different types of organisations and to our product-specific Standards. Further information on the methodology can be found in Appendix 1.

We will share product-specific analyses of audit results in 2024.

Audits are, of course, no substitute for HREDD. Business organisations must build a holistic due diligence system and use multiple tools for each step of the process.

This is why **Fairtrade complements Standard-setting, auditing and the corrective measures taken with multiple other approaches to address and remediate human rights and environmental risks and harms.**



Audits are no substitute for HREDD. Business organisations must build a holistic due diligence system and use multiple tools for each step of the process.

How Fairtrade audits align with due diligence thinking

First, FLOCERT's **audit approach** is risk-based. Audits are particularly thorough in high-risk contexts. The audit frequency increases when the risk of non-conformities is higher, and auditors are informed in detailed Terms of Reference about the known risks they should focus on.

Second, FLOCERT **audit practices** include dialogue with rightsholders and various stakeholders. Interviews with farmers, workers, trade unions and other key stakeholders are a core part of the **audit routine**, and auditors are trained in creating a confidential and comfortable interview situation.

Third, **audit criteria** encourage due diligence, dialogue and continuous development. They go beyond pass/fail criteria such as "there is no discrimination in membership, recruitment, promotion, remuneration or other activities." Instead they require ongoing **management of key risks** through criteria such as "measures are taken to prevent discrimination by any recruitment agency the company uses."

Fairtrade audit criteria also encourage **continuous development**. The number of criteria increases one, three and six years after an organisation joins Fairtrade. Demanding "development criteria" allow certified organisations to decide which measures are most relevant for them. For each criterion, organisations gain a score between 1 and 5, which helps them monitor their progress. Organisations must score an average of 3 for the development criteria taken as a whole (but not for every single criterion).

Fairtrade audit criteria also **build dialogue** within certified organisations. We require smallholder farmers to get organised and farmer cooperatives to operate democratically. Plantations must allow workers to form unions and must maintain social dialogue. Key decisions must be made at producer organisations' annual General Assemblies. Dialogue with external stakeholders is also required on some issues, such as addressing risks to water resources.



A note on audits

This chapter should be read with an understanding that while audit data promote transparency and indicates where more support is needed, they do not tell the whole story of an organisation's efforts and operating environment.

An audit is a limited tool to find all the existing problems. Robust audits entail a review of relevant documentation (such as employee records and contracts), a site visit and dialogue with workers, other stakeholders and management, and can indeed identify many issues and areas that require improvement.

However, many sensitive issues, such as child labour and gender-based violence, are difficult to discover. Actions may not be witnessed, and the victims may

not disclose their experiences due to shame, fear of reprisals, lack of alternative sources of income or a number of other reasons.

In addition, audits very seldom reveal the root causes of the problems. Audits focus on individual companies. They do not analyse the power relations and pressures in the related value chains, society and ecosystems.

In the case of Fairtrade certified farmer organisations and other producers, their human rights and environmental risks and challenges are often rooted in poverty and inequality, which they cannot fix alone. In recent years, challenges have been aggravated by the COVID-19 pandemic and inflation.

Fairtrade producer organisations

The following graphs show audit results from 2022 for human rights and environmental issues covered in the Fairtrade Standards, and include both small-scale producer organisations and larger producer organisations that rely on hired labour. These are the aggregate results for 1,537 producer organisations that had an audit in 2022 (about 80 percent of all certified producer organisations).¹ They represent a wide range of products and regions. For detail of the human rights issues and related compliance criteria, see Appendix 3.



It takes concrete collaboration between producers, buyers, governments and civil society to address and remediate the human rights and environmental harms in global supply chains.

¹ In addition, in 2022, there were a small number of audits that did not check any related HREDD compliance criteria, such as a focused follow-up audit checking previous unrelated non-conformities. This analysis only includes audits that looked at any of the HREDD criteria.

How to read the figures

Instead of pass/fail auditing, the auditing of the Fairtrade Standards is mainly carried out on a scale of 1 to 5, where 3 fulfills Fairtrade requirements, scores 4 and 5 indicate a higher achievement, and lower scores indicate “non-conformities.” For each Fairtrade Standard requirement, the compliance criteria and the scoring scheme are devised by FLOCERT. All compliance criteria can be found on the [FLOCERT](#) website.

For the minority of criteria that are assessed on pass/fail basis, score 3 is considered a pass and score 1 a fail. This allows us to analyse all results numerically.

The bars show aggregate scores for all criteria in each human rights and environmental issue. When looking at all the compliance criteria and audit results related to the issue, the light green section shows what percentage of scores were 3s. In other words, how often organisations met the criteria .

The darker green sections show how often certified producers exceeded Fairtrade requirements, while the red sections show how often they did not meet the requirements.

Is 3 a poor score?

It's great news that the light green areas are so large in each bar. A score of 3 says that an organisation fulfils the Fairtrade requirement – which is often no small feat. With many Fairtrade requirements, compliance takes commitment, know-how, investment and proactive measures.

Sometimes a 3 score is unattainable, even if the organisation is doing all it can. Most Fairtrade certified producer organisations operate in challenging contexts, where human rights and environmental risks are systemic and rooted in poverty and inequality, unfair distribution of value in supply chains and weak public policies.

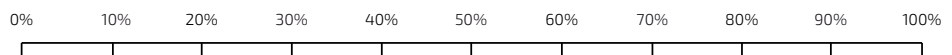
It takes collaboration between retailers, traders, producers, governments and civil society to change these risks and resolve the root causes.

Fairtrade producer organisations: Overview of audit scores on human rights and environmental issues in 2022



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

Source: Fairtrade International, based on FLOCERT audit data



Detail:
Decent livelihoods

Audit score range: 1 ■ 2 ■ 3 ■ 4 ■ 5 ■

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

Every human being has a right to a decent standard of living. A decent livelihood is also fundamental to securing many other human rights. The Fairtrade Standards include multiple requirements that are designed to improve the livelihoods of farmers and workers.

- **Examples of Fairtrade requirements:** Wages are aligned with laws and Collective Bargaining Agreements (CBAs); pay rates for production-based work is proportionate to other workers' pay, minimum wage if it exists, or regional average; wages have been specified for all employee functions; wages rise gradually towards living wages.
- **Additional requirements for organisations that rely on hired labour include:** Any deductions from wages are legal and in line with actual costs incurred by the company; working hours are recorded; if housing is provided to workers, it is decent, affordable and maintained.
- In 2022, there were, on average, 17 compliance criteria for different types of producer organisations in this area.²

Only 6 percent of audited criteria were scored at 1 or 2, and therefore not complying sufficiently with the Standards. The majority of criteria were scored at least a 3 (78%), while 16% were scored at a more advanced level in this area.

To give an example: with regard to salaries in producer organisations that rely on hired labour, a score of 3 is attained when the organisation pays salaries above or equal to the legal minimum, and also above or equal to the level agreed in the CBA as well as the regional average. An organisation scores 2 if wages are below the regional average, or a 1 if wages are even below the minimum set by law or CBA. If the organisation scores 1 or 2, corrective measures are agreed. For example, the organisation can make retroactive salary adjustments. This is the compliance criteria with the highest number of scores of 1 and 2 in the area of decent livelihoods.

A score of 4 or 5 is achieved when a producer organisation fulfils all legal provisions, agrees on additional benefits with workers and offers these benefits to all workers.³ These positive scores indicate progress. Even when a producer organisation scores 4 or 5 for wage criteria, it does not mean that all its members or workers are earning a living income or a living wage.

Research insight:

An analysis of 151 studies from 2015-2020 found that Fairtrade's work frequently increases the income of farmer and worker households and improves their quality of life.

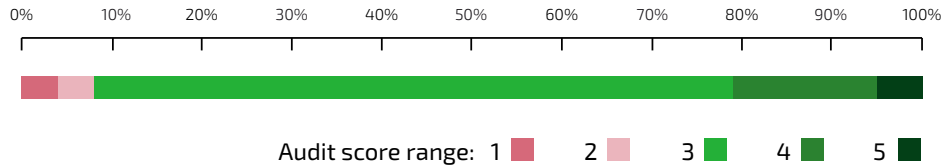
Exploring Fairtrade's impact, 2022

² Why is there a different number of compliance criteria for producer organisations that rely on hired labour, smallholder producer organisations and contract production settings? This is simply because these production settings are very different from each other in terms of the salient human rights and environmental issues, organisational strengths and challenges, and best practices for addressing the issues.

The UN Guiding Principles on Business and Human Rights also note that the scale and complexity of due diligence measures may vary according to the size, ownership and structure of the enterprise. Smallholder producers, whether organised in an association or in a contract production setting, are often in vulnerable positions in their supply chains.

³ Compliance criteria 3.3.5.01: "(Only applicable for organisations and/or individual members with more than 20 workers who are present for one month or more during a year; or fewer workers where the local law has defined a lower number, and own processing facilities of any size.) You have set salaries for workers according to CBA regulations where they exist or at regional average wages or at official minimum wages for similar occupations, whichever is the highest."

Detail:
Health



Audit score range: 1 2 3 4 5

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** Highly hazardous substances are not used; hazardous chemicals are stored safely and not applied close to human activity; personal protective equipment and training is provided; work processes, places, machinery and equipment are safe; bullying and harassment is prevented in the workplace; first aid training and equipment is sufficient.

- **Additional requirements for organisations that rely on hired labour include:** Lighting, heating, ventilation and fire exits are sufficient; irrigation water-related health risks are identified and addressed; organisation has an active health and safety officer and committee as well as a medical officer; medical check-ups are offered to all workers at least every three years.

- There were 41 compliance criteria on average for different types of producer organisations.

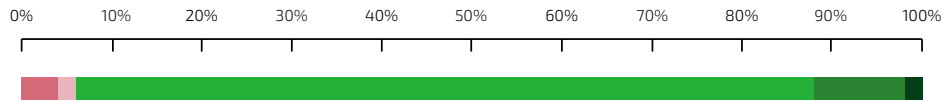
Health is one of the issues where certified producer organisations often exceed Fairtrade requirements.

This was the case for 20% of the criteria. The non-conformity rate was 8%, while 92% of the audited criteria were scored as meeting the requirements.

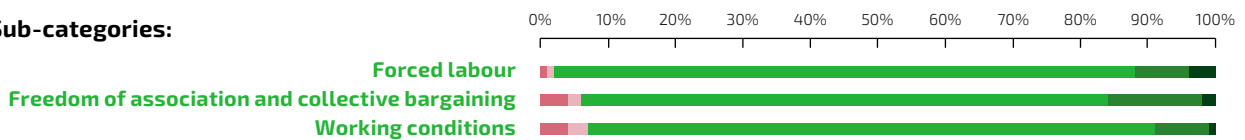
Research insight:
A study that tracked a set of producer organisations over a decade, found that Fairtrade certified organisations were better able to support health and safety measures or investments for members.

Assessing the impact of Fairtrade on poverty reduction and economic resilience, 2022

Detail:
Labour rights



Sub-categories:



Audit score range: 1 2 3 4 5

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** There are no indications of the use of forced labour; remediation measures are taken where forced labour is identified; workers are free to join workers' organisations and group negotiations; all trade unions are allowed to meet workers; workers have access to clean drinking water and toilets during work days; production-based employment is not used to avoid time-bound contracts; wages are paid regularly.

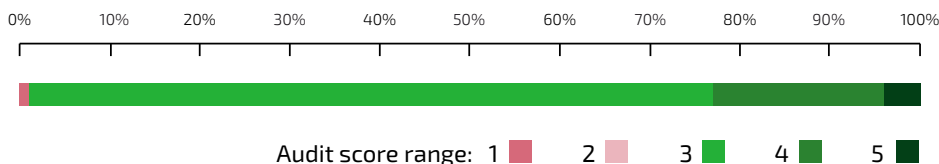
- **Additional requirements for organisations that rely on hired labour include:** The company pays recruitment charges, visa fees and travel costs for migrant workers; senior management has regular, documented meetings with elected worker representatives; the company adheres to any relevant CBA

that exists; overtime is voluntary, not excessive and compensated at a premium rate.

- There were 42 compliance criteria on average for different types of producer organisations.

The overall non-conformity rate for criteria in the labour rights area in 2022 was 6%. Looking at the sub-categories, the non-conformity rate for forced labour criteria is very low (1%), while those for freedom of association and working conditions are somewhat higher (6% and 8% respectively). Freedom of association and collective bargaining also showed the highest rate of above average performance with 16% of criteria being scored a 4 or 5.

Detail:
Child protection and rights



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** Children below the age of 15 or the legally defined minimum age are not employed; younger children only help with safe tasks on farms outside school hours and with supervision; workers below the age of 18 are not submitted to work that jeopardises their health, safety, morals or school attendance; all actions are aligned with the UN Convention on the Rights of the Child.

- **Additional requirements for organisations that rely on hired labour include:** Access to primary education is ensured for children of all permanent resident workers; the company has a child labour policy, a rights-based remediation policy, and remediation projects to ensure the immediate and continued protection of children.

- There were 10 compliance criteria on average for different types of producer organisations.

There were very few non-conformities in the area of child protection and rights. Only 2% of the scores were non-conformities. These related to various requirements, including those for producer organisations to carry out risk assessments, implement a child protection policy and provide crèche facilities and educational opportunities for workers' children.

More than 20% of the scores were 4 or 5, which shows that many producer organisations go beyond the minimum requirements to advance child protection and rights. Among other possible measures, producer organisations are implementing child rights-based remediation policies and programmes, often in partnership with governmental or international organisations.

We recognise that audits alone are insufficient to identify all cases of child labour. For more on this, refer to page 21.

Further information about Fairtrade's measures to address and remediate the risks and harms can be found on our [risk map](#), under [Salient Issues](#).

Case study: Child labour prevention and remediation programme for Ivorian and Ghanaian cocoa producer organisations

In recent years, significant focus has been put on monitoring and identifying child labour cases in the cocoa sector, especially in Côte d'Ivoire and Ghana. With the incidence of child labour increasing in the past decade – more than 1.5 million children aged 5-17 who were working on cocoa farms in Côte d'Ivoire and Ghana were affected according to a 2020 report – it is clear that monitoring is necessary but not sufficient to get to the root of the problem.

Fairtrade launched a new initiative in 2023 known as the Fairtrade Child Labour and Forced Labour Prevention and Remediation Programme. This programme will disburse funds to successful Fairtrade certified applicants for initiatives that focus on essential but often underfunded elements of strengthening children's rights and ending harmful practices: namely prevention, and taking effective action when cases are found.

As this report shows, the Fairtrade Standards prohibit exploitative child labour, and compliance is regularly monitored on-site by the certifier FLOCERT. Still, no certification system can provide a 100 percent guarantee that a product is free of child labour.

In addition, while many cooperatives now have a monitoring and remediation system in place, they may lack the resources to implement more expensive prevention and remediation measures.

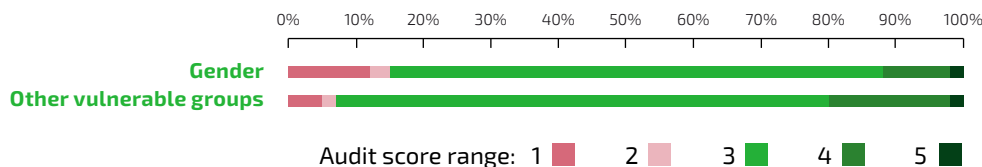
The programme was launched with €450,000 from Fairtrade Germany, Fairtrade Austria, Fairtrade Max Havelaar Switzerland and other Fairtrade organisations, and will be expanded with additional contributions. In this way, the programme also provides an avenue for cocoa exporters, importers, manufacturers, brands and retailers in Fairtrade cocoa supply chains to support producer organisations to address and remediate child labour and forced labour, which is a new requirement in the [Fairtrade Standard for Cocoa](#).

A significant number of the applications received to date focus on educational initiatives, including renovating school buildings or funding canteens to feed students during the school day. Fairtrade Africa will be monitoring and collecting results from the initial projects selected in 2024.

Detail:
Non-discrimination



Sub-categories:



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** All individuals are treated fairly in membership, recruitment, promotion, remuneration or other activities; there is no exploitation or abuse at the workplace; measures are taken to prevent discrimination by any recruitment agency; hazardous work is not allocated to people in a vulnerable situation, such as pregnant women or disabled people.

- **Additional requirements for organisations that rely on hired labour include:** Employment conditions and benefits are equivalent for local, migrant, seasonal and permanent workers; workers get at least eight weeks of paid maternity leave; nursing mothers get at least one paid break per day to breastfeed for up to nine months; the company has a non-discriminatory policy on disciplinary measures.

- There were 21 compliance criteria on average for different types of producer organisations.

The non-compliance rate was second highest for non-discrimination: in 2022, 10% of criteria were scored as non-compliant. When a non-conformity is detected, it does not necessarily mean that there is a case of discrimination. It may be, for example, that the organisation just does not have the required policies in place to avoid discrimination.

Non-conformities are most common in gender rights-related criteria (15%), particularly the requirements for producer organisations to develop and implement a gender policy and involve women in the gender policy writing process. Fairtrade operates in many environments where women are traditionally disadvantaged in agricultural employment and organisational management.

Detail:
Civil rights



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** There are no indications of land or water use conflicts (which can violate people's self-determination); where a land dispute exists, there is an active legal resolution process; the organisation and its members respect privacy by not testing for pregnancy, HIV or genetic problems during the recruitment of workers.

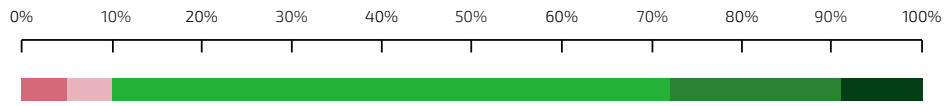
- **Additional requirements for organisations that rely on hired labour include:** All health records maintained by the company are kept and communicated to workers confidentially and management has no access to them.

- There were 3 compliance criteria on average for different types of producer organisations.

Only 2% of criteria were scored as non-compliant in this area, while the majority (98%) were scored as meeting the criteria. A total of 9% of criteria were scored as exceeding the minimum requirements with a score of 4 or 5.

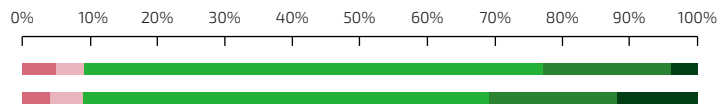
An organisation scores 4, for example, if it does not conduct tests for pregnancy, HIV or genetic problems during the recruitment of workers, has a clear policy forbidding this, and controls this at member level. They also score 4 if workers' representatives are invited to the General Assembly and have the right to ask questions and make suggestions.

Detail:
Environment



Sub-categories:

Climate change and deforestation
Water and biodiversity



Audit score range: 1 (red), 2 (pink), 3 (green), 4 (dark green), 5 (black)

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:** There is a process to ensure that pesticides on Fairtrade's Hazardous Materials "Red List" are not used; water sources and land at risk of soil erosion have been identified; members avoid negative impacts on areas that are protected or have high conservation value; the organisation has an Internal Control System that covers all members and works well.

- **Additional requirements for organisations that rely on hired labour include:** The company raises environmental awareness among its workers; instead of or in addition to pesticides, the company also uses other methods to prevent and control pests; if non-renewable energy is used in processing facilities, measures are taken to improve energy efficiency.

- There were 46 compliance criteria on average for different types of producer organisations.

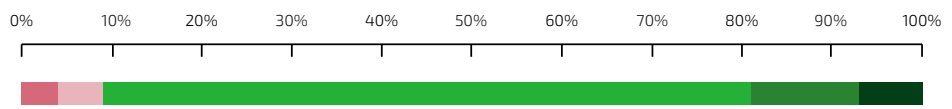
Environment is the area where certified organisations most commonly exceed Fairtrade requirements.

The requirements on water and biodiversity were exceeded more often (31% of audited criteria) than those on climate and deforestation (23%).

Among climate-related criteria, producers face the most challenges with identifying land at risk of soil erosion, taking measures to reduce greenhouse gas emissions, and having a procedure to avoid causing deforestation or degradation of vegetation.

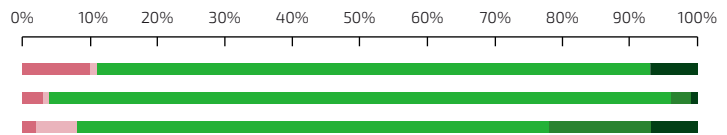
Research insight:
An analysis of 151 studies from 2015-2020 found that in many contexts, Fairtrade certification has a positive impact on farmers' and farmer organisations' climate change related knowledge and practices.
Exploring Fairtrade's impact, 2022

Detail:
Fair practices



Sub-categories:

Fair contracts and payment schedules
Fair trading practices
Traceability



Audit score range: 1 (red), 2 (pink), 3 (green), 4 (dark green), 5 (black)

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- This area underpins many human and environmental rights.

- **Examples of Fairtrade requirements:** There are signed contracts with each buyer; all elements in the contracts are honoured; the buyer is notified promptly if unforeseen circumstances prevent the producer from supplying the agreed volume; if composite products are sold, the minimum percentage of Fairtrade content is declared; Fairtrade and non-Fairtrade products are not mixed.

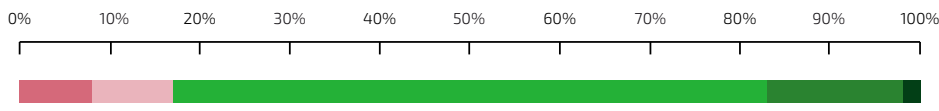
- There were 40 compliance criteria on average for different types of producer organisations.

A total of 91% of criteria on fair practices were scored as compliant (a score of at least 3).

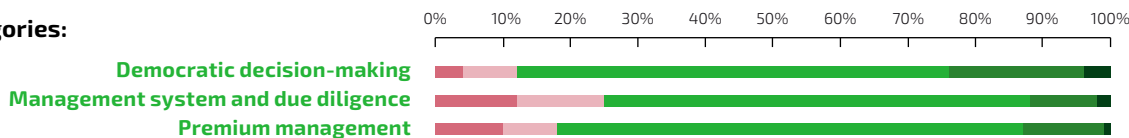
Minimum requirements were surpassed on 18% of the criteria (scored as 4 or 5). The non-compliance rate was 8% (scored as 1 or 2).

The area with the highest non-conformity rate is that of fair contracts and payment schedules (11%). Fair trading practices have the lowest level of non-conformities (4%) followed by traceability (8%).

Detail: Organisational capacity



Sub-categories:



Audit score range: 1 (red), 2 (pink), 3 (green), 4 (dark green), 5 (black)

Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements for small-scale producer organisations:** If the organisation receives complaints, it takes action on them; the human rights and environmental risks of the organisation and its members are identified every three years; Board elections are free, fair and transparent; annual report, budgets and accounts are presented to the General Assembly for approval.

- **Additional requirements for organisations that rely on hired labour include:** The company has a grievance mechanism and ensures that workers are aware of it; sub-contractors are required to comply with International Labour Organization conventions; audit results are shared with workers; an elected workers' committee prepares an annual Fairtrade Premium spending plan, which is then approved by the General Assembly.

- There were 79 compliance criteria on average for different types of producer organisations.

This issue has by far the largest number of compliance criteria, reflecting the high importance that Fairtrade places on strong, democratically governed producer organisations. 83% of audited criteria were scored as a 3 or above. Still, this issue also recorded the most non-conformities in 2022 – 8% of audited criteria were scored as a 1 and 9% were scored as a 2.

It is a crucial question whether an organisation has the internal capacity to conduct the five steps of due diligence in a robust manner, engaging with key stakeholders and ensuring that the results of each step feed into the next ones. Looking at the disaggregated results, we can see that producers have most non-conformities in the management system and due diligence area (25% of the criteria). One common non-compliance in this area is that the corrective measures agreed in a previous audit have not been fully implemented.

Further information about Fairtrade's measures to address and remediate the risks and harms can be found on our [risk map, under Salient Issues.](#)

Case study: HREDD pilot projects in Latin American and the Caribbean

Fairtrade's producer network in Latin America and the Caribbean – CLAC – is currently carrying out four HREDD pilot projects with smallholder farmer organisations.

In collaboration with the International Trade Centre, CLAC is seeking to generate knowledge about the time, know-how, costs and support required for smallholder farmer organisations to strengthen their due diligence measures. This understanding is needed to inform discussions and decisions about the accompanying measures required to complement existing regulations aimed at fostering fair and effective HREDD in global supply chains.

Taking the OECD guidelines and [Fairtrade HREDD guides for small-scale producer organisations](#) as the starting point, CLAC is working with two coffee producer organisations in Honduras and Brazil, and two cocoa organisations in the Dominican Republic and Peru.

They adapt the OECD and Fairtrade resources to local contexts, capacity, resources and risk areas. Knowledge about HREDD is built via interactive training where, for example, role playing has been found to be helpful in prompting discussion about the most severe issues affecting these communities.

In Peru, Heidi Medina Velázquez is in charge of certification for the cocoa producer organisation Colpa de Loros. She emphasised that "the contribution being made by the pilot [project] here in the cooperative is of great importance since many members are being trained on human and environmental rights and, in this way, they are becoming aware of their rights."

Fairtrade traders

At Fairtrade, when we refer to traders we mean all supply chain actors who buy and sell Fairtrade products between primary production and retail, including processors and manufacturers. Traders also have to comply with certain requirements in order to be Fairtrade certified and trade Fairtrade certified products.

In this report, we focus on trader audit scores when it comes to contributing to fair trading conditions for producer organisations through fair purchasing practices and pricing. Unfair purchasing practices, including pressure to accept prices that do not cover all production costs, last minute changes in orders, and short lead times often contribute to the human rights and environmental challenges faced by suppliers.

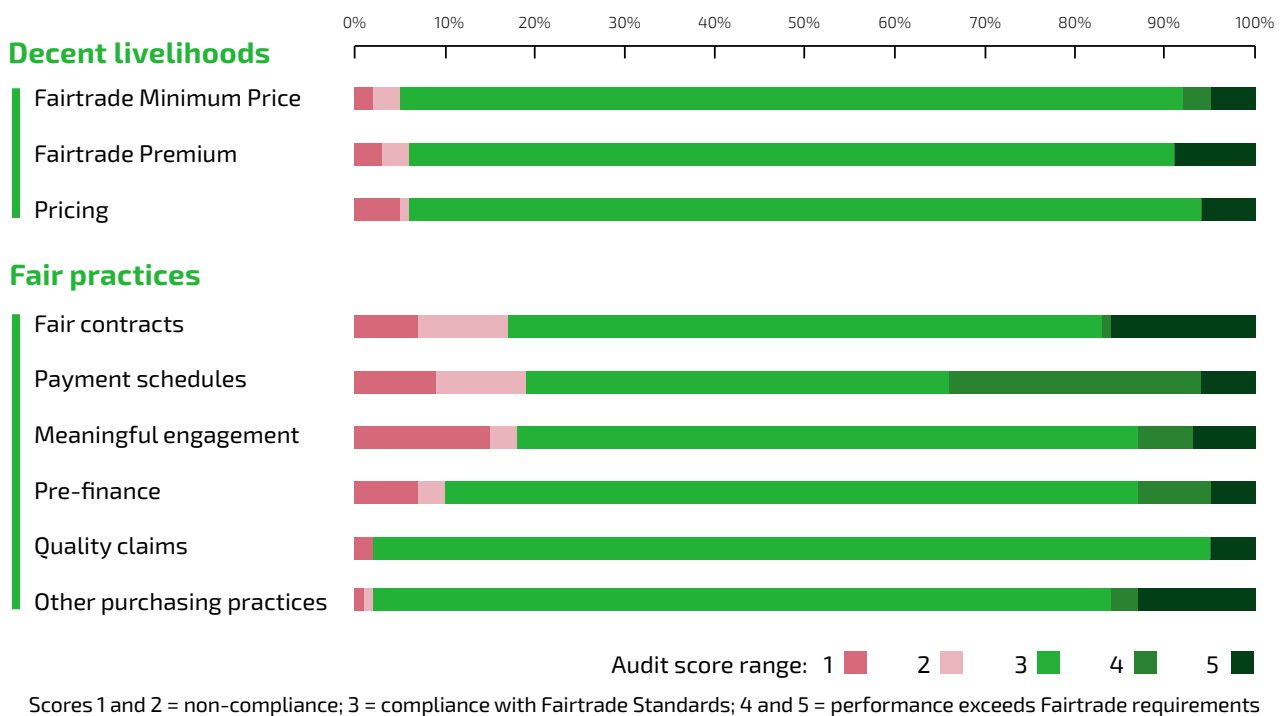
When traders, brands and retailers conduct due diligence, they need to look at how their own purchasing and pricing practices impact their suppliers.

The data here are from 1,815 certified trader organisations that had an audit in 2022 which touched on HREDD criteria (about 54 percent of all certified traders). As in the producer section above, noteworthy trends are discussed in the text after each graph.

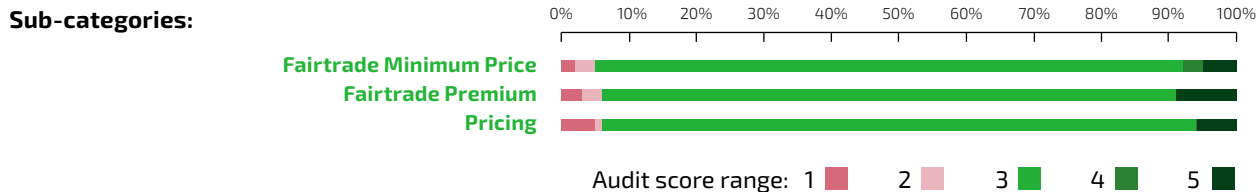
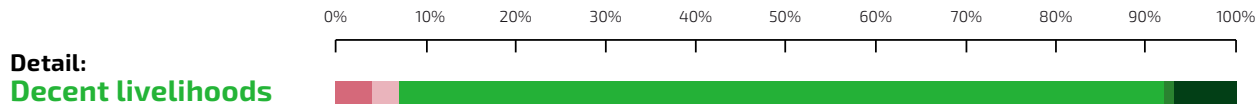


Unfair purchasing practices, including pressure to accept low prices, often contribute to suppliers' human rights and environmental challenges.

Fairtrade traders: Overview of selected audit scores in 2022



Source: Fairtrade International, based on audit data from FLOCERT



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

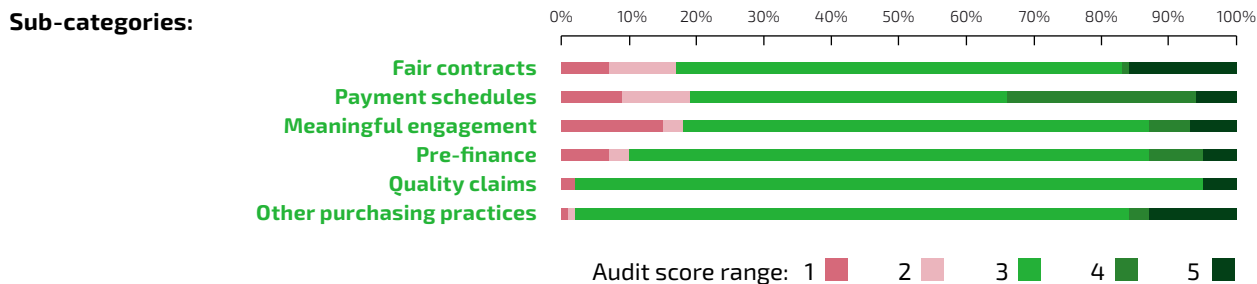
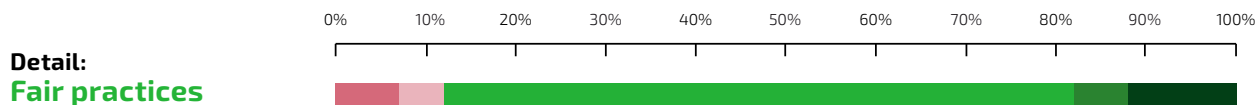
- **Examples of Fairtrade requirements:** The trader pays at least the relevant market price or the Fairtrade Minimum Price – whichever is higher – to the producer; discounts for quality cannot be made on the Fairtrade Minimum Price; the trader agrees with the producer on the source of information for the market price; the trader pays the Fairtrade Premium to the relevant producer or conveyor.

of audited criteria scored as a 3 or better, and 6% scoring below the minimum requirements at 1 or 2. All three sub-categories related to pricing, the Fairtrade Minimum Price and Premium, had similar levels of compliance with 85-87% of audited criteria scoring 3 and 6-9% scoring 4 or 5.

- There were 41 compliance criteria for traders.

The pricing category had the highest percentage of scores of 1 (5%), due to the payer/conveyor failing to pay at least the relevant market price or the Fairtrade Minimum Price (whichever is higher) to the producer, or failing to agree with the producer on the source of information for the market price.

Overall, traders showed high levels of compliance with criteria related to decent livelihoods, with 94%



Scores 1 and 2 = non-compliance; 3 = compliance with Fairtrade Standards; 4 and 5 = performance exceeds Fairtrade requirements

- **Examples of Fairtrade requirements:**
 - Fair contracts: Final purchase orders are confirmed in writing; reports of each purchase contract are shared with suppliers.
 - Payment schedules: Timely payment of the price and the Fairtrade Premium.
 - Meaningful engagement: A sourcing plan is provided to each producer or conveyor; most of the planned sourcing is realised.
 - Pre-finance: Traders pay some or all of a contract in advance, or facilitate pre-finance from elsewhere.
 - Quality claims: Claims are made without delay and are properly documented; results of authorised independent surveyors are accepted as binding.
 - Other purchasing practices: Fair negotiations in case of unforeseen circumstances; not engaging in unfair practices that damage the producers.

- There were 93 compliance criteria for traders.

The data indicate a relatively high proportion of non-conformities with 12% of criteria receiving a score of 1 or 2.

The highest scoring areas were quality claims and other purchasing practices.

The lowest scoring areas were payment schedules, meaningful engagement and fair contracts, where traders were non-compliant with 17-19% of the criteria. The lowest scoring individual criteria were related to providing sourcing plans and defining the purchase conditions clearly.

Compliance trends

For producers, rates of compliance have held quite steady over the past five years, even as numbers of organisations and number of compliance criteria have increased. For traders, compliance rates have also remained steady.

The rate of compliance with voluntary best practices has declined during this time, from about one third to one quarter of audited traders. These practices are defined in Fairtrade Standards, but it is optional for traders to comply with them.

When an audit reveals non-conformities, this leads to an agreement on corrective measures that the organisation needs to implement.

A certified entity will be suspended if major core criteria have been violated. FLOCERT lifts the suspension once corrective measures have been taken within relevant timelines, otherwise the entity is decertified.

In 2022, the number of suspensions was 570, including 368 producer organisations and 202 traders. In 2022, a total of 628 organisations left the Fairtrade system, including 216 producer organisations and 412 traders. These figures include entities that decided themselves to leave Fairtrade certification.

Producer organisations: Compliance trends on HREDD criteria, 2018-2022

Audit year	Operators audited	Total audits	Compliance level (rate of compliance out of criteria audited)	Non-compliance level	Compliance detail		
					Compliance of core criteria	Compliance of major criteria	Compliance of development criteria
2018	1,282	1,294	89%	11%	89%	93%	83%
2019	1,462	1,476	88%	12%	88%	92%	82%
2020	1,197	1,210	90%	10%	89%	93%	84%
2021	1,592	1,633	89%	11%	89%	93%	82%
2022	1,537	1,566	89%	11%	89%	93%	82%

Traders: Compliance trends on livelihoods and fair practices criteria, 2018-2022

Audit year	Operators audited	Total audits	Compliance level (rate of compliance out of criteria audited)	Non-compliance level	Compliance detail		
					Compliance of core criteria	Compliance of major criteria	Compliance on Voluntary Best Practices
2018	1,556	1,569	90%	10%	91%	90%	34%
2019	1,586	1,591	89%	11%	89%	90%	32%
2020	1,763	1,774	90%	10%	89%	91%	33%
2021	1,787	1,795	90%	10%	89%	90%	26%
2022	1,815	1,821	90%	10%	90%	90%	26%

The total number of audits includes all types of audits, including initial, renewal, follow-up and unannounced audits. Where one operator has been audited several times in the given year, all audits are counted in the total number of audits.

Corrective measures analysis

Ambitious audits are not quick pass/fail exercises. Most FLOCERT audits find some challenges and non-conformities with the Fairtrade Standards – and result in an agreement about the corrective measures the certified organisation needs to complete within an agreed timeframe. So, at their best, audits are a valuable tool for continuous improvement.

This section shows what types of corrective measures Fairtrade certified producer organisations take to address non-conformities found during FLOCERT audits.

For this section, we selected **certified coffee producers from the three biggest producer countries – Honduras, Brazil and Peru – between 2020 and 2022.**

We then analysed corrective measures for core and development compliance criteria in areas with the highest percentage of non-conformities: organisational capacity (management system and due diligence) and environment (water and biodiversity).

It is important to recognise that non-conformities in producer audits are often not the result of poor performance by the individual organisation, but rather reflect systemic challenges caused by entrenched power imbalances, legal systems or cultural norms. Insights into root causes, as well as more detailed information on what we do to mitigate and remediate human rights and environmental risks, can be found on our [risk map](#) under Salient Issues.

Compliance criteria on water and biodiversity

Results from coffee producer organisations in Brazil, Honduras and Peru, 2020-2022

Issue:	Water and biodiversity
Core criteria:	<p>3.2.2.19 You have compiled a regularly updated list of the pesticides that are used by members on the Fairtrade crop that indicates which of those materials are on the Fairtrade International Hazardous Materials List (HML), Part 2 (Orange List) and Part 3 (Yellow List); and includes at a minimum:</p> <ul style="list-style-type: none"> • Name of the active ingredient and commercial brand name and • Crop on which they are used • Name of targeted pest or disease
Number of non-conformities:	17 out of 111 audits
Description:	<ul style="list-style-type: none"> • There is no list (7 audits) • There is a list but it does not comply with all requirements/is not being updated (6 audits) • The list of products is not correct (4 audits)
Typical correction:	A list will be created to highlight materials used by producers; an inspection will be done to ensure the revision of the list; and the organisation commits to eliminate the use of materials on the Hazardous Materials "Red List."
Possible causes:	<ul style="list-style-type: none"> • Lack of knowledge about changes in Fairtrade's Hazardous Materials "Red List" (revised in 2020). Difficulties in finding the updated list online. • Limited resources to regularly review and revise the list of pesticides in use. • Lack of knowledge about or availability of alternative pest control methods. Challenges in accessing accurate information about the active ingredients, brand names, crops and targeted pests.
Support provided by producer networks:	<ul style="list-style-type: none"> • Standards training focused on Chapter 3 (production). • Tailored support to certified organisations' technical teams on checking the "Red List" and reporting forms. • Trainings on integrated pest management, agroecology, better agricultural practices. Opportunities for producers to exchange experiences among themselves. Demonstrative plots for alternative pest, weeds and disease control.

Core criteria must be met by all Fairtrade certified organisations.

Development criteria allow certified organisations to decide which measures are most relevant for them.

Organisations must score 3 on average for the development criteria overall but not for every single development criterion.

Issue:	Water and biodiversity
Development criteria:	3.2.3.07 You have trained your members on measures to use water efficiently, including the following topics: a) Estimating how much water is needed to irrigate and/or process Fairtrade crops b) Measuring (or estimating) how much water is extracted from the source c) Water quality for irrigation or processing d) Measuring how much water is used for irrigation and/or processing e) Providing maintenance to the water distribution system f) Adopting, as applicable, methods to recirculate, reuse and/or recycle water
Number of non-conformities:	43 out of 104 audits
Description:	<ul style="list-style-type: none"> The organisation lacked capacity for training OR less than 50% of members were trained (18 audits) The content of the training and the list of participants were not disclosed during the audit visit (1 audit)
Typical correction:	Producers will receive training on efficient water use
Possible causes:	<ul style="list-style-type: none"> Insufficient resources for providing sufficient trainings. Limited understanding about the specific topics outlined in the compliance criteria. Insufficient documentation on training contents and participants. For crops that need irrigation, the calculation of water use and water extraction can be complex.
Support provided by producer networks:	<ul style="list-style-type: none"> Standards training focused on Chapter 3 (production). Trainings on water use, opportunities for producers to exchange experiences among themselves.

Issue:	Water and biodiversity
Development criteria:	3.2.3.11 You have identified and listed all sources of water for irrigation and processing of Fairtrade crops
Number of non-conformities:	22 out of 115 audits
Description:	<ul style="list-style-type: none"> The sources of water have been not identified yet (8 audits) The organisation only knows some of the sources OR it knows all the sources but this is not written down (10 audits) The organisation has a list with all the sources but the information is not complete/systematised (4 audits)
Typical correction:	The organisation will identify and list all the sources of water; all the sources of water will be listed in a written document
Possible causes:	<ul style="list-style-type: none"> Cooperative members' farms can be spread out over a wide geographic area with a high number of small water sources. Limited resources for the technical team of the farmer organisation to visit all members and map all farms and possible processing facilities and/or to process the information from all members. Limited understanding about the importance of identifying and documenting all water sources.
Support provided by producer networks:	<ul style="list-style-type: none"> Standards training focused on Chapter 3 (production). Tailored support to certified organisations that are mapping their own compliance with the Fairtrade Standards and identifying gaps and corrective measures.

Compliance criteria on management system and due diligence

Results from coffee producer organisations in Brazil, Honduras and Peru, 2020-2022

Issue:	Management system and due diligence
Compliance criteria:	3.1.0.01 You have informed your members about the Fairtrade Standards for environmental practices and labour practices (the latter only applicable where members employ workers)
Number of non-conformities:	98 out of 295 audits
Description:	<ul style="list-style-type: none"> • The organisation partially informed its members (less than 80%) and training was organised (79 audits) but the content of the training was not provided during the audit (2 audits) • No information was shared with its members (6 audits)
Typical correction:	Training sessions will be organised and a list of the content covered and the members who have completed them will be provided. Additional material will be developed and shared with members (for example, flyers, photos, presentations)
Possible causes:	<ul style="list-style-type: none"> • COVID-19 curbed the number of in-person trainings in 2020 and 2021. • The cost of training all members.
Support provided by producer networks:	<ul style="list-style-type: none"> • Tailored post-audit support to certified organisations. Advice and templates for registering and reporting about trainings. • Trainings on Fairtrade Standards to certified organisations' staff and members.

Issue:	Management system and due diligence
Compliance criteria:	<p>3.1.0.13 (Only applicable to 1st grade organisations with more than 100 members) You implement an Internal Management System (IMS) which enables you to monitor and assess compliance with Fairtrade requirements at all levels of the organisation</p> <p>General principles for a functioning IMS are:</p> <ul style="list-style-type: none"> • A documented description of the IMS • A documented management structure that includes plans and policies • One person responsible for the IMS • An internal regulation • Identified internal inspectors • Training of personnel, internal inspector • Annual inspection protocols including key production indicators • Use of internal sanctions • Regularly updated Growers List of members • Use of risk assessment to address risks, threats to integrity
Number of non-conformities:	20 out of 95 audits
Description:	<ul style="list-style-type: none"> • An IMS is in place but it does not comply with all requirements (4 audits) • There is no IMS in place and/or it is under development (8 audits)
Typical correction:	The IMS system will be developed and the one already in place will be updated to comply with all requirements
Possible causes:	<ul style="list-style-type: none"> • The complexity of IMS, limited capacity among producer organisations' staff. • Insufficient documentation.
Support provided by producer networks:	<ul style="list-style-type: none"> • Training and tailored advice on IMS, documents on good practices in IMS.

Conclusions and looking ahead

Our work on HREDD is a continuous source of lessons learnt. Here are some of the main takeaways, which we will continue to build on in 2024:

1. The root causes of human rights and environmental violations must be included in HREDD work, such as lack of living incomes for farmers and living wages for workers, unsustainable purchasing and pricing practices, and unequal power dynamics within supply chains. Fairtrade will continue to emphasise these root causes.

2. The potentially impacted people are the best source of information about risks, harms and effective measures to address and remediate them. We will continue to base our HREDD work on producer input and to support organising, collective action and advocacy by farmers and workers.

3. The management capacity and resources that suppliers need are significant. In many global value chains, very little value accrues to producers at the beginning of the chain. To strengthen their HREDD measures, producers need a fairer share of the value.

4. Collaboration between buyers and producers requires transparency and respect for producer ownership of their own data. Fairtrade seeks to facilitate the flow of necessary information and collaboration among supply chain partners. We recognise that our ability to be a leading HREDD partner for producers and companies depends on getting this balance right.

Looking forward, our priorities for the coming years include:

● **Continue bringing farmer and worker voices to policy discussions.** Among other regulations, it's crucial that the Corporate Sustainability Due Diligence of the European Union, as well as the related implementation guidelines and accompanying measures, include meaningful requirements on fair purchasing practices, responsible disengagement when sourcing relationships end, living incomes and living wages, and meaningful stakeholder engagement.

● **Expand our HREDD support to producer organisations.** In 2024, we will build on our published HREDD tools and start rolling out our hands-on HREDD support for and dialogue with producer organisations throughout Africa, Asia and Latin America.

● **Deepen our dialogue with commercial partners** to share our insights and data on what makes due diligence fair and effective and to facilitate engagement and collaboration with farmers, workers and other potentially impacted stakeholders.

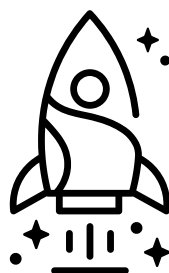
● **Expand the Fairtrade Risk Map to support collaboration among buyers and producers** in identifying and addressing salient risks and harms in a wider number of products.

● **Strengthen the Fairtrade Standards and assurance to encourage collaboration, due diligence and continuous improvement** in Fairtrade certified supply chains. We aim for realistic requirements that are fair and implementable for companies at different stages in supply chains, in order to have real influence on people's lives and the state of our planet.

We hope that the analyses presented in this report not only highlight what needs to improve within trader and producer organisations, but also the crucial role of paying fair prices, building long-term relationships and providing additional investments to address systemic – and shared – problems.



It is a shared responsibility of buyers, producers and governments to address and remediate violations in global supply chains.



Appendices

Appendix 1: Methodology and data collection

The audit data analysed in this report are from audits performed by FLOCERT. The overall process and methodology are described below.

Audit process

The audit process plays a crucial role in assessing whether the Fairtrade Standards are met. FLOCERT assigns an audit frequency for each certified producer organisation and trader based on the risk categorisation of each organisation. This builds on several factors, including previous audit results, region, any complaints received, and recent changes in the certification status. Certified organisations are audited at least every three years.

Audits involve detailed physical inspections of fields, processing plants and offices, document and finance reviews, and confidential interviews. Interviews are held with members, workers, management, and community members when possible, to gather first-hand information. Traders may be audited remotely for those parts of the Standard that do not require physical inspection or interviews.

Auditors also review various documents provided by the auditee, such as employment contracts, payroll records, policies and procedures related to health and safety, and grievance mechanisms. They assess the clarity, consistency and implementation of these documents in practice.

FLOCERT utilises a scoring system to assess compliance. Each audited criteria is assigned a score from 1 to 5⁴ with 1 indicating a severe non-compliance and 5 representing best practice. A minimum score of 3 is required for compliance.

At the end of the audit, the auditor shares the findings with the producer or trader and explains any non-conformities with the Standards. The producer or trader agrees on an action plan with the certifier to resolve the non-conformities.

Methodology

For the analysis in this report, we used the audit records that were initially scheduled in 2022. Some audits were brought forward to the end of 2021 or postponed to the beginning of 2023, depending on what suited the operators and auditors best. The data were extracted from FLOCERT in early May 2023. In order to protect the anonymity of producers and traders, information is aggregated.

⁴ However, it is important to note that some requirements to have a policy in place do not use a score of 1-5 ask for a "yes/no" response. In this sample we converted "yes" to a score of 3 and "no" to a score of 1.

Known specifics of the data set

- We have different Standards for different types of organisations. For producers, we have Standards for small producer organisations, contract production and hired labour. For traders, we have the Trader Standard. The requirements are different for each type of organisation.
 - The Fairtrade Standards embed the concept of incremental development. Some requirements are applicable only for the operators that have been certified for a longer period, while many others are applied to all operators from year 0. We currently have requirements applicable from year 0, year 1, year 3 and year 6.
 - We have product-specific requirements that are applicable only to the producers and traders who trade a certain product. We have requirements that are applicable only to operators who play a specific role in a supply chain, for example traders who pay or convey the Fairtrade Minimum Price and/or Fairtrade Premium to producer organisations.
 - Some operators receive one audit every three years while others have much more frequent audits, depending on FLOCERT's risk assessment. FLOCERT may conduct a follow-up audit six months after a previous audit to monitor progress in corrective action.
 - We excluded some administrative requirements from the analysis; for instance, those related to coordinating audits, conversion rates or defining small-scale farms. For traders, we focus on requirements that can contribute to better trade conditions and relations with producer organisations. We excluded "voluntary best practice" requirements for traders because these are optional.
- ### Known limitations
- Due to a low number of certified operators, some audit results have not yet been digitised and could not be included in the analysis. This includes the results for gold and associated precious metals, the Climate Standard and the Textile Standard.
 - Some operators have so-called "associates" that are closely linked organisations to a "main" organisation. Currently, we have no easy way to link the output of associates' audit results with the ones of main organisations. In this analysis, we treat them as separate entities.

Appendix 2: Different types of Fairtrade Standards requirements

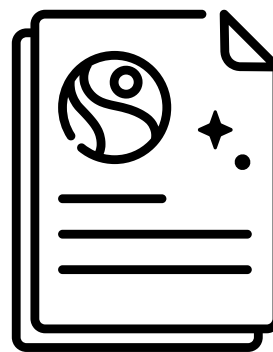
Fairtrade has different types of requirements for producers, including core, major and development criteria.

Core criteria are fundamental and must be met by all Fairtrade certified producers and organisations. They relate to Fairtrade's mission of fair prices, decent working conditions, environmental sustainability and organisational development.

Major criteria are introduced in response to emerging challenges or opportunities. An example of a major requirement includes the traceability of products throughout the supply chain to promote transparency and accountability.

Development criteria encourage continuous improvement. They focus on areas where progress is desired but not immediately achievable for all producers. These requirements are meant to drive positive change over time.

Voluntary best practices are included in the Fairtrade Trader Standard. They are optional, additional requirements with which traders can comply. These are marked as "VBP" in the Fairtrade Trader Standard.



Appendix 3: Compliance criteria in 2022

Producers' compliance criteria by human rights area and type of producer set-up

Human rights area	Sub-areas	# of possible compliance criteria by type of producer organisation (PO)				Total # POs audited per area
		HLO	SPO	CP	Average	
Decent livelihoods	-	41	8	2	17	783
Health	-	88	24	12	41	1,188
Labour rights	Forced labour	91	25	9	42	1,034
	Freedom of association and collective bargaining					
	Working conditions					
Child protection and rights	-	16	7	6	10	933
Non-discrimination	Gender	33	20	10	21	1,224
	Other vulnerable groups					
Civil rights	-	5	4	1	3	1,487
Environment	Climate change and deforestation	61	44	33	46	1,222
	Water and biodiversity					
Organisational capacity	Democratic decision-making	101	89	48	79	1,536
	Premium management					
Fair practices	Fair contracts and payment schedules	32	53	36	40	1,372
	Fair trading practices					
	Traceability					
Total		468	274	157	300	1,537

Sample size 1,537; 2022 audit data from FLOCERT

HLO = Hired Labour Organisation; SPO = Small-scale Producer Organisation; CP = Contract Production certified producer organisation; PO = Producer Organisation (general term including HLO, SPO and CP)



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Disclaimer

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