



## **Farmers and Workers at the start of global supply chains make an urgent call for strong and effective Corporate Social Responsibility Laws and Regulations**

*Position paper submitted to the Committee on Foreign Trade and Development Cooperation, Dutch House of Representatives as input into the round table discussion on the proposal of law of several members of parliament on corporate social responsibility*

**January 2023, Marike de Peña, Chair Latin and Caribbean Network of Fairtrade Farmers and Workers (CLAC)**

Millions of smallholder farmers and workers in Africa, Asia and Latin-America are unable to earn a decent income from producing and selling their food into global supply chains. Root cause: they receive prices far below the costs of sustainable production, due to a growing imbalance in power and value distribution.

This reality and the resulting impact on human rights and the environment is not unknown and has led in the last decades to voluntary initiatives such as the UNGP's, voluntary sustainability standards, public retail commitments to work towards living wages and living incomes and binding policies on Unfair Trading Practices. None of them have so far effectively or significantly changed market realities and trends.

Meanwhile, smallholder producers are faced with increasing costs due to climate change, land degradation, global pandemics, conflict and increasing social and environmental requirements as a condition for sales. This puts pressure on their ability to meaningfully participate in trade and aggravates further their already precarious living conditions and rights.

In this context, smallholder farmers and workers in producing countries welcome the interest of the Dutch House of Representatives to put an end to social and environmental exploitation in supply chains. By developing strong national mandatory human rights and environmental due diligence legislation, the Netherlands takes a leading role towards more ambitious, effective and feasible human rights and environmental due diligence legislation at EU level in order to generate maximum positive impact in producing countries.

### **Meaningful rightsholder participation is key**

Social and environmental justice can only be achieved if the root causes of human rights risks or violations are properly identified, publicly recognized and addressed. This is only possible when farmers and workers, as well as local authorities are actively involved in assessing these risks and developing the needed responses. The concept of meaningful rightsholder



participation in HReDD processes is key and needs to be included in every step of the development of mechanisms to prevent, mitigate and remediate adverse human rights and environmental impacts for these mechanisms to be effective.

**Corporate social responsibility: good purchasing practices and responsible disengagement**

Expectations with regards to the positive impact on CSR laws and regulations on human and environmental rights are high. At the same time, smallholders fear that the responsibility, implementation and compliance will be delegated to them (as is common practice with previous and existing social and environmental demands) without such compliance leading to improved purchasing practices including better prices.

Farmers with low bargaining power do not have the capacity to respond to human rights and environmental risks and violation directly or indirectly related to unfair purchasing practices, low prices and poverty. Businesses at the top of the supply chain, supported by local authorities and farmers organizations, should assess and address existing risks in a joint mission across the supply chain.

CSR laws and regulations are only effective if they promote and enable a transparent and open dialogue on human rights and environmental risks, ensure collaboration and avoid negative commercial implications for those farmers, workers, countries and regions that face mayor risks. This concretely means that effective legislation must require companies to good purchasing practices, including long-term relationships with their suppliers to counter cut-and-run behavior, but rather prevent and address violations.

Historically low prices, income and wages are the main drivers behind child labour, forced labour, gender based violence, modern slavery, insufficient investments in climate change, deforestation, land degradation and an excessive use of pesticides, amongst other related violations. If prices do not cover the sustainable costs of production of whatever product, human and environmental rights cannot be fulfilled.

**Law must make explicit reference to the human right of living wage and living income**

Finally, the CSR laws and regulations should make explicit reference to the right of earning a living income and receiving a living wage, both guaranteed by a price that covers the costs of sustainability and avoid any further harm to people and planet.