

FNET Quarterly insights Q1 2024

Regulation: Human rights due diligence strengthened with mandatory requirements for companies in scope.

- **Forced Labour:** [new regulation enabling the EU to prohibit the sale, import, and export of goods made using forced labour](#). Member state authorities and the European Commission will be able to investigate suspicious goods, supply chains, and manufacturers. If a product is deemed to have been made using forced labour, it will no longer be possible to sell it on the EU market (including online) and shipments will be intercepted at the EU's borders
- **EU CSDD:** [the Corporate Sustainability Due Diligence Directive \(CSDDD\)](#), a landmark piece of legislation setting mandatory obligations for companies to address their negative impacts on human rights and the environment has now been adopted. Summary here from [BHRRRC](#) and [Danish Institute of Human Rights](#)
- **Green Claims Directive:** [New directive establishes a verification and pre-approval system for environmental marketing claims](#) to protect citizens from misleading ads. Companies will face fines of “at least at 4% of their annual turnover” if claims are not verified
- **Artificial Intelligence Act:** EU introduce [comprehensive legal framework on AI first worldwide](#) ensures that AI systems are used safely and ethically, prohibiting certain practices that pose an unacceptable level of risk, and setting out clear requirements for other AI systems that have potentially harmful outcomes.
- **Gig Economy:** [Directive aims to give taxi and delivery drivers](#) such as those working for Uber and Deliveroo rights similar to those enjoyed by full employees
- **Climate inaction violates human rights:** A group of older Swiss women have won [the first ever climate case victory in the European Court of Human Rights](#). The women, mostly in their 70s, said that their age and gender made them particularly vulnerable to the effects of heatwaves linked to climate change. The ruling is binding and can trickle down to influence the law in 46 countries in Europe including the UK.
- **Wages:** National Minimum Wage and National Living Wage rose on 1 April. Differences explained [here](#).
- **LGBTQ rights:** [Ghana's parliament passes anti-LGBTQ bill](#). Rights activists condemn the law that would punish LGBTQ people as well as those who promote gay rights with years in prison.
- **GLAA:** [Gangmasters and Labour Abuse Authority \(GLAA\)](#) release latest intelligence picture of forced labour and labour exploitation in the UK. Government accused of undermining the GLAA regulator [after £2m real-terms cut to oversight budget](#).
- **Immigration rules** [major changes in the UK immigration system impact businesses](#). [Farmers say the cost of meeting the new £38,700 salary threshold from 4 April 2024](#) is unsustainable and will leave many unable to operate their businesses.
- **Climate litigation:** [Climate change-related litigation is on the rise](#), with 2/3rds 2,300 cases raised in last 8 years and impacts on plaintiffs' human rights is increasingly being used to hold companies to account for their contributions to global warming.

*In addition, **Aim Progress Spring regulatory update** is available [here](#) which includes new detail on the proposed South Korean Act on Human Rights and Environmental Protection for Sustainable Management of Companies; U.K. Commercial Organisations and Public Authorities Duty (Human Rights and Environment) Act; California Voluntary Carbon Market Disclosures Act and Illinois Climate Corporate Accountability Act.*

Standards: Tougher monitoring standards and expectations to prepare supply chains for regulatory requirements.

- **Fairtrade Trader and hired labour standards updated** - [Standards are updated to include HREDD criteria](#). The Fairtrade Trader standard applies to all companies that buy and sell Fairtrade products, and/or handle the Fairtrade price and premium. The Hired Labour Standard applies to organisations that employ hired labour to supply Fairtrade-certified products

- **SMETA:** [NFU and other grower associations have called for a halt to proposed changes in SMETA](#) standard until growers are fully consulted. The new methodology is due to be released summer 2024 - a timeline will be communicated with some supporting guidance end of May. FNET hosted a call on 17th April regarding proposed changes on EPP principles. The recording can be accessed [here](#) Passcode: fb+2Cbo\$.The following resources from Sedex (as mentioned in the meeting) can be accessed in the links below:
 - [A video](#) on the key changes to SMETA – designed to be shared with suppliers
 - [Blog](#) on Sedex Website
 - [E-learning](#) Platform – where the new Methodology is housed
 - [Summary of changes](#) made following the final member consultation.
- **ILO:** has now agreed a [living wage definition](#) which states that a living wage is "the wage level necessary to afford a decent standard of living for workers and their families, taking into account country circumstances and calculated for work performed during normal hours."
- [Anker Research Institute has developed new methodology](#) for measuring the size and determinants of gender pay gaps at workplaces in global supply chains and shared finding from pilots in 5 countries.
- [WageIndicator Foundation](#) part of IDH collaboration on living wage, will publish for the first time Living Wage estimates for 2700+ regions across 165+ countries on 1st May 2024 to align standard setters on common benchmark.
- **WWF & Global Salmon Initiative:** First Environmental, Social, Governance (ESG) [risk assessment tool for feed ingredients](#). This tool provides a consistent approach for engaging with feed suppliers, focusing on key improvement areas like biodiversity, climate impact, resource use, and human rights. It aims to enhance supply chain transparency and traceability, identify possible ESG risks, and support more informed decision-making to drive improvements for a more sustainable and resilient future.

Horizon scanning: most common risks highlighted this quarter

Top 10 issues	Q1	Top 10 raw materials & services	Q1	Countries	Q1
Forced labour/recruitment fees	26	Chocolate	8	UK	18
Extreme weather	24	Fishing	6	USA	10
low wages/income	19	Bananas	5	Brazil	5
Supply chain disruption	9	Coffee	4	Italy	5
migration	8	Fish & shrimp farms	4	Bangladesh	4
Health and human rights	7	Shipping	4	China	3
Gender	7	Logistics	4	India	3
Poor Purchasing practices	6	Palm oil	3	Mexico	2
Child labour	6	Strawberries	3	Malaysia	2
Heat stress	5	Beef	2	Ethiopia	2

- **Farmer protests:** As many countries prepare to go to the polls in 2024, the need for a transition to Net Zero emissions has become a key political battleground. This quarter has seen farmer protests in [Brussels, UK](#) , [Netherlands, India, Spain, Paris, Poland](#) highlighting the burdens of environmental rules, low consumer prices and cheap food imports. Climate change is creating havoc with crop yields such as [Olive oil, Rice, soy potatoes, Bananas, Wine](#) , [Pepper, Sugar](#) and [Cocoa](#). Elsewhere heavy rains have left crops soaked/washed away in areas of France, [UK](#), Germany and Poland and fuelled fungal diseases.
- **Palm oil:** [2024 Palm Oil Buyers Scorecard by WWF](#) average score of companies stands at only 14.7 out of 24, highlighting the significant distance that remains to establish sustainable palm oil supply chains. Congratulations to Waitrose, M&S and Lidl for being in the top 5.

- **Cocoa:** [2024 Chocolate scorecard](#) highlights progress but more to do to close the gap on living incomes, child labour, deforestation and agroforestry, pesticides and gender. Congratulations to Aidi for topping retailers performance and to Lidl and Pladis for winning Gender award. IHRB has released a [Just Transition report on Cocoa sector](#) and [Mondelez is facing a class action lawsuit for claiming chocolate is sustainably sourced](#).
- **Coffee:** [EU Regulation on Deforestation-free Products \(EUDR\)](#) – due to come into force in 2025 are putting [Ethiopian](#), [Peru](#), [Vietnam](#) and [Colombian smallholders](#) livelihoods at risk
- **Bananas:** IDH released report on [Retailer Commitment to living wage](#). Banana link [highlighted concerns with retailers not working collaboratively](#). Sainsburys and Fairtrade's [new approach focuses premium on living wage and climate resilience](#)
- **Fishing:** Reports highlighting exploitation risk of migrant workers on fishing vessels [UK Scampi](#), [Thai Fishing](#) [Indonesian fishing](#), [Chinese Fishing](#)
- **Migrant Worker:** Numerous reports regarding UK on farm worker experiences highlighting the limitation of existing monitoring and management practices including [the bureau of investigative journalism](#), Flex – [Feb](#) and [April](#), [Worker support centre](#). The UK government published a [summary of results from a survey of workers who were issued seasonal worker visas during 2022](#). Calls to UK [Modern slavery helpline](#) rose for 4th year running. These insights were used to inform SWS grower roadshow toolkit (see good practice section). Globally, IHRB issued report on [respecting migrant women in recruitment](#) and ETI their research on [understanding barriers for migrant workers to access operational grievance mechanisms in Spain and Italy's agricultural sector](#). Two other migrant worker experience reports [China rise in migrant unemployment](#) and [Italy exploitation in agriculture](#).
- **Mexico failure of certification:** [This report](#) shows how ethical certifications Equitable Food Initiative and Fair Trade USA fail to protect farmworkers in the Mexican produce industry
- **USA Prison labour:** [Major Brands Like McDonald's, Kroger and Coca-Cola Linked to US Forced Prison Labor](#)
- **USA Child labour:** Numerous reports continuing rise of child Labor and the limitations of [Audits ability to detect child labour](#) in US supply chains. [Shift and UNICEF have issued Child Labor investor guidance](#).
- **Climate change & worker health:** New report by the ILO [Ensuring safety and health at work in a changing climate](#) says that climate change is already having a serious impact on the safety and health of workers in all regions of the world. The ILO estimates that [for 70% of the world's workers will be exposed to excessive heat](#) with severe health consequences including cancer, cardiovascular disease, respiratory illnesses, kidney disfunction and mental health conditions.
- **Climate Change & Modern Slavery:** [Researchers have found that climate change is a driving factor in promoting modern slavery](#), addressing the issues together can unlock opportunity and increase impact.
- **Gender:** International Women's Day resulted in a number of reports highlighting
 - **Gender pay gap:** World Bank study reveals- There is still no equality for working women in any country in the world and that the [global gender gap is far bigger than previously thought](#), as childcare and safety issues into account for first time. A study in UK found [on average mothers earned 24% less an hour than fathers in 2023 – a "motherhood pay penalty"](#) of £4.44 an hour.
 - **Gender data void:** Worker Support centre highlighted data void surrounding [migrant women farm workers](#) experiences in the UK.
 - **Achieving Gender Equity in the Food Sector:** New Oxfam investor guidance to encourage companies to act.
 - **ETI investigation report into endemic risks of gender-based violence and harassment (GBVH) at James Finlay's Kenya (JFK).** This investigation was triggered in response to [BBC Panorama's 'Sex for Work: The True Cost of Our Tea'](#).

Good practice and new tools

Open-Source Risk Tool: Supply Trace is a new accessible, open platform that exposes potential risks in global supply chains. In its pilot phase, it focuses on the apparel sector and links between forced labour in the Uyghur

Region of China and shipments to the US. [This risk data has been provided by a team of experts at the Sheffield Hallam University Forced Labor Lab.](#)

New Child labour Risk tool: [The Child Labour Index](#) is a new AI-powered specialised ESG rating, scoring companies and portfolios in relation to three performance indicators in the specific area of child labour. HACE marketing claims it is the only quantitative metric available on the market to report on child labour in real-time.

Palm oil Child protection guidance: - [Wilmar developed this Child Protection Implementation](#) manual to address child protection, and to establish best practices by building corresponding policies, procedures and remedial actions. Focussing on palm oil in Indonesia.

Employee engagement – [Gamification](#), the use of game mechanics into everyday tasks has been found to motivate 84% of warehouse workers to increase productivity.

Purchasing Practices: ETI launch [new common framework for food to outline responsible purchasing practices](#). More examples of retailers experimenting with True cost. In Germany, the [German retailer Penny piloted True Cost pricing to highlight to the climate impact of food production on the environment](#). Sales didn't decline as expected with consumers saying they were willing to pay higher prices partly as the retailer donated the additional revenue to a climate protection project and to support family farms in the Alps. [The Sustainable Procurement Pledge \(SPP\)](#) is now focused on [rolling out Human Rights Chapter to 50,000 procurement professionals](#).

Fishing HRDD guidance - [A Human Rights Due Diligence guide for companies in the fisheries value chain](#). The Danish Institute for Human Rights has developed guidance that aims to help companies in the fisheries value chain understand and conduct human rights due diligence processes

Biodiversity & human rights – New [briefing](#) from GBI on the potential human rights impacts of companies on biodiversity loss, and info to support companies to navigate both the biodiversity and climate crises in a rights-respecting way

Diversity, Equity and Inclusion: 2024 insight report provides an [overview of the latest trends and emerging best practices in fostering diversity, equity and inclusion \(DEI\) in organizations worldwide](#).

Heat stress: Stronger together have developed [new checklists to manage impact of extreme heat](#) for inside and outside working conditions.

Migrant workers: [UK growers Seasonal workers toolkit](#) to support growers understand the Seasonal Worker Scheme, what responsibilities are required by the Scheme rules and which stakeholder is responsible to reduce risks to and improve the on-farm experience of seasonal workers. As well as Improve outcomes when recruiting and employing seasonal workers (via the Seasonal Worker Scheme or otherwise) to improve retention, increase performance, reduce problems and increase the rate of returnees. UK growers Seasonal Worker Supervisor training - [slides](#) and [workbook](#).

Just transition: Laudes Foundation has [mapped 600+ global Just Transition initiatives](#)

Collaboration

Cocoa: [Waitrose partners with Tony's Chocolonely to improve transparency in cocoa supply chain](#). [Tony's Open Chain is an industry-led initiative](#) to help brands transform their cocoa supply chains.

Sustainable farming: [1,500 Tesco farmers set to benefit from eco discount scheme](#) as supermarket teams up with NatWest to provide financial assistance to those looking to switch to more sustainable farming methods. Innocent Drinks provides [funding the farming of the future](#) by putting £1m into regenerative farming investment pot for 2024 to help improve soil health, water resources and biodiversity.

Shipping: [Stella Maris establishes cross-sector steering group to help tackle modern slavery in UK ports](#)