



Responsible Contracting and Procurement as a Lever to Enable Stable Supply Chains and Income Improvement

The Living Income
Community of Practice

LICOP Facilitators



Moderators

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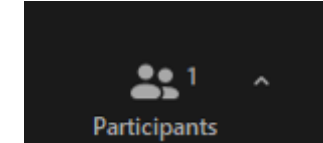
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Session Guidelines

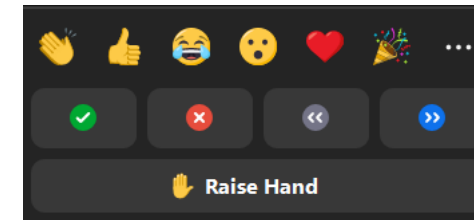
RECORDING

- This session is being recorded and this will be shared with all participants on the Living Income webpage in the upcoming days .



HOW CAN I ASK A QUESTION/COMMENT?

- Attendees will remain muted during this session
- Please use the Q&A box to ask your questions
- If you see a question you are interested in, you can 'vote' for it rather than asking it again
- There is a dedicated Q&As slot after the panel discussion



TECHNICAL DIFFICULTIES?

Reach out to **Natalia (ISEAL)** in the chat box or to livingincome@isealalliance.org

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The Living Income Community of Practice

Living Income Community of Practice is open to any entity committed to learning on the topic of Living Income and improving livelihoods of smallholder farmers

www.living-income.com

The Living Income Community of Practice Objectives



Increase understanding
of living income
measurement and the
income gap



Identify and discuss
strategies for closing
the income gap



Share learning and
facilitate collaboration
between actors

Agenda

1. Introduction: LICoP (5 min)

2. Update on Regulatory context / past discussions in LICOP (10min)

Anny Stoikova, ISEAL

3. Framework on Contracting: Responsible Contracting Project approach and tools (15min)

Daniel Schoenfelder, Responsible Contracting Project

4. Sector Guidance: Dutch Initiative on Sustainable Cocoa purchasing practices guidance and status of work within the five EU sustainable cocoa platforms (15min)

Mark de Waard, Sr. Program Manager, Cocoa, IDH

5. Practical Examples (20 min)

› Nick Martell-Bundock, Head of Purpose, CafeDirect – Establishing transparent supply chains, and challenge of maintaining these in high price situation as is currently the case in coffee (10 min)

› Ben Rutledge, Responsible Contracting Project -Tea Sector Experience with Responsible Contracting Project (10 min)

6. Questions from audience: (20 min)

7. Closing: (5 min)

Speakers



Anny Stoikova
Manager, Social Impact
and Livelihoods
ISEAL



Ben Rutledge
Senior Advisor on Business
& Human Rights
**Responsible Contracting
Project**



Mark de Waard
Senior Program Manager
Cocoa
**IDH / Dutch Initiative on
Sustainable Cocoa**



Nick Martell-Bundock
Head of Purpose
CafeDirect



Daniel Schönfelder
Lead European Legal Advisor
Responsible Contracting Project

LICoP's past discussions on responsible procurement

Producer perspectives –cocoa sector

- › Farmers receive ~64% of CIF price – insufficient for living income (Rikolto, 2024)
- › 55% income gap in Côte d'Ivoire, where the Living Income Benchmark is \$6,904/year, but the Actual Income is only \$3,132/year (The VOICE, 2024)
- › Challenges: Aging population, illiteracy, high costs, limited access to labor and finance among others
- › Needs of farmers: Higher prices, long-term partnerships, capacity building, access to finance (Rikolto)
- › Needs of cooperatives: investment in governance and business management capacities; access to finance; stable partnerships with buyers

LICoP's past discussions on responsible procurement

Frameworks and Tools for Responsible Purchasing practices

›ETI's

Common Framework for Responsible Purchasing Practices (CFRPP)

Key principles:

1. Internal Integration
2. Equal Partnership
3. Collaborative Production Planning
4. Fair Payment Terms
5. Sustainable Costing

›The VOICE

Good Purchasing practices guidance (Cocoa)

Key elements:

1. Realistic LIRP
2. Long-term, asymmetric contracts and grievance mechanisms
3. Transparency & accountability (LI policy and reporting on KPIs)

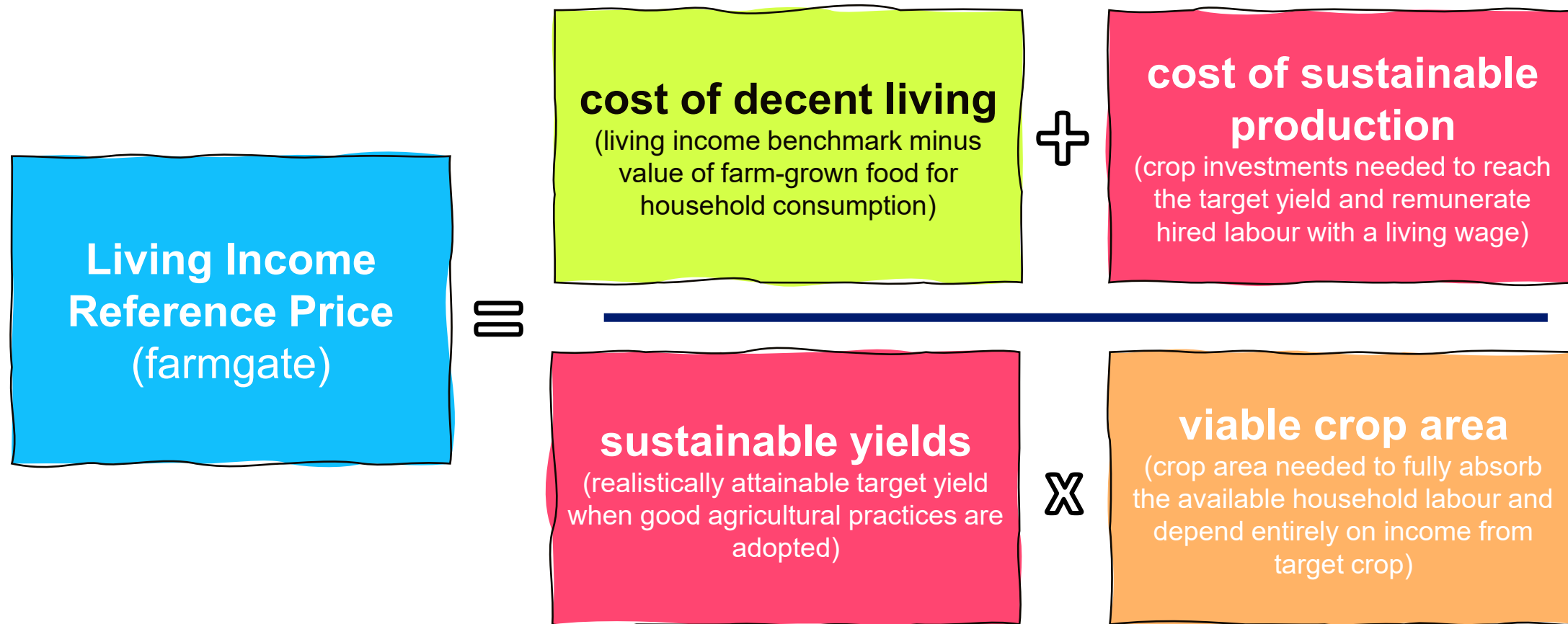
›IDH

Sustainable Procurement toolkit

Principles:

1. Longer term purchasing
2. Improved payment terms and higher prices
3. Equitable supply chain relationships
4. Improve efficiency and enhance transparency
5. Reduce risk and volatility for farmers (min price, fund, etc)

Living Income Reference Price model



Regulatory context

Corporate Sustainability Due Diligence Directive (CSDDD)

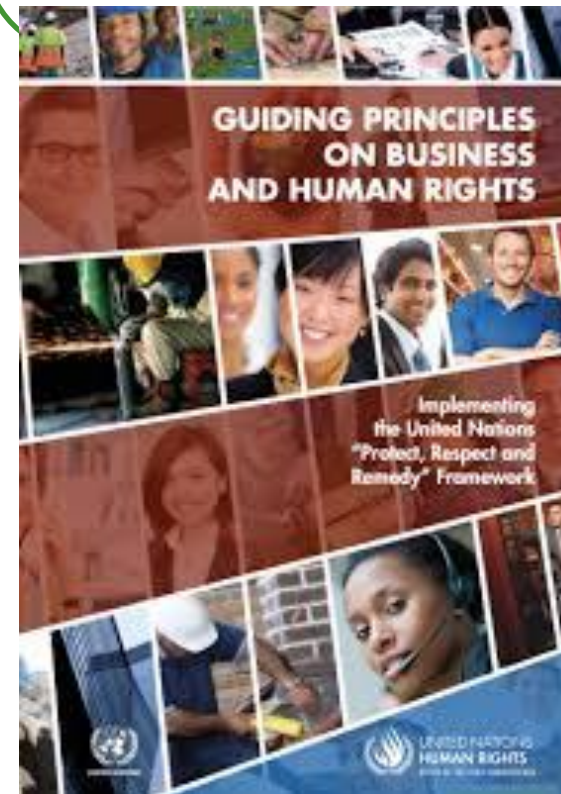
1. Integrate Due Diligence policies
 2. Identify and assess actual or potential risk
 3. Mitigate and prevent them
 4. Establish remediation strategies
 5. Publicly Communicate the effectiveness of DD policies
- ✓ "Companies should also be responsible for using their influence to contribute to an adequate standard of living in chains of activities. This is understood to include a living wage for employees and a **living income for self-employed workers** and smallholders, which they earn in return for their work and production"
- ✓ Emphasis on **responsible purchasing practices**. To enable living income and living wages.

EUDR: EU Deforestation Regulation

Objectives: Prohibits import and export of relevant products linked to deforestation and forest degradation from/into the EU

Scope: beef, cocoa, coffee, palm oil, soy, wood, natural rubber, and derived products

- ✓ Sustainable production practices, which the EUDR promotes, can contribute to improved livelihoods for farmers and producers





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Responsible Contracting

LICOP
July 2025

Daniel Schönfelder, Lead European Legal Advisor
Responsible Contracting Project

About Responsible Contracting Project (RCP)

Promoting shared responsibility for the protection of people and the planet

RCP's mission is to drive better outcomes for people and the planet through better, more responsible contracts.

- **Open Access Tools:** model clauses, codes of conduct, guidance - <https://www.responsiblecontracting.org/toolkit>
- **Methodology:** “google translate” responsible business conduct standards -- UNGPs & OECD Guidelines -- into contracts
- **Signature approach:** Embed **shared responsibility** for human rights and the environment into commercial agreements
- **Uptake by companies:** <https://www.responsiblecontracting.org/about> under “uptake”

Conventional Contracts

Supplier-only promises of **perfect compliance** → strict liability

Supplier is solely responsible for HRE:

- All HRE-related risks, costs, obligations lie with Supplier:
 - only Supplier can be in breach
 - Supplier has no right to cure
 - Buyer can exit at first sign of trouble

Remedies for breach go from Supplier to Buyer, no remediation for victims.

Responsible Contracts

Joint obligation to carry out **on-going**, risk-based HREDD → duty of care / negligence/ best efforts

Shared responsibility for HRE:

- Buyer commits to responsible purchasing practices as part of its HREDD, including:
 - Responsible pricing
 - Reasonable assistance (SME)
 - Responsible forecasts & change orders
 - Fair commercial terms
 - Responsible exit

HRE remediation *before* traditional contract remedies provided *jointly* if Buyer contributed



What is ruled in and ruled out by the CSDDD

Under the CSDDD, contracts must be “appropriate” preventive and corrective measures.

Effectiveness

Reasonably available

Reflect likelihood

Take into account the degree to which each party (jointly) cause the impact

Principle 1: Shared Responsibility for HREDD

Buyers and suppliers are partners in success for protection of people and planet

Examples

- **Supplier supports buyer's HREDD**

Participates in buyer's risk analysis; makes buyer's complaints mechanism available; collaborates in buyer's preventive, corrective, and remedial action plans

- **Buyer supports supplier's HREDD**

Provides guidance on what risks to look for, how to address, what measures to take; cooperates to identify and address problems; cost-shares on preventive and remedial measures

- **Buyer respects supplier's HREDD**

Avoids overburdening suppliers with HREDD requirements by accepting equivalent docs & measures (questionnaires, risk analysis, complaints mechanisms, CoCs) unless flatly inadequate; adapts expectations to capacity



Principle 2: RPP included as Buyer Obligations in the contract

Basic obligation: exercise commercial power responsibly, to enable and incentivize business partners in HREDD (price, delivery times, contract lengths...)

Guidance questions by the German enforcement body (BAFA) for the German Supply Chain Act (LkSG)

- Are costs for upholding human rights and environment standards considered in the price?
- Are potential cost increases taken into account?
- How are costs for adequate living wages included?
- Are costs for measures such as audits or training covered?
- Are financial incentives provided for suppliers who demonstrate continuous improvement?
- Are contract terms designed in a way that does not impose a disproportionate burden on suppliers?
- Are lead times and product specifications determined in a way that suppliers can meet them while respecting human rights and the environment?

Responsible Purchasing Practices (RPP)

RPP can help prevent and remedy adverse impacts

Implementation

- **Proactive Basic measures** - all product groups: commit to RPP & be willing to engage in dialogue on timelines, payment terms, responsible exit (...)
- **Proactive Mature measures** - high-risk product groups: include price escalation clauses, provide incentives for certification and standards alignment for specific risks, targeted production planning (...)
- **Reactive** When prioritizing suppliers for measures to address impacts, consider, is our behavior a joint cause?
- **Guidance & Examples:**
<https://www.cfrpp.org/the-common-framework>, [H&M, Paper](#)



Zoom in on smallholders & Responsible Contracting

- **Problem:** How to avoid overwhelming while not letting off the hook (all businesses have a BHR responsibility)?
- **Principle: Dual Position**
 - Dutybearer: Child Labour
 - Rightsholder: Living Income
- **Practice**
 - **Proportionate expectations**
Expectations only combined with concrete guidance
No expectations for own supply chains
Avoid bureaucratic questionnaires
 - **Respecting Rights**
Responsible Pricing
Responsible Exit – Avoid simplistic measures

Principle 3: Remediation First and Responsible Exit

Principle 3: Remediation-first and Responsible Exit - Examples

- **Exit as a last resort**
 - Give suppliers chance to remediate / cure / improve
 - Enhanced action plan before termination
 - Zero Tolerance as the exception, not the rule
- **Exit as HREDD risk**
 - Analyze adverse impacts of exit
 - Weigh adverse impacts of exit against staying
 - Address / mitigate adverse impacts
- **Complex issues**
 - No zero tolerance at all?
 - Responsible exit for *any* termination or only for adverse impacts?
 - Obligation to stay after contract expires?
- Guidance & Examples: Fairwear, ACT, ASOS

Thank you for your attention!

[More Info on CSDDD Requirements on Contracts](#)

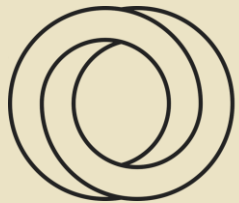
[More Info on the EMCs & Consultation](#)

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Procurement Practices in DISCO

LICOP webinar on Responsible Contracting and Procurement

Dutch Initiative on Sustainable Cocoa

Multi-stakeholder partnership with high ambitions and a large scope

The Dutch Initiative on Sustainable Cocoa shares the vision that in the cocoa-production regions important to the Dutch cocoa industry the following will be achieved:



Farming families with cocoa as their main livelihood activity will be enabled to earn a **living income** by 2030



Cocoa-related **deforestation and forest degradation** in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025



Effective measures and necessary actions contributing to ending all forms of **child labour** by 2025 are taken



How it started

DISCO Procurement Practices Position Paper

- DISCO founded in 2020 with high **living income ambitions**
- Development of **DISCO Roadmap on Living Income** to provide guidance to members
- Company strategies mainly driven by **service delivery and farmers' trainings**
- **Farmers experience numerous challenges** and lack incentives to invest in sustainable cocoa production
- **Market environment and cocoa trade practices** should change to make programs more effective



Procurement principles from DISCO position paper

DISCO Procurement Practices Position Paper



Adequate remuneration

- Covers sustainable cocoa production costs
- Enable farmers to earn a living income
- Based on assessment of financial rewarding systems



Reliable and prompt payments

- Farmers shouldn't bear payment risks
- Payments must be timely and consistent



Long term assurances

- Guaranteed purchase volumes to ensure market stability
- Enable farmers to invest in their business with confidence





Next steps

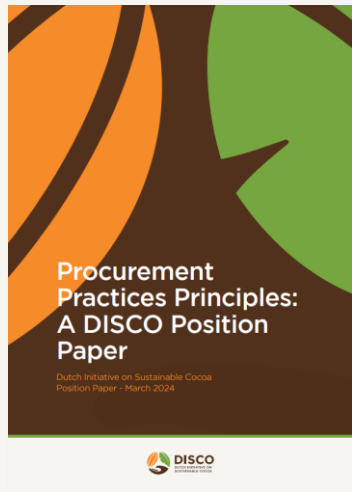
DISCO Procurement Practices Position Paper

- Scaling to other European platforms
- Report and monitor progress
- Pre-competitively address key barriers
- Engage with cocoa producing countries
- Create learning exchange





THANK YOU FOR YOUR PARTICIPATION



To read the full DISCO Position Paper, you can consult it [online](#)

Or for more information about DISCO, please visit our [website](#)



Responsible Procurement

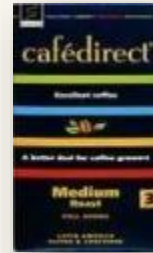
July 2025

**CAFÉ
DIRECT**

Nick Martell-Bundock
Head of Purpose

History

The **collapse** of the International Coffee Agreement, causing coffee prices to plummet



Cafédirect officially starts



Cafédirect becomes a PLC – **75% of grower organisations are shareholders**, represented by CPL & our **Guardians**.



In June 2018 Cafédirect became the UK's first B Corp certified coffee company

...and in 2022 we recertified with an Outstanding score





**CAFÉ
DIRECT**

OUR MANIFESTO
for the
future of coffee

If farmers can't make a living growing coffee, they'll stop.

And right now **80%** of them aren't earning enough¹ to do basic things like feed their families and get medical help when they're sick.

Changing the way coffee is bought and sold is the only way to **guarantee the future** of our daily drink - and the people who make it.

¹ Source: Technoserve

This manifesto lays out exactly how we're doing that.

Everything in it fits with the Sustainable Development Goals set by the United Nations (you can see which ones we're focused on below). It's approved and protected by our Guardian Share Company, an independent group that exists to make sure we stick to our promises and don't work in a way that goes against the principles we started with. It's also based directly on what the growers we buy from say they need.

We're not perfect. And we're always learning. But we've been listening to and working directly with local farmers and cooperatives for more than 30 years. So we know that this is what it takes to make sure that drinking coffee today doesn't stop us drinking coffee tomorrow.



Here's how we're making sure that coffee has a future



By 2030

Every farmer we buy from will have the skills, support, and power to earn more than a living income.

We'll have made enough changes to the way we run our business that we'll have cut our own carbon footprint in half.

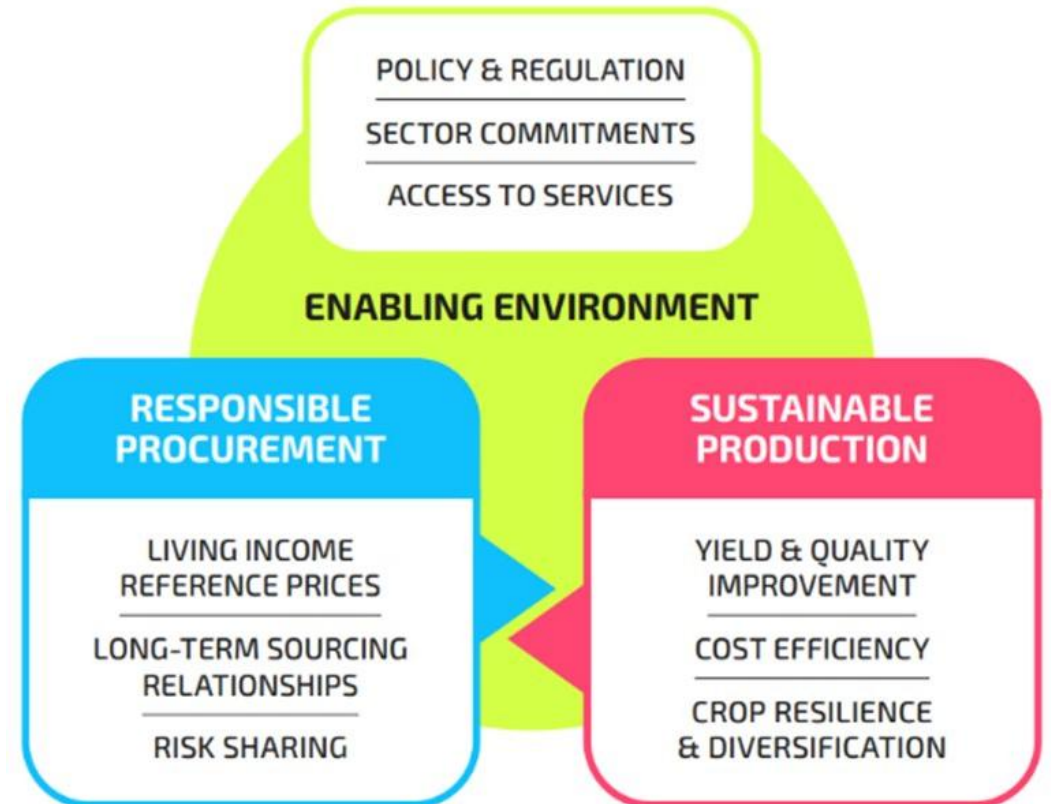
Our approach to business will be so successful that instead of just breaking from the coffee pack we'll be leading it in this new direction.

The work we do and the ideas we share will have motivated 15 million people to do at least one thing to make their life more sustainable.

Fairtrade's Strategy for Living Incomes



- Requires increased income from either the focus crop, or from diversified sources.
- How much money can be made from the focus crop is dependent upon production (land, volume) and procurement (price etc.)
- All of this is also impacted by the enabling environment.
- We focus on small scale farmers in Small Producer Organisations (SPOs) and particularly cocoa, coffee, bananas and tea.



Responsible Procurement

- Living Income Reference Prices
 - Budget / floor pricing – internal alignment, customer opportunity
- Long Term Agreements
 - Long term relationships – producer voice, collaborative planning, unintended consequences
- Risk Sharing
 - Timing of seasonal contracting
 - Shared data from farm, cooperative & downstream

COFFEE DONE RIGHT

**CAFÉ
DIRECT**

How has RCP Worked with the Tea Sector?

- **Tea Model Contract Clauses (TMCs) – with Ethical Tea Partnership (ETP)**
 - Designed to support **effective due diligence** in smallholder-dominated, fragmented supply chains.
 - Tailored to **real-world agricultural dynamics** — recognises HREDD can't be imposed top-down.
 - **Tiered and Practical Design:** Differentiates expectations e.g for **Small Gardens**. Enables participation in **buyer-led due diligence** systems.
- **Real-World Contracts, Not Boilerplate language**
 - Replaces generic legal language with **negotiated terms** focused on risk, remediation, and living income.
- **Collaborative Rollout:** Not plug-and-play: requires **dialogue, training, and mindset shift**. TMCs cover fewer issues than other RCP clauses.

Barriers to Adopting Responsible Contracting

- **Legal Culture & Risk Aversion**
 - Lawyers often prioritize **compliance and risk avoidance**, not collaborative risk management.
 - Traditional approach defaults to contracts that **limit innovation** and experimentation.
- **Fear-Based Clauses**
 - Termination penalties discourage openness and engagement.
- **Complex Supply Chains**
 - Multiple layers (e.g. auctions, brokers) hinder transparency and reduce leverage.
- **Commercial Pressures**
 - Suppliers can't absorb due diligence costs alone. Requires **supportive pricing, lead times, and payment terms**.

Differences between TMCs and other model clauses (MCCs / EMCs etc)

- Various caveats for **Small Gardens** (small producers / SMEs)
- **Grievance mechanisms** – not every actor must establish and OGM; target is access to justice and a functioning OGM available to workers.
- **Fair Trade and Sustainability** clause
- Buyers **sharing audit reports** with Small Gardens
- Subset of longer model clauses
- **ETP Membership criteria** – degree of monitoring & incentive

Examples of clauses:

1.1 Joint commitment to Human Rights and Environmental Due Diligence

(a) Buyer and Supplier, each agrees to establish and cooperate in implementing a HREDD policy and maintaining a HREDD process in connection with this Agreement, in accordance with the standards set out in the OECD Guidance. The HREDD process shall be appropriate to each party's size and circumstances.

Where Supplier is an intermediary, it agrees to support Buyer's HREDD and to extend the relevant requirements and support contemplated in this Agreement, including responsible purchasing practices and reasonable assistance, to its own Suppliers. Where Supplier is a Small Garden, it can opt to establish its own HREDD policy or process or to participate and cooperate in Buyer's HREDD process with clear instruction from Buyer.

1.4 Recognition

Where Buyer seeks to employ HREDD measures such as, but not limited to, questionnaires, audits, and scorecards in its HREDD processes, Supplier may, to the extent allowed by law, provide Buyer with a recent equivalent document, and Buyer shall accept such equivalent document [or a portion of the equivalent document to the extent that it meets Buyer's minimum standards], unless it reasonably considers that such equivalent document [entirely] fails to satisfy Buyer's minimum standards. A recent CSRD-aligned report [or prior agreed upon certification process report] will be recognised as an equivalent document. [Upon request, and where Supplier is a Small Garden, Buyer shall share audit reports with Small Garden, so that the latter can use this information to strengthen its efforts to uphold HREDD standards, as well as to work with other Buyers].

At the request of Supplier, Buyer shall, to the extent permissible under competition laws, coordinate with Supplier and other buyers to minimise inconsistencies between various due diligence measures employed, including sharing reports with audited Small Gardens.

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Speakers



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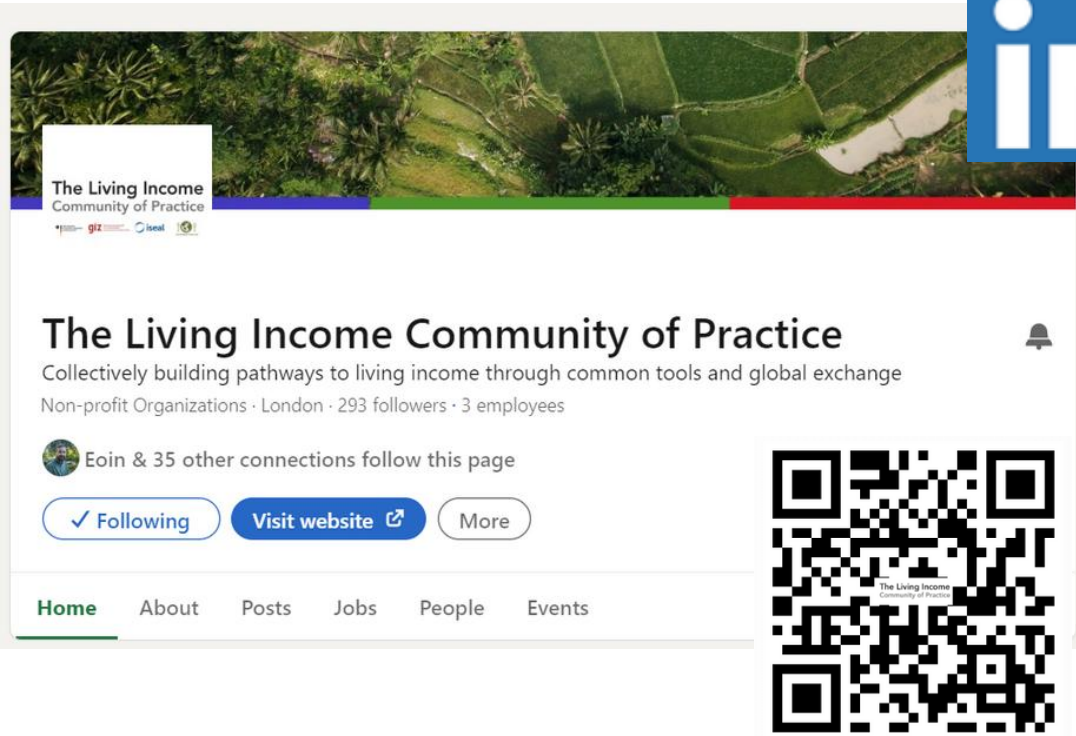


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☐ Cocoa

☐ Coffee

☐ —



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Resources on Responsible procurement practices

›Guidance on Contracting

1. Responsible Contracting Project [Toolkit](#)

›Frameworks on Responsible Procurement

1. ETI's Guidance [ETI, Common Framework for Responsible Purchasing Practices in Food.pdf](#)
2. Voice 's [Purchasing-Practices-in-Cocoa.pdf](#)
3. Dutch Initiative on Sustainable Cocoa [Procurement Practices Principles](#)
4. IDH [Sustainable Procurement toolkit](#)
5. [FTAO Framework for Assessing the Impact of Purchasing Practices on Human Rights during Due Diligence Practices](#)

›Analysis of procurement practices

1. Rikolto, "[Rethinking procurement models in the cocoa sector: recommendations for more inclusive business models](#)"