Assessing the influence of purchasing practices of grocery retailers on producers

Examples from the Ghanaian cocoa and Ecuadorian banana sectors

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Executive Summary

As the unsustainability of the global agricultural system becomes an increasingly prominent topic in European public and political discourse, downstream supply chain actors are beginning to rethink the way their operations are contributing to long-term value creation and how best to scale their impact. Through a series of interviews with six European grocery retailers, surveys with eight tier-1 suppliers (traders, exporters, manufacturers), and workshops with cocoa and banana producers and their credible proxies, this paper explores the level of influence the purchasing practices of retailers have on producers and presents effective recommendations for buying departments to employ. The goal of the recommended responsible purchasing practices is to promote sustainable production practices. To assess this, two commodities representing different supply chains were used as case studies. This included cocoa from Ghana and bananas from Ecuador (with the former being a more complex and actor-intensive supply chain than the other).

The results of the interviews with retailers indicated that the ability to make a marked impact on the suppliers lies with the buying departments, and that the that the level of influence the purchasing practices of retailers have on producers depends on three main factors: (a) the type of supply chain (i.e., more complex and trader-intensive or more direct, with the latter allowing for more influence); (b) the number of peers and market actors (as well as the level of coordination between them) working to improve the sustainability of that specific commodity or supply chain, and (c) the level of support received by upper management to continue integrating sustainability into the commercial activities of the business. In the assessment of commonly employed responsible purchasing practices, the following five were identified: (1) certification for high-risk products or countries; (2) including sustainability criteria in purchasing decisions, though this is still preceded by traditional criteria like price, quality, quantity and service provision; (3) ensuring coordination between sustainability and purchasing departments; (4) providing training on human rights, environmental issues and responsible purchasing to buyers (and much less commonly, to suppliers); and finally, (5) engaging with internal and external stakeholders on various sustainability issues, and knowledge-sharing with peers on challenges and best practices.

The surveys with tier-1 suppliers substantiated these statements, with respondents stating that certifications are now a requirement, and that the retailers often engage in discussions on sustainability topics. While the survey results demonstrated that sustainability was now a criteria in purchasing decisions, respondents nonetheless indicated that price continues to be the top priority. The most detrimental practices continue to be unfavourable trading practices of downstream actors, including unjustified quality claims, or claims not made aware of in advance.

In a similar vein, the producer workshops highlighted the fact that, despite various efforts to improve trading practices of European companies, producers are still being marginalised and continue to absorb the consequences of buyers' unsustainable purchasing practices. For instance, in the Ghanaian cocoa sphere, producers state that they continue to receive last minute order changes (which usually include a decrease in volumes), do not receive payments or premiums on time or at the right time (i.e., ideally before the new growing season), and are still not being paid enough to support themselves nor make improvements to cocoa production. This has led to low youth participation in cocoa farming, presenting issues for the stability and security of long-term cocoa production, and an increase in youth participating in environmentally unsustainable alternatives, like galamsey (illegal small-scale mining). This is coupled with various challenges associated with COCOBOD, the governmental body regulating the cocoa market in Ghana, meaning that cocoa farmers are looking to their customers and other upstream actors to collectively improve pricing and put an end to the continued global race to the bottom in the sector. In the case of bananas in Ecuador, the main takeaway can be that producers do not feel like they are being rewarded for their sustainability efforts. Despite paying living wages and having comprehensive programs in place to ensure good agricultural practices, led by changes to national legislations that support such improvements, producers state that they continue to lose clients or prospects who look to increase short-term profit margins.

Based on these findings, as well as two separate solution workshops with retailers and producers, various recommendations for responsible purchasing practices are formulated for company buying departments to employ. These are divided into (1) purchasing practices, including closing living income and living wage gaps, employing strategic sourcing by integrating sustainability criteria into purchasing decisions, (2) fair contractual terms including monitoring compliance with supplier codes of conduct, having clear, transparent and long-term contracts and partnerships, engaging in seasonal planning, (3) engagement and coordination such as engaging in dialogue with stakeholders, having a trusted partner on-the-ground, providing (joint) training to buyers and suppliers, investing in knowledge-sharing opportunities with other retailers also in other countries, and working with peers and stakeholders to develop supplier living wage databases to help verify living wage data, and (4) effective KPIs or metrics, which includes recommendations on qualitative measures of impact on people, integrating sustainability into performance appraisals for buyers as well as into the evaluations of product success, employing gender-mainstreaming and collecting gender-disaggregated data.

Table of Contents

1 Introduction

Healthy, sustainable, and inclusive food systems are critical to achieve the various climate targets and development goals by their urgent deadlines and to secure the food supply for a continuously growing population (*Agriculture and Food,* 2022). However, the international community is increasingly faced with the reality that the systems and structures that have underpinned economic development for decades have resulted in a global food system that is responsible for generating some of the world's most 'wicked' problems[1]. On the climate front, the food sector collectively accounts for a third of global anthropogenic greenhouse gas (GHG) emissions and is the primary driver of biodiversity loss (Benton et al., 2021.; Crippa et al., 2021). On the social side, smallholder farmers make up a large percentage of the 1.4 billion people living in extreme poverty, meaning that social sustainability cannot exist without making improvements to farmer incomes and productivity ("*How Companies Can Share Responsibility," 2021;* Lazzaris, 2021).

Developing a strategic approach to ensure sustainable food production requires an extensive study into how to adequately challenge governance practices and leverage investment in alternative livelihood opportunities, such that smallholders and communities can claim greater rights, have greater voice, and achieve improved livelihood options. To do this, it is essential to look at the practices and business models of those actors who hold the most power to shape food production around the world. Within the agri-food sector, it is often argued that the extreme market concentration in food retail, especially in the Global North, coupled with the exceptional buyer power that retailers and large intermediaries hold, has inaugurated these actors as the 'gatekeepers of global food trade' (Gore & Willoughby, 2018). This buying power of consumers and companies in countries of the Global North forces down the price farmers get paid for their crops, while the high market concentration has shaped "producers and processors into geographically-dispersed, highly-specialised and multi-tiered supply chains to deliver precise [and consistent] quality standards" (Gore & Willoughby, 2018, p. 8). This contrasts with the small-scale producers in the upstream supply chain, who often "lack access to information on market prices, demand, or even alternative trading channels", putting them in a lower bargaining position with buyers (Liu, 2021, p. 13).

Importantly, the injustices of global trading relations have been well-documented and have received much attention in public discourse and amongst European policy makers. Understanding the leverage that downstream supply chain actors (those involved in post-manufacturing activities, namely distributing the product to the final customer) have on producers, the European Union (EU) has developed a series of regulations and directives that aim to foster more sustainable and ethical trading relations and prevent the exploitation of people and the environment. These legislative changes–discussed in the following literature review (2.2.1) - further necessitate the need to develop responsible purchasing strategies, since these have the most direct impact on producers, influencing the commercial activities of the

[1] A wicked problem has "innumerable causes, morphs constantly, and has no correct answer", but "can be tamed, with the right approach" (Camillus, 2008). Such problems avoid straightforward articulation and are difficult to solve in a way that is simple or final, while also being subject to real-world constraints that prevent risk-free attempts at solving them (Rittel & Webber, 1973). The notion has also been applied to illustrate the shortcomings of reductionist approaches when tackling complex social and environmental issues (Xiang, 2013; Ingram et al., 2018).

business. Purchasing practices are the actions taken by a buying company to purchase a product or service (in whole or in part) from a supplying business. They encompass "product development, planning and forecasting, critical path management, contracts, technical specifications, order placement and lead times, cost and price negotiations, payment terms" as well as the "underlying behaviours, values and principles of purchasers" which ultimately impact producers (CFRPP, 2022, p.2).

Given the apparent leverage of large retailers and intermediaries, studying their purchasing practices would provide useful insights on how buyers from globally active companies influence their suppliers and producers in their supply chains, and beyond. As such, through a series of interviews and surveys with buyers, suppliers and producers, the goal of this research is to capture how purchasing practices of retailers and wholesalers affect the conditions of intermediaries and how these, in turn, affect the producers. The aim of this research is to encourage buyers to take a closer look at the topic and become aware of the scale of their influence on the upstream value chain, including all activities related to the organisation's suppliers, and in particular, those actors that source raw material inputs (i.e., the producers).

2 Literature review

2.1 Challenges with the procurement of bananas and cocoa

To narrow the scope of the research, the study will look at two commodities: bananas and cocoa. More so, the supply chains of bananas from Ecuador and of cocoa from Ghana will be considered. This is done to get an overview of how companies are dealing with different high-risk commodities. For decades, bananas and cocoa have served as key examples of trade injustice and power concentration in the hands of a few multinational companies, affecting the lives of thousands of smallholder farmers and workers and the surrounding environment. Not coincidentally, these commodities have received much attention by actors in the downstream supply chain in the last decade. In other words, they are at the same time representative of the multi-faceted issues existing within commodity chains, as well as how key actors are responding to pressure to mitigate these issues. Furthermore, these commodities represent some of the most highly demanded imports in Europe. The European Union (EU) is the world's biggest importer of bananas, with the majority being sourced from Latin American countries, led by Ecuador, Colombia, and Costa Rica (Galindo, 2022). Europe is also the largest importer of cocoa beans worldwide, representing over 61% of global imports, most of which is derived from Ghana and Côte d'Ivoire (*Dutch market potential for cocoa*, n.d.; Scott et al., 2021). This makes them particularly relevant commodities to study in the context of the influence of European buyers. It is also useful to mention that social costs represent most of the external costs of cultivation for both commodities (van Schoonhoven, 2021). External costs—increasingly referred to as the true price gap—refer to those environmental or social costs which are not reflected in the farm gate price (i.e., the price of the product available at the farm, excluding any separately billed transport or delivery charge). In calculating the true price gap for certain problematic commodities, studies have shown that for cocoa, social costs account for 84% of total external costs (Ibid). For bananas, they represent over 60% (De Groot Ruiz et al., 2018). Because of this, the study will place more emphasis on the social impacts of purchasing practices.

To begin with, bananas are a key consumer good for setting the price image of retailers and attracting consumers, creating fierce price competition between retailers. An example of this phenomena is when supermarkets use bananas as a loss-leader to entice shoppers into stores; this entails artificially lowering the price to attract customers to the store, knowing that this will usually result in more purchases (Fairtrade, 2019). Supermarkets argue that the banana price wars are necessary to keep bananas competitive at a time when the shelves are awash with other fruits but have been criticised for having a devastating effect down the supply chain, putting pressure on suppliers and ultimately contributing to the poor treatment of plantation workers in producing countries (Wood, 2021). Moreover, retailers increasingly control the value chains of bananas with direct sourcing methods, particularly after the major divestments of the banana exporters like Chiquita, Dole and Fyffes. This has allowed retailers to take a larger share of the profit, with wholesale banana prices decreasing, whilst retailers have increased their share of the banana value in most countries, reducing the value left at origin (BASIC, 2015). This is despite significant increases in production and living costs, where inputs like fertilisers and pesticides have risen significantly, while the costs of compliance with quality, sanitary and environmental standards for bananas entering the European market are incurred mainly by producers. At the same time, banana producers have experienced commercial pressure from retailers, who use 'one sided' or 'leonine' clauses which allow the buyer to withdraw from a contract "if his margin is insufficient", leaving producers with unsold perishable bananas (BASIC, 2015, p. 38). It thus becomes clear how the risk is placed almost entirely on producers, particularly smallholders, who have limited scope for selling their bananas elsewhere when orders are cancelled at short notice. Indeed, the impact of such unfair trading practices include accelerated disappearance of smallholder banana producers, increase of subcontractors and temporary workers, and especially an increase in the use of migrant workers to achieve a cheaper labour force (BASIC, 2015). The complexity of the banana supply chain also depends on the country of production. Approximately 80% of bananas originate from large-scale plantations. This is especially true for banana production in Central America and Central and West Africa. However, in Ecuador and Colombia the supply chains are more fragmented, with small and medium-sized farms being integrated into more complex exporting operations (Rethinking Value Chains, 2019). In Ecuador, an estimated 70% of banana producers are small and medium size farms with less than 50 hectares (Fairtrade, 2019). Since smallholder farmers are more vulnerable to the impacts of unfair trading practices, Ecuador is an interesting country to examine in this regard.

In contrast to bananas, cocoa is a highly complex commodity that must go through various stages of production before it reaches its final consumable form. As such, the cocoa supply chain is trader-intensive, implying that grocery retailers have fewer direct links to the cocoa farmers than in the case of bananas, for instance. The complexity of this commodity has propelled actors operating in the chocolate industry to vertically and horizontally integrate in the industry, allowing for ease of access to resources and achieving economies of scale (Mordor Intelligence, 2021). The cocoa value chain has a highly diffuse producer base, comprising millions of smallholder farmers, while the trader, manufacturing and retail sectors are highly concentrated. This has resulted in a limited number of large trading and processing companies controlling a significant share of global and local cocoa markets. Due to the high degree of concentration in the downstream supply chain, there is an imbalance in bargaining power between the producer and the buyer. Buyers with strong bargaining powers are usually large retailers, consortiums and purchasing alliances that deal with farmers, growers and other small and medium-sized suppliers (Gore & Willoughby, 2018). Their increasing concentration also means that already vulnerable small-scale farmers now have even fewer buyers for their products, leaving them in a position of dependency that is vulnerable to exploitation (ibid). Coupled with the short-term-profit ideology of commodity markets, these structures have made unfair trading and sourcing practices by buyers seem like business-as-usual.

In Ghana, one of the largest importers of cocoa to the EU, the cocoa sector is highly regulated due to its economic importance as an export revenue generator (Asoko Insight, 2022). Through the Ghana Cocoa Board (COCOBOD), a state-owned institution responsible for regulating prices of cocoa and coordinating marketing activities, the government is involved in almost all aspects of the industry. COCOBOD is the only institution permitted to sell Ghanaian cocoa to the world market, trading about 70% of cocoa produced in the country through the futures market after fixing the price of beans for the full crop year. COCOBOD has a high degree of control over the national cocoa market and has attempted to regulate the sector to make it more socially sustainable, such as its move to instate a Living Income Differential price (LID) requiring buyers to pay an additional US$400 per ton of cocoa on top of the floor price. As poverty is regarded as the root cause of child labour and deforestation, the assumption is that the LID policy will help mitigate these issues associated with cocoa farming (Boyson et al., 2023). However, both the "design of the policy and the current lack of complementary measures" have left critics doubting the success and longevity of the policy, and raised concerns about the implications for farmers in other countries where the LID is not present (ibid, p. 1). Despite the LID being already implemented in 2019, cocoa farmers are still struggling with poverty (thus forcing them to resort to deforestation and child labour to reduce costs where possible), a lack of access to finance and inadequate infrastructure, and the increasing costs associated with the threat of climate change (Adams & Carodenuto, 2023).

2.2 Corporate purchasing practices

2.2.1 *Corporate purchasing practices amidst a changing EU legislative landscape*

Decades of advocacy by civil society organisations (CSOs) and knowledge experts have resulted in legislative changes that increasingly work to protect producers. Over the last few years, changes in European Union (EU) legislation vis-a-vis unfair trading practices mean that small and medium-sized enterprises (SMEs) with business relationships with larger European companies are especially being protected. Most notably, there is the Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, implemented in national legislation and in force in all EU member states by 1 November 2021. The directive targets the unequal balance of power between powerful buyers and relatively weaker sellers in the agricultural and food supply chain by introducing black and grey lists of unfair trading practices, as listed in Table 1 below (European Commission, n.d.).

Table 1: Unfair Trading Practices

Black unfair trading practices	**Grey unfair trading practices**
These practices are prohibited, whatever the circumstances.	*These are allowed only if agreed between the buyer/supplier beforehand in a clear and unambiguous manner.*
● Payments later than 30 days for perishable agricultural and food products ● Payment later than 60 days for other agri-food products ● Short-notice cancellations of perishable agri-food products ● Unilateral contract changes by the buyer ● Payments not related to a specific transaction ● Risk of loss and deterioration transferred to the supplier ● Refusal of a written confirmation of a supply agreement by the buyer, despite request from the supplier ● Misuse of trade secrets by the buyer ● Commercial retaliation by the buyer ● Transferring the costs of examining customer complaints to the supplier	● Return of unsold products ● Payment of the supplier for stocking, display and listing ● Payment of the supplier for promotion ● Payment of the supplier for marketing ● Payment of the supplier for advertising ● Payment of the supplier for staff of the buyer, fitting out premises

Another major change to EU legislation is the legislative proposal for a Regulation on deforestation-free products. Published on 17 November 2021, the proposal aims to reduce deforestation by setting targets for commodities linked to a high risk of deforestation, such as soy, beef, palm oil, bananas, cocoa, or coffee (European Commission, n.d.-a). Under these new rules, before placing these products on the EU market or exporting them from the EU, operators and large traders would face certain requirements. The proposed regulation makes them responsible for carrying out comprehensive, effective and continuous due diligence to prove that their products are not linked to deforestation or forest degradation. Further, it asks operators to disclose information about their supply chains and report on their measures to avoid deforestation. This will have consequences for companies purchasing policies as it necessitates a form of due diligence and stakeholder engagement to ensure that these products are not causing deforestation.

Perhaps most importantly, two upcoming EU Directives will reshape the way that companies manage sustainability impacts and risks: the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). Part of the

European Green Deal, the CSRD is an amendment to the non-financial reporting directive 2013/34/EU and includes the mandate to report sustainability information under the reporting framework of the European Sustainability Reporting Standards (ESRS). This includes disclosing all material impacts companies may have on people and the environment (including outside their own workforce or operations). Making it mandatory for companies (including grocery retailers) to identify and assess the impacts of their operations on producers will motivate these actors to change as companies will race to decrease all internal and external risks associated with negative impacts, such as reputational damage (due to social injustices in supply chains) or supply risks (due to productivity issues resulting from climate change and producer's lack of capital to invest in climate-resilient farming techniques). Building on the CSRD, the CS3D sets out a framework for businesses to respect human rights and the environment in their own operations and through their value chains by identifying, preventing, mitigating and accounting for their adverse human rights, and environmental impacts, and having adequate governance, management systems and measures in place (European Commission, 2022, p.3). Such an interrogation will necessitate investments to improve company purchasing practices and policies, since having such policies will make a marked impact on the commercial activities of the business and contribute to more stable and reliable supply chains. Some countries are already working to implement the directive into national legislation. For instance, on January 1st 2023, the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, or LkSG) came into force, obliging German businesses to identify and account for their impact on human rights – such as forced and child labour, forced evictions, pollution and land grabbing – within their own operations as well as across overseas direct suppliers and, when necessary, also indirect suppliers.

The generation of these new laws and regulations only confirm the immense power and influence buyers have on supply chains and substantiate the claims that, so far, this influence has not necessarily been positive. Considering these changing rules, it is crucial to understand the potential gaps in the legislation in regard to what the main challenges are perceived to be by both buyers and suppliers in ensuring decent work and sustainable production. Which challenges remain despite efforts to penalise unfair trading practices? How do buyers and suppliers perceive their role and influence in mitigating these persistent challenges? Which responsible purchasing policies can facilitate the move towards more sustainable production? Answering these questions will be central in understanding the influence of sourcing managers in current and future food supply chains.

2.2.2 *Understanding unfair trading practices and their impacts*

Since commodities are largely seen as being indistinguishable, price continues to be the most important factor in the market, in turn incentivising market actors to produce food as cheaply as possible (Simons & Nijhof, 2021). These market dynamics, which ultimately reward unsustainable purchasing practices by encouraging profit maximisation, shape the collective behaviour of the various actors in the supply chain. This market ideology influences the collective behaviour of downstream actors, as traders and processors are "pressured into reducing costs to be able to compete for a place on the supermarket shelf" (ILRF, 2008, p. 4).

Meanwhile, supermarkets use their buying power to push down prices to often unsustainable levels, directly affecting worker wages, hours, health and safety, union repression and job security (*Banana splits*, 2015). This kind of collective behaviour poses several environmental and social risks. Farmers seeking to increase volumes at a low cost convert natural ecosystems and land to plant huge fields and engage in monocropping, or resort to minimising labour costs, hiring seasonal or contractual workers, or engaging in forced or child labour, since other input costs (e.g. fertiliser or electricity) are often fixed or rising (Simons & Nijhof, 2021). These practices have resulted in widespread pollution and degradation of soil and freshwater sources, biodiversity loss, deforestation as well as generating health risks for surrounding communities, perpetuating the worst forms of poverty and inequality.

While this business model is undoubtedly seen as successful in the eyes of market fundamentalists—improving efficiency, offering low prices and unprecedented year-round availability—it is nonetheless based on downstream actors using their immense buyer power to "exert pressure on their suppliers to cut costs and incur more of the risks of agricultural production, even while meeting exacting quality requirements" (Gore & Willoughby, 2018, p. 8). This has resulted in much of the world's agriculture and food producers being left vulnerable to higher levels of risk, imbalanced bargaining power and unfair trading practices (Liu, 2021).

Research by various institutions and NGOs have identified several unfair trading and specific purchasing practices being employed by downstream actors in (food) supply chains. The most common unfair practices are outlined in the table below (Unfair trading practices, n.d.; Gore & Willoughby, 2018; CFRPP, 2022; Fairtrade auditor, personal communication, December 19, 2022). As can be seen from the 22 unfair trading practices outlined below, how retailers shape their sourcing strategies and principles has a profound impact on producers.

Table 2: Summary of the most common unfair purchasing practices in the food supply chain

	Unfair trading practice	*Impact on upstream suppliers*
Purchasing practices (pricing and payment structure)	Payment later than 30 days for perishable agricultural and food products and 60 days for other agri-food products	Delays in payments to suppliers, done either to increase margins or for other reasons, raises the risks for suppliers and has negative effects on the management of orders and their financial stability, which often leads to issues related to labour and human rights violations.
	Prices paid to suppliers set at below the cost of (sustainable) production	This leads to producers looking for ways to cut costs, which is most often done through employing poor labour and production practices (child and forced labour, contractual workers, resorting to less sustainable production), since other inputs tend to remain fixed or rising.
	Unwillingness to increase prices to account for minimum wage and living income/wage considerations	Even where statutory minimum wages have been introduced, they are nearly always far below the levels demanded by local trade unions and inadequate to sustain a basic but decent standard of living for a worker and their family. This is while the largest publicly owned retailers in the world generate trillions from sales and billions in profit, returning almost half that amount to shareholders in cash rather than reinvesting in their suppliers (Gore & Willoughby, 2018). This perpetuates systemic issues prevailing within the food system as the market continues to reward downstream buyers (in the form of profit) for their unsustainable collective behaviour.

	Deductions or unexpected charges faced by supplier	Loss in revenue, increased risk for producers.
	Buyers (upstream) pressurising suppliers (e.g., cooperatives) to sell at a different (lower) price differential than agreed for the respective season	Loss in revenue, increased risk, and loss of bargaining power. Paying a lower price also means less income for farmers and inability to invest in productivity improvements.
	Conditional sale / contract (e.g. offering a high price/ differential for a container on condition of purchase of a non-certified/ low price differential container)	For instance, buyers purchase a container at Fairtrade/RAF or other Social Scheme price on the condition that they also can purchase a container at a low price. This reduces profits and premiums for producers, affecting livelihoods.
	Unclear and untransparent conditions on fees on processed goods (e.g., Cocoa Nibs/ Liquor/ Mass)	Depresses prices and increases risks for suppliers while reducing their bargaining power.
	Unclear conditions on different income terms and related fees (EXworks, Free on Board, Cost & Freight)	Increases costs and risks for suppliers and reduces their bargaining power.
	Insufficient lead times on orders	Lead times must be carefully calculated and accounted for to avoid periods where orders cannot be fulfilled due to lack of stock. Insufficient lead times result in higher risk.
	Poor distribution of value across the chain	On average, farmers only earn between 3 – 9% of the total value of these commodities, whilst downstream actors can earn over 40-50% of the price paid by consumers, with supermarkets taking the lion's share (Gore & Willoughby, 2018). This perpetuates the structural inequality and power imbalances existing within these supply chains.
Unfair contractual terms	Short-notice cancellations of perishable agri-food products	Increases risks for suppliers, depresses prices and has negative effects on the management of orders and financial stability of suppliers, which in turn leads to issues related to overtime and wages for workers.
	Unilateral or retrospective contract changes by the buyer	Depresses prices, increases costs and risks for suppliers while also reducing their bargaining power.
	Refusal of a written confirmation of a supply agreement by the buyer, despite request from the supplier	Depresses prices, increases risks for suppliers while also reducing their bargaining power. Without written contracts, buyers can "back out of pre-agreed sales without any legal consequences, leaving the producer with an unsold perishable supply — lowering its value" (Liu, 2021, p.13).
	Short-term contracts	The tendency for buyers to enter short-term contracts to maintain price flexibility and drive down produce prices can result in unstable supply in times or product shortages, as suppliers will prioritise long-term contracts.
	Commercial retaliation by the buyer	Commercial retaliation, in this context, refers to buyers of agri-food produce treating the suppliers of those produce unfavourably if the supplier has previously drawn attention to what may be unfair trading practices by the buyer (O'Donnell, 2022).
Demanding fees from suppliers	Risk of loss and deterioration transferred to the supplier	Increases costs and risks for supplier
	Cost of meeting social, environmental, or quality standards passed to suppliers	Production costs only increase as producers adapt to problems caused by climate change. This strongly impacts smallholders, who tend to have lower production volumes and slimmer profit margins (Liu, 2021). This trading practice is unjust as it requires

		suppliers to both "absorb the consequences of global buyers' unsustainable purchasing practices and to reduce their own profitability – all in the name of sustainability" (Khan et al., 2020, p. 766).
	Making training /support provided a condition of purchase	Reduced bargaining power of suppliers.
	Transferring the costs of examining customer complaints to the supplier	Increased costs, depressed prices, increased risks and reduced bargaining power for suppliers.
Sourcing strategy	Sourcing multiple products, most often on short-term contracts, from multiple countries guided by price and quantity criteria	Constant threat of firm exit when prices become too high, creating a 'reverse auction', when farmers compete to offer the lowest prices to supply their food to importers and retailers. This translates to high risks for suppliers and financial instability.
	Lack of supply chain transparency	Radically enhanced supply chain transparency can help prevent the worst abuses from going unseen and unaddressed. However, currently most downstream actors do not have sufficient monitoring infrastructure in place to ensure that their suppliers do not engage in environmental, human, or labour rights violations.
	Limited or lacking verification of commitments and progress	This means that the credibility of sustainability programmes can be undercut by a lack of validation. Monitoring and assurance are vital for compliance checks.

2.2.3 *Sustainable and responsible purchasing practices*

Before delving into the purchasing practices and workings of those departments in grocery retailers, it is useful to gain an understanding of what experts have determined as sustainable or responsible purchasing practices that can help address these structural challenges. Doing so will allow for a more accurate comparison between what is currently being done by most large buyers and what is necessary for changing the 'rules of the game'. Research and advocacy by civil society, coupled with a growing number of examples from corporations illustrating that business success and sustainability do indeed go hand in hand, have resulted in various frameworks, toolkits, and guidelines for businesses to improve their trade relations and improve the sustainability of their supply chains, some of which are outlined below and summarised in Table 3 (Siemssen & Lierow, 2019).

One such blueprint is the Common Framework for Responsible Purchasing Practices (CFRPP) ("the framework"). Developed in 2022 alongside a wide range of stakeholders belonging to the textile industry, the framework is based on a benchmarking of existing documents and standards of the involved multi-stakeholder initiatives and others that published recommendations on responsible purchasing, including those made by the 'Sustainable Terms of Trade Initiative' (STTI). Although this framework is geared towards the textile industry, it nonetheless conveniently organises the recurring elements of what constitutes responsible purchasing practices (RPP) into five core principles. For each principle, associated 'practices' are outlined, which provide steps/guidance for how companies can practically put those principles into action. The framework covers many of the structural issues that exist within this system, moving away from compliance-based approaches—those that meet regulations and standards, including codes of conduct, audits, corrective action plans or policy commitments—and instead support using engagement and dialogue for effective and impactful relationships with suppliers (CFRPP, 2022). This is particularly evidenced through principles two (Equal Partnership) and five (Sustainable Costing), which promote collaboration between stakeholders in creating concrete solutions. Engagement approaches are impactful because conversations to initiate change tend to be most successful when all actors have explored the possibilities together, ensuring all needs are adequately addressed (United Nations Global Compact, n.d.).

Another guiding tool for sustainable purchasing practices is presented by The Sustainable Trade Initiative (IDH), an organisation that works to promote sustainable trade practices. As part of their Living Wage Roadmap, IDH has created a list of improved procurement practices that, in combination with other instruments, can improve living conditions of suppliers (IDH, n.d., -a-b). Their strategy is particularly aimed at ensuring living wages in the food sector, but also touches upon other sustainability matters along the supply chain. Among the best purchasing practices recognised by IDH there are the stabilisation of higher prices and the improvement of purchasing practices. In addition, ensuring to pay stable and high prices to the upstream stakeholders has a positive effect, because it has the potential to have a positive spill-over effect on the whole supply chain in guaranteeing and encouraging long term investments towards sustainability and social goals such as higher wages (IDH, n.d.-a). In this context, it is important that buyers and suppliers share the willingness to collaborate and communicate effectively to have a communal understanding about the needs of a long-term strategy (ibid). Stabilising higher prices requires transparency in terms of price points and commitment (ibid). Furthermore, sharing this commitment among peers and supply chain actors is crucial, because this can foster a sector wide improvement and motivate other buyers to agree with higher prices in exchange for more sustainability and higher wages of employees upstream. In terms of procurement, IDH identifies communication and joint efforts as key elements in an effective responsible procurement strategy (IDH, -b). For buyers it is necessary, for example, to have clear sustainability targets and train the employees to choose and support sustainable procurement in their day-to-day business activities (ibid). Alongside this, suppliers need to match the communication efforts made by buyers, be transparent and continuously show the environmental and social benefits resulting from higher quality level of procurement (ibid). This will create awareness downstream in the supply chain, which will in turn be able to encourage improvements and investments and build trust and between buyers and suppliers show transparency (ibid).

It is worth mentioning that for these principles to create transformative change, both guidelines could have suggested that these measures be accompanied by enhancing supply chain transparency (i.e., through adopting traceability), engaging with trade unions in supplier countries, and ensuring strict neutrality in relation to efforts from small-scale farmers and workers to organise will also help (Gore & Willoughby, 2018). Doing so would help remove some of the structural barriers preventing such meaningful change from happening.

Another shortcoming is that neither framework seems to address gender equality. This is even though the ability of closing the gender gap in agriculture to generate significant gains for the sector and for society at large has been well understood for decades (FAO, 2023f; *Women in*

Agriculture, n.d.). Historically, there exist real differences between male and female farmers' access to basic inputs in agricultural production, creating constraints for women (Buckland & Haleegoah, 1993). For example, in terms of land ownership, fewer female farmers own land compared to their male counterparts: depending on the global region, between 6.6% and 57.8% of the landowners are female (FAO, 2023). Even though FAO highlights that the share of female landowners increased significantly in the last ten years, some inequalities remain. Women indeed have less incentives and ability to invest, due to higher risk and unfavourable access to credit, for example. This happens in Honduras and Guatemala, where women are given less agricultural credit and loans, albeit their willingness to invest in resilience for their farm (FAO, 2023, Abman & Carney, 2020). As such, initiatives to achieve producer sustainability must consider gender equality and women's empowerment. Achieving this can be done using gender mainstreaming, which refers to the incorporation of a ‘gender lens’ or perspective that considers the different needs of women and the structural issues that prevent them from achieving additional livelihood options. Gender mainstreaming ensures that this gender lens is used throughout all stages of a project, from planning and implementation to monitoring and evaluation (*Reference Material for Gender Mainstreaming*, 2022). This can include ensuring that gender considerations are integrated into the planning and design of procurement processes, such as considering the potential impact on gender-based violence or ensuring that the requirements for goods or services do not exclude women-owned businesses. Gender-responsive procurement can also involve identifying and addressing biases in the evaluation and selection of suppliers and contractors, as well as monitoring and evaluating the impact of procurement processes on gender equality outcomes. Companies can also put the United Nations Women’s Empowerment Principles (UNIFEM & UN Global Compact, n.d.) at the core of their business to support them in the transition. Enhancing gender empowerment can also be done through gender-responsive procurement (GRP), which refers to the “sustainable selection of services, goods or public works from women owned or women-led enterprises and/or those having gender-responsive policies and practices for employees and supply chains'' (Chu, 2022, p. XIII). It also entails that procurement processes are inclusive and equitable for all individuals, regardless of their gender identity. Finally, companies can refer to the FAO’s policy for Gender Equality for the period 2020-2030, which emphasises the importance of working in partnership with governments, civil society, and other stakeholders to achieve gender equality and women's empowerment (FAO, 2022). It also calls for the collection and analysis of gender-disaggregated data to inform policy and program development, while identifying gender-specific needs and gaps, monitoring progress, and making evidence-based decisions (FAO, 2022).

Table 3: Summary of the existing recommendations on responsible purchasing practices

	Purchasing practice	*Description and impact*
Purchasing and sourcing practices	Sustainable costing	The costing procedure and levels of the purchasing company reflect and support wage increases and sustainable production. Prices cover all costs of production in line with responsible business conduct and allow for a reasonable and maintained

(pricing and payment structure)		supplier profit margin. This includes developing mechanisms to ensure costing allows for all labour costs and increases when labour costs increase (through national minimum wages and/or collective bargaining); and implementing a costing strategy that supports increased wages to reach a living wage (CFRP, 2022).
	Integrate purchasing practices into strategy and decision-making processes	Establish external reporting, internal KPIs, accountability, and training. Responsible purchasing practices should be integrated into the commercial and other relevant departments of a business (CFRP, 2022).
	Explore innovative pricing	Explore whether it is possible to work with pricing systems (cost-plus pricing) to make sure prices reflect the production cost and a reasonable supplier profit margin (IDH n.d.-b).
	Co-invest in better practices	Investigate the options to pay suppliers more, which in turn allows them to pay higher wages (IDH, n.d-b)
	Ensure to pay stable prices to the upstream stakeholders	This has the potential to have a positive spill-over effect on the whole supply chain in guaranteeing and encouraging long-term investments towards sustainability and social goals like higher wages (IDH, n.d-a.)
	Dialogue with suppliers	Engage in dialogue with your suppliers to identify the obstacles limiting your suppliers from paying living wages and assess whether procurement can play a role in tackling these obstacles (IDH, n.d-b).
	Gender-responsive procurement	Sustainable selection of services, goods or public works from women owned or women-led enterprises and/or those having gender-responsive policies and practices for employees and supply chains ((Chu, 2022, p. XIII). Procurement processes are inclusive and equitable for all individuals, regardless of their gender identity.
Contractual terms	Fair payment terms and respecting all agreements	The purchasing company and suppliers agree on fair and transparent payment terms that include all relevant information regarding the payment procedure and do not place a disproportionate burden on one party. Contractual obligations are honoured at all times. Payments are made in full and on time (CFRP, 2022). Honour the contractual obligations at all times and avoid last minute changes (IDH, n.d.-b).
	Involve suppliers	Involve suppliers in the definition of the product specification and contracting terms (IDH, n.d-b).
	Use certification	Explore options to purchase via credible certification schemes that fully integrate the topic of living wages or living income (IDH, n.d.-b).
Collaboration	Collaborative production planning	Production planning is done collaboratively between the buyers and suppliers. Any changes are mutually agreed and cannot be detrimental to the supplier (CFRP, 2022). This includes reducing volumes.
	Dialogue with suppliers	Engage in dialogue with your suppliers to identify the obstacles limiting your suppliers from paying living wages or living incomes and assess whether procurement can play a role in tackling these obstacles (IDH, n.d.-b).

2.2.3.1 Responsible purchasing practices employed by grocery retailers

Fortunately, some of these purchasing practices and principles are already being employed by companies. Many are realising that adopting a responsible stance on purchasing contributes to suppliers' ability to plan production effectively, invest in improving labour conditions, in turn boosting productivity, stabilising suppliers' workforces and building resilience in supply chains (CFRPP, 2022). Inside company purchasing departments, buyers are becoming increasingly involved in the organisation's sustainability agenda, and, as internal stakeholders, appear to be rather influential (Khan et al., 2020). Furthermore, an Oliver Wyman study revealed that 82 percent of grocery retail chief executive officers cite sustainability as a key priority, 42 percent have established a sustainability function, and 14 percent have a 'Chief Sustainability Officer' (Siemssen and Lierow, 2019, p. 84). Yet only 10 percent of these grocery retailers "actually measure and incentivize personal performance against key performance indicators of sustainability" (Ibid). This indicates that while sustainability may have gained prominence in evaluating investment decisions and corporate projects, its effect on the key commercial activities of the business has remained minimal (Ibid). Indeed, despite the overwhelming support to embrace corporate social responsibility, companies remain "trapped in an outdated approach to value creation", optimising short-term financial performance while ignoring the broader influences that determine their longer-term success (Porter & Kramer, 2019, p. 323).

These findings nonetheless demonstrate that there have indeed been several food retailers who have restructured their business in accordance with the global sustainability agenda. Here, it is interesting to differentiate between the different compliance- and engagement- based approaches to sustainable procurement (for an explanation, please revisit section 2.1.2.). Many companies approach sustainability as a compliance task, where risks are minimised by aligning with legal or industry standards and imposing relevant requirements on their direct suppliers (e.g., certifications). However, an increasing number of companies are now also embracing the principles of engagement.

A review of the publicly disclosed information of prominent retailers shows a range of responsible procurement practices (RPPs) being developed, as illustrated in Table 4 below.

Table 4: Summary of RPPs

	Procurement practice	*Purpose*	*Examples*
Compliance-based approach	Supplier Codes of Conduct	Creates transparency around financial, human rights, and environmental values that a company holds and extends these commitments to their suppliers; In countries with weaker judicial systems, it assists in maintaining a minimum labour and environmental standard	Retailers' individual codes of conduct; amfori BSCI Code of Conduct

	Social Audits	The process of formally evaluating business partners' compliance with ESG criteria and Code of Conduct content, based on a specified list of requirements	internal audits; external audits (e.g., BSCI; SA8000; SEDEX)
	Certifications	Sustainability certifications ensure a certain standard of environmental or human rights protection, based on the certifications' own requirements.	Rainforest Alliance; Fairtrade; Bio/organic; SMETA, demeter, GLOBALG.A.P., Naturland fair
	Due diligence	The integration of environmental and human rights risk assessment and management procedures in a systematic manner across multiple company departments, as well as multiple levels of suppliers.	Due diligence procedures at ALDI SOUTH Group, REWE Group, Ahold Delhaize, Tesco generally include: risk screening; risk prioritisation at commodity/country level; mitigation and remediation measures; grievance mechanisms; continuous evaluation and improvement of due diligence processes.
Engagement-based approach	Training	Building suppliers' capacity to meet Code of Conduct requirements, and raising buyers' awareness of environmental and human rights risks in supply chains that they purchase from	Trainings are often utilised in retailers' remediation strategies in the due diligence process, after risk assessment and prioritisation
	Multi Stakeholder initiatives/ Pilot projects	Engaging with multiple stakeholders, often in an experimental manner, to address systemic and challenging sustainability issues (e.g., living wage/income and gender inequalities)	Tony's Open Chain, German Initiative on Sustainable Cocoa, Swiss Platform for Sustainable Cocoa, PRO-PLANTEURS, World Banana Forum, German Retailers' Working Group on Living Income and Wages
	Supplier evaluations/rankings	The integration of findings from the due diligence process into supplier selection and sourcing procedures	ALDI SOUTH Group's Corporate Responsibility Supplier Evaluation (CRSEs)
	Adjusted pricing and contractual approaches	Goes beyond evaluating suppliers and adjusts the primary company's own purchasing and negotiation procedures to reduce adverse impacts along the supply chain	ALDI SOUTH Group's joint open-book costing approach for bananas; Tesco's partial open-book purchasing model for bananas; multiple retailers' commitments to engage in long-term and regular partnerships with suppliers

As can be seen in the table, Codes of Conduct (CoC) act as a minimum requirement to retailers' own operations and those of their business partners and suppliers, regarding their interactions with people and the environment. The explicit approach varies, with some retailers choosing to use CoCs to outline the business standards and ethical engagement that their own employees and operations should uphold, with separate Supplier Codes of Conduct or

Standards of Engagement supplementing the requirements for external partners (REWE Group, 2022; Ahold Delhaize, n.d.; Schwarz Group, 2020a). A further approach involves requiring suppliers to commit to externally generated and verified CoCs, such as the amfori BSCI Code of Conduct, or the Base Code of the Ethical Trading Initiative (ETI) (Tesco, 2022a; Colruyt, 2022a). While the approach may vary, all the assessed retailers request their suppliers to conform to minimum international human rights and environmental standards through one of these mechanisms. To illustrate the contents that are generally found, the amfori BSCI CoC includes: the rights of freedom of association and collective bargaining; no discrimination; fair remuneration; decent working hours; occupational health and safety; no child labour; special protection for young workers; no precarious employment; no bonded labour; protection of the environment; ethical business behaviour (amfori BSCI, 2017). Beyond these commonly cited international agreements, some retailers expand on these if they implement their own Supplier CoCs. For example, REWE Group also references the National Action Plan on Business and Human Rights (Germany), the Minamata Convention, the Basel Convention, and the Stockholm Convention on Persistent Organic Pollutants (REWE Group, 2022).

Social audits and certification schemes are used by retailers to ensure supplier compliance with the CoCs and standards. Oftentimes audits are conducted by external service providers. Although some retailers choose to supplement these with in-house audits. For example, ALDI SOUTH Group has stated that “from our experience, we know that on-site presence can lead to greater transparency and fosters strong partnership with business partners and production facilities” (ALDI SOUTH Group, n.d.A). Therefore, they supplement third-party audits with their own site visits for high-risk commodity groups. Kaufland also states that they conduct both announced and unannounced audits, with their own and external auditors (Schwarz Group, n.d.). It should be noted that while certifications schemes initially helped improve the overall sustainability in agriculture, they are no longer regarded as a sufficient and cross-cutting solution, failing to create the structural changes that are necessary for a truly sustainable supply chain (Brudney and Reynolds, 203; Burns, 2023). Indeed, sustainable certification schemes are criticised for the high degree of fragmentation between them and generally do not provide assurance that the most pressing issues regarding productivity and income (on the ground) are being addressed (Van Vark, 2016). Having certification does not always mean that the product is traceable, transparent, that it supports living income or generally enhances environmental protection (Burns, 2023; Voice Network, n.d). What is more, there are several pieces of evidence showing instances of child labour, unfair wages and overall unfair practices that occur even in certified farms (Brudney and Reynolds, 2023). On the downstream side, retailers often resort to employing low-cost and lenient schemes, either to meet the consumer sustainability demands or to avoid changing their procurement decisions, rather than actually investing in sustainability (Canning, 2020). The path forward would involve a communal and systemic effort that goes beyond certifications from big companies, not only “a tick-box exercise at farm level” (Voice Network, n.d, p.2.; Burns, 2023). Further, in light of the changing EU legislative landscape which will require companies to conduct due diligence of their supply chains, voluntary certifications should not be seen as a way to absolve companies or buyers of their own responsibilities, including identifying, preventing, bringing to an end, or mitigating the actual and potential impacts of their activities on the environment and on human rights abuses. As such, it should be noted that certification schemes should no longer be regarded as pioneering recommendations for buyers. However, as they do guarantee a minimal level of compliance while assisting buyers in understanding some human rights issues on the ground, they could be seen as a good starting point especially for those retailers that have not yet certified even their most high-risk products.

It is recognized that Supplier CoCs and social audits serve as a starting point for responsible supply chain engagement, but that they do not achieve an in-depth and meaningful assessment of the human rights and environmental violations present in supply chains (Wilks and Blankenbach, 2021). As a response, the issue of supply chain due diligence is gaining traction in certain countries and sectors, resulting in some retailers going beyond the minimum requirements for assessing human, labour, and environmental violations in their supply chains. For instance, the German Supply Chain Due Diligence Act requires companies to develop concrete due diligence mechanisms for the identification, measuring, remediation and reporting of human rights risks along their supply chain (Bundesregierung, 2021). Correspondingly, ALDI SOUTH Group, REWE Group, and Kaufland (Schwarz Group) have outlined approaches for implementing these requirements into their risk assessment processes (ALDI SOUTH Group, n.d.A; REWE Group, 2021a; Schwarz Group, 2020b). This typically involves country of origin and product level risk assessments using qualitative and quantitative indicators. Based on the findings of the assessment, products and issue areas are prioritised and measures are implemented to remediate the risks. Solutions are generally tailored to the risks and products that have been identified. A period of evaluation, monitoring, and communication then follows. Ahold Delhaize and Tesco also outline similar processes for due diligence (Ahold Delhaize, 2022; Tesco, 2022a).

Some common themes that are addressed by the retailers because of the due diligence mechanisms include child and forced labour, living wages and income, and women in the supply chain. Banana and cocoa are also key commodities that face such issues and are being targeted by each retailer with various initiatives to try and remediate these problems. Multiple German retailers, including ALDI SOUTH Group, Kaufland, REWE Group, Lidl, and DM-drogerie markt, engage with stakeholders as part of the 'German Retailers Working Group on Living Income and Living Wages', which aims to improve the wages and social conditions of workers in banana plantations as well as 50% of their product range to be living wage bananas by 2025 (REWE Group 2021b). Many retailers, including REWE Group, Albert Heijn, ALDI SOUTH Group, and Colruyt have also entered multi-stakeholder partnerships to work towards a living income for their own-brand cocoa products. For example, Colruyt is a part of the Belgian Beyond Chocolate agreement and is piloting a living income project for cocoa from the Ivory Coast (Colruyt, 2022b). Taking a gendered lens, ALDI SOUTH Group has also stated in its International Policy on Gender Equality that it, "strives to collect additional gender-disaggregated data to understand workforce demographics, their positions, pay gaps and access to collective bargaining at the different levels of production in our supply chains" (ALDI SOUTH Group, 2021).

These initiatives to remediate the risks found in the supply chains of retailers are a key development in responsible purchasing practices. However, a characteristic that defines due diligence is that it "should be integrated across all relevant company functions" (Wilks and Blankenback, 2021, p.3). ALDI SOUTH Group and Tesco can be used as examples in which the elements mentioned above are being integrated into purchasing departments and their day-to-day decisions in a systematic manner. ALDI SOUTH Group has introduced the Corporate Responsibility Supplier Evaluation (CRSE), which ranks their business partners using qualitative and quantitative measures on social and environmental compliance on a scale of A-D. The results of this ranking process are said to be a key criterion during price negotiations. Suppliers with a rating of D are supported in improving this, but by 2030 the goal of the company is to source 80% of buying volumes in high-risk supply chains from A and B rated suppliers (ALDI SOUTH Group, n.d.A). Tesco states that, "Responsible sourcing criteria are also integrated into core purchasing practices - annual supplier reviews, when new or updated contracts are set, and throughout the tender process" (Tesco, 2022a). Their sourcing criteria include price, quality, and service, with sustainability being included in the quality pillar. These processes are undertaken with both new and existing suppliers. Axfood has a similar screening process for social and environmental risks during the selection of new suppliers (Axfood, 2021).

Responsible purchasing practices involves "implementing control measures to prevent contributing to harm through purchasing practices" (ETI, 2017, p. 4), which includes, lack of ethical criteria in contractual terms, and lack of support for suppliers to meet ethical standards. The policies of retailers' purchasing, and sustainability departments mentioned thus far, contribute to these objectives. However, a further important aspect of responsible purchasing includes the day-to-day engagement and negotiation practices between retailers and their suppliers regarding non-sustainability issues. These include practices such as aggressive price negotiations, late ordering, power imbalances in negotiations, and poor communication, which can be damaging to the supplier's operations and their ability to uphold labour and environmental standards (ETI, 2017). This aspect of responsible purchasing is less prevalent in retailers' statements on supply chain responsibility, although in certain high-risk commodity chains the concept is being addressed gradually. For instance, ALDI SOUTH Group collaborates with selected banana suppliers on a joint open-book costing approach, that ensures that banana prices are fairer and reflect sustainable production costs (ALDI SOUTH Group, n.d.B). The retailer also aims to commit to long-term partnerships and at a minimum to keeping banana volumes stable to allow for accurate planning on the supplier's end (ALDI SOUTH Group, n.d.B). Tesco also shows an interest in adjusting their pricing strategy for bananas, with an initial partial open book purchasing model to reach living wages (Tesco, 2022b).

The initial review of the publicly available information on retailer's purchasing practices shows that the most prevalent approach to responsible purchasing remains compliance-based approaches, such as social auditing and certification schemes. These mechanisms ensure a minimum level of social and environmental compliance that follows the lines of the retailer's CoC. Most of the retailers also engage in multistakeholder initiatives, and at least a few pilot projects aimed at addressing more entrenched issues, including living wage and income. The extent to which the monitoring and redressing of these issue areas is systematically included in retailers' every day activities is more varied. However, it is clear that the retailers based in countries with national legislation on supply chain due diligence are beginning to establish such systems. The final step is the full integration of such considerations into the purchasing departments and in their procedures during tendering processes and supplier engagement.

Many retailers are taking initial steps towards this stage, but it remains a less widespread practice.

2.3 Cost study

Businesses are facing increasing costs for their association with violations of labour rights throughout their supply chains. The Business Impact Model (see Figure 1) can be used to assess these costs by disaggregating them into indirect business drivers (procurement risk, reputation, and capital); direct business drives (revenue and costs); and sustainability drivers (social and environmental impact). The cost study can be useful in communicating the benefits of integrating RPPs into the main business processes and strategy.

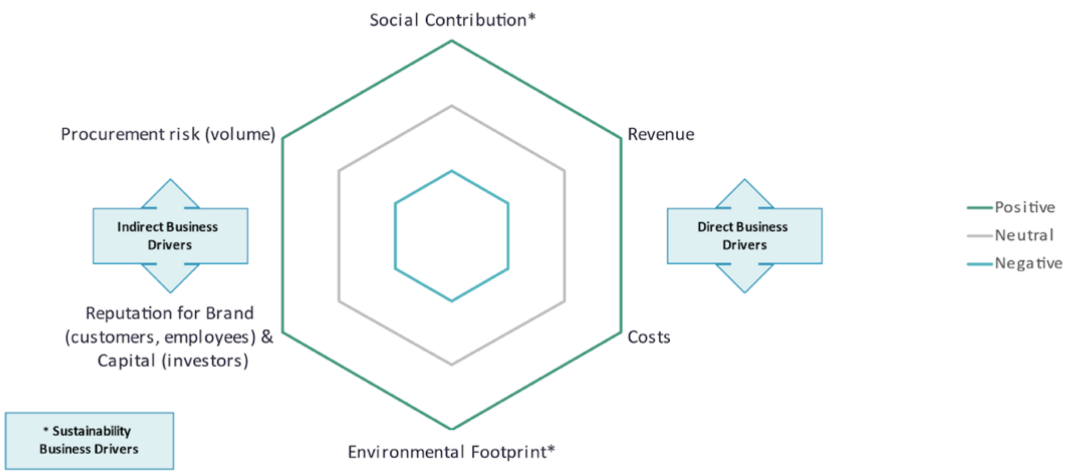


Figure 1 - Business Impact Model (inclsve, n.d.)

2.3.1 *Indirect Drivers - Reputation and Capital*

For companies positioned further downstream along the supply chain, one of the most cited risks of labour violations from upstream activities is reputational cost (LeBaron, 2018). Changing consumer preferences towards socially and environmentally conscious business practices means that association with labour rights infringements can affect customer loyalty and result in negative brand image (Prapha et al., 2020). For example, a recent consumer survey conducted in 23 countries showed that 75% of the respondents felt it was important to buy food produced in an environmentally and socially responsible manner (ibid). As a result, companies that have a high level of brand recognition are especially concerned about the costs of naming-and-shaming through NGO campaigns and the media (Grimm et al., 2016).

The risk of reputational cost is further compounded by the emergence of mandatory due diligence requirements, such as those being drafted in the Corporate Sustainability Reporting Directive (CSRD) of the EU (EFRAG, 2021). The reporting on workers' rights in these standards goes beyond the treatment of the company's own workforce and includes any worker impacted by the activities in the undertaking's value chain, in relation to living wage, equal opportunity, freedom of association, and adequate housing (ibid). The rationale behind this level of transparency is that it allows customers to have a clearer understanding of a company's activities throughout its supply chain and decide for themselves whether they want to give them their business (Ford and Nolan, 2020). It is not only customers that are placing an increasing emphasis on ethical practices in business operations, but investors as well. An EY and UN Global Compact study found that 88% of surveyed institutional investors said that they would reconsider or rule out their investment in a company if they did not consider the risks present in their supply chains (BNP Paribas, 2018). Here, the EU taxonomy for sustainable activities could also play an important role helping the EU scale up sustainable investment in this regard, though it would also need to include socially sustainable conditions, not just environmental ones.

2.3.2 *Indirect Drivers – Procurement Risk*

While an important objective for all buyers is to create savings through their purchasing decisions, opting for the cheapest option can result in various operational risks and costs from supply chain disruption due to social unrest or food safety scandals associated with a lack of due diligence and fair trade.

In the agricultural sector more specifically, the pattern of underpaid wages and inhumane working conditions has the potential to cause serious economic consequences for the stability of supply chains and operations (Nillson, 2020; Prapha et al., 2020). Meanwhile, paying a living wage and ensuring labour rights are upheld could help counteract these developments (Nilsson, 2020). Furthermore, the tendency for buyers to enter short-term contracts to maintain price flexibility and drive down produce prices can result in unstable supply in times of product shortages, as suppliers will prioritise long-term contracts.

2.3.3 *Direct Drivers - Costs and Revenues*

The procurement risks of a buyer can also be viewed from the perspective of direct costs for suppliers when they fail to ensure workers' human and labour rights. There is growing awareness that ensuring a living wage for workers can lead to increased worker productivity and reduced employee turnover (IDH, 2021), which can then also lead to higher product quality. Conversely, a study conducted by Lollo and O'Rourke (2018) is based on the thesis that productivity-based wage schemes employed widely in primary and secondary industries often result in: wages that fall below the minimum wage; long working hours; and workplace stress. The follow-on effect felt by the company is high absenteeism and attrition, which can have real financial implications (Lollo and O'Rourke, 2018). Poor working conditions can also lead to production stoppages due to worker unrest or strikes, increased management and compliance costs to deal with any issues that arise, more frequent audits and supplier monitoring to check conditions.

There is also the increasing risk of legal action against companies that are found to be non-compliant with labour laws throughout their supply chains, and as a result increased risk of legal costs. Until recently, the international standards and conventions on labour and human rights in the workplace, as enshrined by the International Labour Organization (ILO) and the United Nations General Principles on Business and Human Rights (UNGP), have been largely normative, predominantly assign responsibility of enforcement to the member states, and focus on direct employer-employee relations (Muchlinski, 2021). However, recent global trends show signs of a shifting regulatory environment that a) assigns greater responsibility to businesses for the protection of labour rights, not just within their own workforce, but across their supply chains, and b) moves away from normative standards and towards legally enforceable requirements at the national level (ibid).

In recent years, governments in France, the Netherlands, Australia, and the UK to name a few, have passed laws on corporate human rights abuses (Stauffer, 2020). The laws in the UK and Australia merely require that companies are transparent about the activities in their supply chain and report on any risks of forced or child labour (ibid). In February 2022, the European Commission (EC) also adopted a proposal for a Directive on corporate sustainability due diligence, which would require that businesses address adverse impacts of their actions, including in their value chains outside Europe. Similarly, the governments of the Netherlands and Germany established a Joint Declaration regarding Living Wage and Income, which sets out plans to foster dialogue between countries of production and consumption with the aim of realising sustainable and fair supply chains, as well as to advocate the inclusion of living wages and income in EU policy (2021). France's Duty of Vigilance Law is the most stringent human rights and environmental due diligence law to date. It requires firms to establish and implement vigilance plans, both for its own operations, subsidiaries' operations, and for activities of subcontractors and suppliers, with whom they have long-term and established relationships (Schilling-Vacaflour, 2021). Notably, the law also states that companies failing to produce vigilance plans are subject to sanctions, and parent companies can be held liable if harm arises from the failure to implement the plan.

The direct legal costs arising from litigation can also reinforce the indirect reputational costs for a business mentioned previously, as ongoing, and public litigation processes against a company can also result in negative brand association and reputational damage. Conversely, those reputational costs mentioned earlier can result in direct losses of revenue for companies, if the consumer sentiment is negative to the extent that customers no longer give a company their business.

2.3.4 *Sustainability Drivers - Social and Environmental Costs*

There is a growing awareness surrounding the hidden cost of the agriculture and food sector's activities to society and the environment (Michalke et al., 2022). This is based on the idea that there is a discrepancy between the 'farm gate price', which indicates how much the farmer was paid at the point of sale, and the 'true cost' (also referred to as true price) of agricultural production. Examples of negative environmental and social externalities that factor into the 'true cost' include water contamination, air pollution, soil degradation, unsafe working conditions and inadequate pay for workers (Kurth et al., 2020).

Acknowledging a business's contribution to these negative externalities is not only important for society and the environment as a whole, as well as to uphold the polluter pays principle, but also to avoid reinforcing feedback loops between the company's external impact and the costs that these incur on the business through the mechanisms mentioned above. As such, another driver for companies to address the negative externalities of production is the fact that the commercial activities of a business can be negatively impacted by the threats presented by climate change and unsustainable development. Indeed, non-adaptation to climate change will result in costs for the company in the form of lowered product quality and hindered security of supply. For instance, tropical and subtropical regions will suffer the most from the expected increasing heat resulting in a decline of overall yield production (Miller and Spoolman, 2018). Water availability will also be an issue for businesses that rely on irrigated crops because the rising temperatures will increase water demand which in turn will lead to water stress (ibid). Saltwater infiltration, caused by sea level rise, will be dangerous for crops in coastal areas, causing declining yields, soil salinization and underground basins pollution leading to long-term impacts (Miller and Spoolman, 2018). The topsoil will also suffer from this phenomenon which will add onto the issues of soil pollution and erosion, driven by human activities such as deforestation, overgrazing and mass farming leading ultimately to scarcity of available and arable land. Climate change and its connected issues will also impact the consumers downstream, because food prices will rise significantly because of the aforementioned environmental issues.

Given all these impacts, it is necessary for the food sector to be prepared for the long-term issues that are inevitably going to arise. Adaptation measures and investments in upstream supply chains are a crucial investment to ensure stable and high-quality supply in the long run.

3 Methodology

3.1 Interview structure

To understand the influence of buyers on the supply chain as well as their level of knowledge of the purchasing agents, we will conduct semi-structured interviews of one hour, with a focused number of six different grocery retailers representing five European countries: Belgium, Germany, Netherlands, Sweden, and the UK. We have tried to ensure that for each interview, a member of the purchasing department as well as the sustainability department is present, to also identify the possible gap between the corporate sustainability agenda and its impact on the key commercial activities of the business. The grocery retail companies that have agreed to partake in the interviews are the following: Ahold Delhaize, ALDI SOUTH Group, Axfood, Colruyt, Tesco and REWE Group.

The interviews will serve as a method of triangulating the desk research on company purchasing practices. The questions asked will particularly focus on substantiating the publicly disclosed sustainability/sustainable sourcing claims made on the websites, policies, and annual and sustainability reports of the assessed retailers.

The semi-structured format of the interviews allows for more open discussion, while also allowing the interviewees to share what they feel comfortable with. Indeed, semi-structured interviews are an effective method for data collection when the researcher wants: (1) to collect qualitative, open-ended data; (2) to explore participant thoughts, feelings, and beliefs about a particular topic; and (3) to delve deeply into sensitive issues (DeJonckheere & Vaughn, 2019).

Importantly, the results of all the buyer interviews will be analysed and reported on collectively. In other words, the precise, individual responses of the companies will be anonymised, meaning the company name will not be mentioned anywhere in the results and analysis. Rather, the results will be presented in conjunction with the results of the other interviews and compared to the findings of the desk research.

The interview questions, available in the Appendix (see 7.1), will be divided into four aims, which will aid in the analysis of the interviews. These aims are:

1. To understand the level of understanding retailers have surrounding responsible purchasing, sustainability challenges, as well as their role and influence in addressing them.
2. To understand the purchasing process of retailers (what influences purchasing practices, who decides, how they are implemented and monitored, and level of collaboration with supply chain actors).
3. To understand the challenges buyers' face when making (responsible) purchasing decisions.
4. To assess the opportunities that exist in the mainstreaming of responsible purchasing.

3.2 Survey structure

The aim of the quantitative survey with tier-1 suppliers is to gauge the influence of customer (i.e., retailer) purchasing practices on supply chain intermediaries, and in turn how this affects suppliers' own purchasing decisions. The level of interaction between the supplier and retailer is also assessed, including what topics they engage on. The value of including such a survey is that it complements the retailer interviews, by capturing the influence of those initiatives and practices mentioned by the interviewees. This may highlight where a gap exists between the perceived influence by retailers and the real impact felt further upstream of the supply chain.

The full survey can be found in the Appendix (7.2). Questions 1-4 give some insight into the type of supplier that is responding to the survey. This was included to ensure that the correct target audience was being reached. Please note that not all these respondents compromise the direct tier-1 suppliers of the interviewed retailers. This is because this was considered confidential information, meaning retailers were note willing to share the details of their suppliers. However, those suppliers that the questionnaire was sent to represent large market players in both the cocoa and banana sectors and therefore it can be assumed that they share the supply chains of many of those retailers being interviewed. Questions 5-9 assess the influence of the purchasing practices of the respondents' customers on their own activities and purchasing decisions. Questions 10-18 assesses the form and level of engagement between the supply chain actors, including what sustainability topics they are in contact about. The survey has been sent to 16 suppliers in the cocoa and banana sectors, with eight respondents in total.

3.3 Producer workshop structure

To ensure that the voices and concerns of the producers are well understood, we will organise two producer workshops in the country of origin of the two commodities: Ghana (cocoa) and Ecuador (bananas). We will invite stakeholders from the chosen commodities, carefully considering gender equality, both when interviewing producers and when selecting participants to the workshop. Depending on the commodity and the country we aim to have participation from producers, producer associations (like cooperatives), civil society, governmental representatives. During the workshop, the relevant outcomes from the desk research will be presented, as well as some preliminary outcomes from the surveys and interviews with the buyers and the suppliers. The purpose is to discuss these outcomes and understand how producers experience the impacts from upstream actors in the supply chain. Finally, we will use the workshops to discuss possible remediation measures. The agenda of the Ghanaian and workshop can be viewed in the Appendix (see 7.3). For Ecuador, the structure of the workshop was quite similar, except that there were only two sessions: one with banana producers and trade union representatives, and another session with Ecuadorian banana exporting companies. The exact structure of the Ecuador banana workshop can be viewed in the Appendix (see 7.4).

3.4 Solutions workshop structure

The purpose of the solutions workshop is to design general options and solutions on how buyers can reduce their negative influence, such as price and supply pressure, throughout the supply chain, particularly looking at the two commodity supply chains from the study. The solutions workshop will take place online, inviting all relevant stakeholders who wish to participate; but at least have representation of buyers and experts. To reflect the needs of the producers, we also aim to discuss the recommendations with a few representatives from the production side (i.e., cooperatives or trade unions).

During the retailer workshop of approximately one hour and a half, we will present the main findings of the study, highlighting the main issues occurring in the supply chain, coming from the influence of buyers. Following this, together with the stakeholders, we will facilitate a brainstorming session on the feasibility of several solutions and seek priority setting. Here, the recommended responsible purchasing practices (RPPs) can be divided into minimum-level RPPs and ideal-level RPPs, to start a discussion on how sustainability can be piloted or scaled up.

4 Results and evaluation

4.1 Interview results

The results of the interviews are analysed with respect to the four aims (see 3.1), which are designed to help understand the purchasing practices of grocery retailers and how they perceive their level of influence on (sustainable) production. The limitations of the interviews include having a limited number of retailers, meaning that the study only reflects the situation of these six large retailers. It could also be that those retailers that agreed to participate also have a more advanced understanding of responsible purchasing, since the reputational risks of joining such a study are reduced for those who already have certain policies in place. Moreover, for some interviews, only the member(s) of the corporate responsibility or sustainability department were present, whereas in other interviews, both these departments as well as the purchasing departments of the company were present, meaning that the full reality of the day-to-day operations of purchasing departments was not accurately described for some retailers. In any case, where the corporate purchasing department was missing, the interviewers ensured to ask questions on the implementation gaps or discrepancies between the sustainability and purchasing teams.

The results of the interviews are outlined below. In general, it can be concluded that the ability to make a marked impact on the suppliers lies with the buyers (sourcing managers) and quality managers and that decisions on pricing and procurement are still decided on by top management. This means that such decisions continue to depend on showcasing commercial benefits, making it difficult to pitch living-income or living-wage paying products, since these do not have the same commercial success as less sustainable, and thus cheaper, products. In addition, retailers state that they have the most influence on those suppliers that they source large volumes from, and those they source directly from. However, there is no 'one-size-fits-all' approach to responsible purchasing, since each product has different purchasing processes (criteria, circumstances), issues or risks, and different scopes. Resulting from the last two points, it seems as though the compliance-based approach (e.g., certifications, audits) is more often the standard procedure for trader-intensive supply chains, whereas more direct supply chains allowed for more of an engagement-based approach (e.g., sustainable costing). Here, long-term partnerships with suppliers are seen as building trust and stability within the interactions between the two supply chain actors. What is more, supermarkets continue to view themselves as price takers and do not feel as though they have the ability to individually raise prices (of bananas, for instance). Instead, they state that systemic issues, like living wage or living income require multi stakeholder partnerships, between different value chain actors, governments and industries. Such collaborations are particularly useful for making it easier to internally "sell stuff upstairs", referring to upper management. Put simply, if everyone agrees to higher standards, then everyone will face fairly similar price changes, rather than putting downward price pressure. Additionally, if the living wage increase only applies to a small number of producers, it may not be enough to influence the market price of (for example) bananas overall. However, as mentioned by one retailer, "if you come together, you can actually have that level of leverage".

AIM 1: Understand the level of understanding retailers have surrounding responsible purchasing, sustainability challenges as well as their role and influence in addressing them.

Overall, it was made clear in the interviews that responsible purchasing is receiving more attention in the buying departments of grocery retailers, with some even engaging buyers in specific training on the topic or partnering with civil society organisations (CSOs) to develop or help carry-out the most effective practices. In general, retailers have a good level of understanding surrounding responsible purchasing, as well as their role and influence in addressing them. However, it is still regarded as a difficult and costly process.

Collectively, retailers have a good level of understanding of responsible purchasing

The level of understanding surrounding responsible purchasing was overall high, but also depended on the company department that the interviewee represented. For instance, the sustainability departments usually had a wider definition of purchasing and procurement, going outside of just purchasing terms, whereas purchasing departments viewed it in a narrower scope. In any case, the most commonly cited practices related to avoiding Unfair Trading Practices (UTP), as outlined in the European directive concerning unfair commercial practices. These included very short-term contracts, last-minute changes to order quantities or quality, unfair pricing pressures, and exploiting power imbalances as a retailer during negotiations. The recent German Supply Chain Due Diligence Act was also mentioned by some retailers in relation to this question, pointing to it as a catalyst for enacting more responsible purchasing policies. A few retailers also highlighted that responsible purchasing practices are not limited to tendering processes and price negotiations, but also involves how suppliers are on-boarded and approved and devising responsible exit strategies should there be sustained shortcomings around sustainability issues. In line with this, one retailer mentioned that responsible purchasing encompasses "everything", from "the contracts we do with our suppliers" to "the processes where our suppliers are involved", despite the overwhelming focus by CSOs on "price setting mechanisms". What is more, it was emphasised that there is no 'one-size-fits-all' approach to responsible purchasing, since each product category (i.e., fresh fruit and vegetables, processed goods, textiles etc.) has different purchasing processes (criteria, circumstances), issues or risks, and different scopes.

Buyers are increasingly aware of the impact that they can have on producers

Regarding the impact that retailers' procurement practices have on production practices and retailers' responsibility to address these, there was general agreement that retailers do have a responsibility in this area, especially when avoiding UTPs. Three retailers mentioned that training of buying departments on responsible purchasing and sustainability in general has been particularly effective in sensitising buyers to the sustainability challenges that exist in complex global supply chains and how purchasing decisions can influence those issues.

All retailers acknowledged that poor purchasing practices can hinder investment into workers' well-being and environmental best practices at producer level. Alongside seeing the social and environmental costs of this behaviour, retailers also pointed to the fact that a lax approach to procurement can have negative consequences for their business in the long run, particularly in terms of security of supply.

At the same time, there were also some limitations voiced regarding the extent to which retailers can or should be responsible for the impact at producer level, pointing to the fact that the responsibility to ensure good practices also lies with governments in producing countries, trade unions, or the factories, plantations or cooperatives from which they source. On one occasion it was mentioned that each organisation within the supply chain should take responsibility for their own employees and environmental impact.

Furthermore, for more complex supply chains, it was conceded that responsible practices and sustainable initiatives further downstream do not always reach the upstream actor, highlighting the need for third parties (like NGOs or local partners) to help conduct due diligence.

Most leverage lies between the buyers and quality managers

It was mentioned by all the retailers that the ability to make a marked impact on the suppliers lies with the buyers (sourcing managers) and quality managers. This contrasts with the sustainability departments, which sometimes have limited resources and capacity, and so are unable to make a marked impact on the commercial activities of the business. For some retailers, the quality teams are the actors that really work with the suppliers, holding conversations and helping them meet company requirements. For others, it is more the sourcing managers or buyers who have the day-to-day contact with suppliers. This varies depending on how each company or brand is organised. In any case, it was mentioned by all retailers that these teams work closely together, indicating that a joint training of all teams involved could be useful in ensuring all departments are on the same page.

AIM 2: To understand the purchasing process of retailers (what influences purchasing practices, who decides, how they are implemented and monitored, and level of collaboration with supply chain actors).

The interviews with retailers largely confirmed the findings in the desk research, namely that these companies are applying a wide range of approaches to embed responsible purchasing practices in their operations, and that the level of integration varies among the participants.

Long-term relationships with suppliers seen as beneficial

Regarding the direct relationships between the suppliers and the retailers, such as their terms of engagement and contractual obligations, the most cited responsible purchasing practice maintained by the retailers was long-term and sustained relationships with direct suppliers. The focus is on building long-term relationships with suppliers that can help the grocery retailer achieve its strategic goals, such as reducing costs, improving quality, and enhancing sustainability. At the same time, it was mentioned that this is not the case for all suppliers; it "depends on who the suppliers are and how much leverage we have with them".

Many respondents described relationships with suppliers that had been active for more than 20 years. This was seen as building trust and stability within the interactions between the two supply chain actors. One retailer mentioned that having such strong relationships makes it easier to ensure sustainability commitments vis-a-vis their suppliers are being addressed, since the close relationship implies more trust and open communication, making suppliers more willing to make the change. Quoting another retailer, having long-term relationships with suppliers means you have “joint ambitions and joint plans for how you think you can make an impact together”.

However, it should be noted that long-term partnerships do not always translate to long-term contracts. While the actual purchasing contracts will only run for a year, the partnerships made with suppliers are longer. For instance, one retailer mentioned that their fresh produce team have long-term partnerships with suppliers, whereby they source different fruits or vegetables from the same supplier, depending on the season. To counteract potential volatility, one interviewee highlighted that their seasonal planning process for each commodity created high levels of clarity and predictability of demand for suppliers, allowing them to plan for the coming season effectively. This process also sets the price for the season, meaning that spot pricing is avoided.

Another retailer mentioned that they have been partaking in the Advantage Report Survey–which involves the collection of robust and constructive business partner feedback to help companies improve their decision-making as well as understand “to what extent [they] have trusted partnerships or what kind of suppliers trust [them] or want to work with [them]”. As a result of their strong, direct and long-term partnerships with suppliers, this retailer mentioned that they outperform other retailer peers on these Advantage Report Surveys.

Including sustainability criteria into purchasing decisions seen as strategic sourcing

Some retailers also outlined direct processes by which sustainability criteria influenced the purchasing decisions made by buyers. This generally involved the ranking of suppliers on social and environmental criteria, for instance on a letter-grade or colour scale. Here, two retailers indicated that this can be seen as a tendency by retailers to shift to more strategic sourcing, the process of procuring goods and services from suppliers that offer the best value for money and meet specific criteria, such as quality, price, delivery, and sustainability. To implement strategic sourcing, participants mentioned that this involves collaborating with suppliers, with one retailer saying this involves “working with them, talking about things we can improve, doing projects locally together, engaging the local communities and the whole story”. Including this criterion into purchasing decisions meant that either suppliers were excluded from price negotiations if they had a very low scoring, or if it was implemented for existing suppliers, long-term metrics were established. For example, one retailer set a specific quota for having a certain percentage of A and B rated suppliers in the next decade, while another retailer had scoring cards for buyers which required potential suppliers to be rated equally on price, quality, service, and sustainability. All those retailers that implemented such processes voiced their intentions to support suppliers in fulfilling their social compliance requirements, giving them time and resources to help them achieve a better scoring before being excluded from the sourcing process. At the same time, retailers did mention that if there was sustained unwillingness to cooperate, the supplier was no longer taken into consideration. In any case, to quote one retailer, when a producer does not meet the necessary requirements, "we start to get a dialogue with the supplier and try to understand how we can get that product in the future: what does the supplier need to fulfil the requirements and how do we start a dialogue and how can the supplier get on the market and become our supplier in the future". This retailer also provided an example where a supplier who initially did not meet their purchasing criteria improved thanks to discussions with the retailer, and in turn were able to fulfil compliance requirements and get their products in their stores one year later.

Nonetheless, in all cases, buyers' performance was still measured based on their profit margins and the profitability of the product on the shelves, creating misalignment between sustainability objectives and generating conflicting incentives. Indeed, it was frequently cited that for commercial businesses, KPIs will still be linked to price setting.

What is more, some retailers still "do not look for sustainability requirements" but rather for "minimum requirements", meaning that a new supplier must meet the company's compliance requirements. These most often include signing their Supplier Code of Conduct, having a social audit to show social compliance, meeting product safety requirements, as well as having GLOBALG.A.P. (or equivalent) certification.

Sustainable costing not yet a norm in purchasing decisions

Recognizing that traditional cost accounting methods do not always reflect the true cost of a product or service, particularly when it comes to environmental and social impacts, two of the interviewed retailers have integrated the concept of sustainable costing into their procurement decisions. This entails considering not only the cost of the product itself, but also the costs associated with its production, transportation, packaging, and any environmental and social costs. One of the two retailers employs a 'joint open-book costing approach' for their own-brand bananas, which is based on the Fairtrade labelling system's costs of sustainable production methodology. The core of this approach is that buyers will agree prices with suppliers across banana exporting regions based on transparency of all costs at both ends, putting an end to the annual tendering round by potential suppliers, which the retailer viewed as a major contributor to the race to the bottom in banana prices across European markets.

Certification and audits used to establish a minimum level of compliance

Other than the direct purchasing practices, all the retailers had at minimum some compliance-based controls in place to address potential adverse human rights and environmental impacts within their supply chains. All retailers mentioned that they work with different standards systems depending on the product category. However, the standard procedure for this involves retailers requiring producers to have conducted a SMETA or amfori/BSCI audit, especially in high-risk countries. One retailer also mentioned accepting GRASP (GlobalGAP Risk Assessment on Social Practice), a voluntary, farm-level social/labour management tool for global supply chains, to be used in combination with Integrated Farm Assurance (IFA). It is designed to complement the GLOBAL.G.A.P. standard by ensuring that the production processes are socially responsible. In other words, it seemed as though retailers had a general rule that production sites require social compliance audits, whereas the raw materials, especially those that are deemed 'risky', require certification.

This latter aspect regarding certifying high-risk raw materials was said to be an industry requirement by all retailers. Specifically for cocoa and bananas, four retailers had established 100% certification of their own brand products and ingredients with a combination of Rainforest Alliance, Fairtrade, and biological labels. One retailer mentioned that they are attempting to roll out a program whereby high-risk commodities (using bananas and pineapple as examples) will now require certification (like Rainforest Alliance or Fairtrade) alongside the mandatory standards like GLOBALG.A.P./GRASP or amfori/BSCI. In this way, the retailer hopes to mainstream higher standards for high-risk crops.

In line with the previous analysis on the inefficiency of certification schemes to ensure sustainable production (see section 2.2.3.1), the interviewees conceded that certifications and audits were not sufficient in fully reducing the negative environmental and social impacts in their supply chains. One retailer mentioned that "certifications offer you a certain baseline to do things, but they are not the final solution to all of the challenges that we do face". Indeed, in terms of making real progress on sustainability, it was generally accepted (by five of the six retailers) that one must "go beyond audits and certifications" (i.e., the compliance-approach) instead "to have more of a collaborative approach and to really understand what the challenges are and how the whole supply chain can basically come together to address living wages, for example". Nonetheless, it was stated that these mechanisms are used to establish a minimum level of compliance, especially for complex supply chains that are more difficult to gain direct influence over. It was mentioned that "[certifications] are a good means of making sure that you have professional set ups for the production sites themselves; and you can definitely see that when you visit, for example, an uncertified farm and a certified farm, with very different levels in terms of management".

Human rights and environmental due diligence

Some of the interviewees already employ or have outlined mechanisms in place for full supply chain due diligence processes. These processes involved using internal and external data to pinpoint high risk commodities, countries and issue areas, and then devising a strategy to counteract and continuously monitor the risks in these supply chains. The retailers with well-defined mechanisms in place tended to be based in countries with legislation requiring due diligence (mainly Germany and the UK). Other respondents had piloted due diligence projects for specific topics over a certain period, but the approach was not yet a fully-fledged procedure that was repeated regularly and incorporated to a range of supply chain criteria. One retailer mentioned that due diligence is also sometimes not sufficient to deal with other improvement strategies. As such, in addition to their end-to-end audits of high-risk commodities (defined using the Food Network for Ethical Trade - FNET), the retailer supplements this with insights from various stakeholders, developing a long-term improvement strategy outside of the audit scope, which would include concepts like living wages and living income.

Participation in multi-stakeholder initiatives seen as valuable for initiating action

All retailers interviewed were members of at least one multi-stakeholder initiative (MSI). It can be concluded from the interviews that MSIs were identified as being particularly beneficial during engagement-based projects. For example, one interviewee described how they ran into a dead-end when tracing the sesame used in their own-brand hummus, which was sourced from Sudan via a trader. This encouraged the retailer to reach out to their national branch of the Ethical Trading Initiative (ETI) to create a working group on the issue to pool multiple resources. Others mentioned that participating in MSIs was useful in terms of understanding best practices and using those as a blueprint for their own policies.

Half of the retailers mentioned that some issues like living wages or living income can never be tackled through one actor alone. One retailer mentioned the "need for sector collaborations", citing the German retailer Working Group on living wages, and pointing to the fact that there will now also be a UK and Dutch working group, signalling that there is a lot of potential to move forward on certain topics when collaborating across the board, rather than finding insular solutions. Such collaborations are also seen as useful as it makes it easier to internally "sell stuff upstairs", referring to upper management. As mentioned by three out of the six retailers, they are 'price takers' meaning that they are unable to influence the price of the goods they sell because they operate in a highly competitive market where prices are largely determined by factors outside of their control. This includes the prices set by suppliers, the prices offered by competitors, and the overall level of demand in the market. Because of this, it was said that it is harder for them to sell bananas at a higher price when another retailer sells them at a third of that price. This was confirmed by another retailer who mentioned that a price intervention project they held for their cashews was also highly dependent on the price that their competitors were selling at. However, when everyone agrees to higher standards, then everyone will face fairly similar price changes, generating positive competition. In another example, one interviewee mentioned that by acting collaboratively, you have more leverage, since this would amount to more volumes sourced and thus larger improvements to worker incomes. In the case of bananas, it is not common that one retailer takes more than 10 to 15% of a farmer's production, meaning that implementing a living wage there would mean that "workers will hardly get anything more", due to the low volumes. Additionally, if the living wage increase only applies to a small number of producers, it may not be enough to influence the market price of bananas overall. However, as mentioned by this retailer, "if you come together, you can actually have that level of leverage".

Traceability

Traceability was highlighted as an important topic for sustainable supply chain management. One retailer mentioned that for their fresh produce, including bananas, they have 100% traceability back to the farmer, something they state is "fairly standard now with fresh produce in the industry". Where retailers struggle with traceability is with more complex commodities like cocoa and coffee. Here, traceability is often limited to mass balance, which only verifies a portion of the raw materials that are eventually certified. One retailer mentioned that they try to engage with their cocoa manufacturers and traders on first mile traceability, which tracks the source farms and farmers from which cocoa enters the direct supply chain. In this way, retailers see traceability as a responsibility of these intermediaries. If the trader has "excellent traceability”, then “they should be able to implement things [the retailer] want[s]”. However, this then raises questions regarding quantifying the retailers’ direct influence. Another retailer mentioned that traceability tools are increasingly being implemented in fresh food supply chains. However, most of the time this is done via pilot projects (e.g., one retailer gave an example of focusing on orange juice from Brazil).

Interestingly, it was brought up by one retailer that traceability still does not solve deeper issues that require being on the ground and engaging with suppliers. For instance, this retailer mentioned that traceability is still not sufficient in answering some investor questions like ‘how many cases of forced labour do you have in your supply chain?’ or ‘how many days of child labour do you have in your supply chain?’, which cannot be answered without comprehensive, on-the-ground, engagement.

Training of buying department

Four retailers noted that their buying departments underwent training on responsible sourcing. In some cases, retailers mentioned that all category teams (both technical teams and buyers) were required to complete responsible sourcing training, which essentially introduces responsible sourcing, priorities and strategies. In the UK, where the Modern Slavery Act is in place, companies are also required to conduct training on modern slavery. When asked about the advantages of such buyer training, one retailer pointed out that doing so ensures that “sustainability is at the forefront when they are making purchasing decisions and talking to suppliers”. Given the often-limited resources and capacity of sustainability teams, the retailer mentioned that buying managers are essential in fostering sustainable relationships with suppliers, as they are the ones who are in daily contact with the suppliers. As such, the retailer concluded that it is essential that they receive the right training and hold the knowledge to ask critical questions to suppliers, since even a simple engagement like “what are you doing about gender equality” is often enough to get the supplier thinking about the issue. At the same time, the retailers also mentioned that the training sensitised buyers to the fact that they can make a marked impact through their purchasing decisions, incentivising them to engage in sustainable sourcing. Moreover, some retailers require their suppliers to go through similar training. For example, one retailer mentioned that their direct and indirect UK suppliers are required to go through the Stronger Together training, which aims to tackle modern slavery in supply chains. In other cases, supplier training was only given in commodities or countries where a high level of risk was identified.

Pilot projects to tackle systemic issues of incomes and gender equality

Interestingly, price interventions and discussions on gender equality, living wage or income, were often viewed as being separate from the purchasing practices of the companies (beyond the standards outlined within certifications schemes the retailers engage in). Initiatives to promote living wage or living income were often reduced to pilot-projects, rather than becoming integrated into price negotiations or purchasing policies. Similarly, for gender inequalities, many retailers conceded that it is a new topic area that they are investigating. One retailer mentioned that they had begun to collect gender disaggregated data from suppliers to understand the issue area better. Employing the concept of gender-responsive procurement, another retailer had implemented a women's chocolate bar project, where they sourced the cocoa from cooperatives that employed high numbers of women. Similarly, another retailer focuses on promoting women in coffee through creating initiatives within the coffee cooperatives that they have sourced from for their private-label brand. Pointing to the notion that 'no one-size-fits-all', the retailers engaging in such initiatives mentioned that every product requires something different, since the context and challenges will also differ. However, the seeming lack of clarity on companies' responsibility for fairer prices and gender equality can be seen as a major obstacle for improvement. This indicates that a major first step is for companies to empower their purchasing departments with the tools and knowledge, so they understand the benefits of sustainability as well as the UN Guiding Principles on Business and Human Rights, which clearly outline that corporations need to respect human rights and that, as such, paying a fair price and promoting women's rights forms part of their responsibility (OHCHR, 2011). As such, one major change that needs to take place is moving these issues of income and gender equality into the contractual terms of buyers, to help mainstream these topics into conversations around responsible procurement.

AIM 3: To understand the challenges buyers face when making (responsible) purchasing decisions

Obtaining top management support for sustainability initiatives

Challenges to implementing responsible purchasing practices and sustainability initiatives were identified both internally and externally to the company. Within the company, it was generally conceded by the interviewees that decisions on pricing and procurement are still decided on by top management. Even if buying or sustainability departments put forward ideas, "if the shareholders, the people that really have to take these high-level decisions, are not on board with that, we will never progress". When sustainability departments present ideas to top management, they must still do so by demonstrating the commercial benefits of the initiative, since, in the end, companies will look at their profit margins to determine buying decisions. One retailer gave an example of how sustainability being valued by top management gave them support to move ahead on certain topics, despite low reported margins, showing that "the key direction that any corporation wanting to implement more responsible purchasing practices has to take is to really have that top level support for any and every feature".

Furthermore, an implementation gap existed at times between initiatives outlined by the sustainability department, and what the purchasing department was ultimately able to achieve. The main reasons retailers cited for this were to do with the limited resources and capacities of the sustainability teams, a lack of cooperation between purchasing and sustainability departments, or that sustainable purchasing was not present at the level of a company's strategic goals. At the same time, one retailer mentioned that discussions between the sustainability department and buying department were an essential part of their strategy, often more beneficial than buyer training. This retailer mentioned that they think "the far more interesting part is the constant discussions we have…we have regular meetings within the different buying departments where we discuss a lot of sustainability committee issues…so we have processes where we develop projects together, on a much more daily-basis".

No formalised standards of engagement in purchasing policy

All retailers admitted that they place more focus on certain product categories, resulting in varying degrees of responsible procurement across different products. When asked why the focus was placed on some products but not others, the retailers cited the fact that some products receive far more attention in media and by CSOs than others, pressuring them to pay more attention to those commodities like coffee, cocoa or bananas and pineapples. One retailer mentioned that this was not productive, as many other commodities and raw ingredients have received very little attention while experiencing many of the same environmental and social injustices. This retailer specifically pinpointed sesame seeds as one problematic ingredient that does not get any attention by civil society. Another retailer mentioned that the focus on sustainability varied per product and depended on the socio-economic context, the buyer, and "many other aspects". The participant went on to say that "it always depends on the situation we are facing right now, if there is time for sustainability issues or if there is no time, and it depends on the product category we are talking about…a lot of aspects need to be taken into account if you want sustainability to be an integral part of the purchasing process", going on to say that "it also depends on the buyer's motivation and own values".

Another retailer mentioned that the lack of formalised standards of engagements in the purchasing policy is due to the fact that grocery retailers have a very dispersed supplier base, presenting issues of manpower and resources: "we simply don't have enough people to manage that, to handle that", which is why they are only really able to "focus on seven commodities", even though the sustainability team was well aware that "there's plenty of other commodities [they] should look into".

Complex, long supply chains are difficult to manage

Other challenges experienced by the retailers involved both the fragmentation of individual supply chains, as well as the number of different supply chains that grocery retailers interact with. In the former case, this reduced the traceability and level of engagement with supply chain actors, beyond tier-1 suppliers. One interviewee mentioned that this acted as a barrier for going beyond compliance-based approaches with more trader intensive supply chains, such as cocoa, while in more direct supply chains, engagement-based approaches could be achieved, for example in the case of tropical fruits, like bananas, where buyers "have sometimes fairly direct supplier relationships, sometimes sourcing directly from the growers". Nonetheless, this interviewee mentioned that for those trader-intensive industries, like cocoa or coffee, where they usually do not source directly from the farms, they still have certain projects in place where they "try to have more direct relationships". In any case retailers frequently mentioned that the level of influence and impact of the purchasing policies depends on the complexity of the supply chain.

One participant gave an example of sourcing cashew nuts from Benin, which often are harvested in West Africa, then go to Asia to be peeled and elsewhere for packaging. The retailer mentioned they are working with their tier-1 suppliers to source more directly from the farmers and pay them a decent income ($55 in addition to the premium they pay). Due to the complex and highly dispersed supply chain, the retailer made use of a third-party organisation (Enabel, a bilateral program part of the Belgian Trade for Development Centre) to have someone on-the-ground to help with upholding the partnership. As another retailer concluded, “the more dispersed the supply chains are, the harder it gets to associate direct impacts''.

Data collection and verification

Initiatives aimed at closing living wage or income gaps often faced problems with data collection and verification. Indeed, many retailers struggled to obtain accurate data from suppliers. Those who did, relied heavily on intermediaries (local partners, as well as international NGOs or CSOs) to validate farmers’ data and make the premium calculations, and build trust between the actors in the supply chain as well as in the information provided. In general, making use of such third parties to help with due diligence on-the-ground was advocated for by all retailers. Regarding data collection, one interviewee mentioned that during a living wage project involving rice farming cooperatives in Punjab, the goal of increasing incomes for farmers was only achieved for 65 out of the 200 small-scale farmers they wanted to reach, few of which were women. One of the main reasons for this was that the intervention made use of aggregated data, which combines and summarises information, in turn obscuring vast differences between farmer groups. To this end, the retailer mentioned that collecting and analysing disaggregated data (e.g., by farm size or gender) is key to ensuring effective increases in income.

Retailers still lack understanding on how to measure and scale up their impact

It was made clear that retailers are, on average, still struggling to understand how to “move from compliance to impact”, as mentioned by one retailer. This means that retailers understand the need to go beyond the compliance-based approaches of using certifications or audits, and are seeking to better understand individual contexts and how those can be improved to make a marked impact. In addition, retailers continue to struggle with measuring the impact of their responsible purchasing practices. Most KPIs focus on easy-to-gather data like ‘percentage of products certified’, rather than assessing how this translates to impact on the ground (i.e., ways to measure the impact of the changed procurement practice to source 100% certified cacao products, for instance). Regardless, conducting human rights impact assessments will likely be part of the Corporate Sustainability Due Diligence Directive, indicating that companies will soon have to consider more meaningful ways to measure impact. One retailer mentioned that in the coming year, they will run an exercise where they will agree on “the topics and areas where they would really like to do a deep dive”, to help them “understand what they could use in terms of an impact indicator”.

AIM 4: To assess the opportunities that exist in the mainstreaming of responsible procurement

It was agreed by all the retailers that understanding the social and environmental implications of purchasing decisions will become part of standard practice in the future, largely thanks to the aforementioned legislation in the EU, which will ultimately force companies to become liable for these costs. By understanding the extent to which sustainability is ingrained into the commercial activities of the business, as well as understanding where they see the most opportunity for advancement, it will be possible to make some recommendations on how to mainstream responsible purchasing further into the commercial operations of the business.

Some degree of mainstreaming of sustainability issues into purchasing decisions

The opportunities for mainstreaming responsible purchasing practices were considered both at a company and sector level. At the company level, all interviewees agreed that there had been some degree of mainstreaming of sustainability issues into the purchasing department's standard activities. However, there was also consensus that there was still a long way to go in terms of these issues being seen as a top priority. The extent to which these issues were integrated systematically into buyers' purchasing procedures also varied among the participants. Some retailers described a more collaborative and fluid approach between the departments. This might include discussions between sustainability and purchasing officers at the beginning of a season planning period to identify the issues that may arise when sourcing from certain suppliers or high-risk areas.

Other frameworks that the interviewees mentioned were more methodological. As mentioned previously, this included rating suppliers continuously on selected sustainability criteria and either working with suppliers on improving these ratings or omitting them altogether from price negotiations if there is a sustained unwillingness to cooperate. In highly integrated cases, this sustainability scoring is weighted equally during purchasing decisions, on par with other factors such as price, quality, quantity, and service provision. Another highly integrated practice is that of some retailers beginning to adjust their pricing approaches for banana sourcing to ensure that the price being paid is sufficiently above the production cost. As previously mentioned, none of the retailers had KPIs in place for buyers' performances on sustainability related metrics, but it was seen as a potential next step by some of the interviewees. One retailer suggested certain KPIs that may be helpful in assessing buyers' sustainability performance, including supplier turnover rates, price changes from one cycle to the next, supplier feedback, and frequency of price renegotiations. Other potential improvements mentioned by the interviewees included more comprehensive training for buyers on responsible purchasing practices and due diligence procedures.

Tripartite co-regulation seen as an effective means to enact sustainable purchasing practices

For more systemic issues, such as gender inequality, or living wage and living income, many of the interviewees advocated for co-regulation and multi-stakeholder initiatives to generate greater impact and higher levels of mainstreaming on a sectoral level. One interviewee highlighted that participation in such initiatives could also help with mainstreaming issues at the company level, as top-level management was more likely to support a project that shared the burden among multiple participants. Additionally, all retailers used certification schemes, like Fairtrade or Rainforest Alliance, to help align their policies with the changing standards. What is more, it was made clear by multiple interviewees that they appreciated support from local or international partners when engaging with suppliers, highlighting the importance of civil society organisations as a means to build trust between the supply chain actors. The importance of investor and government support in this process was also emphasised by one participant, stating that investors needed to get on board with balancing short- and long-term incentives, while the government was responsible for levelling the playing field between retailers through legislation. It is important to note here that those retailers operating in countries where the government has taken a more decisive role in collaborating with companies and civil society on trade relations and due diligence practices (i.e., UK and Germany) had more advanced understandings and policies surrounding responsible purchasing practices. In other words, tripartite co-regulation, a type of co-operative form of steering in which actors from all three societal domains (government, business, civil society) aim to achieve common objectives, was seen as an effective means for enacting sustainable purchasing decisions.

This was also reflected in one of the interviews with the retailers, where they mentioned that sustainability transformations of food supply chains require changing the "whole economic system". As pointed out by one retailer, this requires "investors to understand that our commitments might impact our margins to some extent and to also be willing to finance some of that". At the same time, "we need local governments to be involved because the reality is that they're the ones setting the local rules around what is acceptable practice…our governments here, both at the European level and the national level, also have a role to play because it is in their trade missions, so they must have those conversations with local governments". As concluded by the participant, "you can only change the system if you change it together".

4.2 Survey results

The eight respondents to the survey include exporters, producer-exporters, importers, manufacturers and integrated companies, representing the intermediary links of both the cocoa and banana supply chains. Some limitations to the survey include the low response rate, since the survey was sent out to a total of 16 intermediaries while only eight responded. What is more, five of the responses came from banana supply chain actors, whereas the other three came from cocoa supply chain actors, meaning the results do not represent the scenario for both commodities in an equal way. The full results of the survey can be viewed in the Appendix (see 7.5). The first questions of the survey are aimed at gaining an understanding of the influence that customer (i.e., retailer) demands have on the purchasing practices of intermediary supply chain actors. The findings showed that 87.5% of the respondents felt that their customers' policies, practices, and initiatives influenced their own purchasing behaviours "a lot" or "a great deal". When asked what the intermediaries felt as being the main factor influencing poor social and environmental standards upstream of their activities, 62.5% responded saying unfavourable trading practices of downstream actors, while one respondent said a lack of capital to invest in good practices. The unfair trading practice experienced most at 62.5% of respondents, were "unjustified quality claims, or claims not made aware of in advance". Regarding the factor that was most important to their customers when making purchasing decisions, 75% of respondents ranked price as the most important, with two respondents indicating sustainability as the most important. Otherwise, 62.5% said sustainability was the least important to their customers.

The remaining questions of the survey were targeted at understanding the level of communication between intermediary buyers and their customers on sustainability topics. Here 87.5% of respondents said that they were required to sign codes of conduct. Those follow-up mechanisms experienced by the respondents included, announced and unannounced audits, onboarding, or screening via risk assessments, and periodically being requested information on their suppliers. The forms of communication not experienced by any of the respondents were direct consultations with the respondents' suppliers and being given access to grievance mechanisms. All the respondents were required by their buyers to hold various certifications, with Rainforest Alliance (100%), Fairtrade (87.5%), Bio (75%), GLOBALG.A.P. and SMETA/EIT (both at 62.5%) being the most common. With regards to the topics that their customers engage with them on, 100% indicated that living wage and income was discussed, followed by child labour and traceability at 75%. Topics like soil degradation and pollutants from fertilisers/pesticides received the least attention (12.5% and 37.5% respectively). Only half the respondents indicated that their customers engage with them on gender equality, biodiversity, deforestation and illegal logging. The most common ways that these were addressed were through due diligence mechanisms and multi stakeholder initiatives (both at 62.5%). When asked about who initiates discussions on sustainability issues, 37.5% indicated that most of the time, their customers engage them, while another 37.5% indicated that they engage their customers on sustainability issues. One respondent said that their customers do not engage with them on any sustainability issues, whereas another mentioned that neither they nor their customers engage on these issues.

These results indicate that, in the eyes of these intermediaries, retailers do have the ability to control the purchasing process of the value chain, yet price continues to be a central aspect of their purchasing decisions. At the same time, there is some minimal level of compliance as all respondents indicate that they are required to hold certifications, meaning a bare-minimum level of compliance. Nonetheless, the varied answers of the respondents indicate that there is not yet a formalised process for responsible purchasing by European grocery retailers.

4.3 Producer Workshops

As mentioned in the methodology (section 3.3), the producer workshops were aimed at understanding how producers see the influence of retailer and intermediary purchasing practices. The workshops involved a variety of upstream actors in both the cocoa and banana chains, and consisted of the moderators first sharing the results of the study thus far, followed by a guided discussion. Some limitations of the workshops include the fact that only three cocoa Ghanaian cooperatives were interviewed, two of which sell beans to the same trader. What is more, the Ghanaian context could be further understood if COCOBOD had responded to our request for an interview. On the Ecuadorian side, some limitations can include the fact that the smallholder producers gave limited input and instead relied on their credible proxies like trade unions to share their challenges. The results of the two producer workshops (Ghanaian cocoa producer workshop and Ecuadorian banana producer workshop) are presented below.

Overall, the producer workshops highlighted the fact that, despite various efforts to improve trading practices of European companies, producers are still being marginalised and continue to absorb the consequences of buyers' unsustainable purchasing practices. For instance, in the Ghanaian cocoa sphere, producers continue to receive last minute order changes (which usually include a decrease to procured volumes), do not receive payments or premiums on time, and are still not being paid enough to support themselves nor make improvements to cocoa production. This has led to low youth participation in cocoa farming, presenting issues for the stability and security of long-term cocoa production, and an increase in environmentally unsustainable alternatives, like galamsey (illegal small-scale mining). This is coupled with various challenges associated with COCOBOD, which producers say is ineffective in delivering its promises to make the sector more sustainable. Cocoa farmers are thus looking to their customers and other upstream actors to collectively improve pricing, so as to cease the continued global race to the bottom in the sector. In the case of bananas in Ecuador, the main takeaway can be that producers do not feel like they are being rewarded for their sustainability efforts. Despite paying living wages and having comprehensive programs in place to ensure good agricultural practices, led by changes to national legislations that support such improvements, producers state that customers do not renew contracts and instead search for lower cost suppliers.

4.3.1 *Ghanaian cocoa producer workshop*

The Ghanaian cocoa producer workshop involved three separate sessions: one with cocoa cooperatives, one with licensed buying companies (LBCs), and another with some local traders. For the first workshop, there were three cooperatives involved, with a mixture of men and women, farmers, quality managers, and union presidents. We also intended to interview COCOBOD, however they refrained from answering any of our emails or messages to schedule a meeting. This is something that is not unique to this study, as countless CSOs and researchers have often failed to get any comments from COCOBOD on the situation on-the-ground.

4.3.1.1 Unsustainable practices faced by cocoa producers

The unfair trading practices identified by the workshop participants were highly influenced by the context that the participants' business interactions took place. In other words, they often could not be attributed directly to those unfair trading practices of retailers set out by the literature review.

For the cooperatives the contextual factor that heavily influenced their responses is the role of COCOBOD in price setting and distribution of payment in the Ghanaian cocoa market. Against this backdrop, the unfair trading practices experienced by the cooperative farmers included late payments from COCOBOD for delivered cocoa, as well as low-price setting by COCOBOD to cover the rising production costs of farming. An issue that was noted as unrelated to COCOBOD, was the late and irregular pay out of premiums by customers. It was stated that the impact of these unfair trading practices is that it makes the cocoa farming sector unattractive for young people, which feeds into the challenge they face regarding an ageing and declining farming population. Furthermore, the importance of timing in the cocoa sector was highlighted, as delayed payments put the livelihoods of farmers on hold and have a knock-on effect on future production if they cannot reinvest in their operations.

The participant representing a Ghanaian LBC reflected on the situation for their organisations on the ground and outlined the fierce competition between individual LBCs as the main source of unfair purchasing practices in their segment of the supply chain. This contextual factor resulted in purchasing clerks from LBCs making offers to farmers involving in-kind benefits and other incentives to sell higher volumes of cocoa to their company over other purchasing organisations. It was stated that a side effect of such practices may be that it circumvents sustainability regulations in place, leading to lower quality cocoa and cocoa farming practices. Other unfair trading practices experienced by the LBC were delays in premium payments, which in the past has led to agitation among farmers that they bought from.

The trading organisations that were present in the workshops represent a link somewhat further downstream in the supply chain, thus offering another perspective on the impact of purchasing practices. Traders are positioned as the middlemen in the cocoa supply chain. Therefore, their purchasing practices are highly routinized, as their price setting is determined by differential trading, and their main goal in the process is to achieve a sufficient profit margin. From this actor's perspective the downward trend of their own profit margins, as well as the general price pressure on the cocoa supply chain, originates from the demands of the retailers that their customers are buying for.

4.3.1.2 Support received by downstream actors

Another point of discussion was the level of engagement from customers on important sustainability topics, especially as perceived by the cooperatives, as well as fair purchasing practices being experienced.

From the perspective of the cooperatives, they stated that their customers are engaging with them on the issue areas of child protection laws, gender equality, and deforestation. It was seen as important by the cooperative representatives that these challenges be addressed in a collaborative manner, rather than boycotting those producers that do not immediately fulfil all sustainability requirements. On the topic of gender equality, the cooperatives noted that the policies in place were developed internally and were initially put in place to fulfil customer demands. The customer's role was mainly in reviewing the cooperative policies and making suggestions for improvements. Some examples of initiatives being undertaken include the measuring of gender ratios, intensive leadership skills training, sensitization training, and programs aimed at helping women achieve land ownership and land rights.

Other positive purchasing practices being experienced by the cooperatives include yearly increases in volumes being purchased by their customers, the payment of living income premiums, and alternative livelihood programs that support their farmers to increase their income outside of cocoa production. While the cooperatives' farmers found the engagement of the customers on living income topics to be helpful, they also noted challenges surrounding the methodology, such as accounting for other income and high levels of inflation. Especially regarding the latter point, one workshop participant said that the topic of “living income is like chasing your own shadow”, with current inflationary conditions counteracting the progress being made in the field. From the LBC’s vantage point in the supply chain, the representatives noted that the alternative livelihood schemes implemented by their customers are valued by the farmers they interact with. The positive purchasing practices that they experienced in a more direct manner was the timely provision of payments from their customers to secure cocoa when it is available during the harvest season.

4.3.1.3 The way forward

In response to these issues, the cooperatives suggested that higher levels of farmer representation were required within the COCOBOD organisation. This would ensure that farmers' concerns are being addressed, as well as give the organisation better insight into the realities and needs of the farmers on the ground. On a similar note, it was mentioned that more communication and engagement between farmers should be fostered. It was suggested that buyers could help farmers with the financial and organisational task of creating a platform for farmers to collaborate on. One of the cooperatives stated that their buyers provided training on the issues of farmer representation and collective bargaining. More developed engagement on this topic was noted as being an area for improvement. Another area that the cooperatives thought required greater attention was climate change mitigation and adaptation topics. This was pinpointed as the largest threats facing the sector and did not receive as much attention from their customers as the socio-economic topics.

From the LBC’s perspective, many of their challenges are based on cash flow issues involving COCOBOD. LBCs are reliant on COCOBOD for loans at the beginning of the cocoa season to secure the volumes their buyers require. However, these funds are often late causing procurement problems for the LBCs. Therefore, these organisations require alternative funding opportunities or some form of reassurance that the payments will be paid on time through COCOBOD. A similar point was made by the trading organisations, that the main solution was to restructure and refinance COCOBOD to ensure that they can fulfil their role of aiding the organisations on the ground to buy and sell cocoa.

As such the main recommendations for the way forward discussed by the cocoa upstream actors include:

- Sustainable costing should be done in consultation with suppliers to understand changes to local contexts and prices (Inflation etc.)
- Trainings and additional livelihood programs seen as very valuable
- Cocoa cooperatives want more responsibility, bargaining power, representation (they are ready to become engaged in stakeholder discussions and want to voice their concerns and develop joint solutions)
- Cooperatives are still experiencing late and irregular (premium) payments, which must be penalised.

- Prices being paid are still too low: aside from exacerbating poverty, this discourages youth from becoming cocoa farmers (fears of a dying industry), presenting issues for consuming countries. As such, cocoa producers call for higher incomes.
- Organisational issues with COCOBOD present an opportunity for collaboration between stakeholders in the value chain, and for companies to use their leverage.
- Profit maximisation motive of downstream actors must change to decrease downward price pressure

4.3.2 *Ecuadorian Banana Producer Workshop*

The Ecuadorian banana producer workshop involved two sessions. One two-hour long workshop with banana farmers and trade union representatives, and another session with exporters. During the workshops, the different issues faced by producers regarding trading practices by their customers were discussed, as well as the ways in which they are currently being supported by customers. In addition, each group was asked for their suggestions on how to move forward, including what kind of support they would need and from which actors.

4.3.2.1 Unsustainable practices faced by producers

Regarding the unsustainable practices being experienced by producers, it was mentioned in both workshops that prices continue to be the main reason for getting a contract. For example, one exporter indicated that they supported a farmer to invest in sustainable production but lost the client one year later because the price was now too high. This in turn put pressure on the relationship with the farmer as it became unclear how to maintain the sustainability of the farm with a lower price. This is what happens when investments in sustainability do not get rewarded.

Value distribution along the chain was mentioned and especially the example of ALDI SOUTH Group's joint open book costing approach was mentioned several times. Their approach to work with open book calculations is appreciated for its transparency and equal treatment. For some producers, it is difficult to comprehend how retailers do price promotions, like Lidl, especially when looking at the timing of the promotion campaign (during season of low supply) or this being the reason for the tough price negotiations with exporters.

Unfortunately, it is felt that importers and retailers have little respect for the farmers in Ecuador and that they sometimes get punished for their sustainable approach, wage levels due to national labour laws etc.

4.3.2.2 Support received from downstream actors

Regarding the support that banana producers already receive, they do recognize that sustainability is high on the agenda as demands for certain certification or discussions around the issue of living wage are very present. However, they do not feel that the efforts made in

Ecuador are appreciated or translated in the commercial relationship. Instead, producers often find that retailers and importers instead look for lower cost producers who do not uphold the same sustainability standards.

At the same time, producers are better supported by the state, as labour laws in Ecuador guarantee higher wages than in other production countries. The same can be said about the environment, as this is also a topic where there are national discussions to implement GLOBALG.A.P. requirements into law. In 2019, the “Resolución 108. Guía de Buenas Prácticas Agrícolas” (BPA) was launched as a national standard in Ecuador. BPA stands for “Buenas Prácticas Agropecuarias'' or “Good Agricultural Practices.” In February 2022, an agreement was signed between the Government of Ecuador and GLOBALG.A.P.. The agreement officially recognized the national standard as a GLOBALG.A.P. Approved Modified Checklist, equivalent to GLOBALG.A.P. Integrated Farm Assurance (IFA) for Fruit and Vegetables, making it the first public sector standard benchmarked to GLOBALG.A.P. IFA standard in Latin America (GLOBAL.G.A.P., 2022).

Furthermore, there is also a strong national debate about gender equality. This is translated into programs in the field, where an example given by an exporter was that before, women were mostly working at the packing station, whereas now they have 30% more women in other activities, like in the field, than before. They use training and awareness raising sessions to achieve this. Another example was given by an exporter that they have a policy that there should be at least one woman working in every department and this has led to a higher participation of women at all levels.

In both workshops, the World Banana Forum (WBF) and the relationship with the CSO BananaLink was mentioned as a strong support. It was mentioned that in the case of the WBF, it would be useful to form a Latin American block in the discussions around living wage, gender and other pressing sustainability matters.

4.3.2.3 The way forward

When holding the discussion on the way forward, the banana producers called for avoiding having the same discussion in different places, followed by a strong request to adhere to the recommendations of the World Banana Forum and its working groups. Additionally, trade union representatives wanted to promote respect for the importance of a strong legal framework on labour and the environment and respect for those countries who already have that. They also want more respect for investments made by farmers and exporters in sustainable production, but also specific challenges they are facing. For example, there are costs involved with avoiding drug trafficking using banana transports, which is currently seen or treated solely as a cost at origin.

Focus on breaching the gap in the living wage discussion, it was expressed that they feel as though Ecuador is being punished for paying living wage, already due to their national level of labour laws, by losing clients or not obtaining tenders. They note that it should be a legal requirement that all contracts should allow producers to pay a living wage, and if they do not do so, this should be penalised. This is particularly noteworthy as the current EU CSDDD does not currently include this requirement. Both times, the Fairtrade methodology for sustainable costing was cited as a way forward for the industry. Particularly, the open book approach by ALDI SOUTH Group is given as a good example of this methodology, especially for being transparent and equitable.

Regarding gender equality, the UN's Food and Agriculture Organisation's (FAO) policy (2020-2030) on gender equality was praised for emphasising the need to create a strategy that is co-designed by women and regularly monitored/evaluated with the support of women. Participants mentioned that this makes women feel appreciated and heard, especially when sensitive topics like medical checks, for instance, are being discussed. The policy is based on the principle that gender equality and women's empowerment are fundamental to achieving sustainable development and eliminating hunger and poverty, identifying four objectives: (1) strengthening women's economic empowerment and their access to resources and markets, (2) improving women's leadership and participation in decision-making processes at all levels, (3) enhancing women's resilience to climate change and other shocks and stresses, and (4) addressing gender inequalities and discrimination, and preventing and responding to gender-based violence (FAO, 2020, p.5).

4.4 Solutions Workshops

The findings from the interviews, surveys and country workshops with producers were then used to formulate various recommendations to share with the main stakeholders–in this case, retailers and producers–for them to evaluate and determine whether all needs are reflected in the proposed solutions. To do this, two (online) solutions workshops were hosted: one with retailers, and one with cocoa cooperatives. Here, the recommended responsible purchasing practices (RPPs) were presented, evaluated and discussed with participants, with the aim of determining which RPPs are most desirable and provide an enabling environment for sustainable production. The solutions were also sent to the banana workshop participants for review.

4.4.1 *Retailer Solutions Workshop*

The retailer solutions workshop was aimed at receiving feedback about the preliminary recommended responsible purchasing practices (RPPs). The workshop involved five representatives of different retailers who participated alongside external consultants and advisors.

To ease the process of communicating the solutions to the retailers, the recommended RPPs were divided into three main areas: (1) purchasing practices, including how buyers can use price and payment structures to ensure sustainable production in the long run; (2) contractual terms, demonstrating how buyers can ensure their contractual terms allow for sustainable production; and (3) engagement and coordination, where retailers can engage and coordinate efforts within the company as well as externally, with peers, value chain actors and other stakeholders, to achieve meaningful change in agricultural supply chains.

The RPPs were then divided into two recommendations: the 'minimum-level' recommendations and 'ideal-level' recommendations, to give retailers the opportunity to assess themselves vis-a-vis these solutions. These recommendations can be seen in the tables below.

At a **minimum**, retailers should be doing the following:

Purchasing practices	Contractual terms	Engagement and coordination
• Ensure **sustainability criteria is included in purchasing decisions** • Make use of **certification schemes** to ensure prices paid are not below costs of production	• Ensure **fair contractual terms** (clear, transparent and long-term contracts and partnerships, product specifications and contracting terms are made alongside suppliers; seasonal planning; avoid last minute changes; pay on time) • **Promote gender equality** through supplier CoCs, policies, gender-responsive procurement	• Invest in **both buyer and supplier trainings** on sustainability issues • Ensure **coordination between sustainability and buying department** on specific issues relating to each commodity or category

Ideally, retailers should be opting for:

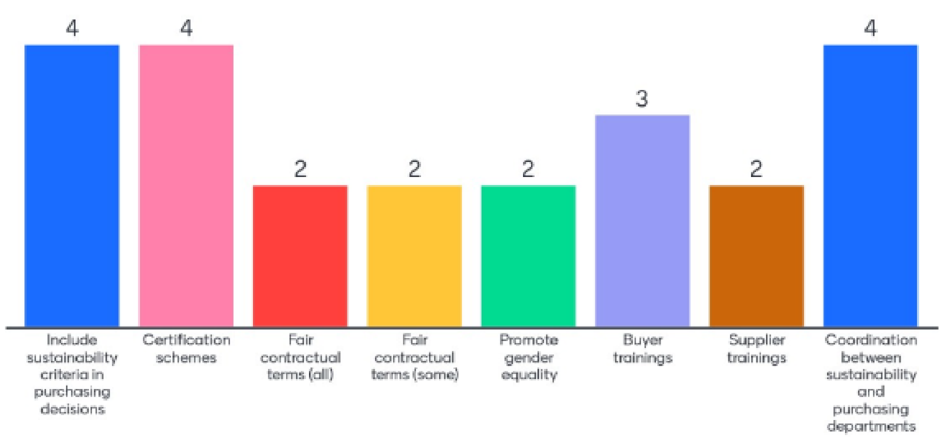
Purchasing practices	Engagement and coordination
• Pay **living income or living wage** • Conduct **sustainable costing** (e.g., through joint open book costing) • Ensure **sustainability criteria has same weight or higher than other criteria** (price, quality, quantity) • **Integrate sustainability into performance appraisals** and motivate buyers through bonus system • Ensure **KPIs measure how practices and behaviours lead to improved outcomes for people** (e.g., how improved planning cycles with suppliers, or more favourable purchasing terms, has led to reduction in last-minute orders; or increased the number of workers earning a living wage)	• **Engagement and coordination within the company as well as with suppliers and other stakeholders** on contextual issues within each category or commodity • Investing in **joint knowledge training** (involving both buyers and suppliers) • Promote **knowledge-sharing practices with peers** - also **in other countries** • Use your **bargaining power to create policy change** in producing countries and also with other value chain actors (i.e., traders) • Create a supplier database

The ideal-level recommendations emphasised creating effective KPIs to measure the impact of changed purchasing practices. The retailers should keep note of the fact that KPIs often focus on easy-to-gather data such as: inputs (e.g., allocation of resources and finances);

programmatic activities (e.g., the number of trainings held, or assessments and audits conducted); or basic outputs (e.g., audit non-conformances). In addition to these indicators, businesses should also focus on tracking how the actions they are taking are leading to actual positive outcomes for people (e.g., the number of people who are now being paid a living wage because of favourable changes to purchasing policies or to a supplier's contract).

4.4.1.1 Assessment of minimum-level RPPs

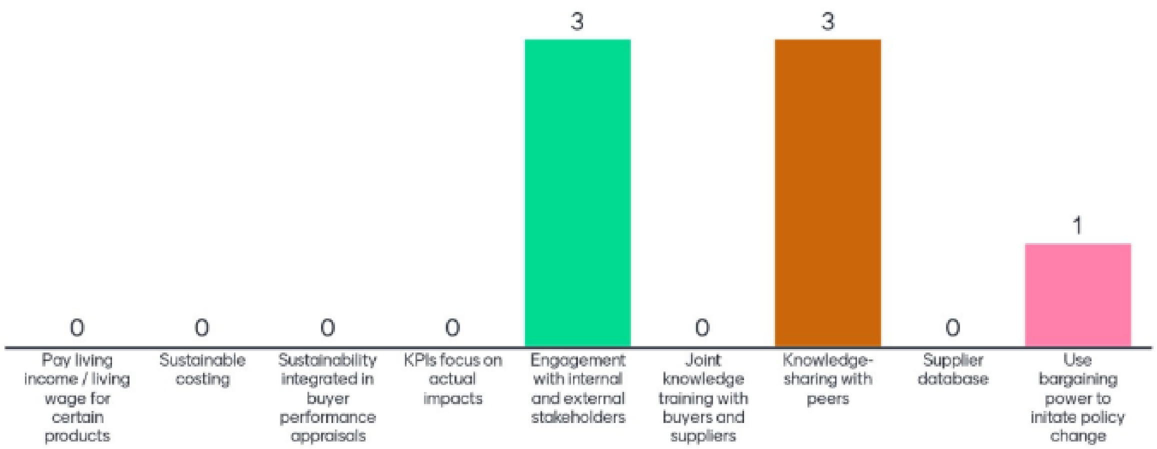
During the evaluation of minimum-level RPPs, there was a general agreement on these RPPs indeed being feasible practices for the retailers to employ. This was demonstrated by the Mentimeter survey results (four total respondents) where retailers indicated that they all participate in three out of the eight minimum-level RPPs, while more than half of the practices are used by at least two or three retailers. As demonstrated in the graph below, the RPPs which all participants engage in are: (1) including sustainability criteria in purchasing decisions; (2) certification schemes; and (3) coordinating between sustainability and purchasing departments. Another popular RPP was conducting buyer training. Regarding fair contractual terms, half of the respondents indicated that they engage in 'all' of the fair contractual terms listed in the recommended minimum-level RPPs, whereas the other half only engage in 'some'. Nonetheless, this shows that a majority of respondents engage in these RPPs, indicating that the recommendations made are neither too basic nor too far-fetched for the retailers. From this, it can be derived that these minimum-level RPPs would be adequate in



In the discussion surrounding the minimum-level RPPs, one retailer expanded on the topic while mentioning that, at a minimum, not only women's rights should be safeguarded, but also the rights of all those vulnerable groups in the industry. Here, this participant suggested that the RPPs should reference the UN Guiding Principles on Human Rights.

4.4.1.2 Assessment of ideal-level RPPs

In the evaluation of the ideal-level RPPs, the online poll revealed that only a couple of these practices were already in use by some retailers, as illustrated in the graph below. This is seen through the fact that over half of the ideal-level practices are not being used by any of the retailers. However, three retailers indicated that they engage with internal and external stakeholders, and another three responded that they share knowledge with their peers. This could indicate that these RPPs could be moved to the minimum-level RPPs. Only one retailer indicated that they use their bargaining power to initiate policy change.



One agreement made by the retailers was that some practices that would foster sustainability are still being subordinated by the profit-oriented nature of their business operations. Retailers evaluate their products based on the sales achieved, and since sustainable products (e.g., the ones that allow to pay living wage or living income to the producers) usually end up being slightly more expensive and are not as successful as other, less expensive and unsustainable productions. This echoes the concerns made by the Ecuadorian banana producers, who feel that they are not being rewarded yet for their sustainable practices. Because of this, it is difficult to pitch an increase in the range of such sustainable products to top management. As such, it was agreed that it would be useful to add something to change this.

Another point mentioned by the retailers was that having a supplier database, which would potentially allow retailers to share the burden on living wage, would be difficult to implement since this is considered confidential information. However as this is specific to the topic of living wage and not to all data that could be collected in a database, and since some retailers are already testing a similar system, it was decided to keep this in the recommendations.

4.4.1.3 Further recommendations made by participants

One retailer pointed out that the discussion about responsible purchasing practices should not only revolve around finished products, but also around the sustainable purchasing of the single ingredients that make a product. This idea stems from the consideration that some ingredients, albeit in small quantities, can be the catalyst of environmental and human rights violations and should therefore be considered while making responsible purchasing choices. For instance, the sesame seeds (often originating from Sudan) used in the production of tahini, are found to be full of environmental and social issues. As such, this trickles down to making not just the sesame seeds unsustainable, but also the tahini and other products made from tahini, like hummus.

Echoing the points made in the retailer interviews, another participant mentioned that for supermarkets and importers, it would be useful to have a person on the ground that connects (especially small scale) producers with the European companies. This reiterates the points made in the interviews by several retailers that having an intermediary, especially someone on-the-ground, was crucial to building trust and seeing through the project or initiative.

Another recommendation put forward by the retailers was to consider not just including sustainability in performance appraisals, but also when evaluating the success of a sustainable product they are selling (for example, a living income chocolate bar). Retailers mentioned that, more often than not, the (financial) success of a product is the determinant of whether similar initiatives or products will be launched in the future. As such, it was suggested that alongside metrics like sales volumes, revenues and profitability, or market share, it could be interesting to add sustainability metrics into the equation. For instance, this could include the social impact of selling the living income chocolate bar, including the well-being of the farmers because of earning a living income, assessing their access to healthcare, education and adequate housing; tracking the number of children who are attending school; or measuring the number of women who are involved in cocoa production.

4.4.2 *Ghanaian cocoa producer solutions workshop*

Having discussed the recommendations with retailers and experts in the field, it was essential to gather the perspective of upstream actors, to ensure the RPPs also reflect the needs of these crucial stakeholders. The workshop consisted of three cocoa cooperatives who also partook in the producer workshops. During the session, the recommended RPPs were presented to the participants, after which they shared their thoughts on whether the RPPs are sufficient in promoting sustainable production practices. In addition, the participants also put forward some of their own recommendations. The results of the discussion are presented in the following subsections.

4.4.2.1 Assessment of minimum-level RPPs

Regarding the minimum-level RPPs, the participants agreed that including sustainability criteria is a good recommendation as long as retailers understand that this purchasing strategy should be accompanied by improved pricing. For the certification schemes, participants agreed that this is an essential minimum requirement. However, participants noted that it is crucial to emphasise that companies follow credible third-party certifications like Fairtrade or Rainforest Alliance, rather than creating their own, since this reduces liability. Furthermore, own-brand certifications (i.e., cocoa life) do not provide the same benefits (in-kind, financial) while still upholding high regulations for farmers. What is more, the cooperatives also mentioned that farmers have less bargaining power if the certification comes from one single retailer. As such, it can be concluded that third-party certification is best, at least in the eyes of producers. At the same time, participants mentioned that even though certification schemes do pay more, farmers really need a living income for the situation to be improved altogether (i.e., to stop the poverty trap).

When discussing the minimum-level (fair) contractual terms, participants agreed that all the recommended terms were necessary, particularly avoiding last minute changes and paying premiums on time, and at the right time. To begin with, last minute changes "affect the whole management of the farm", with participants also noting that it is "difficult to communicate changes to all of their [cooperative] members". Participants mentioned that this was particularly damaging if the last-minute change involved the buyer ultimately purchasing a lower quantity of cocoa beans than agreed, since they continue to produce cocoa beans in surplus and have little access to long-term storage, meaning they are not sure the remaining amount can be sold. Regarding the premium payments, cooperatives mentioned that premiums must not only be paid on time–adhering to the terms agreed in the contract–but also at the right time. The timing of the premium payments is important since cocoa cooperatives need premiums for agri-inputs for the next season. One participant mentioned that the ideal time to receive them would be from March to June. Currently, some customers (i.e., Mondelez) pay after June. Other customers (i.e. Tony's Chocolonely) pay 15 days after receiving the cocoa beans, which is regarded as being much more reasonable by the participants. Here, retailers can use their leverage to ensure chocolate traders, manufacturers, and brands, as well as their own chocolate suppliers, are respecting the agreed contractual terms and are engaging with producers to understand what is needed for them to conduct a sustainable production process.

Regarding the recommendations on 'engagement and coordination', the cooperatives addressed the fact that there should be a joint effort from companies and governments to go beyond 'naming and shaming' those companies that are still paying prices that are below the cost of (sustainable) production, and instead call on these chocolate companies to act. One participant referenced the changing due diligence laws in the EU, wondering if this will be sufficient in holding these companies accountable for the unequal distribution of value across the chain. Here, references can be made to adhering to the UN Guiding Principles on Business and Human Rights, which clearly outlines that corporations need to respect human rights (including paying decent income and promoting gender equality). To help improve this situation, retailers can also use their leverage to ensure their chocolate suppliers are conforming to this.

4.4.2.2 Assessment of ideal-level RPPs

One of the main talking points within the ideal-level RPPs was living income. As one participant mentioned, farmers cannot "quench the fire" by themselves; a living income is necessary for farmers to pay the employees to ensure the sustainability of the cocoa sector. Here, one participant mentioned that child labour only occurs because the work demand is so high, while prices are too low, meaning children are often left with no choice but to help their parents, so that they can help secure enough money to put them through school. Nonetheless, it was also mentioned that "no parent wants to make their child work", indicating that this is done purely due to lack of available alternatives. The participant reiterated that due to the low incomes of farmers and high workload, this has become a way of living for generations, providing a personal recollection of how she also had to help her mother on the farm when she was younger. This illustrates how little has changed in the cocoa industry regarding providing adequate incomes. One participant mentioned that "farmers are not asking for a luxurious life, just enough to pay for a decent standard of living". Based on this last comment, the recommended RPP of 'pay living income / living wage' should be moved to the 'minimum-level' RPPs instead of the 'ideal-level' RPPs. This can also be backed up by the fact that work on living income has been around for over a decade, yet companies still regard it as a relatively new topic or view it as going beyond their corporate purpose. Similarly, in the interviews with retailers, it was concluded that living income and wage are still not considered standard practice, and mostly dealt with through pilot projects or by focusing on only a handful of commodities. In addition, the fact that living income and wage have thus far (April 2023) not been included in the EU Corporate Sustainability Directive, despite much advocacy for it, shows that this crucial purchasing practice is still at risk of being neglected. As such, including this as a minimum-level recommendation for purchasing departments will hopefully contribute to mainstreaming living income and wage into contemporary trade relations.

Importantly, the participants shed light on some systemic issues of gender inequality that pervades the cocoa industry. One participant mentioned the fact that agricultural inputs, personal protective equipment (PPE), and tools like slashers, are all designed for men, not women, making it hard for women to take different farming roles. As further detailed by the participant, this is another cause of the lack of women-owned farms or cooperatives. The discriminatory nature of the inputs ultimately leads to the fact that women must hire men to do the lion's share of the work, meaning it is generally more expensive for women to manage farms. This shows that gender mainstreaming or gender-responsive procurement must look at the structural issues preventing women from entering different positions in the farm or why women-owned businesses and cooperatives are still not a popular or feasible concept. This interesting point justifies the need to involve cooperatives and producers in dialogues and multi-stakeholder initiatives with downstream actors. It also illustrates why buyers must initiate discussions on how gender equality can be improved, to better understand the structural causes that must be addressed. For retailers own-brand chocolate products, this could be seen as part of capacity building, or included as part of supplier training.

Finally, the participants acknowledged that joint knowledge sharing between peers, also in different countries, is an effective way to transform the industry. The group mentioned that they want to see more cooperation between consuming countries to raise standards overall. As such, retailers should use their leverage to ensure chocolate value chain actors raise their procurement standards.

4.4.2.3 Further recommendations made by participants

In addition to the feedback provided by the group on the minimum-level and ideal-level RPPs, one participant mentioned that the solutions were missing a recommendation to ensure having a grievance mechanism available to producers. This participant mentioned that cooperatives want a platform where they can raise issues about the buyer to a third party, to communicate issues without fear of repercussions. Right now, they can only raise issues directly to their customer but, due to the power imbalances and low bargaining power, they do not feel comfortable doing so in fear of losing the customer. It was mentioned to the participants that this will be a requirement in the upcoming EU directives, but it is still essential that retailers know that producers prefer a third-party grievance mechanism. This can also be seen as a pro for retailers since they can better understand the potential issues existing within their value chains and help create tailored solutions to remediate them. As such, going forward with creating recommendations for retailers, it should be suggested that grievance mechanisms should be managed by third parties, so as to ensure confidentiality and no repercussions for producers. This way, producers will feel more comfortable sharing issues.

5 Conclusions and recommendations

5.1 Conclusions

The purpose of this study was to understand the influence of (grocery) retailers' purchasing practices on producers as well as to develop recommendations to the sector on improving those practices in a way that would directly benefit producers. Through conducting interviews with retailers, surveys with tier-1 suppliers, and workshops with producers, it was possible to identify the extent and impact of their influence, as well as develop common solutions for buying departments to employ.

To begin with, through the interviews with retailers, it was made clear that the level of influence supermarket buying departments have on producers depends on the complexity of the supply chain. It can be concluded from the interviews that:

1. The ability to make a marked impact on the suppliers lies with the buyers (sourcing managers) and quality managers. Sustainability departments, which often have limited

resources and capacity, and are often unable to influence the commercial activities of the business. Nonetheless, it was generally conceded by the interviewees that decisions on pricing and procurement are still decided on by top management, and as such, highly depend on showcasing commercial benefits, since, in the end, every company will look at its profit margins to determine buying decisions.

2. Retailers state that they have the most influence/leverage on those suppliers that they source large volumes from, and those they source directly from. For instance, in trader-intensive supply chains (e.g., cocoa, coffee, cashews), it is harder to identify the direct impact of the purchasing practices, than in more direct supply chains, for example in the case of tropical fruits, like bananas, where buyers "have sometimes fairly direct supplier relationships, sometimes sourcing directly from the growers".
3. There is no 'one-size-fits-all' approach to responsible purchasing, since each product category (i.e., fresh fruit and vegetables, processed products, textiles etc.) has different purchasing processes (criteria, circumstances), issues or risks, and different scopes.
4. Resulting from the last two points, it seems as though, beyond individual pilot projects, the compliance-based approach (e.g., certifications, audits) is more often the standard procedure for trader-intensive supply chains, whereas more direct supply chains allowed for more of an engagement-based approach (e.g., sustainable costing). Here, long-term partnerships with suppliers are seen as building trust and stability within the interactions between the two supply chain actors. One retailer mentioned that having such strong relationships makes it easier to ensure sustainability commitments vis-a-vis their suppliers are being addressed, since the close relationship implies more trust and open communication, making suppliers more willing to make the change.
5. At the same time, since supermarkets continue to view themselves as price takers (they are unable to influence the price of the goods they sell because they operate in a highly competitive market where prices are largely determined by factors outside of their control, such as the prices set by suppliers, the prices offered by competitors, and the overall level of demand in the market), they do not feel as though they have the ability to individually raise prices (of bananas, for instance). Instead, they point to the fact that systemic issues, like living wage or living income, cannot be solved alone and require multi stakeholder partnerships, between different value chain actors, governments and industries.
6. Such collaborations are also seen as useful for making it easier to internally "sell stuff upstairs", referring to upper management. Put simply, if everyone agrees to higher standards, then everyone will face fairly similar price changes, rather than putting downward price pressure. Additionally, if the living wage increase only applies to a small number of producers, it may not be enough to influence the market price of bananas overall. However, as mentioned by one retailer, "if you come together, you can actually have that level of leverage".

As such, it can be concluded that the level of influence the purchasing practices of retailers have on producers depends on three main factors:

1. The type of supply chain (i.e., more complex and trader-intensive or more direct)
    a. The more trader-intensive, the less likely it is that a direct impact can be identified and vice versa.
2. The number of peers and market actors (as well as the level of coordination between them) working to improve the sustainability of that specific commodity or supply chain.
    a. The more actors working to raise prices or improve a production practice, the more likely it is that the standard will change and a meaningful impact will be achieved.
3. The level of support received by upper management to continue integrating sustainability into the commercial activities of the business.
    a. For instance, those retailers that had implemented sustainable costing methodologies were also those that received more support from shareholders and top management, despite an initial decrease in profit margins.

Moreover, the interviews revealed the main responsible purchasing practices being employed by retailers, which was later substantiated through conducting polls during the retailer solution workshop. The most commonly employed RPPs include:

1. Especially for high-risk products or countries, employing or requiring certification and aligning with certification schemes like Rainforest Alliance, Fairtrade, GLOBAL.G.A.P. or amfori/BSCI, and conducting audits.
2. Including sustainability criteria in purchasing decisions. However, the weighting of this criteria varied, with it generally being preceded by traditional criteria like price, quality, quantity and service provision.
3. Ensuring coordination between sustainability and purchasing departments. In most cases, sustainability and purchasing departments were in regular dialogue. However, the sustainability team is limited to consulting or bringing forward recommendations, whereas the purchasing department is in most cases in charge of implementing those initiatives.
4. Providing training on human rights, environmental issues and responsible purchasing to buyers. Most retailers train their buying departments, while only a few train both their buyers and their suppliers.
5. Engaging with internal and external stakeholders on various sustainability issues, and knowledge-sharing with peers on challenges and best practices. These collaborative practices were mentioned as being valuable in accelerating initiatives and scaling impact.

The surveys with tier-1 suppliers substantiated the statement that retailers' purchasing practices do indeed influence the purchasing behaviours of their suppliers, in turn impacting production on the ground. The survey results demonstrated that:

1. The most detrimental practices included unfavourable trading practices of downstream actors, including unjustified quality claims, or claims not made aware of in advance.

2. Another indicator that the purchasing practices of retailers (negatively) impact production on the ground is that survey respondents indicated that sustainability was the least important to their customers, whereas price continues to be the top priority.
3. This impacts producers since it does not provide enough incentive or capital to engage in sustainable practices (i.e., paying a living wage, training suppliers, investing in gender-inclusive PPE).

Moreover, the discussions with the cocoa and banana producers also showed that the purchasing practices of retailers impact the sustainability of production. The producer workshops indicated that:

1. When making (sustainable) costing decisions, retailers should consult with suppliers to understand local contexts and prices (e.g., high inflation in Ghana, high costs of agri-inputs, increased costs due to climate change impacts, as well as highly contextual issues like costs associated with preventing drug trafficking in banana transport) to better understand what costs must be covered.
2. Cocoa cooperatives are still experiencing late and irregular (premium) payments, which must be penalised. Here, retailers can use their leverage to ensure that their chocolate suppliers adhere to the contractual terms. Moreover, cocoa producers state that they still receive last minute order changes, which are usually negative (i.e., a decrease in volumes). This is unacceptable as it disrupts the management of the farm, and presents issues for selling the remaining cocoa, particularly since surplus issues are already abundant in the industry (also due to lack of infrastructure like warehouses to store the cocoa).
3. Prices paid for cocoa are still too low which, aside from exacerbating poverty, discourages youth from becoming cocoa farmers. This has resulted in a growing fear of a dying cocoa industry, in turn presenting issues for retailers. Cocoa traders mentioned that they are also forced to pay lower prices due to downward price pressure from their customers.
4. The concern about price was also echoed in the banana workshop, where producers felt that the distribution of value along the chain was still uneven. However, they praised sustainable costing or cost-plus approaches like that of ALDI SOUTH Group's joint open book costing for promoting transparency and equal treatment. This shows that the costing and communication strategy of buyers is highly influential on producers. At the same time, Ecuadorian banana producers are often guaranteed higher wages due to better national labour laws. This highlights that national legislation and local governments have a meaningful impact on production practices.
5. Sustainable producers feel as though they are penalised for upholding more sustainable practices. It was mentioned that in the case of bananas, customers would switch to lower-cost producers since the price of sustainable bananas was higher.
6. Both cocoa and banana producers called for greater collaboration between downstream actors and, in general, across all stakeholders in the value chain. Amidst countless campaigns, initiatives, forums, regulations and directives, producers are still confused as to how such major discrepancies between customer purchasing practices can still exist.

For instance, cocoa producers are confused how some chocolate companies are still only required to pay the farmgate price, which is shown to not be sufficient in providing a decent standard of living. Other than being occasionally 'named and shamed', companies are not being penalised for failing to provide adequate wages. Collaboration and creating formalised standards of engagement would thus help transform the sustainability of food supply chains by creating a more level playing field and promoting positive competition (e.g., retailers paying higher prices for bananas).

7. This latter point of improving collaboration between stakeholders for respective commodities can also address potential inefficiencies with governments or governmental agencies in producing countries (like those issues with COCOBOD expressed throughout the cocoa workshop). Producers expect that retailers and other downstream actors can use their leverage and power to influence national regulations. This is further justified by the fact that, within the realm of HRDD, businesses have a responsibility to act and make use of their leverage, regardless of whether they are causing, contributing to, or linked to, the impact (OHCR, 2011).

As such, it can be concluded that the purchasing practices of retailers do indeed impact the degree of sustainable production, whether it is by directly improving the incomes and well-being of the farmers, developing fair contractual terms and adhering to those terms, investing in professionalisation and training of suppliers, incentivising other market actors to act similarly, or using their leverage to ensure that human and environmental rights are respected by all actors throughout the value chain. The final section of this report will lay out these recommendations in detail, while also noting on the potential impact each can have on the lives of producers.

5.2 Recommendations

Based on these conclusions, as well as the discussions held in the solutions workshops on evaluating the recommended RPPs, it is now possible to formulate the final recommendations regarding retailer RPPs. These recommendations are presented in the table below, which outline each practice and provide information on how this would potentially impact producers. The recommendations are no longer divided into the 'minimum-level' RPPs and 'ideal-level' RPPs. This is done to prevent retailers from considering just the minimum-level recommendations, and instead see all recommendations as necessary to create a sustainable food system. By employing these RPPs or considering how to integrate some of these practices into their own business models, retailers can demonstrate that they do not just consider producers as essential workers, but also treat them as such.

Table 5: Recommended RPPs

	Responsible purchasing practice	*Impact on producers*
Purchasing practices	**Pay a living income.** To do this, you can either make use of various tools to calculate the income gap and understand what consists of a living income. For instance, GIZ's Living Income Reference Price Estimator estimates the price required to achieve various income benchmarks such as living income under different conditions. Other tools include Fairtrade's Living Income Reference Price, which represents the price a typical farmer household with a viable farm size and a sustainable productivity level needs to earn a living income from the sales of their crop. Many retailers struggle to obtain accurate data from suppliers, and many suppliers struggle with making educated estimates for calculating living income. As such, using intermediaries (e.g., of local partners, (N)GOs, CSOs) can help validate the data while building trust between the actors in the supply chain.	● Earning a decent livelihood is a human right and is outlined in the UN Guiding Principles on Business and Human Rights. ● A living income is central to sustainability as it provides producers with enough capital to invest in sustainable production practices ● Throughout the cocoa producer workshops, it was made evident that this is an indispensable aspect in their eyes: if there is no living income, there will be no change to the sector.
	Close living wage gaps. You can do this by actively participating in the Global Living Wage Coalition or use the IDH Salary Matrix, which helps you calculate your living wage gaps, as well as the GIZ Living Wage Costing Tool, which builds on the IDH Salary Matrix and offers various simulations to analyse the direct cost implications for producers to pay workers a living wage. What is more, you can also make use of local partners, (N)GOs, CSOs, to validate farmers' data and make premium calculations.	● Ensures that workers are treated fairly, rural communities are economically vibrant, and agricultural practices are environmentally sustainable. ● A concern amongst Ecuadorian banana producers was that in providing living wages to their workers, they became less desirable on the market and so they lost customers. This indicates the need for more unified purchasing strategies.
	Employ strategic sourcing by integrating sustainability criteria into purchasing decisions, in addition to traditional criteria like price, service, quantity and quality. Ideally, sustainability criteria should have the same (if not higher) weighting as the other criteria. This prevents buying departments from seeking out low(er) cost suppliers, which penalises those suppliers who are adapting to, or already employ, sustainable production.	● Incentivises suppliers to invest in continuous improvements ● Rewards those business partners that have good sustainability management systems in place. ● Requires transparency regarding how suppliers are on-boarded and approved (as well as devising responsible exit strategies should there be shortcomings around sustainability issues).
	Ensure prices paid reflect the costs of sustainable production. You can refer to Fairtrade's guideline for estimating costs of sustainable production.	● Production costs only increase as producers adapt to problems caused by climate change. This strongly impacts smallholders, who have lower production volumes and slimmer profit margins. ● Suppliers should not have to both "absorb the consequences of global buyers' unsustainable purchasing practices and reduce their own profitability – all in the name of sustainability" (Khan et al., 2020, p. 766).
	Cease extremely cheap offers of products	● Marketing should be sustainably driven, and supermarkets should aim to make claims around the positive impacts of products, rather than assume consumers are entirely price-driven.

	Sustainable costing e.g., cost-plus costing or using joint open-book costing (JOBC), which involves jointly setting adequate cost factors, identifying sustainable benchmarks, considering critical price developments for all relevant costs (e.g., packaging, fuel, logistics, agro-inputs).	● Encourages collaboration and transparency ● Enables suppliers and buyers to work together to identify and address environmental and social sustainability issues in the supply chain. ● Suppliers and buyers can help to create a more sustainable and equitable agricultural system that benefits both the environment and local communities. ● Prices paid to suppliers are fairer and more accurately reflect sustainable production costs. ● Directly benefits producers and workers, instead of the money being absorbed along the supply chain
	Ensure formalised standards in purchasing policies which cover a variety of finished products and raw ingredients. This stems from the consideration that retailers continue to focus on a select few commodities or raw ingredients.	● A more comprehensive approach should be taken to guide all purchasing activities, in turn incentivising all supply chain actors to behave more sustainably as it becomes an industry-wide standard.
	Make use of credible, third-party, certification schemes (ideally those that integrate the topic of living income or wage).	● Those suppliers with certifications had better sustainability practices in place ● But certifications still do not address structural issues like poverty. Not a sufficient solution by itself nor aligned with upcoming EU legislation on due diligence
Fair contractual terms	**Ensure supplier codes of conduct are upheld (i.e., via due diligence).** While most retailers and tier-1 suppliers noted this was a common contractual practice, it should be noted that supplier due diligence (including stakeholder engagement) is required to ensure that these commitments are indeed being upheld.	● Creates transparency around financial, human rights, and environmental values that a company holds and extends these commitments to their suppliers. ● Especially in countries with weaker judicial systems, codes of conduct assist in maintaining a minimum labour and environmental standard.
	Conduct social audits to ensure compliance with basic social sustainability criteria, like providing PPE and bathroom facilities.	● When producers undergo social audits, they are encouraged to implement more sustainable and ethical practices. ● Social audits also necessitate engagement with other actors, including customers, allowing for collaboration on sustainability improvements.
	Clear, transparent and long-term contracts and partnerships, where product specifications and contracting terms and procedures are **made alongside the supplier.**	● Allows for stability and predictability, provides access to resources and other forms of support ● Improves trust ● Allows producers to make long-term investments in their operations.
	Seasonal planning	● Leads to a higher degree of certainty about demand, which in turn leads to better planning and pricing. ● Directly benefits producers by increasing revenue, reducing risk and improving bargaining power.

	Avoid last minute changes to contracts and **respect all contractual obligations**, including paying on time, and at the right time. **Uphold the UN Guiding Principles on Business and Human Rights throughout the entire supply chain**, which include paying a decent income and promoting gender equality.	● Improves financial stability, bargaining power and trust ● By addressing low incomes and gender inequality, companies can contribute to mitigating the systemic causes of poverty and unsustainability of agriculture. ● Low incomes and high levels of inequality make it harder to increase productivity, reduce poverty, and produce sustainably.
Engagement and coordination	**Engage in dialogue with suppliers** to identify the context-specific challenges and understand whether procurement can help play a role in tackling these obstacles. If not, buyers can use the knowledge gained to address the issues in a multi-stakeholder initiative or forum (e.g., GISCO, World Banana Forum, Retailer Cocoa Collaboration etc.)	● Engaging with suppliers builds trust which is essential for effective and impactful relationships with suppliers
	Have a trusted partner on-the-ground, who can connect (especially small-scale) producers with European companies.	● Useful for building trust and seeing through projects or initiatives in an effective manner. ● Helps with collecting and verifying data for closing living wage and living income gaps.
	Coordination between sustainability goals and commitments and purchasing departments, as well as upper management and shareholders, is crucial for successfully integrating sustainability into purchasing decisions	● Ensures that sustainability commitments are implemented, creating countless benefits for suppliers (improved income, reduced financial risk, willingness and resources to invest in sustainable purchasing practices). ● Having support from top management can also ensure sustainability is ingrained into the commercial activities of the business, increasing the possibilities of positive impacts on producers in a variety of supply chains.
	Training should be provided to buyers and suppliers. Another possibility is to conduct **joint training sessions** (with buyers and suppliers), which would ensure that all supply chain actors are in the loop and up to date on industry standards, sector issues.	● Those retailers who provide training to buyers have more comprehensive sustainable sourcing strategies ● Those retailers who have provided training to suppliers have better relationships, a good understanding of existing challenges ● Both buyers and suppliers can benefit from joint training sessions, since this could lead to recognition of efforts and better understanding of what is expected and possible by each side.
	Invest in knowledge sharing opportunities with other retailers (also in other countries).	● Collaboration between retailers from several countries can help drive the living income/wage agenda e.g., Germany, Netherlands, Belgium, UK, increasing the chances of normalising higher incomes for producers.
	Provide producers access to a **third-party grievance mechanism.**	● Grievance mechanisms should be managed by third parties, to ensure confidentiality and no repercussions for producers.

	Work with peers and other stakeholders to **develop supplier living wage databases** to help verify living wage data	● Co-invest in opportunities to improve living wage verification in major production countries which will facilitate retailers in closing the living wage gap.
Ensuring effective KPIs or metrics	**Create effective KPIs to measure the impact of changed procurement practices.** Focus should be placed on tracking how the actions they are taking are leading to actual positive outcomes for people (e.g., the number of people who are now being paid a living wage because of favourable changes to purchasing policies or to a supplier's contract)**.**	● KPIs that measure outcomes for people, in a qualitative way, will ensure that initiatives or RPPs effectively address the needs of the stakeholders and allowed for continuous improvement
	Integrate sustainability into performance appraisals of buyers, including metrics like supplier turnover rates, price changes from one cycle to the next, supplier feedback, frequency of price renegotiations and number of producers earning a higher income.	● By including these sustainability metrics into buyers' performance, purchasing departments are appropriately incentivized when making purchasing decisions. ● This means that sustainability will likely become a larger factor in purchasing criteria, in turn incentivizing suppliers to improve their practices.
	Include sustainability metrics into evaluations of product success. Alongside metrics like sales volumes, revenues and profitability, or market share, it could be interesting to add sustainability metrics into the equation (e.g., the social impact of selling the living income chocolate bar, including the well-being of the farmers as a result of earning a living income, assessing their access to healthcare, education and adequate housing; tracking the number of children who are attending school etc.).	● Adding sustainability metrics incentivises a larger number of producers to produce sustainably.
	Employ gender mainstreaming, including ensuring that gender considerations are integrated into the planning and design of procurement processes. Here, it is essential that retailers **collect gender-disaggregated** data to better understand workforce demographics, farmer roles and positions, pay gaps, and access to resources and collective bargaining at the different levels of production in the supply chain.	● By addressing the systemic issues preventing women from playing a more decisive role in agriculture, companies can contribute to closing the gender gap.

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7 Appendix

7.1 Interview questions

1. Assessing retailers' understanding of the topic

In your opinion, what do unfair or unsustainable purchasing practices entail? Can you give some examples?

In your opinion, what do you think the impact of these unfair practices is on producers, if any?

On the other hand, what do responsible, fair or sustainable purchasing practices entail? Can you give some examples?

2. Procurement Process & Department

What factors contribute the most to your buying decisions? (e.g., price, quality, sustainability)

Do you have specific KPIs around sustainable purchasing? What are those? Are buyers incentivized to employ responsible or sustainable purchasing practices?

Has your company developed any concrete 'sourcing principles' when making purchasing decisions? If so, what are they?

What topics do you engage suppliers on most of the time? *E.g., do you more often engage suppliers on human rights and decent work (or is it mainly about price, quality and timelines)?*

What percentage of your own-label products are certified with an applicable sustainability standard (e.g., Fairtrade, organic, Rainforest Alliance or Utz, amfori BSCI, ETI/SMETA, SA 8000, EU Ecolabel etc.)?

Does the company provide training to relevant departments (e.g., the buying team) on the challenges associated with various commodity supply chains, including human rights, modern slavery, and environmental issues?

3. Challenges & Barriers

What challenges do you encounter when making purchasing decisions?

Do you find that there is an implementation gap between your company's sustainable supply chain initiatives and what the purchasing department is actually able to implement?

Have you ever discussed or worked with a supplier on improving performance with respect to decent work, human rights, or environmental impact? If yes, then please elaborate on your experience of discussing or improving this change: what challenges have you encountered? What worked when trying to get engagement? If it did not work, why do you think that is?

4. Opportunities

In your view, is responsible purchasing—where environmental and social impacts are also included in purchasing decisions—becoming more of a mainstream practice within buying departments, or is it still mainly part of sustainability initiatives and goals developed by those departments at the company?

Can you highlight one best practice your company embraces in regard to responsible procurement?

5. Exploratory question

Do you think it is possible that retailers like yourself are also able to influence the purchasing practices of the branded products they sell? If yes, how? If not, why not?

7.2 Survey questions

Company Background

1. Please enter your company's name.
2. Please enter your role/position at the company.
3. Please enter where your company is located.
4. Which of the following best describes your business operations?
   a. Trader
   b. Processor
   c. Exporter
   d. Importer
   e. Wholesaler
   f. Integrated Supply Chain
   g. Other (specify)

The influence of retailer's purchasing practices

5. Which of the following do you perceive as being the most influential to your procurement and purchasing practices?
   a. Customer demands/requirements
   b. National legislation
   c. Your company's own policies, standards, and values
   d. Practices of your peers
   e. I don't know
   f. Other (specify)
6. To what extent do the policies, practices and initiatives of your customers influence your own purchasing decisions?
   a. A great deal
   b. A lot

    c. A moderate amount
    d. A little
    e. None at all
7. In your opinion, what factor contributes the most to increasing the risk of human rights and environmental issues upstream of your supply chain?
    a. Lack of capital to invest in best practices to ensure high human rights and environmental standards
    b. Lack of knowledge on best practices to ensure high human rights and environmental standards
    c. Lack of national legislation ensuring high human rights and environmental standards
    d. Unfavourable trading practices of downstream actors (e.g. fluctuating demand, downward price pressures)
    e. Unwillingness or inability of upstream actors to improve on human rights and environmental issues
    f. Other (specify)
8. In your view, which of the following aspects are the most important for your customers when making purchasing decisions? Please rank these in order of importance (1 being most important; 4 being least important).
    a. Price
    b. Quality
    c. Sustainability
    d. Quantity
9. Which of the following trading practices have you experienced in the last two years? Select all that apply.
    a. Long payment delays
    b. Unjustified quality claims or rejections of produce on the bases of quality claims not known in advance
    c. Short term contracts
    d. Return of unsold products
    e. Unilateral contract changes by the buyer
10. Does your customer require you to sign a Supplier/Business Partner Code of Conduct, or a Responsible Purchasing Policy?
    a. Yes
    b. No
11. If yes, how do your customers ensure compliance with their Code of Conducts and purchasing policies?
    a. Onboarding/screening via risk assessments

b. Unannounced audits
c. Announced audits
d. Giving you (and your workers) access to a grievance mechanism
e. Periodically requesting information on your suppliers
f. Consulting your suppliers directly
g. They do not monitor or ensure compliance with the signed Code of Conduct
h. Other (specify)

12. Do your customers conduct their procurement practices in such a way that allows you to enhance fairness in trade and towards your producers? Please indicate those practices that they adhere to in the list below.
    a. Insight into future orders
    b. Consistent monthly order volumes
    c. Mid-to-long-term buying commitments
    d. Contracts are upheld to the end of their term
    e. Clear and fair payment terms
    f. Availability of pre-finance
    g. Price premiums for sustainability investments
    h. Providing enough lead time
    i. Timely approvals
    j. None of the above
13. Which of the following accurately describe your communication with your customer(s)? Select all that apply.
    a. Promotes two-way dialogue
    b. Seeks your input for decision-making
    c. Good personal relationships
    d. Mutual respect
    e. Trust
    f. None of the above
14. Do your customers require you to hold any certifications?
    a. Yes
    b. No
    c. I don’t know
15. If yes, please indicate the certifications that your customers require of you. Select all that apply.
    a. Fairtrade
    b. Rainforest Alliance/UTZ
    c. Amfori BSCI
    d. SMETA/ETI

e. GLOBAL G.A.P.
f. SA 8000
g. Bio/Organic
h. EU Ecolabel
i. Other (specify)

16. Please indicate those topics that your customers engage with you on. Select all that apply.
    a. Living income/ Living wage
    b. Gender equality
    c. Child labour
    d. Forced labour / Modern slavery
    e. Pollutants arising from fertilisers and pesticides
    f. Soil degradation
    g. (Loss of) Biodiversity
    h. Deforestation and illegal logging
    i. Traceability
    j. Other (specify)
    k. None of the above
17. In what way do customers engage with you on these issues? Select all that apply.
    a. Providing training on the topics
    b. Conducting due diligence
    c. During contract negotiations
    d. Introducing collaborative projects
    e. Through joint multi-stakeholder initiatives(e.g. Retailer Cocoa Collaboration, World Banana Forum, ETI, Consumer Goods Form, Sustainable Agriculture Initiative (SAI) Platform etc.)
    f. Our customers do not engage in any of the issues with us
    g. Other (specify)
18. Which of the following statements is most applicable to you?
    a. Most of the time, our customers are the ones who engage us on sustainability issues / initiatives
    b. Most of time time, we engage our customers on sustainability issues/ initiatives
    c. Our customers do not engage with us on any sustainability issues/ initiatives
    d. We do not engage our customers on sustainability issues / initiatives
    e. Neither we nor our customers engage on any sustainability issues / initiatives

7.3 Ghanaian cocoa workshop structure

Participants:

- Coops/farmers:
    - Asunafo Cocoa Farmers board, mgt., farmers
    - Kukuom Fairtrade Cocoa board, mgt., farmers
    - Wassa East Cocoa board, mgt., farmers
- LBCs
- Cocoa traders
- COCOBOD

10-12am: Workshop with coops/farmers

- Intro
    - Introducing ourselves
    - Outline what will be discussed
    - Icebreaker
- Background context
    - Why this study? Value, where results will be etc.,
    - Reassure that what is said will not have repercussions on them
- Preliminary findings
    - Desk research results
    - Interview results (which are also anonymized to reconfirm the way Inclsve works with confidentiality and no potential repercussions)
    - Potential survey results
    - Discussion surrounding preliminary results
        - How do the participants interpret the results?
- Assessment/diagnosis of current situation
    - How do producers experience the impacts from the purchasing practices of upstream supply chain actors
    - Which purchasing practices are most detrimental, by which actors and why?
    - Which purchasing practices, from which entities in the supply chain, support sustainable production?
- Identification of improvement points *(in potential breakout sessions, depending on # of participants)*
    - What can be improved?
    - Living income: assess issues with calculating gap, actual income etc., as well as problems with closing gap and potential methodological issues
- Identification and prioritization of concrete improvement actions *(together)*
    - Summarising breakout sessions and bringing together priority action points
- Conclusions & thank you

1-2pm: Workshop with LBCs

- Intro
    - Introducing ourselves
    - Outline what will be discussed
    - Icebreaker
- Background context
    - Why this study? Value, where results will be etc.,
    - Reassure that what is said will not have repercussions on them
- Preliminary findings
    - Desk research results
    - Interview results
    - Potential survey results
    - Discussion surrounding preliminary results
        - How do the participants interpret the results?
- Assessment/diagnosis of current situation
    - How do producers experience the impacts from the purchasing practices of upstream supply chain actors?
    - Which purchasing practices are most detrimental and why?
    - Which purchasing practices support sustainable production?
    - What are the benefits of LBCs in ensuring sustainable production?
    - How can downstream actors support LBCs in improving sustainability of cocoa production? What is needed?
- Identification of improvement points *(in potential breakout sessions, depending on # of participants)*
    - What can be improved?
- Identification and prioritisation of concrete improvement actions *(together)*
    - Summarising breakout sessions and bringing together priority action points
- Conclusions & thank you

3-4pm: COCOBOD

- Intro
    - Introducing ourselves
    - Outline what will be discussed
    - Icebreaker
- Background context
    - Why this study? Value, where results will be etc.,
    - Reassure that what is said will not have repercussions on them
- Preliminary findings
    - Desk research results
    - Interview results
    - Potential survey results
    - Discussion surrounding preliminary results
        - How do the participants interpret the results?

- Assessment/diagnosis of current situation
    - How do producers experience the impacts from the purchasing practices of upstream supply chain actors?
    - Which purchasing practices are most detrimental and why?
    - Which purchasing practices support sustainable production?
    - How does COCOBOD support sustainable practices?
        - e.g., through training coops, through advocating to companies/consuming countries, raising prices, creating traceability systems?
    - How can downstream actors support COCOBOD and cocoa-producing governments in improving sustainability of cocoa production? What is needed?
- Identification of improvement points *(in potential breakout sessions, depending on # of participants)*
    - What can be improved?
- Identification and prioritisation of concrete improvement actions *(together)*
    - Summarising breakout sessions and bringing together priority action points
- Conclusions & thank you

4-5pm: Traders

- Intro
    - Introducing ourselves
    - Outline what will be discussed
    - Icebreaker
- Background context
    - Why this study? Value, where results will be etc.,
    - Reassure that what is said will not have repercussions on them
- Preliminary findings
    - Desk research results
    - Interview results
    - Potential survey results
    - Discussion surrounding preliminary results
        - How do the participants interpret the results?
- Assessment/diagnosis of current situation
    - How do the purchasing practices of your customers influence your trade relations with producers?
    - Which purchasing practices are most detrimental and why?
    - Which purchasing practices support sustainable production?
    - How can downstream actors support you in improving sustainability of cocoa production? What is needed?
- Identification of improvement points *(in potential breakout sessions, depending on # of participants)*
    - What can be improved?
- Identification and prioritisation of concrete improvement actions *(together)*

    - Summarising breakout sessions and bringing together priority action points
- Conclusions & thank you

7.4 Ecuadorian banana workshop structure

Split in 2 sessions:

1) Banana farmers (invite sometimes through the exporters)
2) Banana exporters

And **consider a 3rd session with traders** like Fyffes, Dole, Chiquita – or use the outcome of the interviews and surveys for this.

<u>Agenda set-up workshop with banana farms:</u>

- *Introduction with presentation – aim research and workshop – clearly explaining it from perspective of farmers / workers*
- *Discuss Purchasing practices, incl giving an example to set the scene:*
- Which purchasing practices are most detrimental, by which actors and why?
- How do you as producers experience the impacts from the purchasing practices of these actors?
- Which purchasing practices, from which entities in the supply chain, support sustainable production?
- Positive and negative purchasing practices that are experienced?

- *Gender equality:*
- Do you have a gender policy in place? If yes, who initiated this policy?
- Do you have any measures to support women during working hours regarding safety, health and childcare?
- Do your customers request information about gender ratios at your company (i.e., how many female farmers, how many women own land, or women in management positions)
- What initiatives (if any) do you have in place regarding enhancing women's empowerment or promoting gender equality? Who initiated them?
    - *Youth:*
        - How do you engage or create opportunities for youth farmers or workers?
        - Do you have any initiatives to attract female youth farmers?
        - How do you retain young workers? Is it difficult? Why?

    - How can improved purchasing practices help attract more youth?

- *Living Income/wage:*
- Do you feel this is an important topic for your customers?
- Do your customers make a marked effort to help achieve living income for you as a farmer or improve wages for farm workers?
- What is the most challenging aspect about calculating and implementing living income and living wages from your perspective?

- Solutions:
- What should be improved?
- What do you need and want from which actors to improve sustainability?
    - Customers?
    - Trade unions?
    - Government?
- Do you get support to achieve representation and collective bargaining?
- Do you think that in-kind measures help improve production conditions? Can you provide some examples?

<u>Workshop with banana exporters:</u>

- Introduction with presentation *clearly explaining it from perspective of exporters*

What is the biggest challenge facing banana producers today?

What are some unfair trading practices?

- Examples and what impact do these have?

What kind of unfair trading practices have you experienced?

Discussion:

- What is your role in ensuring sustainable production? And how do you see your own sphere of influence? What is your responsibility?
- What do you see as doable sustainable and responsible purchasing practices in the banana supply chain?
- Which of those are the most urgent ones?
- What is your responsibility in avoiding unfair trading practices?
- Have you heard of the German Due Diligence Act or other due diligence legislations? Do you think that the (German) Act on Corporate Due Diligence Obligations in Supply Chains

will be a burden and/or a barrier to market entry for smallholders, or will it have more positive effects? What would it take for implementation to be beneficial for farmers?

- Have you heard of the German Due Diligence Act or other due diligence legislations? If yes, what implications does this have for you?
-

Solutions

- What trading practices of your buyers should be improved to achieve more sustainable production?
- What do you need and want from which actors to improve sustainability?
    - Buyers?
    - Trade unions?
    - Government?
- What role do smallholders play in your supply? And what role do they play in terms of sustainability?
- In your view, what challenges do they face and how can these issues be tackled?
- Do you see long-term-contracts as a possible measure to strengthen the position of smallholders?
- Do you see any relation between long-term contracts and quality issues?

7.5 Survey results