GATEWAY 2 FAIR TRADE FASHION

COMPLIANCE AND EU REGULATION

A PRACTICAL GUIDE TO NAVIGATING NEW EU SUSTAINABILITY REGULATIONS

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GATEWAY TO FAIRTRADE FASHION

IS A COLLABORATIVE INTERNATIONAL INITIATIVE WORKING TO STRENGTHEN THE VISIBILITY, RESILIENCE, AND MARKET ACCESS OF FAIR TRADE FASHION PRODUCERS AND ARTISAN ENTERPRISES WITHIN THE GLOBAL FASHION ECOSYSTEM.

The project supports WFTO members, through practical tools, capacity building, brand matchmaking, and collaborative sourcing approaches that promote transparency, responsible production, craftsmanship, and long-term partnership building.

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INTRO.

THE RULES OF FASHION ARE CHANGING

The European Union is introducing a new generation of sustainability regulations designed to improve transparency, protect human rights, reduce environmental harm, and accelerate the transition towards a more circular economy.

For many fashion producers, these changes can seem complex and overwhelming. New requirements, unfamiliar terminology, and evolving expectations from buyers are reshaping how products are designed, sourced, manufactured, marketed, and sold.

Yet for many Fair Trade enterprises, these regulations are not introducing entirely new ideas. Principles such as transparency, fair trading practices, respect for people and the environment, long-term relationships, and responsible production have been at the heart of Fair Trade for decades.

This toolkit was developed to help bridge the gap between emerging regulatory requirements and the day-to-day realities of artisan enterprises, cooperatives, social enterprises, and ethical fashion producers.

Rather than providing a legal interpretation of the regulations, this guide offers an accessible introduction to the key policies shaping the future of fashion and explains what they may mean in practice for Fair Trade organisations and their partners.

The goal is not to create compliance experts. It is to help producers understand the direction of travel, prepare gradually, and recognise the opportunities that these changes may create.

Because the future of fashion will increasingly reward transparency, responsibility, and traceability — values that Fair Trade enterprises have long championed.

And that future is already taking shape.

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01/ What This Toolkit Is & How to Use It

A practical resource designed to help Fair Trade enterprises navigate a changing regulatory landscape.

The regulations covered in this toolkit vary in scope and relevance. Some may apply directly to your products or supply chain, while others may influence buyer requirements and future market expectations.

You do not need to become a legal expert to use this guide. Instead, use it as a practical reference to understand emerging requirements, identify what is most relevant to your organisation, and prepare step by step.

Throughout the toolkit, you'll find regulatory summaries, practical explanations, key takeaways, and recommended actions designed specifically for Fair Trade enterprises.

1.1 Why this toolkit exists

The fashion industry is entering a new era of accountability. New EU regulations aim to improve transparency, protect people and the environment, reduce waste, and support the transition to a more circular economy.

For many producers, these developments can seem complex. This toolkit provides an accessible introduction to the key regulations shaping the future of fashion and what they may mean for Fair Trade enterprises.

1.2 Who this toolkit is for

Fair Trade producers & artisan enterprises
You want to understand how emerging regulations may influence buyer expectations, market access, product development, and supply chain transparency.

Cooperatives, SMEs & social enterprises
You are looking for practical guidance to strengthen documentation, improve traceability, and prepare for evolving compliance requirements.

Brands, buyers & sourcing teams
You want a clearer understanding of how these regulations may affect supplier relationships and future sourcing expectations.

1.3 What's inside

This toolkit provides an overview of the key EU regulations shaping the future of fashion, including CSDDD, EUDR, ESPR, and emerging requirements around sustainability claims and product transparency.

Alongside summaries of each regulation, you'll find practical explanations, key takeaways, and guidance to help Fair Trade enterprises understand what these changes may mean in practice and how to start preparing for them.

02/ UNDERSTANDING THE NEW EU REGULATORY LANDSCAPE

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WHY ARE SO MANY NEW REGULATIONS EMERGING?

The European Union is introducing a new generation of sustainability regulations to address some of the fashion industry's most pressing challenges, including climate change, environmental degradation, human rights risks, overproduction, waste, and a lack of transparency within global supply chains.

Together, these regulations aim to create a more responsible, transparent, and circular economy while helping consumers and businesses make better-informed decisions.

While each regulation has a different focus, they are all part of a broader shift towards greater accountability throughout the value chain.

PEOPLE
PLANET
PRODUCTS
TRANSPARENCY

2.1 HOW THE REGULATIONS FIT TOGETHER

The new EU regulatory landscape can feel complex at first. While each regulation focuses on a different aspect of sustainability, they are designed to work together to create more responsible, transparent, and circular supply chains.

2.2 HOW THE REGULATIONS FIT TOGETHER

2.3 WHY THIS MATTERS FOR FAIR TRADE ENTERPRISES

Many Fair Trade organisations already operate according to principles that align closely with the direction of these regulations, including transparency, responsible sourcing, fair trading practices, long-term partnerships, and respect for people and the environment.

However, buyers and regulators will increasingly expect these practices to be documented, measured, and communicated more clearly.

Understanding these regulations now can help organisations prepare gradually, strengthen relationships with buyers, and identify new opportunities within a changing marketplace.

2.4 WHY FAIR TRADE ENTERPRISES ARE ALREADY AHEAD

Many Fair Trade enterprises already operate according to principles that closely align with the direction of these regulations. Transparency, responsible sourcing, fair trading practices, long-term partnerships, and respect for people and the environment have been embedded within Fair Trade systems for decades.

While new regulations may introduce additional documentation, traceability, and reporting requirements, many Fair Trade organisations are not starting from zero. They are building on existing practices and values that increasingly matter to buyers, consumers, and regulators.

Rather than viewing compliance solely as a challenge, Fair Trade enterprises can see it as an opportunity to strengthen their market position and demonstrate the value of their approach.

2.5 WHAT BUYERS WILL INCREASINGLY LOOK FOR

As regulations evolve, brands and retailers will need greater visibility into their supply chains and stronger evidence to support sustainability claims.

- ✓ INFORMATION ABOUT THE ORIGIN OF MATERIALS AND PRODUCTS
- ✓ GREATER TRANSPARENCY AND TRACEABILITY THROUGHOUT PRODUCTION
- ✓ EVIDENCE OF SOCIAL AND ENVIRONMENTAL PRACTICES
- ✓ CLEAR POLICIES AND DOCUMENTATION
- ✓ INFORMATION THAT SUPPORTS DUE DILIGENCE REQUIREMENTS
- ✓ PRODUCT DATA THAT CAN CONTRIBUTE TO DIGITAL PRODUCT PASSPORTS
- ✓ VERIFIABLE SUSTAINABILITY COMMUNICATIONS AND CLAIMS

03/ CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

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3.1 CSDDD AT A GLANCE

What is it?
The Corporate Sustainability Due Diligence Directive (CSDDD) is an EU law that requires in-scope companies to identify, prevent, mitigate, and address adverse human rights and environmental impacts throughout their supply chains.

They must conduct their due diligence using a risk-based approach, consisting of three key steps:

- Scoping exercise to identify areas in supply chain with potential risks.
- An in-depth assessment of those areas where a negative impact is most likely and most severe.
- Prevention, mitigation and remediation measures.

Who does it apply to?
The law applies directly to large companies operating within the European Union. Large companies consists of EU companies with > 5000 employees, €1.5 billion net worldwide turnover and non-EU companies with net turnover in the EU market above same amount.

Goal of Directive:
To encourage greater corporate accountability and responsible business conduct by ensuring that companies actively manage social and environmental risks.

What does it focus on?
✓ Human rights
✓ Working conditions
✓ Child and forced labour
✓ Environmental impacts
✓ Supply chain accountability

Why should Fair Trade enterprises care?
Even when not directly covered by the directive, suppliers and production partners may increasingly be asked to provide information that supports buyer due diligence requirements.

3.2 KEY TAKEAWAYS FOR FAIR TRADE ENTERPRISES

Keep clear supplier and production records

Document existing social and environmental practices

Review internal policies and procedures

Organise information buyers may request

Communicate openly and transparently with partners

Companies are increasingly expected to understand and manage the human rights and environmental impacts connected to their value chains, and suppliers will play an important role in providing that visibility.

3.3 WFTO Europe Regulatory Guidance

Information requests under step 2: in-depth assessment
As part of step 2, companies may seek additional information from suppliers or producer organisations. If a business partner has < 5000 employees, a company may only send targeted information requests where relevant and necessary information cannot reasonably be obtained through other sources.

What a reasonable request may look like:
A large food company sources cotton from a Fair Trade enterprise working with cotton producer organisations. Through its CSDDD risk assessment, the buyer identifies child labour as a salient risk in the cotton sector and sourcing region. After reviewing available sources, including certification information and public reports, the buyer cannot confirm whether the relevant producer organisation has a child labour monitoring and remediation system in place. It sends one targeted request:

"Please confirm whether the producer organisation supplying this cotton is covered by a child labour monitoring and remediation system, and share the latest available summary of findings or corrective actions."

This request is likely to be reasonable because it is linked to a specific identified risk, asks for limited and relevant information, and concerns information the buyer could not reasonably obtain elsewhere.

Disproportionate request
By contrast, a buyer sends the same Fair Trade enterprise a broad 60-page questionnaire covering all human rights, environmental, climate and governance topics, without explaining any specific risk identified in the supply chain. This is unlikely to be reasonable for a business partner with fewer than 5,000 employees. The request is not targeted, is not clearly linked to an identified risk, and would require the supplier to generate extensive new information.

Corrective action and remediation
In case a company identifies that a supplier or producer is in an area with severe and likely risks, they must take measures to prevent these risks, or if already taking place, mitigate and remediate the adverse impacts.

To do so, companies may set up a corrective action plan, implement capacity-building practices or change their business practices. Ending a business relationship altogether is generally considered a measure of last resort.

Relation to CSRD
You may also have heard of the CSRD, or the Corporate Sustainability Reporting Directive. The CSRD is distinct but often discussed in tandem with the CSDDD.

Both directives introduce measures to improve transparency and accountability. While the CSDDD is focused on identifying and addressing negative environmental and human rights impacts, the main aim of the CSRD is to improve the quality of reporting data.

The CSRD specifically requires that large in-scope companies report on environmental, social, and governance (ESG) impacts of their activities using the European Sustainability Reporting Standards (ESRS).

Reporting companies may need additional information from their business partners. To protect smaller undertakings from disproportionate requests, the CSRD introduces a Value Chain Cap. Companies may not request information that goes beyond what is contained within the Voluntary SME Standard (scheduled for adoption in mid-2026). Smaller undertakings remain free to voluntarily share information relevant for CSRD reporting companies.

Potential advantages for Fair Trade companies
Due diligence is about managing risks and impacts. While there are limits on what companies can ask under the CSDDD and CSRD, making your Fair Trade practices more visible can be beneficial.

04/ EUDR – EU DEFORESTATION REGULATION

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4.1 EUDR AT A GLANCE

What is it?
The European Deforestation Regulation (EUDR) is designed to prevent the selling of products on the European market that are linked to deforestation or forest degradation. Compliance is essential to prevent losing access.

What products are covered?
Cocoa: cocoa beans, chocolate
Coffee: coffee products
Wood: timber, furniture, paper products
Rubber: rubber products
Soy: soybeans, soy products
Palm oil: palm oil ingredients
Cattle: beef and leather

What does it require?
Products must be:

1. Deforestation-free
2. Produced in accordance with local laws,
3. Covered by a due diligence statement

Who is affected?
If you work with in-scope products, you have to comply with the regime. The EUDR introduces a three-tier benchmarking system to assess the risk of deforestation. Countries on the list are classified as low or high risk. Countries not included are classified as standard risk. You can access the implementing act with the list, which is subject to revision, here.

If the products or derivatives are produced in **low-risk countries,** operators benefit from a **simplified due diligence regime**. This means that they must still collect the information required under the Regulation and assess the complexity of the supply chain, as well as the risk of circumvention or mixing with products of unknown origin. However, they are not required to carry out the formal risk assessment and risk mitigation steps set out in Articles 10 and 11, unless information becomes available indicating a risk of non-compliance.
Operators must be able to provide documentation demonstrating a negligible risk of circumvention or mixing if requested by competent authorities.

4.2 KEY TAKEAWAYS FOR FAIR TRADE ENTERPRISES

- **Know whether your products are included in the EUDR scope**
- **Maintain traceability records**
  This includes: origin of products, supplier information, producer information, production locations
- **Prepare geolocation information**
- **Maintain supporting documents**
  Especially: legal production, sourcing practices, traceability
- **Work proactively with buyers to strengthen commercial relationships and avoid delays**

Note: the EUDR has been subject to continuous revision, including changes to the scope of products covered. It is good practice to proactively organize your documentation and compliance.

4.3 EUDR Regulatory Guidance

Set-up of EUDR

Before products can be exported or sold on the European market, operators must submit a Due Diligence Statement through the EU Information System confirming that the required due diligence has been carried out.

The EUDR introduces a specific three-step due diligence process for ensuring that any products are compliant and therefore can be sold on the European market.

Due diligence in the EUDR context

Companies placing products on the EU market must conduct due diligence consisting of three steps:

1. Information collection

Companies gather information on:

- product type and quantity;
- origin and production country;
- geolocation of production plots;
- suppliers and customers;
- evidence that products are deforestation-free and legally produced.

2. Risk assessment

Companies assess whether there is a risk that products are linked to deforestation or non-compliance.

3. Risk mitigation

Where risks are identified, companies must take additional measures before products can be placed on the EU market.

Geolocation

A key feature of the EUDR is the requirement to identify the geographic origin of commodities. Depending on the product and supply chain (low risk, standard risk, high risk), enterprises may be asked to provide geolocation information relating to the plots of land where production took place. Geolocation tools are designed to map, verify, and trace the land plots of commodities such as cocoa, coffee, and timber. Examples of them can be: Mergin Maps, Maps.me, and Geo Tracker.

What is expected from your company?

The EUDR outlines divergent obligations depending on the role your enterprise plays in relation to the product. As an enterprise, you may act as both an operator and a trader depending on the product and its role in the supply chain.

You are an operator if your enterprise is the first to place the relevant product on the EU market, or if you export it from the EU.

You are a trader if your enterprise is further down the supply chain and resells a product already on the EU market.

Operators are mainly responsible for exercising due diligence and risk assessment, and for submitting a due diligence statement to the competent authority before placing a product on the market or exporting a product. You should keep the due diligence statement and reference number for at least five years.

In case you identify a non-negligible risk, you must take additional measures. This may include requiring additional information and carrying out independent audits. It may also include additional efforts to support your suppliers, such as capacity building or providing financial support. You should document these measures and review them annually. For more guidance on what mitigation measures work in practice, please refer to the practical guide in the additional resources section.

Where relevant products have already been subject to due diligence and a Due Diligence Statement has been submitted upstream, SME operators may rely on the existing Due Diligence Statement reference number instead of repeating the full due diligence process.

In all cases, you retain responsibility for the compliance of products with the regulation.

As an SME trader, your main responsibility is to maintain traceability, to keep records, and to pass information through the supply chain.

05/ ESPR – ECODESIGN FOR SUSTAINABLE PRODUCTS REGULATION

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5.1 ESPR AT A GLANCE

What is it?
The Ecodesign for Sustainable Products Regulation (ESPR) creates a framework to adopt standards for products so that they are sustainable and meet circularity requirements. The objectives are to move toward climate neutrality, resource efficiency, a circular economy, reduce waste, and normalize high-sustainability performance.

What products are covered, and when?
Applies to any physical goods that are placed on the market or put into service, including components and intermediate products. Food is excluded.

Not all product groups are affected by the ESPR at once. Early categories include textiles and furniture, requirements for additional product groups will be added over time.

Who is affected?
The ESPR applies to manufacturers, importers, distributors, retailers and online sellers placing products on the EU market, also if these are SMEs.

What does it require?
As the ESPR is a framework regulation, detailed requirements will be introduced gradually through product-specific delegated acts. Delegated acts for specific tools and elements such as the Digital Product Passport and the Registry are also under development. This section therefore introduces the main elements and their intention, more than offer concrete implementing steps.

This means you should be attentive to the changes in the regulatory landscape. By moving ahead with sustainability practices in your products, you can ensure that you are more prepared when delegated acts are published.

5.2 KEY TAKEAWAYS FOR FAIR TRADE ENTERPRISES

You are already on the journey
Fair Trade enterprises already work on transparency, responsible sourcing and sustainability. The ESPR builds on these strengths.

Documentation matters as much as action
Doing the right thing is essential. To be legally compliant as well, you will need to increasingly demonstrate and document this.

Know your product story
The requirements will depend on product groups, so understanding your materials, suppliers and product impacts is essential.

Get ready for Digital Product Passports
The DPP will become a key tool for sharing sustainability information with buyers, consumers and authorities.

Start now by:

- Mapping product data that is already collected;
- Reviewing repairability and durability information;
- Identifying supply chain information gaps;
- Assessing digital systems that could support DPP requirements;
- Monitoring delegated acts relevant to your products.

5.3 ESPR Regulatory Guidance

Ecodesign requirements
The ESPR sets out for the Commission to adopt ecodesign requirements. These consist of performance requirements (i.e., that your product must comply with) and information requirements (i.e., that you must communicate on in a certain way.)

Labels
The Commission will adopt a delegated act to establish common criteria for the content and layout of labels, as well as their presentation. Labels may not be misleading or mimicking other labels.

Digital Product Passports (DPP)
For many enterprises, the DPP is likely to become the most visible and operationally significant aspect of ESPR compliance. By improving access to reliable and transparent information, the DPP will empower consumers into active participants in the transition toward a circular economy.

The information in the DPP must be accessible and intelligible. What exactly must be included in the DPP is still being decided by the Commission. The Commission will publish Delegated Acts, specifying per product group what must be included in the DPP.

Depending on the product group, the DPP will likely include:

- a unique product identifier, for example bar code or chip to access the DPP
- information regarding the manufacturer and relevant supply chain actors
- technical documentation + certificates
- information about hazardous chemicals
- how to use, maintain and dispose of the product
- info on the product's environmental footprint + its durability and repairability scores

DPP Registry
The Commission is developing a central DPP Registry. Access and verification procedures are still being defined and may vary as implementation progresses.

Working with external DPP providers
Some enterprises work with external parties to create the DPP. While this is not necessary for legal reasons, it may help to alleviate some of the burden of designing and maintaining the shape of your DPP. When working with external parties, your enterprise remains responsible for ensuring the content of the DPP is complete, accurate and kept up to date.

In case you import or distribute products that already have a DPP, you should exercise due care and verify compliance before placing a product on the EU market.

Don't destroy unsold products
The ESPR introduces a ban on the destruction of unsold products, unless there are exceptional circumstances (e.g. serious health risks) involved with the product. The regulation establishes comprehensive traceability and transparency mechanisms to ensure that destruction remains exceptional.

Green Public Procurement
The ESPR may also influence how public authorities purchase products. The regulation allows the Commission to introduce sustainability requirements for product groups that can be used in public procurement procedures. This may create opportunities for Fair Trade enterprises.

The Commission is in the process of reviewing the Public Procurement Act. The review may result in additional criteria on sustainability, which could make it easier for products and enterprises with Fair Trade standards to compete in public tenders within the EU. Please reach out to us if you have experience in bidding for public tenders or are interested in pursuing this as a market opportunity.

06/ GREEN CLAIMS & PRODUCT TRANSPARENCY

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6.1 Green and social Claims at a Glance

What is it?
You may have heard of greenwashing. Greenwashing is a practice in which an enterprise sells their product while making claims or suggestions that may be (partially) inaccurate. The result is that consumers may be mislead.

As you read before, consumers are considered active participants in the Green Transition and consequently, corporate transparency and combatting inaccurate claims are important. The Green Claims Directive was proposed as a measure to counter the persistence of green claims that are not verifiable, inaccurate or not true. The Commission announced its intention to withdraw the Green Claims Directive proposal in 2025 and it is unlikely that the law will be implemented.

That is why this section focuses on the current rules of making sustainability claims, both green and social, under the EmpCo Directive, Empowering Consumers for the Green Transition, which will go into effect in September 2026.

Legal logic in EmpCo
The Directive's intention is to regulate information sharing. It does so by imposing limits and structure for making sustainability claims. Sustainability claims refer both to environmental and social or ethical claims. The claims must be accurate, specific and verifiable, and they should not mislead consumers. A central pillar of the logic is that you can make claims that you have been certified to fulfil.

Requirements for Green and Social Claims
EmpCo requires that any environmental claim is backed up, that the claim offers a genuine environmental benefit and that it is consistent. The claim also had to be communicated properly, that is accessibly and including the information that backs up the claim.

6.2 Key Takeaways for Fair Trade Enterprises

Why should Fair Trade Enterprises care?
Although the Green Claims Directive's future is uncertain, the EU is moving toward stricter requirements for sustainability-related claims on products. Many of its underlying objectives, including countering greenwashing, are already reflected in the EmpCo Directive and existing consumer protection rules. Businesses are increasingly expected to ensure that environmental and sustainability claims are accurate, specific and supported by evidence.

For Fair Trade enterprises, this presents both a challenge and an opportunity. Existing certification systems, audits and traceability mechanisms may help demonstrate the credibility of claims and strengthen trust with consumers and business partners. Maintaining clear documentation and evidence can therefore support both regulatory compliance and market positioning.

Fair Trade Certification and Compliance
You are only allowed to display sustainability labels if this label is based on a certification scheme that meets minimum standards of transparency and credibility, as laid out in EmpCo. This includes objective monitoring of compliance by a third party.

As a certified WFTO Fair Trade Fashion enterprise, you can include the label on your products. You can also make certain claims, provided that these are covered within the certification scheme. Your claims still have to be specific and verifiable, as is exemplified on the next page.

6.3 Green Claims & EmpCo regulatory guidance

Making claims under EmpCo
EmpCo requires that environmental and sustainability claims are clear, accurate and supported by evidence. Generic environmental claims are prohibited unless recognised excellent environmental performance can be demonstrated. Sustainability labels are restricted and generally must be based on a certification scheme or established by a public authority.

Examples of claims that may be problematic without clear evidence or explanation:

“eco-friendly”, "Green", “biodegradable”, “energy efficient”, "environmentally friendly packaging"

Specific claims are more likely to be acceptable, provided that they are supported by evidence:

- 100% of electricity used to produce this product comes from renewable sources
- Packaging contains 80% recycled paper

Social and Fair Trade claims are generally validated by the WFTO Fair Trade Certification system. The same logic of generic and specific claims is applicable here. By example, we would not recommend that you claim the following:

"On our way to fair wages", "We create positive social impact"

While within the Fair Trade movement, we have ideas about what fair wages look like, this remains a concept that may not leave the consumer with a good idea of how the product has come to conception. Moreover, claims about worker wellbeing, empowerment or positive impact may be difficult to verify objectively.

Enterprises should therefore prefer claims that refer directly to certification requirements, audits or measurable practices. Examples of a claim that is more likely to be acceptable, provided that you can support it with evidence:

"We pay our workers a fair wage, as certified according to the WFTO standard"

Take-aways
In summary, the same legal logic applies to both environmental and social claims. A claim does not become acceptable simply because it concerns social impact or Fair Trade. It must still be specific, verifiable and supported by evidence.

So, before making a social or environmental claim, make sure to that you are able to at least answer yes to the following questions:

- Is the claim specific?
- Is the claim verifiable?
- Do we have evidence to support the claim?
- Is the explanation provided clearly and close to the claim?
- Is the claim unlikely to mislead consumer?

7. Additional resources and reading recommendations

We have kept the regulatory guidance to a minimum. That is, the information in the toolkits is limited to what we believe you might need as a Fair Trade company operating on the EU market.

For further reading or guidance, we recommend looking into the following resources:

On CSDDD:
Julia Otten, “Sustainability Due Diligence after the Omnibus: Legal Implications for the CSDDD.” Published in February 2026 by ClientEarth and Frank Bold. Accessible here.

On EUDR:
List of high and low risk countries is subject to revision. Find the current version here: Implementing Regulation (EU) 2025/1093, https://eur-lex.europa.eu/eli/reg_impl/2025/1093/oj/eng

AidEnvironment & Sangga Bumi Lestari, "Risk Mitigation Measures for Forests and People under the EUDR: A practical guide for action and collaboration across agricultural supply chains." Published in 2025. Accessible here.

On ESPR - Digital Product Passports
Environmental Coalition on Standards, “Everything you need to know about the Digital Product Passport And everything we don’t know (yet) Brussels.” 17 March 2026. Accessible here.

On making sustainability claims:
Autoriteit Consument en Markt (Dutch Market Authority), "Guidelines Sustainablity claims". Accessed in June 2026 from: https://www.acm.nl/system/files/documents/guidelines-sustainability-claims.pdf

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