

Remediation guidelines for true pricing

Version 1

trueprice.org



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ABOUT THE TRUE PRICE FOUNDATION

The True Price Foundation is a nonprofit organization based in the Netherlands that aims to promote the understanding and implementation of true pricing. The foundation has three core activities: to develop and maintain the True Price Standard, to make governments, civil society organizations, trade unions, knowledge institutions and companies take action to adopt true prices with the Global Partnership on the True Price of Food, and to mobilize the demand for true prices among consumers through the True Price Movement. The True Price Foundation uses the True Price Assessment Method to calculate true prices.

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Introduction

While our global economy generates prosperity for large numbers of people, it is clearly in conflict with several social and environmental emergencies. These include the persistence of poverty and human rights violations across value chains, the widening inequality gap, and the looming crisis of climate change and biodiversity loss. At the same time, recent developments at the intersection of business and sustainability, such as the adoption of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D)¹ by the EU, mark a new era of increased transparency.

To help address these urgent challenges, the True Price Foundation (henceforth 'True Price') envisions an economy where all prices fully reflect the external social and environmental costs. By integrating external costs into goods and services, we can create a fair marketplace that motivates businesses to prioritize environmentally friendly practices and to contribute to a more sustainable and inclusive economy.

“True prices are a precondition for an impact economy, offering numerous advantages such as addressing material societal concerns and promoting justice and fairness for all relevant stakeholders. New regulations like CSRD and CS3D are pivotal in levelling the playing field by bringing the hidden costs within the value chains to light. Although initially focused on the entire value chains of large corporations, we hope that true price remediation guidelines offer yet another important step forward in ensuring all players, both big and small, will act on their long-term business interests and duty of care. We strongly believe that internalization of material externalities is the right thing to do!” - Herman Mulder - Chair True Price Foundation.

Over the last decade, True Price and its stakeholders have developed a set of principles and a methodology to assign monetary value to a wide range of social and environmental costs.² Showing social and environmental costs in monetary terms allows for direct comparison and improved decision-making. Other relevant experiments and publications in the growing field of true cost accounting (TCA) have increased the interest for true pricing as well.³ In Germany, PENNY supermarket introduced true prices for 9 products across more than 2,000 stores for one week in August 2023. At the same time, we have increased the number of true price purchase points in the Netherlands. In 2020, the world's first supermarket with true pricing (De Aanzet) began displaying and collecting true price payments. A growing number of catering companies and retailers are also introducing true pricing in shops. To scale up the movement with integrity, it is important to define clear principles and provide businesses with guidance on how to implement true prices at the point of purchase, as well as how to close the gap between market prices and true prices. This will stimulate effective remediation and can be achieved through true price payments by consumers, for example.

This document provides a set of principles and practical guidance for the remediation of social and environmental externalities. It has been developed to support the growing network of farmers, producers, cafes, restaurants, and supermarkets, who bring true pricing into practice.

The remainder of this document is structured as follows: section 1 outlines the objectives of remediation, including the different types of remediation, followed by the types of initiatives that qualify as remediation in section 2. In section 3, we present the key principles to guide remediation initiatives. Section 4 provides a practical guide for businesses to set up and spend the true price gap funds for remediation. This document is supplemented by the 'Remediation Handbook', which provides further information on each step and includes a checklist for businesses implementing true pricing.

¹ While the initial scope of CSRD and CS3D is limited to large corporates, the regulations will also have implications for value chain partners. The European Commission expects 6,000 large EU limited liability companies (those that have 1,000 employees or more and over €450 million net turnover worldwide) and 900 non-EU companies to be impacted. European Commission website: [“Corporate Sustainability Due Diligence”](#)

² In the context of the Public Private Partnership True and Fair Price for Sustainable Products (PPS Echte en Eerlijke Prijs voor Duurzame Producten), the True Price Assessment Method for Agri-food Products (Galgani et al., 2023) was developed and tested in several cases. Access all the documents on their methodology on www.trueprice.org.

³ For example, the Food and Agriculture Organization (FAO) report on the State of Food and Agriculture 2023 focused on the true cost of food.

1. Definition of remediation in true pricing

The true price. A true price is the sum of the market price plus the external social and environmental costs throughout the whole value chain of a product. In the rights-based approach to true pricing, external costs correspond to breaches of social and environmental rights that must be remediated and prevented, e.g. from child labour, to underpayment, climate change and biodiversity loss and more. External costs represent the remediation cost of these impacts, in particular.

Closing the true price gap. Every product has a market price and a true price, and the difference between the two is the true price gap. The gap can be closed in two ways: by producing a product without any social and environmental costs, or by financing proportionate remediation activities.

True pricing goes beyond simply displaying or paying actual prices. It is the process of incorporating hidden costs into transactions to improve transparency and decision-making. The goal of true pricing is to eliminate or reduce hidden costs as much as possible, without compromising access to affordable necessities and in alignment with the right to food and a decent standard of living. Businesses and governments can take various approaches to internalize external costs, such as calculating external costs and true prices, providing transparency on true prices, transforming products to prevent external costs, facilitating transactions to pay for and remediate external costs, making product alternatives with lower external costs the most affordable option to promote sustainable purchases, stopping or reducing production and sales of products with very high external costs, implementing taxation on external costs, prohibiting unacceptable external costs and much more (see also **Box 1**).

True pricing empowers buyers and sellers to see the externalities of their products and assume responsibility to act, as much as possible (see also Annex 1)⁴. True pricing starts with transparency about external costs. Over time, it aims to reduce and eliminate these costs through business, value chain and policy transformation. For example, carbon markets already exist as a form of true pricing, where governments, NGOs, investors and businesses participate to compensate for greenhouse gas emissions and restore the CO₂ concentration in the atmosphere. Other examples include carbon taxes, packaging taxes used to fund waste management and deposit refund schemes, as well as many voluntary standards and certifications.

Box 1. *Instruments for businesses to reduce external costs: true pricing, remediation and beyond*

Key players including policymakers and regulators, tax authorities, businesses, financial institutions, consumer organizations, and educational institutions can use true pricing as a driver to address social and environmental costs. Remediation is just one of the elements to be considered.

Relevant examples of instruments for businesses include:

- Showing the true price of products
- True price voluntary remediation payments
- True price default remediation payments
- Sustainable procurement and true price procurement
- Marketing & stimulating sustainable consumer behaviour, including through pricing
- Innovation for new and existing products
- Innovation for new business models
- Long term value chain commitment and sustainability initiatives
- Sectoral sustainability initiatives
- Training programs

More information can be found in the publication [True Pricing in food retail and foodservice](#) (2024).

⁴ In line with 2.50 of the Principles for True Pricing “There is a joint responsibility among those who enjoy the benefits of the production and consumption of a product (businesses, consumers, governments and other organizations) to ensure that the universal rights of current and future generations of people and communities are respected during the production and consumption of that product.” 1.13 “Businesses are specifically responsible for carrying out the [remediation] activities to the extent that they are able.” See Annex 1.

Remediation in the context of Business and Human Rights “is used to refer to the process or act of providing remedy. At its core, the concept aims to restore individuals or groups that have been harmed by a business’s activities to the situation they would have been in had the impact not occurred. Where this is not possible, it can involve compensation or other forms of remedy that try to make amends for the harm caused”⁵.

This concept pertains to the safeguarding of Human Rights by states and corporations. True pricing, however, is applied to products, to value chains or to a product-mix, which also includes environmental rights and other applicable rights. Applying this concept at a different level requires adaptation.

Remediation in the context of true pricing.⁶ In the context of true pricing, remediation refers to the process of addressing the social and environmental costs linked to a product's production and consumption by means of restoration, prevention, and/or compensation efforts. Restoration and prevention should be prioritized ahead of compensation.⁷

In this true pricing context, remediation not only aims to address current damage, but it also creates a foundation for sustainable economic practices that prevent future harm.

Paying the true price. A product is considered sold at its true price, when it incurs no social or environmental costs, or, when a proportionate amount of funds is allocated towards the remediation of the external costs associated with that product, in line with the Remediation guidelines for true pricing. In other words, purchasing at the true price, unless there is no true price gap, means setting aside proportionate funds to remedy social and environmental impacts. This allocation can occur through fiscal instruments, business-to-business transactions, and business-to-consumer transactions (retail).

If true price payments are introduced into a consumer setting, it is important to maintain proportionality, transparency and integrity (see **Box 2** for Principles of in-store true price payments). If companies fund remediation equivalent to the true price gap of their products, and follow the Remediation Guidelines, they are selling for a true price.

The larger the scale at which true prices are paid, the bigger the additional remediation opportunities– and, in turn, the possibility for structural transformation. For this to happen, it is important to scale up remediation in accordance with the principles and guidelines outlined in this document.

True pricing and remediation are necessary but not sufficient. It is important to stress that remediation and true price payments are necessary, but not enough to achieve the transition towards sustainable and inclusive economies. **Box 1** presents a wide range of instruments available to businesses to achieve these goals. The publication ‘True Pricing in food retail and foodservice’ (2024) provides further information on this topic, specifically targeted at the food sector from the perspective of retailers and food service providers. In addition, governments, financial institutions and other key actors also have responsibilities alongside those of businesses and/or consumers, as detailed in **Box 3** and Annex 1. Finally, and above all, although true pricing is a useful tool, it won’t be effective by itself. The transition to a sustainable and inclusive economy will not be solved solely by action taken by individual consumers, companies or organizations, on a voluntary basis. Voluntary action is crucial to demonstrate the feasibility and willingness to pay for a better economy, and to positively impact the life of rights-holders, present and future generations. Ultimately, however, collaboration between the private sector, government and civil society is what is needed to address the root causes at system level, in sector standards, regulations and policies, international agreements, and ultimately values, culture, and much more.

⁵ “Understanding remediation” from <https://www.businessrespecthumanrights.org/en/page/349/remediation-and-grievance-mechanism>

⁶ Remediation as a concept in Human Rights applies for states and corporations. True pricing is applied to products, value chains or product-mix. Applying this concept at a different level requires adaptation.

⁷ This is in line with updated OECD Guidelines (2023) which say **enterprises should prioritize eliminating or reducing sources of emissions** over offsetting, compensation or neutralization measures.

Box 2. Principles for in-store true price payments

At True price we have found and firmly believe that Consumers will only be willing to pay the true price when in-store payment systems are implemented with proportionality, transparency, and integrity

- **Proportionality:** (voluntary) payments by consumers should be matched by proportionate effort on the part of the retailer, financiers and other businesses in the value chain. Everyone can pay part of the cost to remediate, proportionate to their respective economic power. This involves redesigning margins.
- **Transparency:** accessible information should be made available about the true prices, alongside the methodology, the funds raised and the impact achieved.
- **Integrity:** all funds collected through true price payments should be directed towards remediation in the sense of true pricing. As remediation mechanisms grow and evolve, the need for independent verification will grow in importance.

Source: [True Pricing in food retail and foodservice](#) (2024).

Box 3: Responsibility and remediation in the context of Business and Human Rights

Governments are the main body responsible for guaranteeing that universal rights are protected. It is also increasingly recognized – in line with leading frameworks like the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Guidelines for Multinational Enterprises](#) – that businesses do not only have the responsibility to respect human rights but should also provide access to effective remedy when rights are violated.

At its core, the concept of remedy aims to restore individuals or groups that have been harmed by a business's activities to the situation they would have been in had the impact not occurred. Where this is not possible, it can involve compensation or other forms of remedy that try to make amends for the harm caused.

(Doing Business with Respect for Human Rights, chapter 3.8, Guidance 1 Understanding Remediation)

True Price proposes a joint responsibility of economic actors to respect human rights. Every actor who makes, trades and benefits from these products has a duty of care, a duty to take a proportional responsibility towards remedying these breaches, to the extent that they are able and to the degree that they are co-responsible. However, businesses, consumers, governments, financial institutions and other organizations carry different responsibilities, based on their role in the economy and their ability to act. (See also Annex 1 Rights and responsibility in the context of true pricing.)

2. Types of initiatives that qualify as remediation for true pricing purposes

Remediation activities are activities that aim to *restore* the damage incurred by workers, farmers, people, communities, to *compensate* in cases when it cannot be restored, to *restore* environmental qualities and the abundance of natural resources, including to regenerate the environment on and around farms and other production sites. In many cases, this coincides with activities that aim to *prevent* external costs of future products or reduce the costs as much as possible, for example by investing in more sustainable value chains, reducing emissions and waste, protecting workers' rights and so on.

There are several relevant prevention strategies which help decrease overall business externalities without improving social and environmental circumstances in value chains: switching to procuring and selling products with lower externalities, procuring inputs from suppliers with lower externalities, making products with lower externalities more accessible, and so on. These activities are crucial for the transition to a sustainable and inclusive economy, but, as mentioned above, they are *not* forms of remediation because they don't result in restoration, prevention or compensation of external costs in existing value chains.

Direct and indirect remediation. In the context of true pricing, we identify two main types of remediation approaches to mitigate social and environmental costs: direct or value-chain remediation and indirect remediation.

- **Direct or value-chain remediation** involves efforts to lower social and environmental costs through interventions within an actor's own operations, or upstream value chains where the products originate. Examples include implementing living income programs to ensure farmers receive adequate incomes, reducing waste and emissions or taking measures to improve biodiversity in production areas, and so on. Direct remediation within the actor's own operations or in the value chain can be the most transformative form of remediation.
- **Indirect remediation** entails financing third-party organizations and projects working in the continents, countries, regions, landscapes, and/or sectors where the estimated impacts occur but without intervening in the value chain itself, often because the scale of funds available is too low, the value chain is not traceable, or collaboration is not possible. Examples of this include, supporting ecosystem conservation or restoration initiatives that are not directly linked to the supply chain of the specific product, or supporting living wages, child labour or forced labour eradication projects in the same continent, but not necessarily in the areas where the product used originates. Indirect remediation includes offsetting schemes, where actors compensate for greenhouse gas emissions in one place by paying for carbon removal elsewhere. *Indirect remediation, however, is only meaningful if other measures are also put in place to reduce hidden costs, for example through sustainable procurement, a more sustainable product range, incentivizing consumers to choose more sustainably, or to increase traceability in value chains.*

Many types of remediation programs and activities can be financed with true price impact funds and true price payments. We outline various types of remediation initiatives (both direct and indirect) eligible for funding. While the list is comprehensive, it will be updated periodically to reflect new opportunities and innovations (see **Table 1**). Businesses, NGOs and other value chain partners can propose other activities which will be reviewed and incorporated in future versions of this list.

Table 1. Remediation activities eligible for true price funding (version 1)

Area	Activities
1. Human Rights remediation	<p>1.1 Contribute to programs aimed at eradicating forced labour and child labour</p> <p>1.2 Support labour unions and workers' funds in areas with unethical labour practices</p> <p>1.3 Increase auditing and due diligence for Human Rights violations</p>
2. Living incomes, wages and ethical labor practices in the supply chain	<p>2.1 Introduce living wage schemes for workers</p> <p>2.2 Improve employee health and safety</p> <p>2.3 Increase job security of employment contracts</p>
3. Waste reduction and emissions mitigation in the supply chain	<p>3.1 Implement decarbonization initiatives</p> <p>3.2 Reduce food waste at all stages, from harvest to storage, transport, sales and packaging</p> <p>3.3 Reduce chemical use, fuel consumption, and emissions of pollutants</p> <p>3.4 Promote sustainable packaging and initiatives to reduce plastic pollution</p>
4. Water stewardship	<p>4.1 Implement projects to ensure responsible water management</p>
5. (Agri-food) Agricultural programs and farmer resilience	<p>5.1 Source locally and/or enter long-term purchasing relations with farmers</p> <p>5.2 Provide price premium to farmers below living income standards</p> <p>5.3 Introduce structural living income price schemes for farmers</p> <p>5.4 Develop programs together with farmers to increase their resilience to climate and economic shocks</p> <p>5.5 Regenerate soil and implement soil improvement measures</p>
6. (Agri-food) Nature-inclusive farming measures	<p>6.1 Invest in improved animal welfare practices</p> <p>6.2 Promote measures that enhance biodiversity on farms</p> <p>6.3 Reduce the use of agrochemicals</p>
7. Additional compensating measures for indirect remediation	<p><i>Social</i></p> <p>7.1 Compensate victims of forced labour, child labour, gender discrimination, minorities discrimination or human rights violations</p> <p>7.2 Provide cash transfers to workers below living income/wage standards</p> <p>7.3 Enhance food security and community development in the regions where products originate</p> <p>7.4 Support non-profits focused on farmers, women, minorities, communities, and animal welfare</p> <p>7.5 Back initiatives benefiting people affected by environmental and workplace pollution</p> <p><i>Environmental</i></p> <p>7.6 Regenerate and restore ecosystems, water bodies, fish stocks, and air quality</p> <p>7.7 Conserve biodiversity at risk</p> <p>7.8 Invest in high-quality, local carbon offset programs</p>

3. Principles for remediation for true pricing

Four guiding principles of materiality, effectiveness and transparency (**Figure 1**) serve as a compass to guide remediation activities for the purpose of true pricing. The principles represent fundamental features that these activities should have, whether they are new or existing remediation initiatives.

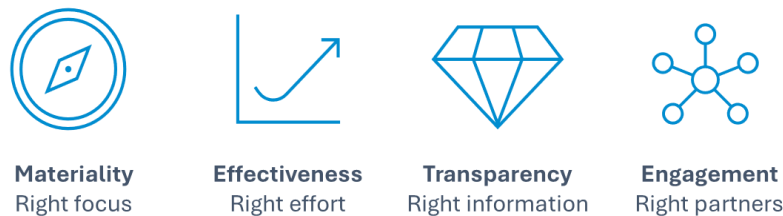


Figure 1: Principles for remediation

Materiality (Right focus). Remediation should focus on the right things. A true price calculation is the basis. It provides a clear, broad, and well-established overview of the social and environmental problems (also called impacts, external costs, or externalities) of a product. Remediation projects supported by true price payments should closely address the measurable impacts of products. Similarly, companies working with true price payments should first focus on the most material impacts assessed. True price calculations break down real impacts on people and the environment across individual products. It is also possible that a relatively small impact at product level can have a substantial impact on workers, families, local communities, ecosystems, etc. Materiality can also be informed by stakeholder and expert advice.

Effectiveness (Right effort). Remediation efforts should be effective, at whichever scale they operate. Flexibility is important in allocating resources for remediation efforts, based on the specific needs and contexts of the impacts to be remedied. Interventions that offer mutual benefits for value chain partners or address multiple impacts simultaneously, will drive the best structural changes. Depending on the circumstances, simplicity or complexity can be a cost-effective tool to achieve the best possible outcomes. However, this flexibility must be exercised responsibly. Businesses can start by addressing a select number of high-feasibility areas to achieve immediate results, but they should also maintain a long-term vision to reduce all external costs.

Transparency (Right information). Transparency is at the core of true pricing. In remediation projects, it entails open, honest, and clear communication. Transparency ensures that relevant stakeholders, be it employees, communities, consumers, investors, the public or others, are well-informed about the goals, progress, and outcomes of remediation. It promotes trust and accountability, by sharing all relevant information, engaging in regular reporting, and proactively addressing concerns and questions from stakeholders. Impacts created by the projects should be measured and results made available.⁸

Engagement (Right partners) Rights-holders and stakeholders that have a crucial role to play in remediation, should be engaged early on. Furthermore, a prime role should be given to local actors to leverage local expertise, give ownership and build trust, thereby enhancing the effectiveness and sustainability of remediation efforts. Also, involving those with aligned interests and objectives can increase the effectiveness of the initiative. When the right actors are involved, remediation initiatives have a better chance of being successful. Stakeholders include farmers, processors, distributors and other value chain actors, as well as clients, government agencies, workers organizations, non-profits and any other organization that may be relevant.

⁸ As remediation mechanisms grow and evolve, the need for independent verification will grow in importance.

4. Key elements of remediation funds and initiatives

This section presents 5 key elements that remediation funds and initiatives funded by true price payments and/or true price funds should incorporate.

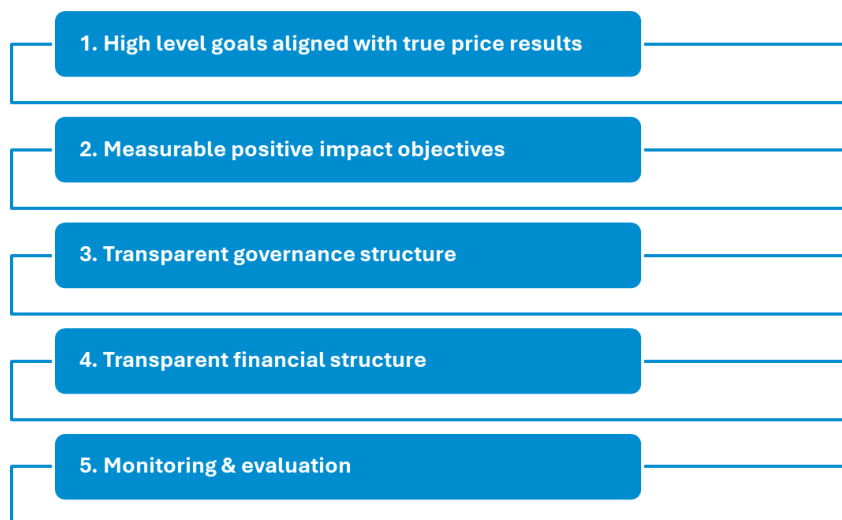


Figure 2: Key elements of remediation funds and initiatives

1. **High level goals linked to true price results:** Remediation must be linked to understanding the results of a true price analysis and high-level goals for remediation must be stipulated based on it. These goals should be proportionate to the expected size of the remediation funds.

What are the most severe impacts? Where do they occur? Who do they affect? The most severe impacts must be addressed first. The severity of the impacts is not the only contribution to the total true price of a product, but this should also consider the individuals, farming households and local ecosystems affected. An assortment-level true price scan can convey some information to understand this, and often additional information can be gathered with the support from experts. A true price assessment at product-level can help to collect this data. Based on these insights, high-level goals can be formulated, stating which environmental or social costs should be addressed, which products and value chains should be in focus, and in which geographical areas, communities and/or ecosystems.

2. **Measurable positive impact objectives:** There should be a remediation strategy in place which includes clearly defined, measurable objectives that address both the overall impact as well as the specific social and environmental impacts. Attaining these objectives should effectively remedy the social and environmental costs associated with the value chain.

Creating this plan involves creating a list of potential initiatives that meet basic requirements, establishing selection criteria, and then shortlisting the most suitable options.

The positive impact objectives should be linked to measures to be put in place and a financial budget for a remediation strategy.

3. **Transparent governance structure:** A governance model must be in place to highlight the roles and processes around decision-making and operations about finances, evaluation, reporting and communication.

The questions this governance structure should consider are: who decides how the funds are collected? How are they allocated? How will the funds be managed? Who monitors the outcomes? What precisely is reported

to whom and how often? The governance model can be very simple or more complex, proportionate to the size of the initiative.

4. **Transparent financial structure:** A financial structure for collecting, storing, and the use of funds for remediation must be in place.

It is necessary to determine how these funds will be managed and how they will be spent. It is possible to create a new fund, or to leverage existing (impact) funds. Ways to spend the funds include direct payments (e.g. to workers or smallholder farmers), donations, impact investments, loans, deposits, revolving funds, etc. Based upon the type of initiative, this can be a simple solution or something more complex.

An important consideration is the source of the funds and financing plan: which part will be funded by your business as a donation, or as an investment? Which part will be covered by value chain partners? Some of the fixed costs needed to set up remediation initiatives could be subsidized by governments or philanthropic foundations. Is it going to be linked to in-store true price payments, and if so, is it going to be part of the default price for consumers, or an individual choice for each purchase? Principles of proportionality, transparency and integrity must be applied if consumer payments are a source of funding (see **Box 2** above).

5. **Monitoring and evaluation:** Remediation efforts and the progress on the impact objectives must be monitored, evaluated and reported. Safeguards should be in place to substantiate the claim that the funds are used as intended and information should be readily available and targeted towards reaching the impact objectives of the remediation strategy.

Monitoring and evaluation should include a proportionate degree of financial audits, impact data collection, and reporting to stakeholders. The complexity of the monitoring activities should be proportionate to the amount of funds that are expected to be collected.

Process to set up remediation initiatives

These 5 key elements are the building blocks of remediation initiatives. Alongside the principles for remediation, they form the basis for an approved process to set up remediation initiatives and funds. We can identify 5 steps.

1. Understand true price calculations, set high level goals and engage the right stakeholders
2. Develop a remediation strategy with measurable impact objectives
3. Set up the financial structure and financing plan and make it transparent
4. Establish governance and make it transparent
5. Monitor and evaluate.

The True Price Remediation Handbook includes further details and guidance on these steps. In practice this is not a linear process but a recurrent one. Moreover, these steps do not have to be taken consecutively, some steps can also be taken in parallel.

5. Barriers, challenges and the path forward

Whilst true pricing offers many advantages and opportunities to support business, policymakers and other value chain actors in the transition to an impact economy, there remain challenges to highlight:

- The true price method, the growing field of true cost accounting and impact measurement rely on assumptions and the availability of data. Contextualization of impacts and remediation projects are needed for ethical implementation, as well as transparency on limitations, to avoid risks of greenwashing.
- Recent experiments in the Netherlands show that some consumers doubt the effectiveness of true pricing in the context of voluntary true price payments due to higher prices, lack of transparency on profit margins and implementation concerns. Further research on consumer behaviour, and perceptions by communities and other partners in the value chain regarding true pricing, is required. This document, with its principles and guidelines, aims to facilitate the growth and implementation of more true price purchase points, thus gathering better insights in this field.
- Who should pay for the true price? What is the best way to fund remediation projects? And what is the benchmark for successful remediation? We don't have all the answers yet. There are currently no universally agreed principles on the fair distribution of profits and value across value chains. At True Price, we strongly believe that all actors can take *proportional* responsibility to remediate social and environmental costs. In essence, the consumer should not bear the burden but as outlined in section 1 (see also Annex 1), true pricing is foremost a transparency tool to empower buyers and sellers, in relation to business and the consumer, to start addressing the externalities of their products. This document provides a starting point to advance that practice and to learn more about these important questions.

True price funds are striving to fully match the scale of the impacts. To achieve this, widespread and systematic adoption of true pricing is paramount. Stakeholders in the value chain must continue to seek out new funding opportunities to ensure remediation projects deliver clearly defined goals.

Annexes

A1. Rights and responsibility in the context of true pricing

Rights-based normative foundations of true pricing

True pricing builds on the responsibility of economic actors to respect human rights, and applies the same logic to fundamental labour rights, environmental rights and other universal rights. This responsibility extends to those situations in which there is no full or partial legal obligation to do so

True pricing also builds on the right to remediation in case of harm related to human rights violations and extends this right to harm related to violations of fundamental labour rights, environmental rights, and other generally accepted rights. The related responsibility of economic actors to contribute to such remediation is extended accordingly.

From: Principles for True Pricing (2020)

The International Bill of Human Rights, adopted on December 10, 1948, forms the foundation of international human rights law. Today, over 75 years later, progress has been made in expanding human rights to include labour and environmental protections. However, universal acceptance of these rights has not yet been reached, including from within the global economy. In addition, the world population is projected to reach 10 billion by mid-century, impacting our health and environment even further if we fail to act. Respecting human, labour and environmental rights, referred to henceforth as universal rights,⁹ remains an ongoing challenge, requiring international cooperation, accountability and advocacy.

While governments are the main duty-bearers – i.e. the actors responsible for protecting against human rights abuses - businesses also have a responsibility to respect rights, and whenever rights are breached, victims have the right to remediation. This was stipulated more than 10 years ago by the U.N. Guiding Principles for Business and Human Rights (2011), which set the basis for the responsibility of businesses towards rights.

True Price builds on these Guiding Principles and proposes a rights-based approach to pricing as a tool to realize a sustainable and inclusive economy that respects universal rights. True pricing links the responsibility to protect and respect universal rights to what we, as consumers and as organizations, buy and sell every day, leveraging the power of markets and communities – institutions, business, producers and consumers – those who engage in daily market transactions. True pricing shows the size of the gap between the current economy and an economy that respects everyone's rights and identifies what the proportional responsibility for it could be for individual products. This *true price gap* is divided into social and environmental externalities, that are expressed in monetary terms and can thus be compared to prices. This monetary value represents the proportional remediation cost to pay for those rights breaches in the economy that can be attributed to the product.

Duty of care and proportional responsibility of economic actors

There is a joint responsibility among those who enjoy the benefits of the production and consumption of a product (businesses, consumers, governments and other organizations) to ensure that the universal rights of current and future generations of people and communities are respected during the production and consumption of that product.

From: Principles for True Pricing (2020)

If products have externalities linked to breaches of universal rights, every actor who makes, trades and benefits from these products has a **duty of care**, a duty to take a proportional responsibility towards remedying these breaches, to the extent that they are capable and that they are co-responsible for. However, businesses, consumers, governments, financial institutions and other organizations carry different responsibilities, based on their role in the economy and their ability to act (Box 1).

In a true price economy, there is a strong economic incentive for companies to prevent external costs as much as possible, since all external costs are internalized, and all breaches of rights should be remediated.

⁹ Rights applicable to true pricing include but are not limited to the following: International Bill of Human Rights (1948), ILO Conventions, Declaration of the UN Conference on the Human Environment (1972), UN Sustainable Development Goals (2015), UN Paris Agreement (2015). For more information see Principles for True Pricing.

In the current economy, true price payments can be done voluntarily by businesses and by consumers (see also Box 2). These payments allow for a financial contribution towards the remediation of the externalities, in accordance with the share of the global economy linked to the transactions they are part of.

The voluntary efforts of individuals and businesses, however, are not a substitute for the national regulations and policy processes that prioritize the ‘polluter pays’ principle, due diligence responsibilities, and uphold the duty to respect and protect universal rights. Similarly, remediation should not only be pursued with true pricing, even if true pricing is a helpful tool to enable it. **Table 1** provides examples of relevant guidelines and regulations addressing remediation in the context of human rights and business conduct.

Box 1. Who bears what responsibility?

(from the Principles for True Pricing)

Within the true pricing framework, economic actors have the responsibility to respect universal rights of people and communities. This holds true particularly for the following economic actors:

Businesses for which rights breaches might occur as a direct or indirect consequence of their own operations, or whose products have such effects in the use or disposal phase.

Businesses that source directly and indirectly from the businesses described in i.

Consumers who buy products from businesses described in i or ii.

Governments in whose jurisdiction businesses described in i and ii operate, as well as in whose jurisdiction consumers described in iii reside.

Other organisations that facilitate the work of businesses described in i or ii. This includes investors, financiers and advisors.

Businesses [for their own operations] are specifically responsible for carrying out [remediation activities] to the extent that they are able. If the costs of these activities cannot be borne by them alone, businesses with whom they trade (ii, and consumers (iii) can be expected to contribute to these costs as well.

Businesses [for their own supply chains] are specifically responsible for:

Monitoring breaches of rights through the operations of their direct and indirect economic partners and working towards minimising the number and severity of such breaches by selecting and influencing economic partners accordingly.

Urging their economic partners to carry out [remediation activities], contributing to the costs of these activities where necessary.

Carrying out the activities listed in 1.12 (restoration, compensation, prevention of re-occurrence, retribution) insofar that these are not taken up by others.

Consumers are specifically responsible for contributing to the costs of [remediation activities], where necessary and as far as this does not limit their other rights, including the right to a standard of living adequate for health and well-being.

Governments are specifically responsible for:

All existing recognised roles of governments, including the making of effective policy to reduce the occurrence of breaches of rights.

Making adequate policy to facilitate the restoration, compensation, prevention of reoccurrence and retribution for damage by legally binding means and/or voluntary measures to be taken by businesses and consumers. Legally binding means should consider to what degree businesses and consumers are able to take on new responsibilities, and to what degree they can reasonably be expected to pay additional costs.

Other organisations [including investors, financiers and advisors] are specifically responsible for monitoring and influencing their economic partners to minimise the number and severity of breaches, and, if they occur, to carry out [remediation activities].

For more information see: True Price Foundation. Principles for true pricing (2020) Amsterdam.

Box 2. Who pays for remediation?

In the context of addressing hidden costs, a commonly asked question is who bears the costs. Two common approaches when addressing environmental externalities are generally adopted: the ‘polluter pays’ principle and the ‘beneficiary pays’ principle.

Polluter pays principle: costs of remediation are born by those responsible for creating the externalities.

Beneficiary pays principle: costs of remediation are covered by the beneficiaries of the product or services.

A combination of both approaches

In the context of agri-food systems, according to the FAO (SOFA, 2023) some policies involve a mixture of both approaches, for example, the repurposing of agricultural subsidies. Pricing techniques that make products with a lower true price gap (i.e. with less externalities) cheaper compared to those with a higher true price gap, are another approach which can help ensure consumers do not have to bear the burden of overall higher prices.

Table 1. Legal and voluntary frameworks on business conduct that address remediation.

Year	Publication	Status	Framework
2024	EU Corporate Sustainability Due Diligence Directive (CS3D)	Mandatory for companies operating in EU above a certain size	Requires in-scope corporates to identify and prevent adverse environmental and human rights impacts within their business operations and value chains. In line with True Price impacts, adverse impacts include, among others, fair wages and incomes, and biodiversity loss. Requires companies to implement measures to prevent, mitigate and remediate identified adverse impacts, in line with OECD Guidelines and UNGPs.
2023	EU Corporate Sustainability Reporting Directive (CSRD)	Mandatory for companies operating in EU above a certain size	Requires in-scope corporates to gather and report sustainability data. Incorporates the concept of ‘Double materiality’: how a business is affected by sustainability issues, such as climate change (outside-in), and how its activities impact society and the environment (inside-out). such as, workforce disclosures, covering the processes for engaging with workers about impacts and to remediate negative impacts.
2023	OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines)	Voluntary	General Policy 10 & 12: (...?) Promoting an environment in which individuals and groups feel safe to raise concerns and, where relevant, contributing to the remediation of adverse impacts of reprisals when they occur. (...?) Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur, including through providing for or co-operating in the remediation of adverse impacts. Regarding environmental impacts, states that enterprises should prioritise eliminating or reducing sources of emissions over offsetting, compensation or neutralization measures.

Year	Publication	Status	Framework
2023	OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains	Voluntary	States prevention of deforestation should take priority, however when an enterprise has failed to prevent or mitigate deforestation entirely, that enterprise should identify why, and take remedial action in relation to any adverse impacts. The enterprise should seek to, a) restore the affected person or persons, b) restore the affected environment to the state it would be in had the adverse impact not occurred; when not possible c) provide appropriate levels of compensation in a form mutually agreed to by the affected communities and/or provide appropriate compensation for environmental impacts. When appropriate, the enterprise can provide for or cooperate with legitimate remediation mechanisms.
2022	Consumer Goods Forum: Guidance on the Repayment of Worker-paid Recruitment Fees and Related Costs	Voluntary	Grounded in the 'Employer Pays Principle', which states that the costs of a job and recruitment should not be borne by the worker but by the employer.
2018	OECD Due Diligence Guidance for Responsible Business Conduct	Voluntary	<p>Provides support to enterprises on how to implement due diligence.</p> <p>The due diligence process consists of six stages: 1. embed responsible business conduct into policies and management systems, 2. identify and assess adverse impacts, 3. cease, prevent, or mitigate adverse impacts, 4. track implementation and results, 5. communicate how impacts are addressed, and 6. provide for or cooperate in remediation when appropriate.</p> <p>According to these guidelines "The provision of a remedy is not a component of due diligence but a separate, critical process that due diligence should enable and support." It highlights the fact that the process for enabling remediation depends on several factors: legal obligations, stakeholder preferences, available mechanisms, the nature of the adverse impact, and whether the impact occurs within the enterprise's operations or its supply chain.</p> <p>This document complements existing other resources by the OECD to help enterprises carry out due diligence for responsible business conduct in specific sectors (e.g. agriculture, financial, etc).</p>
2011	UN Guiding Principles on Business and Human Rights (UNGPs)	Mandatory for companies	Principle 22: Businesses have a responsibility to "provide for or cooperate in" remediation where they have caused or contributed to adverse impacts on workers, communities or human rights generally.

A2. Definitions

True price: The true price of a product is the sum of the market price and the true price gap of that product. It reflects the price a buyer would have to pay for a product if the cost of remediating its unsustainable externalities would be added on top of its market price. Unsustainable externalities are the social and environmental impacts deriving from violations of generally accepted rights for current or future generations, for parties that did not choose to incur those consequences.

True pricing: True pricing refers to the process of incorporating hidden costs into transactions to improve transparency and decision-making. The goal of true pricing is to eliminate or reduce hidden costs as much as possible, without compromising access to affordable necessities, in alignment with the right to food, the right to health, the right to a decent standard of living and other relevant rights. .

Remediation in true pricing: remediation is the process of addressing social and environmental costs associated with production and consumption through restoration, prevention and/ or compensation activities. Remediation within true pricing not only aims to address current damages but also creates a foundation for sustainable economic practices that prevent future harm.

Remediation activities: activities that aim to *restore* the damage incurred by workers, farmers, people, communities, to *compensate* in cases when it cannot be restored, to *restore* environmental qualities and abundance of natural resources, including to regenerate the environment on and around farms and other production sites. In many cases, this coincides with activities that aim to *prevent* external costs of future products or reduce the costs as much as possible, by for example investing in improving environmental and social circumstances in the value chain, reducing emissions and waste, protecting workers' rights and more.

Stakeholders: refers to individuals, groups, or entities that are affected by or can affect a business activity. They include producers, farmers, processors, distributors and other suppliers, as well as clients, government agencies, and non-profit organizations.

Value chain actors or **value chain partners:** this refers to the various entities and individuals involved in the production, distribution, and sale of a product or service. They are present at different stages of the value chain, from the sourcing of raw materials to the consumption of the final product and waste management. In some cases, investors and financiers can be considered value chain actors.

Economic actors: economic actors are all people and organizations engaged in carrying out, supporting or regulating economic activity: individuals, businesses, governments, financial institutions.

Rights-holders: individuals or communities whose human rights must be respected and protected by a business' own activities and those of the value chain partners¹⁰.

¹⁰ In general terms, all human beings are rights-holders under the Universal Declaration of Human Rights.



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