

Fairtrade Trader Standard, version 16.04.2024 v2.1 Interpretation Notes

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| Date | <i>October 01, 2024</i> | | |
| Reference | <i>Trader Standard</i> | | |
| Affected standard requirement (s) | <p>3.1.1 NEW 2025* Written commitment to respecting human rights and the environment</p> <p>Applies to: All traders</p> <table border="1" data-bbox="448 692 1430 1019"> <tr> <td data-bbox="454 701 549 719">Core</td> <td data-bbox="555 701 1423 1010"> <p>You have a written commitment to respect human rights and environmental sustainability, to conduct due diligence, and to recognise the importance of:</p> <ul style="list-style-type: none"> • Collaboration with suppliers and rightsholders in addressing human rights and environmental challenges • Having sustainable purchasing practices which favour long-term business relationships • Working towards living incomes and living wages • Providing for or co-operating in the remediation of identified harms you cause or contribute to <p>Your written commitment refers to internationally recognised human rights, including environmental rights, and is signed off by senior management.</p> </td> </tr> </table> <p>Guidance: You appoint a responsible person or a team to develop the written commitment with support from senior management.</p> <p>The written commitment provides clarity on the goals and future work of your company and does not have to be extensive. It can be a short stand-alone statement or part of your value statement, sustainability policy or Environmental, Social and Governance (ESG) statement.</p> <p>For example, a commitment to the UN Guiding Principles on Business and Human Rights, or to the OECD Due Diligence guidance and to the four goals mentioned in the requirement could be recognized as equivalent.</p> <p>Internationally recognised human rights include those contained in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work and on the environmental rights covered in the UN Resolution (48/13)5 for the right to a clean, healthy and sustainable environment.</p> <p>If you operate in conflict areas, it is best practice to commit to heightened due diligence on these two issues.</p> <p>For more details, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p><i>*Trader companies certified before 1 January 2025 have to comply with this requirement by 1 January 2026.</i></p> | Core | <p>You have a written commitment to respect human rights and environmental sustainability, to conduct due diligence, and to recognise the importance of:</p> <ul style="list-style-type: none"> • Collaboration with suppliers and rightsholders in addressing human rights and environmental challenges • Having sustainable purchasing practices which favour long-term business relationships • Working towards living incomes and living wages • Providing for or co-operating in the remediation of identified harms you cause or contribute to <p>Your written commitment refers to internationally recognised human rights, including environmental rights, and is signed off by senior management.</p> |
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| Interpretation | <p>The requirement stipulates that written commitment has to be signed off by senior management. Could this be a managing director of a company / organization?</p> <p>Who in the company should sign off the written commitment depends on the structure and share of responsibilities within the company. The signatory is the person with authority, for example the management board or executive board of the enterprise, depending on the company's own rules for decision-making and sign-off. This commitment is public (see requirement 3.1.3), establishes an ongoing risk management process, and may cause changes in the company's other operational policies and procedures.</p> <p>Our company has already committed to these measures and recognised the importance of these goals. Do we now need to develop a new statement?</p> <p>The commitment can be a stand-alone statement. It is not necessary to develop a new statement if your existing written commitment covers all of the areas mentioned in the</p> | | |

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| | <p>requirement., e.g. it can also be part of your other ESG, sustainability or value statements or policies.</p> <p>Should the commitment make a specific reference to Fairtrade suppliers?</p> <p>Just like global due diligence guidance and the emerging laws, Fairtrade expects its corporate partners to make an overall commitment to respecting human rights and the environment. An organisation cannot give this commitment partially. Therefore, no specific reference to Fairtrade supply chains is needed. Rather, the commitment needs to cover all corporate operations and value chains.</p> |
| <p>Affected standard requirement(s)</p> | <p>3.2.2 NEW 2025* Human rights-based grievance mechanism for medium and large traders</p> <div style="border: 1px solid black; padding: 5px;"> <p>Applies to: Medium, large traders</p> <p>Core</p> <p>You have or participate in a grievance mechanism which allows workers, suppliers and other individuals and groups to anonymously raise complaints of injustice, harm or fraud linked to your company, including environmental harms.</p> <p>The grievance mechanism:</p> <ul style="list-style-type: none"> • is accessible in the language(s) spoken in your operations and the language(s) most common in your supply chains • supports both written and verbal complaints • respects the anonymity of the complainants and protects them from retaliation, threats or harm • ensures resolutions are decided and remediation implemented by trained staff or an appointed expert in a timely manner • ensures that all parties are kept informed about progress • allows for an appeals process • ensures confidential handling of sensitive grievances, such as sexual harassment • aligns with internationally recognised human rights and national laws <p>Where you are unable by yourself to remediate the harm in full, you seek to engage other private, public or civil society actors.</p> <p>If relevant, you report human rights violations to the appropriate national agencies.</p> <p>Guidance: A grievance mechanism is meant to help you hear about and address grievances early, before they grow bigger. It is best practice to review and update your grievance mechanism regularly, based on your analysis of the complaints and dialogue with key stakeholders.</p> <p><i>"The remediation implemented in a timely manner"</i> means that it is according to the timelines and responsibilities set out in the grievance mechanism/procedure.</p> <p>If there is a shared grievance mechanism for your sector or country which fulfils this requirement, you can participate in that mechanism instead of establishing your own.</p> <p>For further guidance, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p><i>*Trader companies certified before 1 January 2025 have to comply with this requirement by 1 January 2026</i></p> </div> |
| <p>Interpretation</p> | <p>In cases where many languages are spoken by company staff and suppliers, how is it possible to ensure that the grievance mechanism is accessible in all languages spoken in the operations and supply chains?</p> <p>Many Fairtrade traders operate in a high number of countries. Further, Fairtrade supply chains may include various countries where several languages are spoken. It is therefore not possible to ensure that the grievance mechanism is available in <u>all</u> languages spoken in the operating areas and supply chains.</p> |



Most common language(s) should be understood as those most common in the country where risks were identified as high or where trader organization is sourcing most of their volumes.

The requirement states that the grievance mechanism ensures that resolutions are decided and remediation implemented in a timely manner. How quickly should remediation measures be decided upon and implemented?

This depends on the grievance and type of remedy. Sometimes the reported injustice is clear and undisputed, so grievance handlers can focus on identifying suitable remedial measures, while in other cases it may take several weeks to establish the facts. Some measures also take longer to implement than others.

Importantly, each certified organisation should set some timeframes and procedural steps in their own written procedure for managing grievances – and the handling of grievances should adhere to this.

Certified traders need to manage stakeholder expectations and share information with all parties about progress in decision-making and the implementation of remedial measures. To this effect, the requirement states that traders need to ensure that all parties are kept informed about progress. This is especially relevant in cases where the decision takes several weeks or even months to establish.

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| Date | May 31st, 2024 | | | | |
| Reference | Trader Standard | | | | |
| Affected standard requirement(s) | <p>3.2.1 NEW 2025** Risk assessment</p> <p>Applies to: All traders</p> <table border="1"> <tr> <td>Core</td> <td>You conduct a human rights and environmental risk assessment for your own operations and supply chains at least every three years, and you do the following:</td> </tr> <tr> <td>Year 1</td> <td> <ul style="list-style-type: none"> Map the most common risks and challenges in your own operations and in the supply chains of your main commodities and countries, considering external data and research. Assess which risks and challenges are most serious. Identify which Fairtrade suppliers may have the highest risks and assess their root causes. Identify the vulnerable groups of people who are or could be impacted more than others. Identify which of your company's practices cause or contribute to these issues. Consult your staff and your immediate suppliers (that include Fairtrade suppliers) to prioritize which risks and challenges to be addressed first. <p>You strengthen your assessment methods over time. The results of your assessments cannot be used to put pressure on supplier(s) to immediately address identified risks, nor do you make it a condition of purchase.</p> </td> </tr> </table> <p>Guidance: Acknowledging your risks and challenges allows you to address them before they grow bigger and builds your credibility among business partners and other stakeholders.</p> <p>Companies need to prioritise the risks and challenges that are most severe and likely. These are often called "salient issues." Include child labour, forced labour and deforestation in your salient issues if Fairtrade or another reliable source has indicated that these are a high risk in your country or sector.</p> <p>In any organisation or society, some groups of people are disadvantaged. These may include, for example, migrant workers, women and girls, young people, minorities, indigenous peoples, etc.</p> <p>In addition to suppliers and staff, you can also engage, for example, community members, buyers, local authorities and trade unions.</p> <p>The types of environmental and human rights risks that should be considered in the assessment include: climate, deforestation, biodiversity loss, water, living incomes and living wages, working conditions, health, freedom of association and collective bargaining, forced labour, child protection and child rights, gender rights, non-discrimination, self-determination, freedom of speech, freedom of thought and public participation and privacy.</p> <p>When you start the risk assessment you need to map your operations and supply chains. The effort you put into this risk assessment can be proportionate to your resources: A small traders' risk assessment can be a simple and straightforward exercise. Please refer to the Fairtrade HREDD Risk Assessment Tool for small traders (will be available soon).</p> <p>Possible reasons for conducting an earlier risk assessment include the following: when you are developing a new product or service line that varies significantly from existing lines; changing the inputs of a product or service; restructuring, or engaging in new forms of business relationships (e.g. mergers, acquisitions, new clients and markets). These could also be reasons to strengthen the assessment methods.</p> <p>You strengthen the assessment methods by engaging a more varied or larger group of stakeholders; considering more external data and research; more detailed mapping of your supply chains; making deeper assessment of the risks, suppliers, vulnerable groups or practices; or documenting and publishing your findings more comprehensively.</p> <p>The Fairtrade Risk Map can offer relevant data and research findings for the second step (<i>i.e. see the Requirement to "To map the most common risks and challenges"</i>).</p> | Core | You conduct a human rights and environmental risk assessment for your own operations and supply chains at least every three years, and you do the following: | Year 1 | <ul style="list-style-type: none"> Map the most common risks and challenges in your own operations and in the supply chains of your main commodities and countries, considering external data and research. Assess which risks and challenges are most serious. Identify which Fairtrade suppliers may have the highest risks and assess their root causes. Identify the vulnerable groups of people who are or could be impacted more than others. Identify which of your company's practices cause or contribute to these issues. Consult your staff and your immediate suppliers (that include Fairtrade suppliers) to prioritize which risks and challenges to be addressed first. <p>You strengthen your assessment methods over time. The results of your assessments cannot be used to put pressure on supplier(s) to immediately address identified risks, nor do you make it a condition of purchase.</p> |
| Core | You conduct a human rights and environmental risk assessment for your own operations and supply chains at least every three years, and you do the following: | | | | |
| Year 1 | <ul style="list-style-type: none"> Map the most common risks and challenges in your own operations and in the supply chains of your main commodities and countries, considering external data and research. Assess which risks and challenges are most serious. Identify which Fairtrade suppliers may have the highest risks and assess their root causes. Identify the vulnerable groups of people who are or could be impacted more than others. Identify which of your company's practices cause or contribute to these issues. Consult your staff and your immediate suppliers (that include Fairtrade suppliers) to prioritize which risks and challenges to be addressed first. <p>You strengthen your assessment methods over time. The results of your assessments cannot be used to put pressure on supplier(s) to immediately address identified risks, nor do you make it a condition of purchase.</p> | | | | |



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| | <p>For more details, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p>**Trader companies certified before 1 January 2025 have two transition periods to fully comply with this requirement:</p> <ul style="list-style-type: none">- 1 January 2026: Comply with mapping the risks and challenges in your own operations and supply chains, and assessing which risks and challenges are the most serious (first 2 points in the requirement).- 1 January 2027: Comply with full requirement. |
| <p>Interpretation</p> | <p><i>Risk assessment may require investment in procedures and tools. How would risk assessment differentiate between large and small trader organizations?</i></p> <p>The effort on risk assessment can be proportionate to available resources at the organization. A small traders' risk assessment can be a simple and straightforward exercise.</p> <p>The assessment methods are strengthened by, for example, engaging a more varied or larger group of stakeholders; considering more external data and research; more detailed mapping of your supply chains; making deeper assessment of the risks, suppliers, vulnerable groups or practices; or documenting and publishing your findings more comprehensively.</p> |

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| <p>Affected standard requirement(s)</p> | <p>3.3.6 NEW 2025** Support for producers</p> <table border="1" data-bbox="440 409 1437 981"> <tr> <td colspan="2">Applies to: Large traders</td> </tr> <tr> <td>Core</td> <td>You support at least one Fairtrade producer with their efforts and the costs of prevention, mitigation and remediation. You agree on a mutually acceptable type of support.</td> </tr> <tr> <td>Year 3</td> <td>Your support is either direct or through a partnership. You do not put pressure on producers to accept the type of support, nor do you make this support a condition of purchase.</td> </tr> <tr> <td colspan="2"> <p>Guidance: Support can be in the form of funding or facilitating external funding or partnerships, etc., and must not affect pricing. This funding is provided in addition to the Fairtrade Minimum Price and Fairtrade Premium. You agree the terms and conditions in advance and in writing with the producer.</p> <p>A mutually agreed type of support is when for example you incorporate interpretation of salient risks from your suppliers into your own action plan, and support in those areas that the supplier indicated as necessary.</p> <p>Producers may include costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.</p> <p>Remember that where you have contributed to adverse human rights impacts – for example through low pricing – you have a responsibility to provide for, or co-operate in remediating those adverse impacts.</p> <p>For further guidance, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p>**Trader companies certified before 1 January 2025 have to comply with this requirement by 1 January 2027</p> </td> </tr> </table> | Applies to: Large traders | | Core | You support at least one Fairtrade producer with their efforts and the costs of prevention, mitigation and remediation. You agree on a mutually acceptable type of support. | Year 3 | Your support is either direct or through a partnership. You do not put pressure on producers to accept the type of support, nor do you make this support a condition of purchase. | <p>Guidance: Support can be in the form of funding or facilitating external funding or partnerships, etc., and must not affect pricing. This funding is provided in addition to the Fairtrade Minimum Price and Fairtrade Premium. You agree the terms and conditions in advance and in writing with the producer.</p> <p>A mutually agreed type of support is when for example you incorporate interpretation of salient risks from your suppliers into your own action plan, and support in those areas that the supplier indicated as necessary.</p> <p>Producers may include costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.</p> <p>Remember that where you have contributed to adverse human rights impacts – for example through low pricing – you have a responsibility to provide for, or co-operate in remediating those adverse impacts.</p> <p>For further guidance, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p>**Trader companies certified before 1 January 2025 have to comply with this requirement by 1 January 2027</p> | |
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| Core | You support at least one Fairtrade producer with their efforts and the costs of prevention, mitigation and remediation. You agree on a mutually acceptable type of support. | | | | | | | | |
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| <p>Guidance: Support can be in the form of funding or facilitating external funding or partnerships, etc., and must not affect pricing. This funding is provided in addition to the Fairtrade Minimum Price and Fairtrade Premium. You agree the terms and conditions in advance and in writing with the producer.</p> <p>A mutually agreed type of support is when for example you incorporate interpretation of salient risks from your suppliers into your own action plan, and support in those areas that the supplier indicated as necessary.</p> <p>Producers may include costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.</p> <p>Remember that where you have contributed to adverse human rights impacts – for example through low pricing – you have a responsibility to provide for, or co-operate in remediating those adverse impacts.</p> <p>For further guidance, please see A Guide for Small- and Medium-sized "First-buyers".</p> <p>**Trader companies certified before 1 January 2025 have to comply with this requirement by 1 January 2027</p> | | | | | | | | | |
| <p>Interpretation</p> | <p>What is the rule? Large traders are required to support at least one Fairtrade producer to prevent, mitigate the identified salient issues and remediate if any cases found. This contribution is in addition to the Fairtrade Premium (see TS requirement 5.1.7) . Producers may include costs of prevention, mitigation and remediation in their Fairtrade development plan or Premium plan.</p> <p>How does it work? Support to producer organizations can be direct or through a partnership and in the form of funding, training, advocacy with government, or other ways. This funding is provided in addition to the Fairtrade Minimum Price and Fairtrade Premium. The terms and conditions should be agreed in advance and in writing with the producer. A mutually agreed type of support is when for example you incorporate interpretation of salient risks from your suppliers in your own action plan (TS requirement 3.3.2 & 3.3.3), and support in those areas that the supplier indicated as necessary. This support is evidenced either via direct interventions (e.g. funding) or indirect, e.g. via partner initiatives with relevant government agencies, expert human rights NGOs, traders or similar:</p> <p>Funding - a defined amount paid by a trader to a producer organization. When direct payment is not possible, the amount can be paid to another trader for passing the amount to a producer organization. In such case, the trader receiving the funding must issue a receipt detailing the following: which</p> | | | | | | | | |

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| | <p>producer organization received the funding; the value; the period for which the payment was due; and the date it was paid. This can be submitted as evidence to the certification body by the traders</p> <p>Training – a defined training activity provided to specific producer organization.</p> <ul style="list-style-type: none"> • Where the trader is delivering the training to a producer organization, the trader must name the producer organization, the date of training and the cost of the training - as evidence that the activity was conducted. • Where a trader has instructed another trader or third party to provide training to a producer organization, the trader or third party providing the training must provide the name of the producer organization, the date of the training, as well as the cost. <p>Advocacy with government – Advocacy activities must be around tangible actions on how the trader is taking responsibility to address for example child labour and forced labour, and the cost of these activities have to be mentioned. As part of the advocacy work, proposals should aim to seek a specific change for the sector to the governments. The trader should present evidence to the auditor about the interaction with the governments of the country of production and/or country of consumption.</p> <p>Facilitation of partnerships - a partnership is where funding or training has been delivered to a producer organization via a third party. The trader provides proof of the partnership and related activities. The cost of the activities must be stated.</p> <p>Other ways –other forms of interventions where quantifiable resources have passed from the trader to the producer organization that are not part of the above possible methods. For example, a trader is supporting improvements in educational facilities within farming communities in partnership with a producer organization. The resources must have a defined monetary value for each year of implementation. There must be evidence from the trader that the producer has received the resources through confirmation from the producer organization.</p> | | | | |
| <p>Affected standard requirement(s)</p> | <p>4.2.2 Hazardous Materials List (HML)</p> <table border="1" data-bbox="438 1644 1445 1957"> <tr> <td colspan="2">Applies to: All traders, except cotton FSI traders after ginning stage</td> </tr> <tr> <td>Core</td> <td>You do not use materials on the Fairtrade International Hazardous Material’s List Part 1 (Red List) on Fairtrade products (see Hazardous Materials List). All synthetic materials are used only if officially registered and permitted for use on the crop/product in the country of use. You compile a list of the pesticides that are used on Fairtrade products and keep it updated. The list has the name of the active ingredients, commercial name, product on which they are used and the targeted pests. You indicate which of those materials are in the Fairtrade International Hazardous Materials List (HML), Part 1 (Red List), Part 2 (Orange List) and Part 3 (Yellow List).</td> </tr> </table> | Applies to: All traders, except cotton FSI traders after ginning stage | | Core | You do not use materials on the Fairtrade International Hazardous Material’s List Part 1 (Red List) on Fairtrade products (see Hazardous Materials List). All synthetic materials are used only if officially registered and permitted for use on the crop/product in the country of use. You compile a list of the pesticides that are used on Fairtrade products and keep it updated. The list has the name of the active ingredients, commercial name, product on which they are used and the targeted pests. You indicate which of those materials are in the Fairtrade International Hazardous Materials List (HML), Part 1 (Red List), Part 2 (Orange List) and Part 3 (Yellow List). |
| Applies to: All traders, except cotton FSI traders after ginning stage | | | | | |
| Core | You do not use materials on the Fairtrade International Hazardous Material’s List Part 1 (Red List) on Fairtrade products (see Hazardous Materials List). All synthetic materials are used only if officially registered and permitted for use on the crop/product in the country of use. You compile a list of the pesticides that are used on Fairtrade products and keep it updated. The list has the name of the active ingredients, commercial name, product on which they are used and the targeted pests. You indicate which of those materials are in the Fairtrade International Hazardous Materials List (HML), Part 1 (Red List), Part 2 (Orange List) and Part 3 (Yellow List). | | | | |

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| <p>Interpretation</p> | <p>What is the rule?</p> <p>Traders compile a list of chemical materials that are used on Fairtrade products and keep it updated, indicating which of those materials are in the HML Red, Orange or Yellow lists.</p> <p>How does it work?</p> <p>Trader company is encouraged not to use these materials on any of the products (including non-Fairtrade). If a trader company uses materials listed on the HML on the non-Fairtrade products, the trader needs to provide records/evidence for which products and pests they are used. In case non-Fairtrade and Fairtrade products are handled / stored in the same storage place/processing unit, the risk of contamination of Fairtrade products with a material (s) from HML is to be monitored and prevented by the trader company.</p> |
| <p>Affected standard requirement(s)</p> | <p>2.1.12 Group mass balance</p> <div style="border: 1px solid black; padding: 5px;"> <p>Applies to: Cocoa and sugar traders that apply group mass balance</p> <p>Core If you want to implement group mass balance, then you obtain permission from the certification body before implementing it. Any change in the sites involved in the group mass balance also requires permission of the certification body.</p> <p>The certification body will grant permission to apply group mass balance only if the following conditions below are met:</p> <ol style="list-style-type: none"> a. All sites involved in group mass balance belong to the same group. b. One site needs to be designated as the central administration site, where all relevant information on all purchases and sales of the entities of the group is available. c. The group has an adequate system in place, common to all entities of the group that centralizes all Fairtrade purchases and sales information. This system enables checking that the volume of Fairtrade output sold by the group is not more than the volume of Fairtrade input purchased by the group. </div> |
| <p>Interpretation</p> | <p>What happens if the sites that belong to one group are on different continents?</p> <p>The certification body grants permission to apply group mass balance only when the conditions outlined in the requirement are met.</p> <p>Regardless of the geographical remoteness between the sites involved in one group, there should be a centralized system in place that allows the certification body to check the global Fairtrade input being bought and the volume of Fairtrade output sold by the group (as covered in condition c).</p> |

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| Date | <i>September 4th, 2019</i> |
| Reference | <i>Trader Standard</i> |
| Affected standard requirement(s) | <p>Physical traceability</p> <p>Intent: To ensure that Fairtrade products are physically differentiated from non-Fairtrade, so that Fairtrade products sold as physically traceable can be traced back to producers.</p> <p>The following requirements are compulsory for all traders except for cocoa, cane sugar, fruit juice and tea (<i>camellia sinensis</i>), for activities carried out under the FSI model for cotton¹ after ginning stage and for traders operating under the Gold Sourcing Program. Those traders can choose whether or not to apply physical traceability. If they choose to apply physical traceability, they must comply with the following requirements. Other products are not exempted from physical traceability requirements regardless of whether trading under the FSI model or not.</p> |
| Interpretation | <p><i>Fruit juice is exempted from the requirements on physical traceability, what about pulp?</i></p> <p>Juice manufacturing involves a big amount of processing and requires important investments in machinery and knowledge in food industries engineering and quality. This is why most Fairtrade juice or pulp producers do not own the processing premises and juice is produced by independent manufacturers. Fairtrade producers may find it difficult and expensive to contract or sell their fruits to juice manufacturers that ensure that Fairtrade juices remain physically traceable.</p> <p>Enforcing physical traceability in fruit juice compromises the aim to maximize benefits to producers, as producers need to hire the services of a juice manufacturer if producers intend to diversify and add value to their fruit production by making juice.</p> <p>The FAQ defines juice as “the fluid expressed from plant material by crushing, comminuting and pressing. It can be clear, cloudy or pulpy. Juice is classified as puree, if the resulting consistency is fluid that pours very slowly, or pulp if it pours even more slowly”.</p> <p>Fruit pulp is therefore treated as juices and is also exempted from the requirements on physical traceability. Voluntary physical traceability is possible, should the trader wish to do so.</p> |

¹ For cotton, this refers only to activities from spinning stage onwards in supply chains under the FSI model. Ginners must comply with physical traceability requirements.

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| Date | <i>February 20th , 2019</i> |
| Reference | <i>Trader Standard and relevant product standards</i> |
| Affected standard requirement(s) | <p>5.4.1 Pre-financing Fairtrade contracts</p> <div style="border: 1px solid black; padding: 5px;"> <p>Applies to: First buyers</p> <p>Core You pre-finance the payment of the Fairtrade contracts, or facilitate that this is done via a third party, to enable small producer organizations to purchase the products from their members. You do not have to follow the requirement if:</p> <ul style="list-style-type: none"> • there is a proven high risk (e.g. risk of default of the contract, of non-repayment or of important quality problems); • the producer declines this pre-finance in a verifiable way; or • this is not legally allowed in the country you are operating in. <p>You do not put pressure on the producer to decline your offer of pre-finance, for instance, you do not make it a condition for signing a contract that the producer declines the pre-finance offer.</p> <p><i>Please see product standards for specific details.</i></p> </div> <div style="background-color: #f0f0f0; padding: 5px; margin-top: 5px;"> <p>Guidance: The pre-finance covers the period starting from payments by the producer organization to member-farmers for the crop received, up to the payment by the first buyer to the producer organization for fulfilment of the contract. A third party can either be a third party lender or another trader in your supply chain. See the interpretation note for more information on how the compliance to this requirement will be checked.</p> </div> |
| Interpretation | <p><i>In the Trader Standard, the onus to offer pre-finance is on the trader while in some product standard, it says that producers may request pre-finance. Which standard should be followed?</i></p> <p>The onus to offer pre-finance is on trader. Some product standards and relevant requirements still state that pre-finance has to be made available upon request of producers. The Trader Standard overrules the product standards that have not been revised yet, so it is the responsibility of the trader to offer pre-finance. The percentage of pre-finance that needs to be offered is stated in the product standards (60% in most cases). As the responsibility to offer pre-finance is with the trader, the percentage is understood as “<u>at least</u> 60%”, and not “up to 60%” as previously when producers had to request pre-finance.</p> <p>Fairtrade International will close this gap as it reviews each of the product standards for SPO and HL.</p> |

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|---|---|--------------------------------|--|-------------|---|
| Date | <i>May 18 , 2016</i> | | | | |
| Reference | <i>Trader Standard</i> | | | | |
| Affected standard requirement(s) | <p>5.8.1 Unfair trading practices</p> <table border="1"> <tr> <td colspan="2">Applies to: All traders</td> </tr> <tr> <td>Core</td> <td>Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.</td> </tr> </table> | Applies to: All traders | | Core | Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices. |
| Applies to: All traders | | | | | |
| Core | Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices. | | | | |
| Interpretation | <p><i>Are traders, at /or beyond the price and premium payer, allowed to buy Fairtrade products from their suppliers / sell to their customers below the Fairtrade Minimum Price (FMP)¹ and Fairtrade Premium?</i></p> <p>No, they are not allowed. Fairtrade products can never be bought or sold below the FMP and Fairtrade Premium, for the following reasons:</p> <p>Fairtrade's goal to "make trade fair" requires that fair and sustainable trading practices are applied throughout the whole supply chain. Fairtrade expects all operators in the supply chain to take into account the FMP and the Fairtrade Premium in their price structure.</p> <p>First, Fairtrade defines in the requirement 5.8.1 as an unfair practice "<i>the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards.</i>" Examples of such practices mentioned in the guidance to the requirement include "<i>Excessive transfer of costs or risks to its counterpart such as demanding prices below costs</i>". This includes putting pressure on suppliers by demanding prices that are below the supplier's cost of buying the Fairtrade product, which is, at a minimum, the Fairtrade minimum price and Fairtrade Premium.</p> <p>Secondly, unfair practices that "<i>clearly damage producers' or other traders' capacity to compete</i>" include selling Fairtrade products below the cost of buying them from producers, being, at a minimum, the FMP² and Fairtrade Premium.</p> | | | | |

² In the case of Fairtrade organic products, the Fairtrade Minimum Price is the Fairtrade Minimum Price for organic products, or the Fairtrade Minimum Price plus the organic differential as applicable.