



# Trader Standard - Main Changes

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## Fairtrade Trader Standard

The revised *Fairtrade Trader Standard* is the result of the review project undertaken in 2013 and 2014 as part of the regular monitoring and improving process of the standards.

The revised Trader Standard was approved by the Standards Committee in November 2014.

This document identifies the key changes made to the standard and includes a table describing in more detail the extent of the changes made, following the structure of the new standard.

This document does not describe the content of the changes in full detail. This document shall not replace a detailed study of the new standard and it is not part of the standard.

### Key changes:

- Clarifications of **to whom each requirement applies**;
- Clarification and slight amendment of the **contract, pre-finance and sourcing plans requirements**
- Clarification of requirements applying to **conveyors**
- New requirement around “**Trading with Integrity**”, to explicitly prohibit any unfair trading practices at trader level
- Inclusion of **Voluntary Best Practices for traders**, in addition to the Core (compulsory) requirements. These Voluntary Best Practices will be audited, but no compliance is required. The audit will lead to a score, but will not affect certification status.
- Inclusion of a **labour rights and environmental protection** sections in the Trader Standard (applicable as of January 2017). These will be audited according to a reactive assurance approach (i.e. traders need to comply at all times but the frequency of additional audits will be based on a combination of known risks, founded allegations and random sampling).
- Annex table that clarifies who is the **default Fairtrade Payer and Conveyor** for each products, and where alternative arrangements are possible.

*Please note that the Product Standards will be updated according to the changes of the Trader Standard over the next few months. Product specific rules will however not be affected.*

**Overview of the revised Trader Standard:**

This table shows the most important changes, specifying if these are modifications, deletions or new additions.

Standard section	Type of change	Revised Standard	Comments
<b>Title</b>			
	<b>Modified</b>	Name of Standard changed from Trade Standard to Trader Standard.	To emphasize that it applies to traders.
<b>Introduction</b>			
	<b>New</b>	Reference to Theory of Change added, to explain the contribution of the standard. Concept of voluntary best practices added to incentivize moving beyond minimum compliance. Clarification of the term “certified” and inclusion of the term verified that is applied to operators under the Fairtrade Sourcing Programme for cotton and the licensees.	
<b>All Requirements</b>			
	<b>Modified</b>	“Applies to” column has been added. Each requirement has been marked as Core or Voluntary Best Practice (VBP).	Purpose is to have more clarity and make the standard easier to read.
<b>1. General Requirements</b>	<b>This chapter covers the requirements that relate to the certification process and to the scope of the Standard.</b>		
<b>1.1 Right to trade Fairtrade products (replaces “certification”)</b>	<b>Clarified</b>	Requirements split into separate requirements for greater clarity - traders must obtain a permission to trade (1.1.1) - traders must accept announced and unannounced audits (including additional entities) and provide all necessary information to the certification body (1.1.2)	Already found in existing Compliance Criteria

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		- Clarification around additional entities – operators must contractually require compliance from their additional entities and ensure they register any new entities with the certification body (1.1.3)	
	<b>Moved</b>	Requirement related to the sale of products held in stock before certification moved to the producer standard.	Moved to the producer standards.
	<b>New</b>	New requirement (1.1.6) requiring that traders buy from producer organisations and not from individuals (unless demonstrated not to be possible)	Already found in existing compliance criteria
	<b>Moved</b>	Requirements related to contracts in case of suspension or decertification moved from the contract section (1.1.7 and 1.1.8). Alignment with compliance criteria.	
<b>1.2 Use of the Fairtrade Trademark</b>	<b>No change</b>		Additions of requirements related to the FSP programme already made in 2014.
<b>2. Trade</b>	<b>This chapter outlines the rules you need to comply with when you trade Fairtrade certified products.</b>		
<b>2.1 Traceability</b>	<b>Moved</b>	Requirement related to beet sugar moved to the Sugar Standard.	
	<b>Clarified</b>	Added guidance in the requirement related to “like for like” (2.1.11).	
<b>2.2 Product Composition</b>	<b>Clarified</b>	Added guidance on the water and dairy content calculations of food composite products (2.2.2).	
<b>3. Production</b>	<b>This chapter outlines the labour and environmental practices in the processing and handling of Fairtrade products.</b>		
<b>3.1 Labour rights</b>	<b>New 2017</b>	All traders are aware of the fundamental ILO conventions and of the applicable labour laws in their country and there is no indication that any are violated (3.1.1)	Traders need to comply at all times but the frequency of additional audits will

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<b>3.2 Environmental protection</b>			be based on a combination of known risks, founded allegations and random sampling.
	<b>New 2017</b>	All traders aware of applicable environmental laws in their country and there is no indication that any are violated (3.2.1)	The PML list is included in annex 2 of the Standard.
	<b>New 2017</b>	Traders do not use materials on the Fairtrade International Prohibited Materials List (PML) list, unless previously agreed by the certification body (3.2.2 and 3.2.3)	
	<b>New 2017</b>	Voluntary best practices around reducing environmental impacts of production of Fairtrade products, using biodegradable packaging and reducing carbon footprint (3.2.4 – 3.2.6)	
<b>4. Business and Development</b>	<b>This chapter outlines the requirements that are unique to Fairtrade and intends to lay the foundations for producers' empowerment and development.</b>		
<b>4.1 Contracts</b>	<b>New</b>	Traders have to be aware of their role as Fairtrade trader or conveyor (if applicable), and agree and inform with all parties if they make an alternative arrangement (provided it is allowed) (4.1.1.).	Annex 1 defines who is the payer for each product category, and in which cases the first buyer is allowed to act as a conveyor.
	<b>Modified</b>	The Contract requirement lists out all the elements to be included in the contract (4.1.2).	
	<b>New</b>	New requirement for price payers and conveyors to include in the contract a detailed breakdown of the price adjustment (if applicable) (4.1.3).	This is to improve transparency on price calculations.
	<b>Clarified and new</b>	Clarification and new requirement for conveyors covering: - including in the contract the modalities of payment of price differentials and premium (4.1.4), - sending quarterly reports of sales volumes and due price and premiums to producers (4.1.5)	This is to improve transparency towards producers.

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	<b>New</b>	All traders sign contracts with their immediate supplier (4.1.6).	Alignment with compliance criteria
	<b>Clarified</b>	Requirement to sign a binding purchase contract split into 2 (sign a contract and honour a contract) for better clarity. Focus of the requirement on the obligation to seek solutions in case of incapacity to honour a contract (4.1.7).	The requirement to sign a binding a purchase contract will be interpreted in the same way for producers and the producer standard will be updated accordingly as soon as possible.
	<b>New</b>	Voluntary best practices covering long-term commitments with producers / suppliers (4.1.8).	This is to promote long-term trade relationships with producers.
	<b>New</b>	Voluntary best practices related to signing tripartite contracts with producers, or sharing their sales contract with the producer (4.1.9).	This is to promote greater transparency towards producers.
<b>4.2 Price and Premium</b>	<b>Clarified</b>	Market price requirement separated and clarified to require agreement with producers on information source (4.2.1).	
	<b>Clarified</b>	Minimum price requirements reworded to include date of application of new prices as per pricing database, increased guidance around minimum prices set at different supply chain levels (4.2.2 + 4.2.3)	
	<b>Clarified</b>	Payment of price differential by conveyors to producers is made more explicit and clarified (4.2.6).	

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	<b>Clarified</b>	Premium requirements reworded to include new guidance around date of application of new premium levels, no discounts allowed (4.2.7). Conversion ratios required from conveyors to be made available to producers	
	<b>Clarified</b>	Transfer of premium by the conveyor to the producer (when applicable) is made more explicit and clearer (4.2.8).	
<b>4.3 Timely payment</b>	<b>Moved</b>	Specific payment timelines moved to product standards (4.3.1).	
	<b>New</b>	New requirement for conveyors that payments of price differential and premium to producers occurs 15 days after payment is received from the payer or no later than 30 days after the end of the quarter if agreed with the producer (4.3.2)	This is to avoid bank commissions on multiple small payments.
<b>4.4 Access to finance</b>	<b>Modified</b>	The onus is now on traders to facilitate access to pre-finance to producers, rather than on the producer to request it. The trader provides pre-finance either directly, or by facilitating access to pre-finance from a third party lender. Details on pre-finance arrangements moved to product standards (4.4.1).	
	<b>Modified</b>	Conditions of pre-finance must be agreed in writing with the producer (4.4.2).	
	<b>New</b>	New requirements around responsibilities if trader does facilitate pre-finance through a 3 <sup>rd</sup> party (4.4.3)	
	<b>New</b>	Voluntary best practice related to the provision of interest-free pre-finance (4.4.4)	
	<b>New</b>	Voluntary best practice included for other forms of financial support or credit to producers (4.4.5)	
<b>4.5 Sourcing and market</b>	<b>Modified</b>	New emphasis on realistic sales estimation, rather than only a volume figure (4.5.1).	

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<b>information for planning</b>	<b>Moved</b>	Details on sourcing plans moved to product standards. Disadvantageous trade terms moved to Trading with Integrity section.	
	<b>New</b>	Voluntary best practices added: - for all traders along the chain to provide sourcing information to their suppliers (4.5.2) and - for first buyers to provide market information to producers (4.5.3)	
<b>4.6 Sharing risks</b>	<b>Clarified and moved</b>	Requirement around quality claims clarified. No quality claims for problems generated beyond the responsibility of the producer (4.6.1).	
<b>4.7 Capacity building</b>	<b>New</b>	New voluntary best practices regarding: - supporting producers' and workers priorities in terms of capacity building and development (4.7.1) - Sourcing from vulnerable producer groups (4.7.2) - Acting as market liaison for producers (4.7.3)	It is important that producer support is in line with producers' own priorities.
<b>4.8 Trading with Integrity</b>	<b>New</b>	Requirement prohibiting unfair trading practices, based on European Commission definition. Non exhaustive list of examples provided (4.8.1).	It includes the prohibition of bonded contracts previously found as a separate requirement.
<b>ANNEXES</b>			
<b>Annex 1</b>	<b>New</b>	Annex table that clarifies who is the default Fairtrade Payer and Conveyer for each products, and where alternative arrangements are possible	
<b>Annex 2</b>	<b>New</b>	Prohibited Materials List added, in reference to requirement 3.2.2 of the environmental protection list.	This list will be subject to review in 2015.