

Project Assignment

Fairtrade Textile Standard Pilot Project (08.03.2021)

This project assignment contains the most important information about the project. For additional information on the project, please contact the project managers (contact details below).

Rationale for and justification of need for the project:

The purpose of the Fairtrade Textile Standard is to reach workers along the entire textile supply chain, guaranteeing them a decent living and empowering them to combat poverty, strengthen their position and to take more control of their lives. Requiring subcontractor compliance with 1.4.4 and Chapter 3 means significant efforts by the subcontracted entities even though the products under FT Textile standards might form only a minor part of its operations. It is hence unrealistic to assume compliance. If a requirement is unrealistic and prevents certification of the entire supply chains, it needs to be reviewed. This would ensure that workers can benefit through implementation of the standard. This project will pilot a requirement in a maximum of 5 supply chains, whereby low-value subcontractors below 5% FOB of the product need not immediately comply with 1.4.4 and Chapter 3. In addition, only the units of the subcontractor involved in handling products certified against the Textile Standard must be certified against the Textile Standard requirements. As subcontractor sales volumes with Fairtrade increase, a full certification of the subcontractors can be envisaged in the mid-term. As a risk mitigation procedure during the pilot project, compliance with 1.4.4 and Chapter 3 will be replaced with the main entity providing a valid social indicator for the exempted subcontractors.

Recommendation is to pilot the following Textile Standard requirements 1.4.4, Chapter 3 and 1.4.2 for subcontractors during the next 2 years as follows:

The requirements in 1.4.4 and Chapter 3 only apply to subcontractors whose value of the operation is **above** 5% of the FOB value of the product order in relation to the total FOB value of the product.

For subcontractors whose value of the operation is **below** 5% of the FOB value of the product order in relation to the total FOB value of the product, the following applies:

- i) Requirements 1.4.4. grievance procedure and Chap. 3 Labour conditions are not applicable;
- ii) Chapter 4 (Environmental Responsibility) and Chapter 5 (Trade) apply as they are directly linked to the product quality; Chapter 4 is only applicable to those subcontractor units where Fairtrade products are handled.
- iii) The main certified body has to submit a social indicator for all exempted subcontractors according to requirement [2.4 in the Fibre Crop Standard](#). In addition, FLO Cert will continue to ensure reactive assurance relating to social compliance.
- iv) The main entity will monitor subcontractor requirements as listed in 1.4.2, taking into account the changed requirements applying to the low-value subcontractors that are

exempted (see above)

Following a meeting between FI, FLOCERT and FTGER on Dec 10th 2021, it was concluded to pilot the exemption of low-value subcontractors from 1.4.4 and Chapter 3 before agreeing on a public and mandatory interpretation note.

This setting will include 5 supply chains at maximum and will last no longer than 2 years. Fairtrade Germany will provide a report/ mid-term evaluation of the pilot after the first year of implementation with brief quarterly written email updates (Email Kerstin Cron, 18.12.2020)

Risk assessment:

1. From a generic point of view, if no traders are certified against the Textile Standard, no progress can be made through Fairtrade towards living wages in the textile industry.

Mitigation: Pilot the suggested exemption of low-value subcontractors to ease application of the standard and certification.

2. Suppliers of the smaller brands will find it very costly and time-consuming to identify subcontractors willing to undertake specialized work under such high requirements if the requirement is not suspended or will find it unfeasible to offer products with certain specifications.

Mitigation: Pilot the suggested exemption of low-value subcontractors to ease application of the standard and certification.

3. Difficulty in determining the eligibility for low volume subcontractors. The cost (in percentage) of a subcontracted operation e.g. knitting or printing in the FOB value of finished FT product is required to determine eligibility. A cost break-up of the product is required for the purpose and it is difficult to obtain accurate figures unless the supplier provides it. The FOB value of the products purchased on Fairtrade Textile Standard terms will undergo a plausibility check with sector averages by the TEXTIT (Textile Implementation Team, currently managed by FTGER).

Mitigation: The certification body will determine based on the value of the 'FOB' product provided by the supplier in the Generic Exception Template. The suppliers shall provide relevant calculation and documents to the certification body as part of their Exception application. FTGER and TEXTIT member Shivaprasad Shetty will provide average costings of products involved to support assurance and verify accuracy of supplier information. Calculations provided by TEXTIT are taken as given by FLO Cert. Subcontractors will be exempted based on an average of the FOB of products sourced within the annual range until 5% threshold is crossed. If FOB quotes made by entities involve costings above 5%, then these subcontractors will not be exempted.

4. If the requirement is piloted, then there are risks of subcontractors not complying with labour conditions (chapter 3) and requirement 1.4.4 (grievances procedure) of the Textile Standard.

Mitigation: The same approach as that of trader standard/cotton label - 'social indicator' is mandatory for exempted subcontractors. The main suppliers collect social indicator evidence from their subcontractor and the validity is checked by the certification body. In addition, FLO Cert will continue to ensure reactive assurance relating to social compliance.

5. Non-compliances with exempted subcontractors and complexity in identifying exempted subcontractors considered too high, so the current interpretation of the Textile Standard requirements remains unchanged and no subcontractors can be exempted of requirements.

Mitigation: Suppliers/Traders will have to apply for full certification of the exempted subcontractors, changes suppliers or exclude certain products from their product range.

<p>Project Start Event: Draft Project Assignment will be uploaded to the FI website in the Textile Standard section for comments by stakeholders with FTGER as contact</p>	<p>Project Start Date: March 2021</p>
<p>Project End Event: Communicate pilot results and evaluation to involved/interested stakeholders with written summary incl. recommendations to SU and offer closing webinar and/or share in Fairtrade/Insider</p>	<p>Project End Date: March 2023</p>
<p>Project Goal: The piloting of the suggested interpretation of 1.4.4 and Chapter 3 with respect to low-value subcontractors aims to refine the approach of the Textile Standard to subcontractor compliance and adjust to the economical realities of textile supply chains esp. in the context of low-value subcontracting.</p> <p>Specific objectives to be followed by pilot:</p> <ul style="list-style-type: none"> - Enable certification of up to 5 complete supply chains through the exemption of low-value subcontractors and limiting requirements to units handling TS goods with respect to TS clause 1.4.4 and Chapter 3; - Introduce Fairtrade Textile Production products on to the market (No products on the market at the start of the project); - Collect generic standard costings for various products to be applied as indicators for assuring the identification of low-value sub-contractors; - Provide evidence that a Textile Standard interpretation exempting low-value subcontractors/subcontractor units dealing with Fairtrade goods from compliance with 1.4.4 and Chapter 3 will enable the full certification of more Textile Standard certified supply chains and thereby make the access of the involved workers to the payment of living wages possible <p>Connection with Fairtrade Global Strategy 2021-2025 and updated Theory of Change (ToC): This project is connected to the Fairtrade Strategic Pillar “Empowerment” by making concrete progress towards the payment of living wages in textile supply chains and Strategic Pillar “Growth and Innovation” by growing offers for the textile sector and identified business needs.</p> <p>For more information on Fairtrade’s ToC see this link.</p>	
<p>Project scope: The pilot project will include 5 supply chains at maximum and will last no longer than 2 years and covers all regions and products where the Fairtrade Textile Standard applies. This standard is applicable in countries and regions where freedom of association is possible. For more information on Fairtrade Standards click this link.</p>	<p>Out of scope: Full review of the Fairtrade Textile Standard Fairtrade Trader Standard review Fairtrade Textile Standard Suspension Fairtrade Textile Standard Interpretation</p>

Pilot implementation details

- Roles and responsibilities:
 TEXTIT supports implementation by
 - o Giving heads-up to FLOCERT as new supply chains come in under the pilot
 - o providing FLOCERT with the average costs of products as reference values, as well as the concrete calculations for each applicant during the pilot.
 FLOCERT ensures implementation by taking exception decisions based on the information provided by TEXTIT / the customer linked with certain conditions as described above under "Rationale"
- Exception procedure:
 The customer needs to apply for an exception during the application process with the FLOCERT Generic Exception Application template. As mentioned above, TEXTIT will support this process by providing the respective calculations to FLOCERT. FLOCERT will assess the exception request and decide according to the agreed parameters. FLOCERT does not invoice for the exception. The exception applies for the duration of the pilot.
- Identifying social issues at subcontractor with Social Indicator:
 Textile applicants might also be processing FT cotton as additional entity for a certified trader and therefore also need to undergo a trader audit. If during that trader audit indications around labour right violations are identified (reactive assurance), we would not accept the SI from that subcontractor.
- Impact on certification:
 Although this being a pilot, FLOCERT will take certification decisions according to procedure just as in other situations where customers benefit from an exception.

Project timelines and information on opportunities to contribute:

Scoping: March 2021– March 2023

Communication on Project

Assignment: March 2020

Analysis of results: March 2022, April 2023

Aspects to be covered in evaluation:

- Number of entities and workers exempted per supply chain
- Number of supply chains that could achieve certification based on pilot requirements
- Number of products introduced to market with the Fairtrade Textile Standard
- Assurance / Feasibility of exempting subcontractors based on FOB information provided by supplier and TEXTIT for certification body

Decision by: Standards Unit

Publication:

Pilot results and evaluation to be communicated to involved/interested stakeholders with written summary incl. recommendations to SU and offer closing webinar and/or share in Fairtrade/Insider

Implementation: March 2021-March 2023

Decision making process:

The Standards Committee (SC), a body made up of stakeholder representatives will decide based on the collected evidence of the pilot whether to adjust the current interpretation of the textile Standard. The SC will aim at making a decision based on consensus. They may reword the interpretation if needed to reach consensus. If consensus cannot be reached, the SC will resort to voting.

<p>Project Owner (Unit):</p> <p>Fairtrade Germany is the owner of the project based on the mandate by Fairtrade International</p>	<p>Project Managers (contact point for the project):</p> <p>Mariska Przyklenk (Senior Business Developer, Fairtrade Germany) m.przyklenk@fairtrade-deutschland.de +49 221 94 20 40 39</p>						
<p>Project Team (Unit):</p> <table border="1" data-bbox="204 696 770 891"> <tr> <td>Fairtrade International</td> <td>Alina Amador, Eleonora Gutwein, Kerstin Cron</td> </tr> <tr> <td>PNs</td> <td>Tbc</td> </tr> <tr> <td>FLOCERT</td> <td>Conny Engel, Theresa Glammert-Kuhr tbc</td> </tr> </table>	Fairtrade International	Alina Amador, Eleonora Gutwein, Kerstin Cron	PNs	Tbc	FLOCERT	Conny Engel, Theresa Glammert-Kuhr tbc	<p>Project Environment (stakeholder groups not part of the project team):</p> <ul style="list-style-type: none"> - Certified operators under the Fairtrade Textile Standard - Senior Adviser Workers Rights and Trade Unions - Fairtrade Germany
Fairtrade International	Alina Amador, Eleonora Gutwein, Kerstin Cron						
PNs	Tbc						
FLOCERT	Conny Engel, Theresa Glammert-Kuhr tbc						