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| **Consultation document for Fairtrade Stakeholders:**Review of the Fairtrade Trader Standard |
| Consultation Period | 16 September – 14 November 2024 |
| Project Manager | Oksana Forkutsa, Senior Standards Project Manager |

**PART 1 Introduction**

**1.General Introduction**

Fairtrade Standards establish fairer terms of trade and support the sustainable development of small-scale producers and workers regions historically disadvantaged in global trade by setting out social, economic and environmental requirements. Producers and traders must meet applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standard & Pricing (S&P) is responsible for developing Fairtrade Standards. The procedure followed, as outlined in the [Standard Operating Procedure for the Development of Fairtrade Standards](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/SOP_Development_Fairtrade_Standards.pdf) is designed in compliance with all requirements of the [ISEAL Code of Good Practice for Setting Social and Environmental Standards](https://www.isealalliance.org/our-work/defining-credibility/codes-of-good-practice/standard-setting-code). This involves wide consultation with stakeholders to ensure that new and revised standards reflect Fairtrade International’s strategic objectives, are based on producers’ and traders’ realities and meet consumers’ expectations.

You are kindly invited to participate in the third round of consultation to review the [Fairtrade Trader Standard](https://files.fairtrade.net/TS_EN.pdf). For this purpose, we kindly ask you to provide your input on the topics suggested in this document and encourage you to give explanations, analysis and examples underlying your statements. All information we receive from respondents will be treated with care and kept confidential.

**Please submit your comments to** **standards-pricing@fairtrade.net** **by 14 November 2024.** If you have any questions regarding the draft standard or the consultation process, please contact standards-pricing@fairtrade.net

Following the consultation round S&P will prepare a paper compiling the comments made, which will be emailed to all participants and also be available on our Fairtrade International website. Next steps of the project are presented in section four.

**2. Background**

The Trader Standard is due for full review. The 1st consultation round was in 2022 where stakeholders were invited to share their views in the explorative format on the following topics: Human Rights Due Diligence (including Living Wages & Living Income), traceability and transparency, role of trader (including sourcing plan and pre-finance) and requirements that are implemented following voluntary best practice approach. The 2nd consultation was focused around technical proposals on HREDD topic only, collecting feedback on proposed requirements. Based on the analysis of feedback provided in 2nd consultation round, the Standard Committee decided on addition of new HREDD requirements in the Trader Standard, which also included addition of definitions around supply chain, definition of trader size.

Building on the outcomes of the first and second round of consultation, this third round includes a more technical proposal for discussion with stakeholders and others.

**3. Objectives of the full standard review**

* Review and analyse outstanding issues on the Trader Standard since last revision
* Collect additional topics, issues and concerns on Trader Standard from relevant stakeholder groups and recent studies
* Explore mechanisms to address or limit occurrences of unfair trading practices[[1]](#footnote-1) (UTP)
* Explore options for Human Rights Environmental Due Diligence implementation by traders, including measures to identify, prevent, mitigate and remediate any human rights violations and environmental harm in the supply chain as well as risk assessment and grievance mechanism
* Explore options for co-investments in HREDD implementation throughout supply chain
* Explore paths to facilitate the Trader Standard in enabling achievement of Living Income and Living Wages
* Evaluate the practicality of ‘Voluntary Best Practice requirements’ concept in all relevant standard sections, including requirements on management of environmental impacts;
* Integrate outcome based standard requirements in the Trader Standard
* Evaluate feasibility of including other supply chain actors in the scope of certification
* Seek solutions from stakeholders to resolve standard related issues
* Consult on solutions with relevant stakeholder groups
* Ensure consistency in standards by aligning changes in all related product standards
* Ensure alignment of introduced changes in standard with existing digital supply chain tools
* Improve standard language for better clarity and simplicity
* Develop final proposals for Trader standard for approval by Standards Committee

**4. Project and Process Information**

The project started in Q4 2021 and the [project assignment](https://www.fairtrade.net/standard/trader-standard-review-2021) is available on the Fairtrade International website.

The current [Fairtrade Trader Standard](https://files.fairtrade.net/TS_EN.pdf) is also available on the Fairtrade International website.

The progress to date and next steps are described below

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| --- | --- |
| **Activity** | **Timeline** |
| Scoping | November-December, 2021 |
| Research, development of consultation draft | January -June, 2022 |
| Consultation 1st round | August-September 2022 |
| Consultation 2nd round  | June-September, 2023 |
| Drafting proposal 2nd round | November - December 2023 |
| Publication of standard with new HREDD requirements | Q2, 2024 |
| Consultation 3rd round | Q3 2024 |
| SC decision | December 2024  |
| Publication | Q1 2025 |

**5. Acronyms and definitions**

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| DD | Due diligence |
| EU | European Union |
| FI | Fairtrade International |
| FMP | Fairtrade Minimum Price |
| FP | Fairtrade Premium |
| GMB | Group Mass Balance |
| GPM | Global Product Manager |
| HL | Hired Labour |
| HREDD | Human rights and environmental due diligence |
| ILO | International Labour Organisation |
| MB | Mass Balance |
| NFO | National Fairtrade Organisation |
| NGO | Non-Governmental Organisations |
| PN | Producer Network |
| PO | Producer Organization |
| SPO | Small Producer Organisation |
| TS | Trader Standard |

**The** **target groups of this consultation are:**

* Licensees, retailers and traders certified or interested in becoming certified under the Fairtrade Trader Standard.
* SPO producers already certified or interested in becoming certified under the Fairtrade Standard for Small Producer Organisations.
* HLO producers already certified or interested in becoming certified under the Fairtrade Standard for Hired Labour Organizations
* Producer Networks, National Fairtrade Organisations, Fairtrade International, FLOCERT, NGOs, Trade Unions, researchers, etc.

**6. Confidentiality**

All information we receive from respondents will be treated with care and kept confidential. Results of this consultation will only be communicated in aggregated form. All feedback will be analyzed and used to draw up the final proposal. However, when analyzing the data we need to know which responses are from producers, traders, licensees, etc. so we kindly ask that you provide us with information about your organization.

**Structure of the questionnaire:**

For each topic stakeholders are invited to comment on the proposed change to the standard. Stakeholders are also invited to suggest additional ideas to address issues that are specific to their product industry or supply chain.

Please note that all new additions that are proposed to be introduced in standard are marked in ‘**orange**’. Some proposals and questions are structured in a table format where the proposed change and choice of answers are provided in separate columns.

If you are a producer organization, the Producer Networks (PN) may be carrying out workshops to have collective discussions on the topics of this questionnaire, for more information please contact your PN.

Trader organizations, licensees or retailers will be contacted by their respective National Fairtrade Organization or Producer Network (trader organizations in the South), or by the Fairtrade international with an option to participate in open conversation either in workshops, online webinars or one-to-one exchange.

How much time you spend in answering the questionnaire depends on how detailed your answers are. Your input is very important therefore please take your time, we very much appreciate detailed answers. The online version saves itself automatically so you do not need to answer all in one go and can return to the questionnaire at a later point.

**Please take as much space as you need to respond to the questions.**

**PART 2 Draft Standard Consultations**

This consultation is divided into the following sections:

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# Information about your organization

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| **Q0.1 Please provide us with information about your organization so that we can analyse the data precisely and contact you for clarifications if needed.** **The results of the survey will only be presented in an aggregated form and all respondents’ information will be kept confidential.**Name of your organisation      FLO ID      Country      Name of contact person      Email of contact person      **Q 0.2 Are your responses based on your personal opinion or is it a collective opinion representing your organization?**[ ]  Individual opinion [ ]  Collective opinion, representing my organization / company**Q 0.3 What is your responsibility in the supply chain?** **Tick all boxes that apply**

|  |  |
| --- | --- |
| [ ] Producer[ ]  Exporter[ ]  Importer[ ]  Manufacturer/Processor | [ ]  Licensee[ ]  Retailer[ ]  Brand owner[ ]  Other (e.g. PN, NFO, FLOCERT, FI)  |

**Q4 What is your main product? Please select one product.** If you trader/produce multiple products, please select the option ‘**Other’** and provide more information in the comment box. **Tick only one box**

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| --- | --- |
| [ ]  Banana[ ]  Cane sugar[ ]  Cereals[ ]  Cocoa[ ]  Coffee[ ]  Fibre crops (including cotton)[ ]  Flowers and plants[ ]  Fresh fruit (other than banana)[ ]  Fruit juices | [ ]  Gold[ ]  Honey[ ]  Herbs and Herbal teas & Spices[ ]  Nuts[ ]  Oilseeds and oleaginous fruits[ ]  Prepared and Preserved Fruit and Vegetables[ ]  Tea[ ]  Vegetables[ ]  Other or multiple products (please specify here):       |

**Q5 If your company is Fairtrade certified organization, please select below what role in Fairtrade supply chain applies to your company and under which traceability system your company operates :** **Tick all boxes that apply**[ ]  **Fairtrade payer** (*i.e. responsible for paying the Fairtrade Price or Premium*)[ ]  **Fairtrade conveyor** (*i.e. responsible for conveying the Fairtrade Price or Premium from the payer to the producer*)[ ]  **First buyer** (i.e. company that buys directly from the producer)[ ] **Trading under Fairtrade Sourced Ingredient model**[ ] **Trading under Mass balance** (single site mass balance)[ ] **Trading under Mass balance** (group mass balance)[ ]  **Trading under physical traceability****[ ]  I don’t know / Not relevant to me****[ ]  None of the above ,** (please specify here): |

# Topics for consultation

# Communication on HREDD

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Background**: Human Rights and Environmental Due Diligence (HREDD) is about managing the risks and adverse impacts that business may have on people and planet. Many traders are increasingly obliged by law to practice HREDD. The HREDD process has five steps: to commit, to identify, to address and remediate, to track the progress and to communicate about this work to stakeholders ([for more details see guidance, page 4](https://files.fairtrade.net/publications/Fairtrade_HREDD-guide-for-traders_EN.pdf)). **Learnings from stakeholder consultations**: Following two consultation rounds in 2022 and 2023, the Trader Standard now includes HREDD requirements applicable to all certified trader organizations. These require companies to consult and inform their immediate Fairtrade suppliers about several HREDD measures, but do not include a requirement to communicate with other external stakeholders. Our previous standard consultations have shown that some stakeholders are already communicating on their due diligence activities via Sustainability reporting, Code of Conduct and other relevant documents that they publish on their website. Many stakeholders recognized that reporting and communication is crucial in HREDD, but there should be clarity on the exact type and detail of information that has to be made public ([for more information see synopsis](https://files.fairtrade.net/standards/Synopsis-Paper-HREDD-in-TS.pdf)). In addition to the above mentioned consultations, Fairtrade mapped the reporting areas (indicators) outlined in international and regional HREDD regulations and norms (see [Annex 1](#Annex1) for the list of regulations included in the study).**The proposed change in this section includes one new requirement which corresponds to HREDD Step 5 “Communicate”****Proposal 1. To introduce a new Core/Year 3 requirement for trader organizations to report to Fairtrade on their HREDD. The requirement will also indicate on which HREDD topics the reporting would be required.** ***Note:*** *The access to Fairtrade platform will be given only to Fairtrade certified operators. The information will be utilized to develop Fairtrade's support for certified organisations as well as Fairtrade's reports and dashboards where information is shared on highly-aggregated level. Fairtrade monitors the evolution of traceability and transparency norms in global supply chains. Should further sharing formats become relevant, these formats will be agreed with stakeholders***NEW. Reporting on HREDD**

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| **Applies to**:All traders  |
| **Core** | You report to Fairtrade on HREDD measures you undertook in the past year.  |
| **Year 3** |

**Rationale:** Fairtrade will utilise the reported information, inter alia, to understand whether and how actors in Fairtrade value chains share the responsibilities and investments for due diligence work. The information to report on is aligned with EU and national legislations to ensure that compliance effort could be streamlined and the reporting burden is minimized. The Fairtrade reporting platform will provide a clear structure on what has to be reported, including types and categories for activities. The platform shows traders what information is increasingly sought by buyers and suppliers**Implication:** It will be compulsory for trader organizations to report on Fairtrade platform on their HREDD actions to identify, monitor, prevent, mitigate, remediate and bring impacts to an end. **Question 1: Do you agree to introduce NEW Core/Year 3 requirement on HREDD reporting to Fairtrade?** ***(****please check Questions 1a and 1b below to get a better understanding on what HREDD activities and measures the reporting requirement could cover****)***[ ] Agree[ ] Partially agree[ ] Disagree[ ] I don’t know / It’s not relevant to me**Please provide rationale if you partially agree or disagree?**     **Question 1a: In the table below please indicate which reporting topic your agree to include in the requirement proposed above. The proposed areas / topics correspond to the HREDD requirements in** [**the Trader Standard** (*requirements 3.1.1 to 4.1.1*).](https://files.fairtrade.net/standards/TS_EN.pdf)

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| **The proposed indicators are aligned with international/regional HREDD regulations and norms (**[**see A**nnex 1](#Annex1)**).** **Do you agree with sharing information on the proposed six HREDD areas below?** |
| **1 Awareness raising:** |
| *To report on number of participants who took part in awareness raising activities**Number of participants is reported with a breakdown to:* * *male and female ;*
* *external (e.g. subcontractor, supplier) or internal (staff, management)*

**[ ]  Yes****[ ]  No *(specify, in next column →)*** | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |
| **2 Risk assessment:** |
| *To report on which three most salient issues were identified in your own operations and in supply chains as well as which vulnerable groups of people were identified (who could be impacted more than others)***[ ]  Yes****[ ]  No *(specify, in next column →)*** | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |
| **3 Human Rights Based Grievance Mechanism** |
| *To report on:** *number and type\* of grievances received*
* *number and type\* of grievances resolved*
* *average number of days taken to resolve them*
* *stakeholder groups\* that have reported these grievances*

**[ ]  Yes****[ ]  No *(specify, in next column →)******\*Please note*** *that categories for the types of grievance and stakeholder groups will be provided on the reporting platform* | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |
| **4 Human Rights and Environmental Policies** |
| *to**list human rights / environmental policies that your organization is implementing.* **[ ]  Yes****[ ]  No *(specify, in next column →)*** | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |
| **5 Action Plan** |
| *To list the main actions that the organisation has taken in the past year to address its actual (i.e.existing)l and potential* adverse impacts on human rights and the environment and d*escribe the key results of these actions. This is to include any dialogue and collaboration with and support provided to Fairtrade suppliers and/or producers.***[ ]  Yes****[ ]  No *(specify, in next column →)*** | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |
| **6 Support**  |
| *to report on types\* of provided support to each producer organization with a corresponding estimated monetary value (where relevant).*If you do not source directly from producers and provide support via your Fairtrade business partners/ traders from your Fairtrade supply chain, you need to ensure this information is available to you to be able to report**[ ]  Yes****[ ]  No *(specify, in next column →)******\*For example*** *the type of support could be: “Support on deforestation monitoring”, “Support on Biodiversity Action Plan”, “Support on working conditions”* | ***if you do NOT agree to share the information,******please indicate the reasons*** *(tick all boxes that apply)*[ ]  is not clear what information should be reported[ ]  Insufficient internal resources or expertise to manage and report data[ ]  Increased administrative burden and costs[ ]  Difficulty in collecting accurate data [ ]  Difficulty in verifying and validating the information[ ]  Concerns about data privacy and security[ ]  Concerns about revealing competitive information[ ]  Potential negative impact on company reputation[ ]  Other please specify here       |

**Question 1b: In the table below please indicate who would you agree to share the reported information with, and at what level – aggregated or disaggregated.**

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| **Who would you agree to share this information with?** *Select all that apply* | ***How do you think information\* on HREDD should be shared?*** |
| ***\*Aggregated*** | ***\*Disaggregated*** |
| [ ]  **\*\****With Fairtrade (including Fairtrade international, National Fairtrade Organizations/Marketing Organizations, Producer Networks in Asia, Africa and Latin America regions)* | **[ ]**  | **[ ]**  |
| [ ]  With suppliers under confidentiality agreements  | **[ ]**  | **[ ]**  |
| [ ]  With buyers (e.g. commercial partners) or suppliers under confidentiality agreements or when the buyer is committing to responsible business conduct  | **[ ]**  | **[ ]**  |
| [ ]  With buyers (e.g. commercial partners) or suppliers with no confidentiality agreements  | **[ ]**  | **[ ]**  |
| [ ]  With any external stakeholders (e.g. trade unions, NGOs, and other) | **[ ]**  | **[ ]**  |
| [ ]  Only when it is necessary for the business partners’ or Fairtrade’s legal compliance | **[ ]**  | **[ ]**  |
| [ ]  Other, please specify here       | **[ ]**  | **[ ]**  |

***\*****Aggregated level means the information at a high level of aggregation (for example global, region, product, etc.). Data is considered aggregated when it combines data & information from at least three organizations.**Disaggregated level means information will be shared at the lowest level of disaggregation (i.e. individual company / trader organization)****\*\*****The information will be utilized to develop Fairtrade's support for certified organisations as well as Fairtrade's reports and dashboards where information is shared on highly-aggregated level. Fairtrade monitors the evolution of traceability and transparency norms in global supply chains. Should further sharing formats become relevant, these formats will be agreed with stakeholders.***Any additional comments?**      |

1. **Traceability models**

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| **Background:** The Fairtrade Trader Standard applies to all who trade (buy, sell or process) Fairtrade certified products up to the point of consumer ready packaging. Traceability and transparency are among the core principles of the Fairtrade Trader Standard. The following traceability models are currently set and outlined in the Fairtrade Trader Standard: ***Physical traceability*** *(product physical segregation),* ***Mass balance*** *when (some) Fairtrade certified commodities can be physically mixed with non-Fairtrade products and* ***Documentary traceability for all c****ertified customers have to keep a record of what they buy and sell as Fairtrade, documenting at least the volume, form of product, name of their business partners, dates of purchase & sale.*The recent EU legislation developments and the growing needs of all partners for more transparency on their supply chain urge the Fairtrade system to take advantage of its existing structure and relations with supply chain actors to encourage traceability data reporting**.** **Learnings from stakeholder consultations:** Previous consultation on Identity Preservation (IP) showed overall positive response from stakeholders and many recognized the need and importance of such concept to be in place. The concerns were around suitability of this concept for different product industries, potential additional administrative burden if this becomes a compulsory requirement and lack of capacity & tools to enable successful implementation. One of the elements of Identity Preservation is on reporting of purchased and sold products referring to unique identification number which is currently already enabled on Fairtradetraceability tool, Fairtrace, for Coffee traders. The proposals in respective section reflect provided suggestions and learnings. In addition to the IP, another proposal is to explore the more enhanced option of Mass Balance that is called Single Site Mass Balance (SSMB) at batch level. The SSMB at batch level provides a more robust mass balance option where blending of certified and non-certified volumes is controlled. More details around this model are provided in respective section below. Fairtrade would like to introduce the above mentioned two new traceability options to enable enhanced traceability of Fairtrade products throughout the supply chain and to improve currently applicable mass balance requirements. The aim is to recognize different existing realities of products industries and to enable a stronger traceability around physical flow of products and flow of associated information throughout the supply chain.**The proposed changes in sections below include two new requirements and the definition of Identity Preservation model, four revised requirements and Mass Balance definition, and one new requirement on Single Site Mass Balance at batch level.** **Identity Preservation traceability model****Companies implementing an identity preservation traceability model can significantly enhance the quality, safety, and sustainability of their products, while also gaining a competitive advantage in the marketplace and building stronger relationships with consumers and other stakeholders.**

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| **Key elements** |
| * ***Product flow:*** *traders ensure that certified product from a certified producer organization is kept separate from other certified organization and other sources. Fairtrade products can be identified at all stages (e.g. storage, transport, processing, packaging, labelling and handling)*
* ***Information flow****: information on certified products allows to trace back to the single point of origin – the producer organization. When this model is applied by all supply chain actors, traceability is possible from the last point of product transformation or labelling (or use of a claim) until the producer organization.*
* ***Time****: no time lag, product volume in the unit (batch, lot etc) can be traced back to its origin at any point of the time*
* ***Requirements****: Requirements related to physical segregation, record keeping, choice of the traceability model, reporting on Fairtrade platform and information share. Traders to include an identification number for a volume unit in all relevant documents (at purchases and sales) and to report volumes & transactions on Fairtrade platform referring to the identification number.*

***See* Annex 2 *for an overview of product and information flow under IP model as compared to Physical Segregation model.***  |

**Proposal 2.1. To introduce the definition for Identity Preservation model, two new Core/Year 0 requirements to enable Identity Preservation model for all supply chain actors. The model will be kept optional for all products that fall in the scope of Fairtrade certification.**  **Definition: *Identity preservation*** *– traceability model with physical product flow and information flow throughout the supply chain is traceable at all stages (e.g. storage, transport, processing, packaging, labelling and handling). An identification number is used to identify fixed amount of volume of Fairtrade product. Under this model, the content and source of Fairtrade product in the final consumer ready product is identifiable until a single certified producer organization.* **NEW Sharing information on Identity Preservation**

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| **Applies to:** All traders that apply Identity Preservation |
| **Core** | When you trade under Identity Preservation you accept that Fairtrade will communicate the ‘Identity Preservation supply chain map’ to all relevant supply chain actors, indicating the associated volumes (as per transactions). |
| **Year 0** |
| Guidance:  |

**NEW. Identity preservation of Fairtrade products**

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| Applies to: All traders that apply Identity Preservation |
| **Core** | * You inform producer/supplier when you choose to trade under Identity Preservation, by indicating in your purchases documentation when the product is traded under ‘Identity Preservation’ model.
* You provide/assign an identification number to the fixed quantity of Fairtrade product and refer to this identification number in your Fairtrade transactions.
* You physically segregate and identify Fairtrade products at all stages (e.g. storage, transport, processing, packaging, labelling and handling) and in associated documentation.
* You report on Fairtrace about the Fairtrade input you buy and Fairtrade output you sell (also *see Trader Standard requirement 2.1.2*), referring to all relevant identification number(s).
 |
| **Year 0** |
| **Guidance:** The identification number is either used to identify a fixed quantity of Fairtrade products separately,(for example: lot, batch, bag , parcel or any other form of physical aggregate) This number can be referred to as the Identity Preservation number. Reports on transactions should include all identity preservation numbers (if more than one) so that your sales can be linked to your purchases, to trace back to the single point of origin – the producer organization. On the Fairtrade platform (Fairtrace) you report this by providing the identification number in the “batch number” field**.**For example for coffee this implies providing ICO bag mark/ number (n identifier that is unique to each coffee lot) - if coffee is sourced from ICO member country. If coffee is sourced from a non-ICO member country you should notify certification body to find a way to report differently.  |

**Rationale:** Traceability data reported at the level of fixed/certain product volume will allow Fairtrade system to analyse the data gathered and trace the supply chains more accurately (in details). It will also ensure better data information transparency on Fairtrade platform, that would inform all relevant supply chain actors.**Implications:** The Identity Preservation traceability model is optional for all Fairtrade products. If traders choose to report sales and purchases referring to Identity Preservation number for a fixed volume then requirements are compulsory to comply with at Year 0 of certification cycle. Trader organizations, as users of the platform, will have the ability to provide their consent for data sharing (see more under section 3 on ‘data sharing’).**Question 2.1: Do you agree to introduce two NEW Core Year 0 requirements applicable to all traders that choose to trade under Identity Preservation traceability model? Compliance with these requirements will be compulsory for those traders that will choose this model.** [ ] Agree[ ] Partially agree[ ] Disagree[ ] I don’t know / It’s not relevant to me**Please provide rationale if you partially agree or disagree**     **Question 2.1 a. If you find that meeting one of the stipulated conditions in the requirement above is not feasible for you, please elaborate in the table below**

|  |  |  |
| --- | --- | --- |
|  | ***If meeting the required conditions below is NOT feasible, please explain why***  | ***Name of product (s)***  |
| *You inform producer/supplier when you choose to trade under Identity Preservation by indicating in your purchases documentation when the product is traded under ‘Identity Preservation’ model* |  |  |
| *You give an identification number to the fixed quantity of Fairtrade product and refer to this number in your Fairtrade transactions.*  |  |  |
| *You physically segregate and identify Fairtrade products at each processing, manufacturing or transportation stages and in associated documentation.*  |  |  |
| *You refer to all relevant identification number(s) to report on Fairtrade platform about the Fairtrade input you buy and Fairtrade output you sell* |  |  |

**Any suggestions for the proposed requirement to include other conditions?**     **Question 2.1b Given that the above conditions are met by your Fairtrade supply chain actors, how quickly can your organization start the implementation of Identity Preservation?****[ ]  Immediately / within 1 month****[ ]  Within 3 months****[ ]  Longer than 6 months****[ ]  Other, please clarify here**  **Question 2.1c What factors would influence your decision to trade under the Identity Preservation traceability model?** *Select all that apply***[ ]  Cost of implementation****[ ]  Ease of use****[ ]  Regulatory compliance****[ ]  Customer demand****[ ]  Increased transparency** **[ ]  Competitive advantage****[ ]  Integration with current existing approaches / existing platforms****[ ]  Availability of training and support** **[ ]  Other, please specify**      **Question 2.1d What additional resources or support do you need to be fully prepared to apply Identity Preservation model ?** **Question 2.1e Do you agree that after a transition period, the Identity Preservation model is compulsory for some products (i.e. it would not be optional as proposed above)?****[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me**

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| **If your answer is ‘Agree’, indicate your product and provide rationale, in the box *→*** |  |
| **If your answer is ‘Disagree/Partially agree’ indicate your product and provide rationale, in the box *→*** |  |

**Mass Balance traceability models** **Scope of Mass Balance traceability models**The intention of currently applicable Mass Balance models (Single Site Mass Balance and the Group Mass Balance) was for situations where products undergo processing and applicable requirements of two models stipulated conditions under which mixing of certified and non-certified products can be done. Learning from the implementation showed that the applicable scope of Mass Balance models was not always clear, i.e. that it applies when certified and non-certified materials are mixed during processing, leading to inconsistent application of the models.**Proposal 2.2. In order to ensure more clarity, the proposal is to add the following additional statement to the definition of Mass Balance models:*** **Mass Balance model is applicable only when products require processing and where blending of certified and non-certified products during the processing is unavoidable.**
* **Rationale**: clear and consistent applicability of Mass Balance models ensures coherent implementation of standard.
* **Implication**: only those trader companies that need to process the Fairtrade product (i.e. input) - can apply one of the Mass Balance traceability models.

**Question 2.2 Do you agree to introduce the proposed clarification above?****[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me**

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| If your answer is ‘**Agree’,** indicate your product and provide rationale, in the box *→* |       |
| If your answer is ‘**Disagree/Partially agree’** indicate your product and provide rationale, in the box *→* |       |

**Proposal 2.3:** Under the single site mass balance (SSMB) and the group mass balance (GMB), the Fairtrade certified and non-certified products can get mixed during the processing throughout the supply chain. The recently introduced EU Deforestation Regulation (EUDR) aims to ensure that products placed on the EU market do not contribute to deforestation or forest degradation, aligning with the EU’s commitment to environmental sustainability and the protection of biodiversity. For many traders to continue to operate under mass balance while meeting the EUDR’s strengthened traceability and due diligence requirements, it is important to have a system in place that prevents mixing of deforestation-free\* products with products associated with deforestation or forest degradation. \*‘*Deforestation-free' is defined as the condition of the goods produced on land that has not been subject to deforestation or forest degradation after December 31, 2020*. **The 2.3 proposal is to introduce a clarification in the scope and definition of all Mass Balance models stating that mixing of deforestation-free products with products association with deforestation is not allowed.** * **Single Site Mass Balance (Requirement 2.1.10):** Fairtrade inputs must be delivered to and processed at the same site where the Fairtrade output is processed. Fairtrade inputs (Products) from deforestation-free sources can not be mixed with products associated with deforestation.
* **Group Mass Balance (Requirement 2.1.12):** Group mass balance is audited per group of sites (requirement 2.1.12): Fairtrade inputs do not need to be delivered to the same site that the Fairtrade output is processed. Group mass balance is only allowed in cocoa and cane sugar. Within the group, products from deforestation-free sources can not be mixed with those associated with deforestation.

**Question 2.3 : Do you agree to introduce the clarification for Mass Balance traceability models definitions that reflects the required regulation on deforestation?** **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree**     **Proposal 2.4: The next table below outlines further modifications for current four requirements on Mass Balance traceability models. These include clarifications on terms and definitions of ‘purchase’, ‘site’, time period allowed for reaching positive mass balance.** **Rationale:** to improve clarity for trader organizations on required documentation that also allows Fairtrade to ensure implementation of mass balance traceability model is correct and more robust.***The implication*** *of proposed change for traders is outlined individually for each requirement*

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| ***Questions 2.4 a- d:*** | ***Do you agree that the four Trader Standard requirements include the proposed modifications (in ‘orange’)?*** | ***Please explain why, if you partially agree or disagree?*** |
| 1. **Requirement 2.1.8 on Mass Balance: equivalent amounts of inputs and outputs**.

You **ensure** that the amount of outputs sold as Fairtrade is not more than the amount of inputs sourced as Fairtrade taking into account the processing yields and all losses at one or several processing occasions.The balance of amounts of outputs sold and inputs sourced is positive on a monthly basis* **Implication**: alltraders who is applying mass balance have to ensure that the balance of input and output is positive on a monthly basis.
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |
| 1. **Requirement 2.1.9 on Mass balance: purchase prior to sale**.

You ensure that Fairtrade inputs are purchased before the sale of the Fairtrade outputs.The purchase of Fairtrade inputs can be identified either as physical delivery of the product, payment for the product, invoicing of the product or a binding purchase contract (or purchase order within a framework contract) for a specific delivery date within 3 months. .You choose one type of purchase definition throughout all calculations and use it consistently throughout all applicable time **Guidance:** Intention of purchase cannot be considered a purchase. Best practice is to choose the date of physical delivery of the product or the date of invoicing of the product.* **Implication**: Traders to choose only one type of action indicating that the purchase took place, and this type is used consistently for all calculations.
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |
| 1. **2.1.10 Single site mass balance:**

You ensure that Fairtrade inputs are delivered to and processed at the same site where the Fairtrade output is processed.The balance of amounts of processed outputs sold and inputs sourced is positive on a monthly basis.If a mass balanced Fairtrade output is used as input for further processing, then the proportion of Fairtrade certified content in each processed output is known.The site is where inputs are delivered and processed into the output. Warehouses or other sites where processing of inputs is not taking place – can not be considered as sites* **Implication**: Traders always have to keep records of Fairtrade content in the inputs and output, also if what was used as Input – is a mass balanced product.

 For single site mass balance, the products can be processed in several batches at one site and the balance of input and output must be positive on a monthly basis The definition of sites will be also applicable for Group Mass Balance requirement. Following the proposed changes in the requirement, the example below is not allowed.*Example: A certified trader in Switzerland buys Fairtrade cocoa beans from a Fairtrade supplier in Peru. These beans are shipped to a warehouse in Amsterdam and are sold as non-Fairtrade to a customer (without being processed). And, the same trader also buys non-Fairtrade cocoa beans from a non-Fairtrade certified supplier in Peru. These beans are also sent to the same warehouse in Amsterdam (do not undergo processing), but this time, they are sold as Fairtrade to a Fairtrade customer.* | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |
| 1. **Requirement 2.1.11 on Mass balance: like-for-like**.

You **ensure** that Fairtrade inputs are of the same kind and quality as the inputs used to process the Fairtrade output (like for like). If you sell processed outputs with a claim that specifies the quality (including specific flavour, organic or other), and / or the origin - then you have purchased an equivalent volume with the same or higher specifications and from the same origin, as indicated in the purchase documentation.* **Implication**: when traders ensure that quality of products claimed in the sales is the same as quality of product claimed in the purchase they may refer to origin, flavour or other specific qualities.
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |

**Any further suggestions on the above proposed changes?**     **Question 2.4-e. The table below provides an overview of current traceability models under Fairtrade Trader standard with their applicable scope to products.****Stakeholders are invited to share their experience trading under one of the current models. This feedback would help to improve the requirements further.**

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| *Name of (currently applicable) traceability model and product scope* | *Please tick the box to indicate under which model you are currently trading* | *Leave your comment explaining if trading under this model is challenging for your product/ industry or supply chain.* |
| *Physical traceability* *(i. e. Physical segregation)* | ***Applicable*** *to all products****With exception:*** *to cocoa, cane sugar, tea, fruit juice & pulp, and products sourced under Fairtrade Sourced Ingredient (FSI) model for cotton and the Gold Sourcing Program* | **[ ]**  |  |
| *Single Site Mass Balance* | ***Applicable ONLY***  *to cocoa, cane sugar, tea, fruit juice & pulp, and products sourced under Fairtrade Sourced Ingredient (FSI) model for cotton and the Gold Sourcing Program* | **[ ]**  |  |
| *Group Mass Balance*  | ***Applicable ONLY*** *to Cocoa and Cane sugar* | **[ ]**  |  |

**Single Site Mass Balance at batch level****As compared to currently applicable Single Site Mass Balance, under the Single Site Mass Balance at the batch level companies can achieve greater control over their production processes, improve quality and efficiency, reduce costs and enhance sustainability ultimately leading to a more robust and competitive operation.**

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| **Key elements** |
| * ***Product flow:*** *Fairtrade products are physically segregated from non-Fairtrade products until the processing stage. Inputs and outputs are processed at the same site, and in one batch. The output from this batch is not processed further (in one batch means - the amount of raw product that can be processed in one go).*
* ***Information flow****: proportion of Fairtrade products mixed in processing in one batch is recorded which allows to know proportions of product in the output of the batch.*
* ***Time****: no time lag, the proportion of Fairtrade product in the mass balanced output is known per batch and information can be traced back to product origin at any point of time.*
* ***Requirements****: Requirements on SSMB, Like for Like, Input-Output, and records keeping. Records allow to trace the product origin, ensure that output sold does not exceed the input, and are of the same kind and quality. The output of SSMB at batch level is not used for further mixing, i.e. no further mixing of this output.*
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***See Annex 2* *for an overview of product and information flow under Single Site Mass Balance at Batch level as compared to Single Site Mass Balance model (currently applicable under Fairtrade).*** **Proposal 2.5: To introduce one Core/Year 0 requirement on Single Site Mass Balance at Batch level with clear outlined conditions that support a more enhanced traceability approach.** **The model will be kept optional for all Fairtrade products where Mass Balance is currently allowed: cocoa, cane sugar, tea, fruit juice & pulp, and products sourced under Fairtrade Sourced Ingredient (FSI) model for cotton and the Gold Sourcing Program.** **NEW Single site mass balance at batch level:**

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| **Applies to:** All traders that apply mass balance at batch level (except as in 2.1.12) |
| **Core** | You ensure that Fairtrade inputs are delivered to and processed at the same site where the Fairtrade output is processed. All inputs are processed in one batch and you record the amount of Fairtrade input in one batch.Fairtrade output from one batch is not processed for further mixing. |
| **Guidance:** The site is where inputs are delivered and processed into the output. In one batch means – a quantity of products that are processed or manufactured directly one after the other without interrupting production.The proportion of Fairtrade certified content in the output from one batch is recorded and known.Warehouses or other sites where processing of inputs is not taking place can not be considered as sites. |

**Rationale:** to enable the single site mass balance model that meets those product industry realities with more enhanced traceability approach. The implementation will factor in the transition time for certified traders and for Fairtrade to update its reporting platforms accordingly. *The benefits of this model are: precise proportion of Fairtrade content in the final product is known, use of resources is optimized e.g. reduced energy use and carbon footprint, facilitation of better risk assessment with details on product flow.* **Implication:** For single site mass balance at batch level, the products used as input can be processed only in one batch at one site and the output is not processed further to mix with any other sources. The proportion of Fairtrade content in the input and output of processing has to be known (recorded) and this value to be used in the final product with a claim. The model is optional and applicable only to cocoa, cane sugar, tea, fruit juice & pulp, and products sourced under Fairtrade Sourced Ingredient (FSI) model for cotton and the Gold Sourcing Program. **Question 2.5: Do you agree to introduce one NEW Core 0 requirement applicable to all traders that choose to trade under Single Site Mass Balance at batch level? Compliance with these requirements will be compulsory for those traders that will choose this model and currently already apply single site mass balance.****[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree**     **Any suggestions for requirement to include other conditions?**     **Question 2.5a If you are currently trading under Single Site Mass Balance, would you be interested to trade under Single Site Mass Balance at batch level?** **[ ]  Yes****[ ]  No****Question 2.5b If you answered ‘yes’, how quickly can your organization start the implementation of SSMB at batch level?****[ ]  Immediately / within 1 month****[ ]  Within 3 months****[ ]  Longer than 6 months****[ ]  Other please clarify here** **Question 2.5c. What factors would influence your decision to apply SSMB at batch level?** *Select all that apply***[ ]  Cost of implementation****[ ]  Ease of use****[ ]  Regulatory compliance****[ ]  Customer demand****[ ]  Increased transparency** **[ ]  Competitive advantage****[ ]  Integration with current systems / platforms in Fairtrade****[ ]  Availability of training and support****[ ]  Other, please specify** **Question 2.5d: The proposal is to consider the applicable scope of this model to - cocoa, cane sugar, tea, fruit juice & pulp, and products sourced under Fairtrade Sourced Ingredient (FSI) model for cotton and the Gold Sourcing Program. Do you agree with this scope?** **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Any other additional comments to the section Traceability?**      |

1. **Data management for enhanced traceability and transparency**

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| **Background:** Fairtrade is working towards enhancing transparency and traceability. The suggestion for the Trader standard to include voluntary transparency on trader’s performance was consulted in the first consultation round which was found overall positive by many respondents. Currently Fairtrade is digitalizing, introducing new features in existing platforms and processes to increase the value of the certification to all supply chain actors by:* improving the information flows that will also enable easier and effective audit processes,
* improving the information transparency and aligning with regulatory requirements (e.g. CSDDD, EUDR, German Supply Chain Law)
* ensuring data protection of all supply chain actors

In this consultation we are requesting your inputs which will guide Fairtrade **on the details to be included in the scope of related requirements** and **on feasible ways of implementation**. The objective is to enable traceability and transparency in supply chains between certified and licensed operators while respecting data protection of all supply chain actors. The intent is to assist Fairtrade certified trader organizations and their supply chains to fulfil regulatory requirements where relevant and to improve the exchange of information with stakeholders and business partners.To support the implementation of these requirements, Fairtrade will provide a framework, clear processes, and platforms for certified and licensed operators to access and share data. For example on the following: production and sales, geodata, sourcing, performance, risks, audit data, HREDD reports and other. (data sharing proposal related to HREDD reporting is included in [section 1 “communication on HREDD’](#communicationhredd))**It is also important to note the following:*** *for Fairtrade to be able to use, publish and share the information within the Fairtrade system (e.g. Fairtrade International, National Fairtrade Organizations/Marketing Organizations, Producer Networks in Asia, Africa and Latin America regions) and with Fairtrade certified trader organizations - traders are asked to share their views on the request to enable Fairtrade to collect and process the information, i.e. “to pro-actively manage the information provided on designated platforms”.*
* *the defined processes and framework will also include the option for certified operators to receive the information which is necessary for compliance with regulatory requirements.*

**Proposal 3 : to introduce changes in the Trader standard aligned with Fairtrade’s objective to improve traceability and transparency in supply chains through enhanced information exchange systems between certified and licensed operators while respecting data protection of all supply chain actors.*****What?*** **Certified organizations will have a transparent view of data access, where**:1. *You will see what data are available by default to other Fairtrade actors (Certified Producer Organisations, Certified traders, Licensees etc )*
2. *You will manage your data sharing consent preferences*
3. *You will be able to request access to information from other actors*

*This information may include for example the following: production and sales (volumes, prices), geo-data, sourcing, performance, risks, audit data (conformities and non-conformities, corrective measures), HREDD reports and other information areas.* **How ?** **The information is to be shared as follows:** * ***Within the Fairtrade system*** *i.e. between the Fairtrade organizations (including Fairtrade international, National Fairtrade Organizations/Marketing Organizations, Producer Networks in Asia, Africa and Latin America, FLOCERT):*
	+ to strengthen and improve activities of Fairtrade to support Producers and Traders;
	+ to continue verification on the flow of goods and supply chain data;
	+ to enable more robust analysis of Fairtrade impact,
	+ to facilitate research on Fairtrade issues, in particular studies about Fairtrade relevant topics, revision of Fairtrade standards and similar activities.
* ***With certified organizations and other Fairtrade stakeholders, via Fairtrade, based on agreements and policies:***
	+ to support certified organizations with relevant information about their supply chain up and down stream. For example, the information provided by trader organizations which can be used for regulatory purposes (such as supply chain information) - could be shared with other Fairtrade supply chain actors (producer, exporter, importer, processor etc) or Fairtrade retailers.
* ***With certified organizations and other Fairtrade stakeholders, upon consent by the organizations which are sharing the data:***
	+ to support them with relevant information about their Fairtrade sourcing, sales, and programs. *For example, the information trader organizations provide on a designated Fairtrade platform which is for impact or risk assessments (such as Fairtrade development plans or audit results) could be shared with other Fairtrade certified supply chain actors or Fairtrade retailers managed through the above mentioned consent platform*

**Question 3.1-1: Do you agree with the proposal above on Fairtrade’s approach to data sharing?****[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Question 3.1-2: Do you agree to introduce a new Core / Year 0 requirement applicable to all traders on use of designated Fairtrade platform and on accepting the agreements for managing data access following the proposal above.** **Rationale:** introducing new requirement is in line with Fairtrade’s objective to improve supply chains traceability and transparency.**Implications:** Trader organizations will be required to sign up to general data sharing policies, contracts and OR, including for example clauses on audit agreements and OR of Fairtrace or other platforms. These agreements will specify: **a)** what data can be shared by default, and **b)** what data needs permission; i.e. trader will manage access to the data according to the above contracts and policies via a designated platform**[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     ***If you overall agree with the proposal above, please respond to additional questions below.*** **Question 3-2: As a certified trader organization, how would you prefer to access and share this information?** [ ]  Via your contact at Fairtrade[ ]  Via a dedicated Fairtrade platform upon request by a Fairtrade certified organization or a licensee [ ] Directly from your Fairtrade stakeholders or supply chain partners without Fairtrade involvement[ ] None of the above / Other, please specify here      **Question 3-3: Are you interested to have access to such information about your Fairtrade supply chain partners?**[ ]  Yes [ ] No [ ]  I don’t know/ It’s not relevant to me If **“yes”,** please elaborate why:[ ]  Because of legal or regulatory requirements [ ]  Business Intelligence or Risk Analysis [ ]  Marketing or Communications[ ]  Other, please specify here      **Any other additional comments to this section?**      |

1. **Sustainable trading relationship**

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| **Background:** Trader standard promotes transparent and sustainable trading relationships between Fairtrade producers and traders, that allow long-term planning (several years ahead) and sustainable production practices. To facilitate this, the Trader Standard requires traders to provide realistic information on market prospects (including sourcing plan), reasonable forms of financial assistance (e.g. pre-finance, crop financing or advance payments, loans for investment) and includes a mechanism to sanction unfair trading practices in Fairtrade supply chains. In addition, the standard includes voluntary best practices (VBP) as a framework for traders’ continuous improvement, for traders to work towards best trading practises across their businesses. These requirements are not compulsory for compliance and aimed to recognise and incentivise certified traders who go beyond minimum compliance and who are committed to best trading practices. The environment section also includes some voluntary best practices to encourage traders to engage in the reduction of the negative environmental impact of their operations using recycled or biodegradable packaging, or reducing carbon footprint. **Learnings from previous consultations:** In the first consultation round, stakeholders input on sourcing plan and pre-finance showed divided opinions that highlighted impracticality of these tools, mentioning various risks associated with their implementation which would often be also the reason to not go for long term commitment. Feedback on VBP included assessment of feasibility and importance of these requirements for traders and producers. While producers have indicated high importance on all 12 VBP requirements, trader input on the following requirements - tripartite contracts with producers, interest free pre-finance, access to other types of finance, sourcing plans for other traders and sourcing from vulnerable groups – showed that these were found to be least feasible and from their perspective also least important. All other requirements were indicated as either moderately or mostly feasible to implement. Traders have also expressed concerns if all VBP requirements will become core to comply with, mainly flagging that this would be both – not feasible and also not practical. For example, for trader organizations who established long-term partnership with producers, providing sourcing plans may become an administrative burden. One of the VBP requirements was on minimizing the environmental impact, which is already changed to Core following the introduction of HREDD related requirements. **The proposed changes presented in sections below aim to improve the implementation of pre-finance, sourcing plan, contracts and environment while incorporating the solutions for VBP requirements. This section includes ten revised requirements and eight deleted requirements.****Provision of pre-finance**In the 1st consultation round, suggestions from respondents on improvement of pre-finance functionality included the following measures: producer audit results to be shared with buyers to facilitate easier risk assessment regarding potential decertification, to include pre-finance terms in the contract such as - a mechanism to recover pre-financing if the supplier is decertified e.g. repayment/reimbursement plan, terms of payment, interest rates, payment methods, risks, duration, maximum amounts; to include protocol for inquiring about pre-finance facilities before placing orders, require (producer) financier's signature on the contract and therefore a commitment to honour it; use tripartite contracts to secure pre-financing, given that producers carefully assess their needs to avoid excessive risks and many other (see [full synopsis here](https://files.fairtrade.net/standards/SynopsisPaper-TraderStandard-Review-1stRound_EN.pdf)).**Proposal 4.1 To introduce the following changes in 5 requirements on pre-finance with the aim to improve pre-finance as a tool, adding more clarity on responsibilities and deleting the VBP requirements. The proposals explore three options how pre-finance could be implemented.** You are invited to first comment on whether introduced changes are clear, and then to respond if you agree to introduce these changes 1. **Requirement 5.4.1 Pre-financing Fairtrade contracts**

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| **Applies to:** First buyers  |
| **Core** | You offer 60% pre-finance of the payment of the Fairtrade contracts, or facilitate that this is done via a third party, to enable ~~small~~ the producer organizations to purchase the products from their members , or to pay for the harvest and other costs of production.You do not have to follow the requirement if: * 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.

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.*Please see product standards for specific details.* |
| **Year 0** |
| **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~~](https://files.fairtrade.net/standards/TS-INT_EN.PDF) ~~for more information on how the compliance to this requirement will be checked.~~When sourcing from Hired Labour organizations please refer to the product specific standards to learn about applicable terms.  |

*There are three options for change in this requirement:***Option 1:** *as suggested in the revised requirement above* - 60% provision of pre-finance and if provision of pre-finance is too high risk, then traders are required to facilitate the 60% pre-finance. **Option 2**: to allow a phased or conditional 60% pre-finance provision, where pre-finance is offered in 3 instalments, with minimum 20% as first instalment. Additional conditions about partial pre-finance included in written agreement will help to assess the financial risks.*Producers will only receive further financing when they meet the agreed-upon criteria in written agreement, reducing the likelihood of quality issues or non-delivery*.**Option 3**: where there is a proven high risk, 20% pre-finance is provided by the First buyer, and 40% is facilitated via a third-party lender. 1. **Are the proposed options clear on expectation with compliance and applicable scope?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     1. **Requirement 5.4.2 Provision of pre-finance**

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| **Applies to:** First buyers that provide pre-finance |
| **Core** | If you provide pre-finance directly, you and the producer must **agree in writing** on the following: * Amount of the prefinance is 60% or in line with the product standards
* Duration of the pre-finance, in line with the product standards
* Payment terms
* If applicable, interest charges, ~~if any~~ or other charges
* ~~Other charges, if applicable~~
* Consequences in case of product quality problems, or any environmental/climate risks that may impact crop production or harvest
* Consequences in case of non-delivery of product,
* Re-payment terms if (producer) certification is lost

You add this agreement in a separate section in your contract or these terms are reflected in your purchase contract |
| **Year 0** |
| **Guidance:** The timing of pre-finance should coincide with the expected cash payments to member-farmers, and may involve several payments following the harvest cycle. It is best practice to offer conditions that are more beneficial than those from local money lenders.Written agreement to include simple and clear recovery plan that includes contingencies for supply disruptions and de-certification scenarios.The interest charges must be mutually agreed between the producer and the buyer and on more advantageous terms for the producer. Best practice is when pre-finance is provided at zero interest rate. |

1. **Does this change provide more clarity around expectation with compliance and applicable scope?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     **Do you have further suggestions regarding the proposed points to be covered in written agreement?**     1. **Requirement 5.4.3 Facilitation of pre-finance**

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| **Applies to:** First buyers that facilitate pre-finance |
| **Core** | If you facilitate pre-finance via a third party lender, you **take all actions** that are needed to achieve effective facilitation, such as:**act** as a reference to the lender on behalf of the producer;**confirm** that the Fairtrade contract is valid and can be used as collateral for providing pre-finance to the producer; and**agree** with the producer on how payment of the contract will be made (either to the producer or the third party lender). |
| **Year 0** |
| Guidance: **Best practice** is when facilitated pre-finance is at zero interest rate.In addition it is also best practice to facilitate other types of financial assistance, such as crop financing or advance payments, loans for investment:* crop financing refers to providing financial or material input to make growing of a certain crop possible, e.g. buying fertilizers and seeds.
* advance payments refer to regular payments that are paid before the due date without charging interest rates
* loans for investment in order to respond to the financial needs of the producer (financial needs as defined by producer)
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1. **Does this guidance provide more clarity?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     1. **~~Requirement 5.4.~~4 ~~Interest free pre-finance~~**

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| **~~Applies to:~~** ~~First buyers~~ |
| **~~VBP~~** | ~~You~~ **~~provide or facilitate~~** ~~pre-finance at zero interest rate.~~ |

1. **~~Requirement 5.4.5 Access to other types of finance~~**

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| **~~Applies to:~~** ~~All traders~~ |
| **~~VBP~~** | ~~You~~ **~~provide or facilitate~~** ~~access, directly or through a third party, to credit (seasonal, harvest or in-kind or other types that are not the pre-finance of contracts) or loans for investment in order to respond to the financial needs of the producer, under the following conditions:~~ ~~The financial need must be defined by the producer.~~ ~~You agree with the producer and document transparently the terms and conditions of the credit or loan (including the amount, duration, repayment instalments and interest charges).~~ |
| **~~Guidance:~~** ~~“Facilitate” is described in requirement 5.4.3.~~~~It is best practice to offer conditions that are more beneficial than local money lenders.~~ |

**Rationale:** pre-finance on contracts remains one of the reasonable financial assistance that helps small producer organizations to buy the product from their members and to hired labour organizations to pay for costs of production. Under certain circumstances buyer may still be exempted from providing pre-finance. Proposed changes aim to add more clarity around the conditions that could be covered in the written agreement between producer organizations and first buyer/pre-finance provider, that also includes situations if agreed conditions would not be met.**Implication:** It is core compliance for the first buyer on the following:* to make pre-finance available after signing the contract within the timeframe specified in the product standards (for most products the timeframe is six weeks before shipment)
* pre-finance written agreement to be settled by both parties (producer and first buyer).
* if there is interest on pre-finance, it was mutually agreed between the producer and the first buyer with best practice-to not charge any interest.
* whether directly or through a third party, first buyer is encouraged to support producer organization by providing other type of financial support - financial or material input, e.g. for buying fertilizers and seeds, advance payments (interests free) etc.

**Question 4.1: Do you agree with proposed changes on pre-finance requirements:*** **to revise requirements 5.4.1 (select one of the three options below), 5.4.2 and 5.4.3 and**
* **to delete requirements 5.4.4 and 5.4.5?**

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| **Option 1 - for 5.4.1** | **Option 2 - for 5.4.1** | **Option 3 - for 5.4.1** |
| You offer 60% pre-finance of the payment of the Fairtrade contracts, or facilitate that this is done via a third party(see more details in revised requirement 5.4.1) | You offer 60% pre-finance of the payment of the Fairtrade contracts. You provide pre-finance in 3 instalments and upon agreed timelines, with 20% pre-finance as first amount. Or you facilitate that 60% pre-finance ~~this is done~~ is provided via a third party lender.(see more details in revised requirement 5.4.1) | You offer 60% pre-finance of the payment of the Fairtrade contracts,If there is a proven high risk you offer 20% pre-finance and facilitate that 40% pre-finance is provided via third party lender. (see more details in revised requirement 5.4.1) |

[ ]  **Agree with all changes and Option 1 for requirement 5.4.1****[ ]  Agree with all changes and Option 2 for requirement 5.4.1****[ ]  Agree with all changes and Option 3 for requirement 5.4.1****[ ]  Partially agree****[ ]  Disagree****[ ]  I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree.**     **Proposal 4.2: To support coherence in the implementation of pre-finance provided by First Buyers, Fairtrade is also consulting on introducing requirements applicable to producers that stipulate conditions and terms related to provided pre-finance.** **The proposal is, for producers who accept the pre-finance offer, to be required:** * to have the pre-finance offer signed by Finance officer or a person with similar role at a producer organization
* to share an overview of financial and / or operational report with First Buyer that allow them to monitor progress.
* to agree with the First Buyer who offers the pre-finance on the following: repayment terms that include interest rates, repayment schedules, and penalties for late payments or defaults

**Question 4.2: Do you agree to introduce the Pre-Finance requirement in producer standards with the scope of measures outlined above?****[ ]  Agree****[ ]  Partially agree****[ ]  Disagree****[ ]  I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree.**     **Sourcing plan, market information and other support**The following Proposal 4.3 and 4.4. reflect changes in requirements from the Trader Standard sections that stipulate conditions and measures applicable to traders that aim to support producers to better understand the market prospects, and to provide additional support to producers for their development and empowerment. In the 1st consultation round the opinions of stakeholders on how the functionality of ‘sourcing plan’ could be improved included introducing the requirement when in the first three years of cooperation between traders and producers the provision of a sourcing plan is mandatory , also to introduce a mandatory tripartite contract that includes the sourcing plan to ensure transparency and clear commitments across the supply chain, to also recognize the challenges with seasonal products (see [synopsis for more inputs](https://files.fairtrade.net/standards/SynopsisPaper-TraderStandard-Review-1stRound_EN.pdf)).**Proposal 4.3 To delete the stand-alone requirement 5.5.1 on Sourcing Plan and merge it with the requirement 5.5.3 on market information (see two options), and to change the applicability of current requirements 5.5.3 and 5.5.2:** **Option 1:** It is compulsory for traders sourcing from producers to provide the plan, if their trading relationship is less than 3 years. For those with trading history of over 3 years it is compulsory to provide sourcing plan only upon request from producers. All other relevant market information should be provided on a regular basis to all producers. **Option 2:** Trades have to agree on the type of information needed to producers, and provide sourcing plan upon their request**Rationale**: (Option1) Providing market information helps producers to plan better, which is even more crucial for organizations that do not have a long-term trading relationship and can not estimate a sourcing pattern. (Option 2)Providing sourcing plan upon request from producers or conveyors aim to reduce the administrative burden. Encouraging traders at the end of the supply chain to communicate with their buyers on estimated or predictable sourcing, would support more realistic estimations shared throughout the supply chain (see requirement 5.5.2).**Implication:** It is compulsory for traders selling to End Buyers to provide sourcing plan to their suppliers. **~~5.5.1 Sourcing plans for producers~~**

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| **~~Applies to:~~** ~~Fairtrade payers and conveyors~~ |
| **~~Core~~** | ~~You~~ **~~provide~~** ~~a sourcing plan to each producer (if you buy directly from them), or the conveyor (in case a conveyor is involved) that you plan to buy from.~~ *~~Please refer to the product standards for the specific requirements.~~* |
| **~~Guidance:~~** ~~At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation.~~ |

**5.5.2 Sourcing plans for other traders**

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| **Applies to:** All traders selling to End Buyers |
| **~~VBP~~ Core** | You **provide** a sourcing plan to your immediate suppliers. |
| **Year 0** |
| **Guidance:** ~~This voluntary best practice~~ This requirement applies to traders who do not buy directly from producers, but further down the supply chain. For traders buying directly from producers, the requirement 5.5.~~1~~ 3 applies.***End buyer*** *is a company that sells the consumer-ready product directly to the consumer.****In case buyer changes the order, you update your supplier as soon as possible by updating the sourcing plan.*** At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation.  |

* 1. **Does this change provide more clarity around expectation with compliance and applicable scope?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     * 1. **Do you agree with the definition of the end buyer?**

***End buyer - is a company that sells the consumer-ready product directly to the consumer*** **[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     **There are two options for proposed changes in the requirement 5.5.3:****OPTION 1: 5.5.3** **Market information for producers**

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| **Applies to:** ~~All traders~~ Fairtrade payers  |
| **~~VBP~~****Core** | You **provide** relevant market information to the producer on a regular basis **or** at least once a year, to enable the producer to better understand the market context and make informed business decisions.Your market information includes the sourcing plan with the minimum estimated volume of future purchases when you:* start new trading relationship and plan to buy from either producer (you directly source from) or the conveyor (in case a conveyor is involved), during the first three years of your trading relationship;
* source from vulnerable producer organizations, regardless of number of the years of your trading relationship

Providing sourcing plan for producers and conveyors (where applicable) with over 3 years of trading relationship is upon their request.When you provide sourcing plan, it is according to the timelines stipulated in the product specific standard and it is renewed. If your buyer changes the order earlier than the stipulated timeline in product specific standard, you inform your producer or conveyor accordingly.  |
| **Year 0** |
| **Guidance:** Market information can be, for example: market trends, quality specification, supply and demand, customer expectations, information about the final producer and its destination market, or any information requested by the producer. You are encouraged to contact your buyers to enable you to provide better information and a more realistic estimation of sourcing plan.**Best practice:** You act as a market liaison and offer market and commercial development services for the benefit of the producer, facilitating contact between the producer and another trader for the benefit of a new market opportunity for the producer, or facilitating the producer’s participation at a trade fair.Vulnerable producer organizations are understood as those with limited market access because, amongst other reasons, they are producers in the early stages of development/organization, belong to an ethnic minority or women’s groups, they are very small organizations, or producers in post-conflict/catastrophe affected areas or in least developed countries (LDCs).You need to provide written evidence to certification body when your buyer changed their orders to buy from you that impacted your previously shared plan, and that you also informed produce or conveyor on this change.Best practice: Your sourcing plan is included in contract agreement (bilateral) with your supplier to buy Fairtrade volumes  |

* 1. **Does this change provide more clarity on compliance and applicable scope?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     **Option 2: 5.5.3** **Market information for producers**

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| **Applies to:** ~~All traders~~ Fairtrade payers  |
| **~~VBP~~ Core** | You **provide** relevant market information to the producer ~~on a regular~~ once a year, to enable the producer to better understand the market context and make informed business decisions.You agree with producer on the type of market information that is needed and provide sourcing plan upon request from producer. When you provide sourcing plan, it is according to the timelines stipulated in the product specific standard and it is renewed. If your buyer changes the order earlier than the stipulated timeline in product specific standard, you inform your producer or conveyor accordingly.  |
| **Year 0** |
| **Guidance:** Market information can be, for example: market trends, quality specification, supply and demand, customer expectations, information about the final producer and its destination market, or any information requested by the producer. You are encouraged to contact your buyers to enable you to provide better information and a more realistic estimation of sourcing plan.**Best practice:** You act as a market liaison and offer market and commercial development services for the benefit of the producer, facilitating contact between the producer and another trader for the benefit of a new market opportunity for the producer, or facilitating the producer’s participation at a trade fair.You need to provide written evidence to certification body when your buyer changed their orders to buy from you that impacted your previously shared plan, and that you also informed produce or conveyor on this change.Best practice: Your sourcing plan is included in the contract agreement (bilateral) with your supplier to buy Fairtrade volumes  |

* 1. **Does this change provide more clarity on compliance and applicable scope?**

**[ ] Yes****[ ] No,** please specify what has to be clarified or stipulated more     **Question 4.3: Do you agree with proposed changes above, on sourcing plan and market information requirements:** * *to delete the requirement 5.5.1*
* *to change the applicability of requirement 5.5.2 from VBP to Core and from ‘all traders’ to* *‘all traders selling to End Buyers’*
* *to change the applicability of the requirement 5.5.3 from VBP to Core and from ‘all traders’ to ‘ Fairtrade payers and Option 1 or Option 2 on provision of pre-finance*

[ ]  Agree with all listed changes and Option 1 for requirement 5.5.3[ ]  Agree with all changes and Option 2 for requirement 5.5.3[ ]  Partially agree[ ]  Disagree[ ]  I don’t know / It’s not relevant to me**Please provide rationale if you partially agree or disagree?**     **Question 4.3-1: FOR respondents from PRODUCER ORGANIZATIONS:** **What market information is important for you to be provided by traders, apart from the sourcing plan?**      **Proposal 4.4 To delete the three VBP requirements below incorporating the stipulated measures into related requirements as core compliance or as best practice.**

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| ***Question 4.4 a-c*** | ***Do you agree to delete the VBP requirements listed below?*** | ***Please explain why, if you partially agree or disagree?*** |
| **a)****~~5.7.1 Supporting producers and workers’ priorities~~**

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| ~~Applies to: All traders~~ |
| ~~VBP~~ | ~~You support producers’ or workers’ Fairtrade development plan or Premium plan, or provide support for other operational, production or organizational capacity building activities that producers or workers chose.~~ |
| ~~Guidance: This contribution must be in addition to the Fairtrade Premium paid to the producer or to the workers. Areas of support must be chosen by producers/workers. They can include, but are not limited to, production techniques, product quality, productivity, storage techniques, value-addition, income diversification, market diversification, business and financial management, risk management, farming practices, internal management systems, business development, or training for workers or the Premium Committee. It can also be the payment of a higher Fairtrade Premium. Your support can either be direct or through a partnership. It can be in the form of funding, training, facilitation of partnerships or other ways.~~ |

* **Rationale:** Trader Standard already includes requirement applicable to Large Traders to provide support to producers on HREDD (see requirement 3.3.6). Additionally, all other traders may decide to provide support in the form of service which is stipulated in the respective requirement (see 5.1.7.).

Another option of support to producers is also stipulated in the proposed revised requirement on pre-finance where in case high risks have been identified and pre-financing of 60% contracts was found too risky, traders may choose to support producers financially with advance payments (see proposal 3.1 above).  * **Implication**: no implications for trader core compliance
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |
| **b)****~~5.7.2 Sourcing from vulnerable groups~~**

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| ~~Applies to: All traders~~ |
| ~~VBP~~ | ~~You source Fairtrade products from vulnerable producer organizations.~~ |
| ~~Guidance: Vulnerable producer organizations are understood as those with limited market access because, amongst other reasons, they are producers in the early stages of development/organization, belong to an ethnic minority or women’s groups, they are very small organizations, or producers in post-conflict/catastrophe affected areas or in least developed countries (LDCs).~~ |

* **Rationale:** Sourcing from vulnerable groups is promoted via proposed revised requirement on pre-finance.
* **Implication**: no implication for trader core compliance
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |
| **c)** **~~5.7.3 Market liaison for producers~~**

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| ~~Applies to: All traders~~ |
| ~~VBP~~ | ~~You act as a market liaison for the producers you source from.~~ |
| ~~Guidance: Being a market liaison could mean, but is not limited to, offering market and commercial development services for the benefit of the producer, facilitating contact between the producer and another trader for the benefit of a new market opportunity for the producer, or facilitating the producer’s participation at a trade fair.~~ |

* **Rationale** it is best practice for traders to act as a market liaison which is provided in the proposed revised requirement on ‘Market Information’
* **Implications** : this is a best practice for traders when complying with requirement on the consulted revised requirement 5.5.3 Market Information.
 | **[ ] Agree****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me** |  |

**Do you have any other suggestions on the above proposed changes?**     **Long term commitment and contracts**The following changes aim to improve the auditability of requirements. The intention is for requirements to enable more stable trade relationships through transparent and fair conditions stipulated in contracts that also help to build stable and long-term partnerships.**Proposal 4.5: to revise the requirement on Fairtrade contracts for payers, with implications of these changes to conveyors****5.1.2 Fairtrade contracts for payers**

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| **Applies to:** Fairtrade payers |
| **Core** | You **sign** a purchase contract for Fairtrade products with the producer (or with the conveyor, if applicable). Contracts follow industry regulations, and as a minimum clearly indicate: * FLO ID, and name of producer organization
* agreed volumes;
* quality specifications;
* price, defined according to the requirements of the pricing section;
* applicable price differential
* amount of Fairtrade Premium to be paid (indicated separately from the price);
* who is responsible for paying the Fairtrade price and the Fairtrade Premium,
* the form of payment, which must be transparent, and traceable;
* the date of the exchange rate to be used in case the payment of the Fairtrade price and the Fairtrade premium is made in a different currency than the one defined in the Fairtrade price table;
* the agreed terms and amount of pre-finance, if applicable;
* procedures in case of quality problems;
* terms of delivery using international commercial terms (Incoterms);
* terms of payment according to Fairtrade product standards;
* definition or mentioning of “Force Majeure”;
* agreement in place of jurisdiction and applicable law; and
* an alternative dispute resolution mechanism to resolve conflicts.
* agreed terms in case of returning or cancelling deliveries

Both contracting parties **have** equal contract termination rights. |
| **Guidance:** For contracts signed with a producer, responsibility for drawing up the contract should be mutually agreed on. Where no agreement can be reached, the responsibility to draw up the contract rests with the buyer, who should ensure that the contract reaches the producer in an agreed language.Mediation is recommended as the form of alternative dispute resolution.Contracts with the producer should be signed as soon as the negotiations are over and an agreement is reached.Agreed terms on pre-finance could be provided as a separate written agreement concluded between First buyer and producersPrice differential could be any positive difference to the first price paid to producer, e.g. organic differential (where applicable) or if a product was bought at a local market price as Fairtrade eligible, the differential is the difference between the price paid and the applicable Fairtrade Minimum Price. A negative differential cannot be applied to the Fairtrade Minimum Price.It is unfair trading practice when for example one of the party refuses to have contract in written or when contract refers to values below the Fairtrade Minimum Price and Fairtrade Premium. See requirement 5.1.8, an example of the practice - “Excessive transfer of costs or risks to its counterpart such as demanding prices below costs”. This also 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. |

**Question 4.5-1: Do you agree with the revised elements in the requirement 5.1.2 on Contracts:** **[ ] Agree with all listed changes****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 4.5-2: Do you agree that the contract stipulates conditions for in case one of the organizations gets decertified ?** **For example the contract could also include:** "*In the event that either party becomes aware of a potential or actual decertification, they must notify the other party immediately in writing”***[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Proposal 4.6: to revise the applicability of current VBP requirement on Tripartite Contracts with producer into Core.** **5.1.9 Tripartite contracts with producers**

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| **Applies to:** Fairtrade conveyors and Fairtrade payers |
| **~~VBP~~****Core** | You signa tripartite contract between the producer, the price and premium payer, and yourself, or you **(conveyor)** share with the producer the contract that you have with the Fairtrade payer, **or you (conveyor) share with the payer the contract that you have with producer** |
| **Guidance:** The intent is to provide better transparency of Fairtrade operations and allows the producer to know the conditions under which the Fairtrade product is sold. |

**Rationale:** tripartite contract as a tool was raised by many stakeholders as a suggestion to strengthen the approach around commitments and **transparency on agreed terms within the supply chain**. Producer should be aware of all the conditions under which their products has been sold to the next buyer.**Implication:** It is compulsory for trader organizations (payers and conveyors) to sign a tripartite contract, and in the case it is not possible then conveyors have to share to producers their contracts with payers **Question 4.6-1: Do you agree with proposed changes above?****[ ] Agree with all listed changes****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree and suggest an equivalent alternative to tripartite contract?**     **Question 4.6-2:** To support consistent implementation of the proposed requirement applicable to traders (conveyors and payers) and transparent information share, it is proposed to introduce a Core requirement applicable to producers:Core/Year 0 requirement - ‘for producers to share with their payer, their bilateral contract with conveyor”. **Do you agree for producer standards to include the requirement applicable to producers to share their contract with payer?****[ ] Agree with all listed changes****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Proposal 4.7: to revise the current VBP 5.1.8 requirement and change compliance into Core****5.1.8 Long-term commitment to engage with Fairtrade suppliers**

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| **Applies to:** First buyer and traders selling to End Buyers |
| **~~VBP~~****Core**  | You have a long term commitment to source on Fairtrade terms with the producer or with your suppliers, so they can in turn have a long term contract with producers.The commitment should be mutually agreed and could be revised annually. Long term means at least 3 years or more.  |
| **Year 3** |
| **Guidance:** The standard promotes long-term relationships to enable producers to plan, and to strengthen the trading relationship. Long term trading partnerships are key enablers for producer organizations to plan their business, manage supply and support their members to invest in their farms.This may include a commitment to source on Fairtrade terms from a specific supplier or producer organization(s) or to engage in a partnership to support producer organizations on their long-term environmental and social sustainability goals. The intent is to promote long-term relationships and to enable producers to plan.  |

**Rationale:** to strengthen the standard approach around promotion of long-term commitments to engage with Fairtrade suppliers. **Implication:** It is compulsory for First buyers to engage with suppliers in a long-term commitment. This could be a long term partnership which promotes long term contracts with producers when this is also preferred by producers. The commitment should be at least for 3 years and could be revised as needed. **Question 4.7 -1 Do you agree with proposed changes above?****[ ] Agree with all listed changes****[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 4.7-2. The proposed 5.1.8 requirement stipulates that the commitment should be mutually agreed and could be revised annually.** **Could you elaborate what kind of terms/conditions you would agree for commitment to refer to?***For example, to have binding contract for 3 years, or to commit to purchase on a minimum volume*     **Labour rights and Environmental protection** **Forced Labour****Background:** The EU has agreed on a new regulation enabling the EU to prohibit the sale, import, and export of goods made using forced labour. Member state authorities and the European Commission will be able to investigate suspicious goods, supply chains, and manufacturers. If a product is deemed to have been made using forced labour, it will no longer be possible to sell it on the EU market (including online) and shipments will be intercepted at the EU’s borders.Fairtrade producer standards already include requirements prohibiting forced labour practices. The current Trader Standard includes HREDD requirements on how organization’s due diligence has to be carried out, including identification of human rights risks in trader organization’s own operations and in their supply chain. Inclusion of requirement on forced labour will ensure that all Fairtrade supply chain actors minimise the risk of forced labour and align with the EU's legal frameworks, gaining the commercial opportunities this alignment brings**Proposal 4.8: to introduce new Core/Year 0 requirement on Forced Labour applicable to all traders** **NEW. No forced labour**

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| **Applies to:** all traders |
| **Core**  | Your company does not directly or indirectly engage in, support or tolerate forced labour,including bonded or involuntary prison labour. You explain this to your staff.Your company prevents the conditions and practices identified by ILO as indicators of forced labour. |
| **Year 0** |
| **Guidance:** “Forced labour” includes work for which a person has not offered him or herself voluntarily and is forced to perform under the threat of any penalty. The ILO recognises these conditions and practices as indicators of forced labour:- Abuse of vulnerability;- Deception;- Restriction of movement;- Isolation;- Physical and sexual violence;- Intimidation and threats;- Retention of identity documents;- Withholding of wages;- Debt bondage; bonded labour, labour trafficking;- Significant abusive working and living conditions;- Excessive overtime.If your company identifies forced labour as a salient issue and develops a policy to prevent, mitigate and remediate forced labour (see requirement 3.3.1 Human Rights and Environmental Policies), your policy should discuss all the indicators named above that are applicable risks to your operating environment (country or region) or company.Some examples of forced labour:* Deception in recruitment by giving exaggerated information about wages and/or other conditions of employment
* Collection of recruitment fees, which the employer has to pay back before resigning, by the company or a recruitment agency used by the company
* Unreasonably long notice period, when an employer terminates the employment contract
* Retention of any part of the workers’ salary, benefits, property or documents or requirement of financial deposits/guarantees
* Forcing workers to remain in employment against their will using any physical or psychological measure.
* Misuse of prison labour, forced recruitment or human trafficking for labour

A person becomes a bonded labourer when their labour is demanded as a means of repayment for a loan. The risk of bonded labour rises, if a worker gains a large loan from the company or a recruitment agency and/or the terms and conditions of a loan are unreasonable.Best practice is that the organization builds its capacity to understand forced labour, applicable and relevant laws or regulations. Your company could obtain support from local rights based expert organisations to provide assistance in preventing such practices. |

**Rationale:** The new requirement applicable to trader companies would enable an aligned Fairtrade approach in standards on prevention of forced labour by all supply chain actors. **Implications:** Companies have to identify and prevent forced labour practices, to comply with the new regulations on forced labour and remain free from any associated risks.**Question 4.8: Do you agree with the proposed requirement?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Environmental protection****Background:** The requirement on management of environmental impacts as a VBP requirement was evaluated as one of the important requirements to remain in the standard and also as rather feasible (as according to Traders views). Following the consultation on HREDD, this requirement is now kept as Core Year 1 requirement. In this consultation round this requirement is revised to adapt to proposal on removing the 4.2.5 and 4.2.6 VBP requirements.**Proposal 4.9 to revise the Core/Year 1 requirement on Management of environmental impacts (4.2.4) and to delete two VBP requirements, while incorporating these measures as best practice to comply with the 4.2.4****4.2.4** **Management of environmental impacts**

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| **Applies to:** All traders, except cotton FSI traders after ginning stage |
| **Core** | You **minimize** your direct negative environmental impacts related to Fairtrade products on an annual basis~~with regard to land use and biodiversity, water use, energy use (including carbon footprint), wastewater effluents, emissions to air, waste, nuisances and incident prevention.~~ |
| **Year 1** |
| **Guidance:** To ensure proper monitoring and implementation of measures around environmental impact management, trader organizations need to have a system in place. Your environmental management system refers to several areas of possible environmental impacts, e.g. with regard to land use and biodiversity, water use, energy use (including carbon footprint), wastewater effluents, emissions to air, waste, nuisances and incident prevention and allow identification of opportunities to minimize the impact on an annual basis. It is best practice when you may maximize the use of recycled or easily biodegradable materials for packaging (when it is relevant) or when you take actions to reduce your carbon footprint within your Fairtrade supply chain(s).Carbon Footprint is the estimate of the amount of emissions of Greenhouse Gases (GHG) that is directlyand indirectly caused by an activity or accumulated over the life stages of a product expressed as carbondioxide equivalent (CO2 e).All footprints should follow an industry-wide methodology. For carbon footprint, it should include all aspects within your company (scope 1 and 2) and outside your company which impact your products (scope 3). At the simplest level only one number is required per company, although it is possible to calculate at a more detailed footprint for different product types if you wish to. |

**~~4.2.5 Recycled or biodegradable packaging material~~**

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| **~~Applies to:~~** ~~All traders, except cotton FSI traders after ginning stage~~ |
| **~~VBP~~** | ~~You maximize the~~ **~~use~~** ~~recycled or easily biodegradable materials for packaging.~~ |

**~~4.2.6 Carbon footprint reduction~~**

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| **~~Applies to:~~** ~~All traders, except cotton FSI traders after ginning stage~~ |
| **~~VBP~~** | ~~You take actions to~~ **~~reduce~~** ~~your carbon footprint within your Fairtrade supply chain(s).~~ |

**Rationale:** to improve the expectation with compliance and applicable scope of 4.2.4 requirement, and to strengthen the implementation of trader’s measures on reducing the environmental impact which are currently stipulated as VBP requirements. **Implications:** traders need to have environmental system in place to manage and monitor their potentially negative impact on environment. Traders may choose to go for one of the two best practices stipulated for core compliance with the requirement - to either use recycled or biodegradable materials for packaging or to take actions to reduce their carbon footprint within the Fairtrade supply chain.**Question 4.9-1: Do you agree with proposed changes in three requirements above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 4.9-2:** Fairtrade will provide more guidance to support on Carbon Footprint. For example, there a is short guidance applicable to Flower & Plants standards that refers to industry-wide methodology to calculate Carbon Footprint – see in this link: <https://files.fairtrade.net/standards/Scope-1-2-3_Carbon-Emissions.pdf> **Do you find such guidance could be useful for your supply chain?** **[ ] Yes** **[ ] No, specify the reason here**      **Question 4.9-3: In general, how feasible and practical is it for you to implement any measures around Carbon Footprint calculations? (please mention any reason why this is not feasible or why it is feasible)**     **Proposal 4.10: to revise the requirement on Hazardous Materials List providing more clarity on the scope of this requirement for trader reality.****4.2.2 Hazardous Materials List (HML)**

|  |
| --- |
| **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](http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Hazardous_Materials_List_EN.pdf)) during shipping, processing, transport or storage. 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). |
| **Guidance:** The Fairtrade International HML has three parts, Part 1 (Red List) which includes a list of prohibited materials, Part 2 (Orange List) which includes a list of materials that that can be used under conditions specified in the standard (see requirement 3.2.3) and the use of which will be monitored and Part 3 (Yellow List) which includes a list of materials which are flagged for being hazardous. You are encouraged to stop using materials on the Orange and Yellow List.You may use materials listed on the HML on products that are not Fairtrade products, but will be asked by auditors for which products and pests they are being used. The company is encouraged not to use these materials on any of the products as they are dangerous for health and the environment. 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. If you use third-party service to handle any related storage facilities treatment you ensure that use of chemical materials is in line with HML, and is aligned with safety standards.There are many materials that are not approved for use in food industry especially for pest control, due to their extreme hazardous nature or because they are now considered obsolete and all of them are not listed in the HML. It is therefore extremely important that only officially approved materials are used for production and for the purpose for which they are approved. traditional pest control methods such as botanical preparations can be used even if they are not explicitly approved for use, provided they are not explicitly prohibited for use. |

**Rationale:** as traders are not directly involved in the crop production, the scope of HML is not always clear in the reality of trading companies. The proposed modification ensures a better alignment to trader reality**Implications:** trader companies to ensure that HML is not used during any of the processes where Fairtrade product is handled. Trader companies also have to make sure if for example treatment of storage place is outsourced to a third party service, use of materials is according to conditions outlined in the HML. **Question 4.10-1: Do you agree with proposed changes in the requirement above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree**     **Question 4.10-2: Currently requirements applicable to traders on HML do not include any element of disposal of hazardous materials (waste).** **How important do you find this to be included in the related requirements?** **[ ]  Very important** **[ ]  It is not important****[ ] I don’t know / It’s not relevant to me****Please provide rationale to any of provided answer.**     **Any additional comments to the section Environmental protection?**      |

1. **Role of exporter**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Fairtrade encourages producers to move up the value chain and export directly. However this is not always feasible due to capacity of organizations (especially for SPOs)– because exporting directly implies taking on the price risk, and requires certain capacities in terms of working capital, management capacities, knowledge of price risk management. The role of exporter and importer is stipulated in the [Trader Standard Annex “Fairtrade Payer and Conveyor”](https://files.fairtrade.net/standards/TS_EN.pdf) with different scenarios specific to each product and referring to the responsibility to pay or convey either price or premium or both.Fairtrade Minimum Prices are set at specific levels in the trade chain which determine at which point the ownership of the product passes from the seller to the buyer and therefore which costs should and should not be covered by the set price. There are two key price categories: Ex Works (EXW) and Free on Board (FOB). By differentiating prices into EXW and FOB, Fairtrade ensures that all parties involved in the transaction have a clear understanding of their respective responsibilities and costs. A Fairtrade payer is the trader who is responsible for paying at least the Fairtrade minimum price and the Fairtrade premium to the producer, and to report to the certification body. In general, the first buyer is the Fairtrade price and premium payer. But in some product categories, where the price is set at FOB level, when exporters are involved, the importer is the price and/or premium payer, and the exporter acts as a price and/or premium conveyor. The **5.1.1 requirement ‘Role as payer or conveyor’** requires trader organization to understand and document their role, which is either a **payer** or **conveyor.** This table below outlines 5 most common scenarios in the trade on responsibilities to pay Fairtrade price and premium. **Please check the scenarios and indicate which one is applicable to your situation and if you experienced any particular challenges to identify your role.** Indicate in this box the Fairtrade product you trade → :

|  |  |  |  |
| --- | --- | --- | --- |
| Scenario | Clarification on the scenario | Tick the box for scenario that applies to you | If you experience challenge on any of outlined scenarios, please explain |
| 1. Producers export directly to importers.

*Importer is the price and premium payer.* | *Producer organization exports the product directly to importers* | [ ]  |       |
| 1. Producer sells to importer, via the services of an exporter.

*Importer is the price and premium payer.* *Exporter is service provider.* *Producer remains in relationship with the importer.*  | *In case producers do not have an export license, or do not have the capacity to export themselves, they can do with through an exporter as a service* | [ ]  |       |
| 1. Producer sells to an exporter.

*The exporter acts as price and premium payer.* |  | [ ]  |       |
| 1. Producer sells to exporter (conveyor), who sells to importer (Fairtrade payer).

*Importer remains the premium and price payer**Exporter is the conveyor of price and premium.*  | *In certain cases, the exporter does not have the capacity to act as price and premium payer. In these cases, exporters can act as conveyors: they still buy at relevant market price, facilitate access to prefinance, provide sourcing plan, but only pay price differential (if higher than price they already paid) and premium once they have sold the product to the next buyer.*  | [ ]  |       |
| 1. Producer sells to exporter (conveyor) as Fairtrade eligible, exporter sells to importer.

*Importer is the premium and price payer* | *Exporter buy the product as Fairtrade eligible, meaning that they will only pay the price differential and the premium on the volume actually sold as Fairtrade.* | [ ]  |       |
| OTHER Scenario – PLEASE SPECIFY details |       | [ ]  |       |

**Question 5.1:** Fairtrade would like to strengthen the approach on how responsibilities to pay or convey the price and premium are shared by exporters and importers. The rationale for this is to seek for more clarity in roles & responsibilities that would help to eliminate the risks of unfair trading practices.One of the changes - is **for exporters to be involved only as a service provider to producer (see Scenario 2) which implies exporter will not be involved in paying or conveying the price or Fairtrade premium.** **Do you agree with this direction?****[ ] Yes****[ ] No,** please clarify why      If your feedback is relevant only to specific product, please specify here what product (s):      **Question 5.2: Fairtrade would like to introduce clarification in the definitions of the price categories “Ex Works” and “Free on Board” (see changes in orange)*** **Ex Works** means that delivery takes place when the seller places the goods at the disposal of the buyer at the premises of the seller or another named place (works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. *This implies that costs for transport to the agreed place are normally included in the FMP. The buyer is responsible for all charges. If delivery takes place at a collection point outside of the producer organization (e.g. a port), all costs related to transport should be paid by the buyer if not included in the FMP.*
* **Free on Board (FOB)** means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. From that point forward, the buyer has to bear all costs and risks of loss or damage to the goods. Under FOB terms, the seller is required to clear the goods for export. *This implies that transportation of the goods to the port of shipment and loading costs are included in the price. The buyer is responsible for all other charges.*

**Question 5.2a: Do you find current description of EX Works price and Free on Board price is clear to you?** **[ ] Yes****[ ] No,** please elaborate what exactly is not clear      **Question 5.2b: Based on your experience in the trade, do you see any challenges if the FOB price is always paid by the importer?**This implies that for all products where FOB is set, the importer is the payer and if producer sells to an exporter/processor, then this exporter/processor will be the conveyor. **[ ] Yes****[ ] No**

|  |  |
| --- | --- |
| **If your answer is ‘Yes’, indicate your product and provide rationale, in the box *→*** |  |
| **If your answer is ‘No’ indicate your product and provide rationale, in the box *→*** |  |

**Any additional comments to the section role of exporter?**      |

1. **Unfair trading practices**

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| Trader Standard already includes requirements that try to tackle some unsound trading practices directly, with, for example, the emphasis on written contracts. However, this standard cannot cover all possible situations where unfair trading practices may happen. Your input on share experiences regarding the listed practices in the guidance will help us to improve auditability of this and other requirements. **Proposal 6.1 to introduce more indicators of UTP in the guidance to requirement and to consult on stakeholder experience with such practices, as well as on clarity of each indicator.****5.8.1 Unfair trading practices**

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| --- |
| **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. |
| **Guidance:** The EU Green Paper on unfair trading practices describe them as “practices that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”. Unfair trading practices refer to situations of abuse of a relative dominant position and/or abuse of economic dependency, when a stronger party imposes unfair conditions to an economically dependent (and thus weaker) party.Some examples of such practices are: * Late payments (more than 30 days of delivery of product )
* Returning or cancelling deliveries without full compensations
* Unfair and unfounded imposition of certain costs (e.g. marketing or wastage costs) upon producer organization
* Unilaterally changing contract conditions
* Refusing written contracts
* Unfair competition, and retaliating against a supplier after a complaint
* Abusive contract terms such as bonded contracts or exclusivity contracts (unless clearly beneficial to the other party) and non-competition clauses.
* Generally disadvantageous contracts imposed by abusing the position of creditor.
* Excessive transfer of costs or risks to its counterpart such as demanding prices below costs or charging fees for services that are not demanded or are above value.
* Misuse of unspecified, ambiguous or incomplete contract terms.
* Sudden unfair termination or disruption of a commercial relationship, used as a means to bully a contracting party.
* Misuse of confidential information.
* Interfering with partner’s business such as poaching members from producer organizations or otherwise attempting to weaken existing organizations.

See [the interpretation note](https://files.fairtrade.net/standards/TS-INT_EN.PDF) for more information on how the compliance to this requirement will be checked. |

The examples of practices listed in the guidance are also used as guidance for indications on UTP during the audit. In order to ensure aligned understanding of listed practices, and to improve related existing trader standard requirements you are invited to rate the list to indicate possibility of these practices to occur in your trading experience. Please share your experience across the proposed list of unfair trading practices and leave a comment if any of listed practices is not clear to you. NOTE: Your inputs will be used for research purpose ONLY - to improve clarity of this requirement guidance and if needed, clarity in other requirements

|  |  |
| --- | --- |
| **Example of unfair trading practice***(at the end of this table you may add your own example as well)* | **Please elaborate if the example is clear to you and if you can share your experience**  |
| Late payments (more than 30 days after delivery) |       |
| Returning or cancelling deliveries without full compensations |       |
| Unfair and unfounded imposition of certain costs (e.g. marketing or wastage costs) upon producer organization |       |
| Unilaterally changing contract conditions |       |
| Refusing written contracts |       |
| Unfair competition, and retaliating against a supplier after a complaint |       |
| Abusive contract terms such as bonded contracts or exclusivity contracts (unless clearly beneficial to the other party) and non-competition clauses.  |       |
| Generally disadvantageous contracts imposed by abusing the position of creditor. |       |
| Excessive transfer of costs or risks to its counterpart such as demanding prices below costs or charging fees for services that are not demanded or are above value. |       |
| Misuse of unspecified, ambiguous or incomplete contract terms. |       |
| Sudden unfair termination or disruption of a commercial relationship, used as a means to bully a contracting party. |       |
| Misuse of confidential information. |       |
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**Any additional comments to the section Unfair Trading Practices?**      |

1. **Other changes**

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| This section includes four requirements where changes are suggested to either improve auditability or clarify expectations from traders on the compliance scope and one requirement where feedback from stakeholders is collected for further improvements.**Definitions****Proposal 7.1: To introduce definition of ‘purchase’ (see below).** 1. **Purchase** refers to any of the following actions:
* The physical delivery of the product,
* Payment for the product,
* Invoicing of the product, or
* A binding purchase contract (or purchase order within a framework contract) specifying a delivery date within three months.
1. Intention of purchase cannot be considered a purchase.
2. Trader organization must choose one of the options that fall in the scope of purchase definitions and use it consistently for all calculations and throughout the years.

*If have already provided your response under ‘Mass Balance’ section that refers to ‘purchase’, your feedback will be taken as input to this question.***Question 7.1 : Do you agree with the definition of purchase provided above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Right to trade Fairtrade products****Proposal 7.2: to add clarification in guidance on situations when a trader organization interested to join Fairtrade certification could have started sourcing from Fairtrade producers prior to receiving ‘permission to trade’.** **1.1.1 Certification body permission**

|  |
| --- |
| **Applies to:** All traders |
| **Core** | You start trading Fairtrade products **after you receive** the relevant permission from the certification body. |
| **Guidance:** Fairtrade product means products traded on Fairtrade terms.For all traders who were sourcing Fairtrade eligible products prior to their certification / ‘permission to trade’, there is no indication that you referred to products as Fairtrade certified in your communication or transactions to your customers. |

**Rationale**: to improve clarity on implementation of this requirement that would also allow to not penalize trade organizations that prior to getting their ‘permission to trade’ - started trading Fairtrade products but did not communicate this anywhere in their sales documentation (i.e. that these were Fairtrade products).**Implication:** traders will be penalised in case there is indication that Fairtrade products were traded/sold as Fairtrade (in communication/transaction) prior to ‘permission to trade’. **Question 7.2.-1 : Do you agree with proposed change above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 7.2-2 : If you have other challenges meeting compliance with this requirements, or if you are aware of any particular risks from your end, please elaborate here ?**      **Proposal 7.3: To explore on challenges implementing the requirement 1.1.5. across all traders and products.****1.1.5 Fairtrade sales partners**

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| --- |
| **Applies to:** All traders |
| **Core** | You **ensure** that Fairtrade products not in consumer-ready packaging are only sold to Fairtrade traders with a valid certification. |

**Rationale:** According to internal research, for some trader organizations it is challenging to ensure checking whether their buyers are Fairtrade certified traders or not. The scope of this requirement is only in the case of selling Fairtrade products not in consumer ready packaging. **Implication:** no new implications.**Question 7.3 : Could you share any challenge to comply with this requirement? Please share examples of risks or other challenges for your operations.**     **Proposal 7.4: to improve clarity around compliance with the requirement on Fairtrade content declaration, when different rules are stipulated in national legislations.****2.2.3 Fairtrade content declaration**

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| --- |
| **Applies to:** All traders handling food composite products (except FSI traders) |
| **Core** | You **declare** the percentage of Fairtrade content on the back of the pack, unless it contradicts national law.Where national legislation is less stringent than this Standard, the requirement in the Standard will prevail.. |
| **Guidance:** It is the responsibility of the licensee to ensure that product packaging complies with all relevant labelling laws within the jurisdiction of the area(s) where the product is being sold. |

**Rationale:** the aim is to clarify for those traders where their national laws regulate the claim around recipe/content of the composite products. In terms of the level of compliance, if this regulation is less stringent – then the Standard requirement prevails.**Implication: Tr**ader organizations need to have knowledge of the applicable national laws in the country where they operate and in case Standard requirement is more stringent, then the standard clause prevails, unless it is contradicting. For example if the legislation is clearly prohibiting to declare information on Fairtrade content. **Question 7.4-1 : Do you agree with proposed change above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 7.4-2 : If you have other challenges meeting compliance with the revised 2.2.3 requirement above, please elaborate here ?**      **Proposal 7.5: to improve clarity around applicable timelines for premium and price differential transfer, and possible delays on payment of organic differential.** **5.3.2 Timely transfer of Premium and price differential by conveyors**

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| --- |
| **Applies to:** Fairtrade conveyors |
| **Core** | You **pay** the price differential (if applicable) and the Fairtrade Premium to the producer no later than 15 calendar days after receipt of payment from the Fairtrade payer. A different timeframe can be agreed in writing between you and the producer, in which case the payment must be made by no later than 30 calendar days after the end of each quarter. |
| **Guidance:** A price differential might come into play in case the Fairtrade Minimum Price is higher than the price at which the conveyor initially bought the product from the producer. You then must convey to the producer the difference between the Fairtrade Minimum Price and the price paid, once the payment has been received from the Fairtrade payer. |

 **NEW Timely payment of organic price differential by payers**

|  |
| --- |
| **Applies to:** Fairtrade payers sourcing directly from producers  |
| **Core** | You **pay** the organic price differential (if applicable) to the producer no later than 15 calendar days after receipt of documents transferring ownership.Late payment of organic differential is allowed under following conditions:* the need for laboratory test of the product was agreed and included in the contract with producer
* payment is no later than 15 days upon arrival of the product in the country of destination and there is a negative laboratory test
 |

**Rationale:** According to the Fairtrade standards, payments should be made as soon as possible. The proposed changes aim to improve clarity on actual number of days for paying the price differential and Fairtrade premium by conveyors to producers where the stipulated days should be calculated as calendar days , i.e. every day on the calendar, including Saturdays / Sundays. At the same time, introducing new requirement on delayed payment of organic differential sets clarity on possible and allowed delays incurred by compulsory/necessary laboratory test of organic products.**Implication:** traders to ensure that transfer of Fairtrade premium and price differential is in line with stipulated timelines referring to number of days as ‘calendar days’. Payers sourcing organic products directly from producers may delay organic differential payment as per stipulated conditions in the proposed requirement. In case of delay of payment for organic products by the payer, the applicable timeline for conveyors are stipulated in the current requirement 5.3.2. **Question 7.5-1 : Do you agree with proposed change above?** **[ ] Agree** **[ ] Partially agree****[ ] Disagree****[ ] I don’t know / It’s not relevant to me****Please provide rationale if you partially agree or disagree?**     **Question 7.5-2 :Do you need to carry out laboratory test of NON-organic (i.e. conventional) products?** **[ ]  No****[ ]  Yes, please elaborate why you need to do test the product:**      **Question 7.5-3: If you regularly test either organic or non-organic products, could you please share what challenges you experience ? (e.g. in relation to timelines of payment or other, duration of analysis & related procedures etc)**      |

## General comments/ feedback

In this section you are invited to provide additional feedback on any of the requirements in the [Fairtrade Trader Standard](https://files.fairtrade.net/TS_EN.pdf) or provide general comments. If you are referring to a particular requirement, please include the requirement number where possible and your comments.

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| Topic/ requirement number | Comments/ feedback |
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If you need some more information before commenting on this document do not hesitate to contact the Standard and Pricing Unit at standards-pricing@fairtrade.net

**ANNEXES**

**ANNEX 1**

**List of European regulations, National legislations and International frameworks used in the assessment of proposed Fairtrade HREDD reporting areas (indicators)** *see proposals in the section ‘*[*Communication on HREDD’*](#_Communication_on_HREDD)

**European Union (EU)**

* Corporate Sustainability Reporting Directive (CSRD)
* European Sustainability Reporting Standards (ESRS)
* Corporate Sustainability Due Diligence Directive (CS3D)
* Forced Labour Regulation (EUFLR)
* Deforestation Regulation (EUDR)

**National legislations**

* **Germany** - Corporate Due Diligence Obligations in Supply Chains Act 2021
* **United Kingdom** - Modern Slavery Act 2015; Environment Act 2021
* **Switzerland** - Civil Code (1 January 2024) Arts. 964 a – c
* **France** - Law Relating to the Duty of Vigilance of Parent Companies and Ordering Companies 2017
* **Netherlands** - Child Labor Due Diligence Act 2017
* **Canada** - Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023
* **Australia** - Modern Slavery Act 2018
* **Norway** - Act relating to Enterprises’ Transparency and Work on Fundamental Human Rights and Decent Working Conditions 2021

**International standards**

* United Nations Guiding Principles on Business and Human Rights (UNGPs)
* OECD Due Diligence Guidance for Responsible Business Conduct (OECD Guidance

**Annex 2**

**Traceability models in the current Fairtrade Trader standard and models that are put forward in consultation.**









1. Unfair Trading Practices - practices that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another ([see](https://ec.europa.eu/commission/presscorner/detail/de/MEMO_14_485) [link here](https://ec.europa.eu/commission/presscorner/detail/de/MEMO_14_485)) [↑](#footnote-ref-1)