



Home of Fair Trade
Enterprises

THE WFTO FAIR TRADE STANDARD

Updated 1/2023

The WFTO Fair Trade Standard comprises the 10 Principles of Fair Trade with a set of compliance criteria to assess how well members are implementing the Principles. The WFTO Standard applies to all members of WFTO: Fair Trade Organisations that trade Fair Trade Products (FTOs), Fair Trade Networks (FTN) and Fair Trade Support Organisations (FTSO).

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1

INTRODUCTION, STRUCTURE & DEFINITIONS

1.1

INTRODUCTION

The WFTO Fair Trade Standard is part of the WFTO Guarantee System. The Standard contains WFTO's 10 Principles of Fair Trade and defines compliance criteria. The WFTO Principles are set by WFTO members and are based on common Fair Trade values, the International Labour Organisation (ILO) conventions, human rights and other internationally recognised principles.



Many of the compliance criteria are mandatory criteria and some of them must be met right from the beginning. Others are to be reached over a set period of time. There are also compliance criteria where a WFTO member must show continuous improvement over time.

As a member, you are expected to apply the WFTO Fair Trade Standard and implement the criteria in a diligent and transparent manner and work on continuously improving your Fair Trade practices. The approach of continuous improvement is to encourage the highest level of achievement among WFTO member organisations over

time with measurable, tangible improvements in your Fair Trade practices.

Compliance with the Standard is assessed by various means including Self Assessment, Peer visit and Monitoring audit. These are described in the WFTO Guarantee System Handbook.

The Standard is subject to periodic review and changes as defined by the WFTO review policy.

In addition to the Standard, all members have to comply with the WFTO Code of Practice.

1.2

STRUCTURE

The WFTO Fair Trade Standard comprises the 10 Principles of Fair Trade with a set of compliance criteria to assess how well members are implementing the Principles. The WFTO Standard applies to all members of WFTO: Fair Trade Organisations that trade Fair Trade Products (FTOs), Fair Trade Networks (FTN) and Fair Trade Support Organisations (FTSO).

The “**compliance criteria**” are the requirements that you must meet to be approved as a WFTO member and to continue in membership. The compliance criteria are used as the basis for members’ Self Assessment Reports (SARs) and Monitoring Audits. In the SAR you will find additional indicators and guidance notes to help understand what will be expected to demonstrate your compliance.

Below the criteria the “*Applicable to*” indicates to what type of organisations the

respective compliance criteria apply, e.g. all members, FTOs, FTOs with Producers or Homeworkers, FTNs or FTSOs.


Not all criteria need to be met from the beginning and the time by which they have to be achieved is also indicated below the criteria in the principle colour: “**Achieved by**”. This indicates the time frame and type of compliance criteria. There are 3 “achieved by” levels, i.e. Mandatory, Mandatory by year X, and Continuous Improvement.

Mandatory means that the compliance criteria must be met for approval as a WFTO member.

Mandatory by Year X means the criteria must be met at the latest X years after first approval as Guaranteed Fair Trade Organisation by WFTO (and that year counts as Year 0).



Continuous Improvement means the member organisation is expected to work on the requirement and show progress according to its size and abilities; gradual improvement is expected at least until the compliance criterion is met.

 *WFTO encourages all member organisations to continually improve their Fair Trade performance beyond the Standard requirements.*

If your organisation does not yet meet criteria that will become mandatory in the following years you must include realistic actions to reach compliance within the mandatory time frame in your Improvement Plan (part of the Self Assessment Report). Progress towards meeting “continuous improvement” should also be planned and tracked in the improvement plan.




1.3

WHO DO THE STANDARD CRITERIA APPLY TO?

The Standard applies to all members, but not all Compliance Criteria apply to all membership categories. These categories are defined in Definitions section of the Standard. All WFTO members who produce and / or trade in Fair Trade products are considered to be Fair Trade Organisations (FTOs) and most criteria of the WFTO Fair Trade Standard apply to them.

Some criteria of the Standard also apply to other members of WFTO whose principal mission is not the trade or production of Fair Trade Products, i.e. all Fair Trade Support Organisations (FTSOs) or Fair Trade Networks (FTNs). If FTSOs or FTNs trade FT products they must also respect the FTO criteria for their trading activities.

 *If an FTSO's or FTN's trade in FT products is beyond the trading limit set by WFTO (100,000 € per year), they also need to meet the Compliance Criteria set for FTOs and the Guarantee System for FTOs (FTO monitoring cycle with SAR, peer visits, monitoring audit) applies to them as well.*

For the purpose of applying the WFTO Fair Trade Standard to FTOs, there is no distinction between different types of FTOs. All FTO criteria of the Standard apply if they are relevant for the organisation's Fair Trade activities. If not, the criterion is "not applicable" for this particular member.

The following sub-sections provide an introduction to the distinction between "Workers", "Producers" and "Suppliers of Fair Trade Products" that the WFTO Standard applies to, and the concept of "economically marginalised" within WFTO.

Workers

Workers are all those who have an employment relationship with the FTO. According to the ILO, there is likely to be an employment relationship if, among other things, a) the Worker does not own the product, b) the Worker receives materials and work instructions, c) the Worker does not bear financial risks of production.

Workers include all factory Workers, office and warehouse Workers, Homeworkers, piece rate Workers, employees, contracted Workers, seasonal and casual Workers working for the FTO.

National law usually provides guidance on what constitutes an employment relationship.

If not, the International Labour Organisation provides additional guidance as mentioned above.

≡/ Note: For informal craft "Producers" who are home/village based or working at the FTO's premises, the above analysis of their relationship to the FTO may result in them being categorised as "Workers" instead of Producers. This will have bearing on their legal protection and also on which WFTO Standard requirements apply to them.

The FTO is directly responsible for implementation and monitoring of the WFTO Fair Trade Standard among its workers, including any Homeworkers.

Producers & Producer Groups

Producers make, grow or process FT Products for the FTO. Producers' compliance with the applicable parts of the WFTO Fair Trade Standard is the responsibility of the FTO and monitored in the Producer IMS (Producer Internal Monitoring System) of the FTO, [see details in chapter 3.1.](#)

Producers own the product and sell to the FTO. Their work place can be the Producer's home, his/her farm or the FTO premises as long as there is no employment

relationship with the FTO (see definition of "Worker"). Producers sell their product directly to the FTO (often as a group), but not through intermediary traders.

Producers are often organised in Producer Groups. The degree of group organisation and the group's role in production, sales to the FTO and Standard implementation can vary considerably. Where the groups are well organised, some operational roles or monitoring tasks may be delegated to


Producer Group level but ultimately the FTO is responsible for compliance.


Producers are included under the FTO's WFTO membership (normally clustered in Producer Groups) and the FTO is responsible for monitoring and reporting on their compliance with the WFTO Fair Trade Standard in a Producer IMS. A small subset of WFTO compliance criteria is directly applicable to Producers and the FTO must work with Producers on meet-




ing these criteria (listed in Annex1). The WFTO Guarantee System (GS) evaluation of the FTO (Monitoring audit or Peer visit) also covers the FTO's FT Producers.

Producers grow / produce the FT product predominantly by themselves or with the help of their families. Depending on the product, Producers may have some Workers helping them.

 *Extra care is needed if any Producers employ a substantial number of Workers. The FTO is expected to know and monitor fair labour conditions in line with all criteria for Workers in such bigger units.*

“Producers” with more than 50 Workers – employed for more than 3 months each year – are considered “Suppliers” and the requirements for Suppliers of FT Products apply. See below and  chapter 3.


If the FT products are not made by the FTO's own workers or sourced directly from Producers/Producer Groups, but instead bought through an intermediary trader or from a company organising /contracting Producers, this is considered to be buying from “Suppliers” and the Supplier IMS requirements apply. See below and  chapter 3.2.

Suppliers of FT Products


Suppliers of FT Products are intermediaries, vendors and producers with more than 50 workers of Fair Trade products to the FTO.

They are independent mature business units which manage their own production/sourcing, marketing and sales; they normally sell to a variety of customers. They can be expected to manage compliance with the WFTO Fair Trade Standard.

Suppliers of FT Products must demonstrate their compliance with the WFTO Fair Trade Standard by:

a) WFTO membership or certification by a WFTO recognised FT scheme  see Annex 2 Recognised schemes.

Such Suppliers are referred to as “Externally Verified Suppliers of FT Products”.

b) Alternatively, Suppliers of FT Products may be monitored under the FTO's Supplier IMS, if the Supplier IMS can verify Fair Trade practices all the way down to the Producers.  Requirements for the Supplier IMS are described in chapter 3.2.

Economically marginalised

WFTO uses the following definition and concept of “economically marginalised”,





within the framework of WFTO's mission as well as its membership and monitoring procedures:

👁️ *“The economically marginalised are people or communities who are restricted to the lower or peripheral edge of the economy, who are prevented from participation in mainstream economic activity by factors beyond their control.”*

Factors in any country or society which might cause a person to be 'economically marginalised' vary greatly from place to place but, for the purposes of a WFTO definition, it would include minimally one of the following:

- Living in a region or country with lack of job opportunities, in other words a place with persistent high unemployment;
- Having a lack of, or lack of access to (namely due to financial reasons), education or professional training;
- Being mentally or physically differently-abled to the extent that this would hinder conventional employment;
- Suffering from discrimination which prevents one from taking advantage of existing (dignified) employment or education/training opportunities;
- Being unable to engage the market as an equal trading partner due to unfair trade rules, dominant monopolies or political restrictions.

This could apply, but is not limited, to the following groups or organisations:

- Farmers organised in cooperatives which are not able to secure a dignified life for their family and therefore are at risk of being forced to give up farming;
- Organisations working for economic integration of marginal / disadvantaged people and creates for them socio economic opportunities;
- Craft producers, which are not able to secure a dignified life to their family
- Refugees;
- (Recovering) Victims of violence;
- People escaping from organised crime and illegal economic practices;
- Social and solidarity enterprises.

1.4

DEFINITIONS



Terms Definition

Economically marginalised The economically marginalised are people or communities who are restricted to the lower or peripheral edge of the economy, who are prevented from participation in mainstream economic activity by factors beyond their control. ■ *Chapter 1.3 explains the concept “economically marginalised” in more detail.*

Fair Trade (FT) Fair Trade practices in line with the WFTO Standard or other recognised Fair Trade systems.

Fair Trade Network (FTN) A WFTO member organisation which is an association of organisations committed to Fair Trade.

Fair Trade Organisation (FTO) All trading members of WFTO.

Fair Trade Support Organisation (FTSO) A WFTO member organisation whose primary mission is to support Fair Trade and/or provide services to organisations which are, or want to become, Fair Trade Organisations.

FT Product Any product grown/produced by externally verified suppliers, WFTO members or IMS Producers and suppliers.

Homeworker Worker employed by FTO – on a full time/ part time/piece rate basis – but working at home or in an informal group setting e.g. village workshop. Homeworkers' working conditions are the FTO's responsibility, must meet the requirements of this Standard for workers and need to be monitored e.g. through regular visits.

Internal Monitoring System (IMS) Internal Monitoring System. There are 2 types of IMS: the “Producer IMS”, ■ *see requirements in chapter 3.1,* and the “Supplier IMS”, ■ *see chapter 3.2.*

Local Living Wage A Local Living Wage is remuneration received for a standard work week – no more than 48 hours – by a Worker in a particular place, sufficient to afford a decent standard of living for the Worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.

**Producer
Producer Group** Producers make or grow FT Products for the FTO and own the product until it is sold to the FTO. They are usually organised in Producer Groups. Their compliance with the Standard is the responsibility of the FTO and monitored through its Producer IMS.

The workplace may be the Producer's home, his/her farm or even the FTO's premises as long as there is no employment relationship (see definition of "Worker"). Producers sell their product directly to the FTO (often as a group).

Producers grow/produce the FT product predominantly by themselves or with the help of their families. Depending on the product, Producers may have a few Workers helping them. Producers with more than 50 workers and Producer Groups who are independent, mature vendors to the FTO are considered "Suppliers".

**Supplier of FT
Products** Vendor of Fair Trade products to an FTO. They are independent, mature business units who manage their own production / sourcing, marketing and sales.

Suppliers of FT Products are expected to be a WFTO members or certified by a recognised Fair Trade System ("externally verified Suppliers of FT Products"). Otherwise, a Supplier must be registered in the Supplier Section and included in an FTO's Supplier IMS (■ see section 3.2) as "IMS Supplier".

WFTO members All WFTO member organisations.
The WFTO Fair Trade Principles refer to the member as "the organisation"



Worker All those who have an employment relationship with the FTO. Workers can be factory Workers, Homeworkers, piece rate Workers, employees, contracted Workers, seasonal or casual Workers working for the FTO.

≡/ *Note: Unlike Producers, Workers normally don't own the product, are provided with materials and don't bear the financial risk of production – ■ see also chapter 1.3.*



2

PRINCIPLES & CRITERIA FOR WFTO MEMBERS

10 FAIR TRADE PRINCIPLES





PRINCIPLE

1

Creating Opportunities for Economically Marginalised Producers

Poverty reduction through trade forms a key part of the organisation's aims. The organisation supports economically marginalised Producers and Workers, whether they are grouped in associations, co-operatives or companies, employed in Fair Trade committed family businesses, or informal/self employed Workers or Home-workers. It seeks to enable them to move from income insecurity and poverty to social and economic empowerment. The organisation has a plan of action to carry this out.





COMPLIANCE CRITERIA



Achieved by
Applicable to

1.1 Mission: Your constitution, bylaws, articles of association or other legal documents confirm that poverty reduction through trade, the commitment to improve the socio-economic conditions of economically marginalised Producers and Workers, and/or trade justice are your organisation's priority. Where legal or other legitimate barriers prevent this, the primacy of the social mission must be demonstrated through other supporting evidence.

✓ **Mandatory** *all members*

1.2 Senior management responsibility: Fair Trade is recognised at the highest level as an organisational objective and the implementation of the WFTO Fair Trade Standard is assigned to senior management. All management staff understand the Fair Trade Principles.

✓ **Mandatory** *all members*

1.3 Focus on economically marginalised Producers / Workers: You work and trade primarily with Workers, Producers and Suppliers of FT Products who are socially and/or economically marginalised, or who are buying from such groups, or otherwise demonstrate positive impact on economically marginalised groups as a central part of your business.

✓ **Mandatory** *all members*

1.4 Commitment to improving conditions: Commitment to improving conditions: Your actions and trading activities demonstrate your commitment to improve the economic and social conditions of economically marginalised Producers, Workers and Suppliers of FT products.

✓ **Continuous improvement** *all members*

1.5 Reinvesting profits: As a Fair Trade committed organisation, you re-invest the majority of your profits in your FT business and expansion of your Fair Trade activities and pay management at proportionate levels.

✓ **Mandatory by Year 4** *all FTOs*

PRINCIPLE

2

Transparency & Accountability

The organisation is transparent in its management and commercial relations. It is accountable to all its stakeholders and respects the sensitivity and confidentiality of commercial information.

The organisation finds appropriate, participatory ways to involve Workers, Producers and members in its decision-making processes. It ensures that relevant information is provided to all its trading partners. The communication channels are good and open at all levels of the supply chain.



COMPLIANCE CRITERIA



Achieved by
Applicable to



2.1 Organisation and governance: You have a defined and functional organisational and governance structure, and a credible accounting system.

✓ **Mandatory** *all members*

2.2 Transparency: You provide transparent and well-founded information on your Fair Trade activities, including supply chains or membership requirements, to your trading partners and the public (as appropriate).

✓ **Mandatory** *all members*


2.3 Communication & feedback: You have an effective process of internal communication with your Workers, Producers and/or members as well as with your trading partners. You collect and consider feedback from these key stakeholders at least every 2 years when making your improvement plan.

✓ **Continuous improvement** *all members*

2.4 Participatory decision-making: You have appropriate participatory procedures to involve your Producers, Workers and/or members in your decision-making.

✓ **Continuous improvement** *all members*

2.5 Product Labelling & Claims: Product Labelling & Claims: You label products correctly and make well-founded claims, referring to “Fair Trade” (with or without use of WFTO Product Label) only for products made by your own Workers or sourced from your FT Producers or Suppliers of FT products.

You may not use the WFTO Product Label or make Fair Trade claims for any products which you listed in your Profile / SAR as Non-Fair Trade,  see in the Guarantee System Handbook.

✓ **Mandatory** *all members*

2.6 Well-Founded Claims by members of FTNs: Your trading members make well-founded Fair Trade claims about products, labelling only those products as “Fair Trade” that have been produced and traded according to Fair Trade Principles. Members of FTNs may not refer to WFTO in any way in their marketing unless they themselves are WFTO members. ■ See chapter 4 for guidance on Fair Trade claims by FTNs and their members, including exceptions for very small trading members and requirements for retail members of FTNs.

✓ **Mandatory** *all FTNs*

PRINCIPLE

3

Fair Trading Practices



Intent

The organisation trades with concern for the social, economic and environmental well-being of economically marginalised Producers and Workers and does not maximise profit at their expense.

Defined trade commitments

It is responsible and professional in meeting its commitments in a timely manner. Suppliers of FT products respect contracts and deliver products on time and to the agreed quality and specifications.

Payment and Pre-finance

Fair Trade buyers, recognising the financial disadvantages faced by Producers and Suppliers of FT products, ensure orders are paid on receipt of documents or as mutually agreed.

For **handicraft and other non-food FT products**, an interest free pre-payment of at least 50% is made on request.

For **food FT products**, pre-payment of at least 50% at a reasonable interest rate is made if requested. Interest rates paid by suppliers must not be higher than the buyers' cost of borrowing from third parties. Charging interest is optional and as agreed between the trade partners.

Where Fair Trade Suppliers receive a pre-payment from buyers, they ensure that this payment is passed on to the Producers who make or grow their Fair Trade products.

Cancellation and dealing with problems

Buyers consult with their Producers or Suppliers of FT products before cancel-

ling or rejecting orders. Where orders are cancelled, or changed at short notice through no fault of Producers or Suppliers, adequate compensation is guaranteed for work already done. Suppliers and Producers consult with buyers if there is a problem with delivery and agree on revised terms when delivered quantities and qualities do not match those ordered or products are delivered late.

Long term trading partnerships

The organisation maintains long-term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. It maintains effective communication with its trading partners. Parties involved in a trading relationship seek to increase the volume of the trade between them and the value and

diversity of their product offer as a means of growing Fair Trade for the Producers in order to increase their incomes.

Fair competition

The organisation works cooperatively with the other Fair Trade Organisations in its country and avoids unfair competition. It avoids duplicating the designs or patterns of other organisations without permission.

Cultural identity and respect of traditional skills

Fair Trade recognises, promotes and protects cultural identity and traditional skills reflected in indigenous craft designs, food products and other related services.



COMPLIANCE CRITERIA



Achieved by
Applicable to

3.1 Trade Agreements: You have written agreements with your Producers and/or Suppliers of FT products, with relevant and appropriate details. E.g. product specification, delivery and lead times, pre-finance, price and payment terms, cancellation and problem resolution.

✓ **Mandatory** *all FTOs*

3.2 Respecting agreements: You respect your trade agreements and deliver products (or services) on time and to the desired quality and specification. In case of problems, you communicate in a timely manner with your trade partners and work to improve your performance.

✓ **Mandatory** *all FTOs*

3.3 Payment: When buying FT products, you pay on receipt of the products/documents or within an agreed short period to allow for quality checks.

✓ **Mandatory** *all FTOs*

3.4 Pre-finance: When buying FT products, you provide pre-finance on request according to the following requirements:

- Handicraft and other Non-food products: 50 % interest-free pre-finance.
- Food products: 50 % interest-free or at reasonable interest, not higher than your cost of borrowing.

If no, or lower, prepayments have been agreed in specific circumstances, e.g. to agricultural producers, this is indicated in the trade agreement or related documents.

✓ **Mandatory** *all FTOs*

3.5 Use of Pre-payments: If you receive pre-payment from your FT buyers, you use it as agreed with the buyer.

✓ **Mandatory** *FTOs receiving Prepayments*

3.6 Quality Problems & Compensation: You have a fair and transparent system, including a communication mechanism and a system of compensation, to deal with quality problems and product cancellation in line with FT objectives.

✓ **Mandatory by Year 2** *all FTOs*

3.7 Long-term Relations: You maintain long-term relationships with your FT buyers, Producers and/or Suppliers of FT Products, aiming to maintain and, if possible, increase trade levels to benefit producers. You do not terminate trading relations or stop buying without appropriate notice and reason.

✓ **Mandatory** *all FTOs*

3.8 Unfair competition: You do not engage in unfair competition with other FTOs (or FTNs, FTSOs) and respect intellectual property and associated rights regarding protected names / brands, designs, including logos, labels and culturally based designs or names.

Unfair competition is defined as any deliberate action to harm competitors, e.g. making defamatory remarks about other FTOs to their buyers to persuade them to change to you as their supplier; deliberate short term / unsustainable dumping pricing practices to force competitors out of business.

✓ **Mandatory** *all members*

3.9 Cultural identity: You respect the value of cultural identity, local materials and skills e.g. in your product development, selection and labelling. Where possible, traditional local skills, materials and products are used or incorporated in updated product designs.

✓ **Continuous improvement** *all FTOs*

3.10 Sourcing Policy: You strive to know the origin of the main ingredients, raw materials, components or constituents of your FT products. You develop a Fair Trade sourcing policy (including outsourcing if any of your operations are outsourced) with the aim of buying your raw ingredients/raw materials/components from FT sources where possible and otherwise predominantly from sustainable or ethical supply chains, starting with particularly high risk materials / processes and main components.

■ *For more guidance see chapter 5. Sourcing Policy.*

✓ **Continuous improvement** *all FTOs*

PRINCIPLE

4

Fair Payment

4 Fair Payment



A fair payment is one that has been mutually negotiated and agreed by all through on-going dialogue and participation, which provides fair pay to the Producers and can also be sustained by the market, taking into account the principle of equal pay for equal work by women and men. The aim is always the payment of a Local Living Wage.

Fair Payment is made up of Fair Prices, Fair Wages and Local Living Wages.

Fair Prices

A Fair Price is freely negotiated through dialogue between the buyer and the seller and is based on transparent price setting. It includes a fair wage and a fair profit. Fair prices represent an equitable share of the final price to each player in the supply chain.

Fair Wages

A Fair Wage is an equitable, freely negotiated and mutually agreed wage, and presumes the payment of at least a Local Living Wage.

Local Living Wage

A Local Living Wage is remuneration received for a standard working week (no more than 48 hours) by a Worker in a particular place, sufficient to afford a decent standard of living for the Worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.



4 Fair Payment



COMPLIANCE CRITERIA



Achieved by
Applicable to

4.1 Local Living Wage Ladder: You collect living wage estimates, minimum wages and alternative employment opportunities in the sectors and regions covered by your business and IMS, in your “Local Living Wage tool” (provided by WFTO) and provide relevant background information in your “Fair Payment Local Context Notes”.

There are tools and guidelines provided by WFTO to help you to find or calculate some of this information, e.g. Living Wage estimates. The “Local Living Wage Tool” is updated and shared with your Workers, Producers and Partners as a basis for negotiating wages and prices with the local reality in mind.

✔ **Mandatory by Year 2** all FTOs

4.2 Product Costing: You have up-to-date Product Costings for your products. [🔗](#) See the “P4 Guide: Product Costings” for additional guidance.

✔ **Mandatory by Year 4** all FTOs

4.3 Fair share of the consumer price: You know the prices at which your products are sold to consumers and how this price is distributed along the supply chain. You share this information with your trading partners.

✔ **Mandatory by Year 4** all FTOs

4.4 Fair Negotiation Process: You schedule and document regular wage negotiations with representatives of Workers and management as well as price negotiations with your Producers, Suppliers of FT Products and buyers.

“P4 Guide: Negotiation & Dialogue” and “P4 Guide: Meetings and Minutes” provide additional guidance. The aim is to prove that members regularly engage in dialogue about prices with their nearest partner.

✔ **Mandatory by Year 2** all members

4.5 Information and training: You ensure that the parties to the fair payment dialogue are sufficiently informed and adequately educated to participate as equals in the wage and price setting dialogues. The aim is dialogue in the spirit of good faith and integrity of purpose.

✔ **Continuous improvement** all members

4.6 Minimum Wage: You pay your Workers at least the legally required Minimum Wage.

If your wage analysis shows that you do not pay legally required minimum wages, this needs to be addressed with top priority on your way towards Local Living Wages.

✔ **Mandatory by Year 2** all members

4.7 Local Living Wages: You pay your Workers a Local Living Wage. FTOs who are not paying Local Living Wages analyse their gaps and have a plan to work towards local living wages with a realistic time-line and targets (included in their WFTO Improvement plan).

✔ **Continuous Improvement** all FTOs

4.8 Fair Prices for your Producers: Your Producers receive Fair Prices that allow them to earn an income on Local Living Wage level.

Living Wage calculations for Producers consider which part of their working time is spent on producing FT Products and can include other household income.

FTOs who are not paying Fair Prices to Producers analyse their gaps and have a plan to work towards Local Living Wage price levels with a realistic time-line and targets (included in their WFTO Improvement plan).

✔ **Continuous Improvement** all FTOs

4.9 Fair Prices for Suppliers of FT products: If you buy from Suppliers of FT Products (IMS-Suppliers or externally verified Suppliers of FT Products), you pay them Fair Prices.

✔ **Continuous Improvement** Members buying from Suppliers of FT products



PRINCIPLE

5

Ensuring No Child Labour & Forced Labour

Child Labour

The organisation adheres to the UN Convention on the Rights of the Child and national/ local law on the employment of children. Organisations who buy Fair Trade products from Producers /Producer groups or Fair Trade companies ensure that the Producers comply with the UN Convention on the Rights of the Child and national/ local law on the employment of children. Any involvement of children in the production of Fair Trade products (including learning a traditional art or craft) is always disclosed and monitored and does not adversely affect the children's well-being, security, educational requirements and need for play.

Forced Labour & Human Trafficking

The organisation ensures that there is no forced labour or human trafficking in its work-force and/ or by its Producers, Producer groups or Homeworkers.





COMPLIANCE CRITERIA



Achieved by
Applicable to

5.1 No children employed: You do not employ children below the age of 15 or under the age defined by local law (whichever is higher) as Workers. For specified cases where child work is allowed by national law (e.g. work experience during school holidays) you must monitor the health, safety, welfare, education and right to play of working children according to the relevant UN Convention on the Rights of the Child.

✓ **Mandatory** all members

5.2 Protection of young workers: If you employ young Workers (15- 17 years) you ensure that their working conditions conform to applicable national regulations. You must not submit Workers of less than 18 years of age to any work which is likely to jeopardise their health, safety, morals or their school attendance.

Examples of work that is “potentially damaging” includes work in an unhealthy environment, excessively long working hours, night hours, the handling of, or exposure to, chemicals or operation of dangerous equipment.

✓ **Mandatory** all members

5.3 Producers’ involvement of children in production: You monitor the risks of involvement of children in your production processes (in your Producer IMS) and work with your Producers / Homeworkers to ensure that:

- If they involve their children (under the age of 15) in production this is kept to the minimum, is never dangerous and does not interfere with schooling.

- Neither their young family members (15–17 years) nor any employed young workers are involved in dangerous or exploitative work.
- Producers do not contract children (under 15 years of age) as workers.

Your Producers’ / Homeworkers’ children below 15 years of age are allowed to help their parents in production within certain limits: Their work shall not interfere with schooling, i.e. it may only take place during non-school hours and holidays, and must allow time for homework and play. The work shall be appropriate for their age and physical condition. They should be supervised by their parents and not work long hours and/or under dangerous or exploitative conditions. Involvement of younger children under the age of 13 shall be minimal.

✓ **Mandatory by Year 2** FTOs with Producers or Homeworkers

5.4 No forced Labour and human trafficking: You and your Producers do not restrict Workers’ freedom of movement or employment and are not involved in human trafficking.

Sometimes even well intended services can lead to undue dependence or restriction of freedom, e.g. loan schemes that keep Producers /Workers in long-term debt, keeping original identity papers of Workers etc.

✓ **Mandatory** all members



PRINCIPLE

6

Commitment to Non Discrimination,
Gender Equity & Women's Economic
Empowerment, & Freedom of Association



Non-discrimination and equal pay

The organisation does not discriminate in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age.

Where women are employed within the organisation, even where it is an informal employment situation, they receive equal pay for equal work. The organisation recognises women's full employment rights and is committed to ensuring that women receive their full statutory employment benefits. The organisation takes into account the special

health and safety needs of pregnant women and breast-feeding mothers.

Gender Equity

The organisation has a clear policy and plan to promote gender equality that ensures that women as well as men have the ability to gain access to the resources that they need to be productive and also the ability to influence the wider policy, regulatory and institutional environment that shapes their livelihoods and lives. Organisational constitutions and by-laws allow for and enable women to become active members of the organisation in their own right (where it is a membership based organisation) and to take up leadership positions



in the governance structure regardless of women's status in relation to ownership of assets such as land and property.

Freedom of Association

The organisation respects the right of all Workers to form and join trade unions of their choice and to bargain collectively. Where the right to join trade unions and bargain collectively is restricted by law and/or political environment, the organisation will enable means of independent and free association and bargaining for Workers. The organisation ensures that representatives of Workers are not subject to discrimination in the workplace.



COMPLIANCE CRITERIA



Achieved by
Applicable to

6.1 No discrimination: No discrimination: In your employment practices you do not practice any discrimination in hiring, remuneration, access to training, promotion, disciplinary practices, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age, unless it is part of your mission to favour particular disadvantaged groups.

✓ **Mandatory** *all members*

6.2 Equal pay men / women: You provide equal pay for equal work, equal employment rights and benefits for women and men.

✓ **Mandatory** *all members*

6.3 Fair Selection of Producers /Suppliers: In selection of FT Producers and/or Suppliers of FT Products you do not practice any discrimination.

Preferential selection of particular disadvantaged groups (e.g. women's groups or other particularly disadvantaged groups) in line with your mission is not considered discrimination.

✓ **Mandatory** *all FTOs*

6.4 Gender Policy: You have a policy and plan to ensure that women as well as men are able to access the resources they need to be productive, take part in decision-making in your organisation and beyond, and take up leadership positions. *See WFTO Gender Policy for guidance in developing/updating your policy.*

✓ **Mandatory by Year 2** *all members*

6.5 Empower Women: You give women the right, and support them, to become members of your organisation, become Producers or to attend trainings, and recognise their role in production even if they do not own assets such as land or equipment.

✓ **Mandatory** *all members*

6.6 Violence / Sexual Harassment in your organisation: You have a system to enable confidential reporting of violence, harassment or sexual abuse and you follow up and resolve any such incidents.

✓ **Mandatory** *all members*

6.7 Women's position in the community: You encourage and support women to become visible and recognised, e.g. through organising themselves formally in producer groups, and you engage in prevention of violence against women and girls in the community.

✓ **Continuous Improvement** *all members*

6.8 Work & family: You support Workers in combining family and work duties. E.g. flexible working hours, allowing time for breastfeeding, providing some flexibility to tend to sick children

✓ **Mandatory** *all members*

6.9 Pregnant Women and new mothers: You respect all legal requirements for pregnant women and new mothers.

E.g. pregnant women cannot be dismissed; legal maternity leave; job has to be safeguarded for women workers for a certain period after birth; health and safety restrictions for pregnant women.

✓ **Mandatory** *all members*

6.10 Freedom of Association: You respect the right of all your Workers to form and join Workers' organisations of their choice and to bargain collectively.

Where the right to join trade unions and bargain collectively is restricted by law and/or political environment, you should support alternative means of independent and free association and bargaining.

✓ **Mandatory** *all members*

6.11 Support workers' organisation: You support and encourage your Workers, Producers and Homeworkers to organise, meet and discuss problems both with each other and with management.

✓ **Continuous improvement** *FTOs with >50 Workers or Producers*



PRINCIPLE

7

Ensuring Good Working Conditions

Health and Safety at work

The organisation provides a safe and healthy working environment for Workers and Producers. It complies, at a minimum, with national and local laws and ILO conventions on health and safety.

Working hours and conditions

Working hours and conditions for Workers and/ or Producers (and any Homeworkers) comply with conditions established by national and local laws and ILO conventions.

Safe working conditions for Producers and Suppliers

Fair Trade Organisations are aware of the health and safety conditions in the Producer groups they buy from. They seek, on an ongoing basis, to raise awareness of health and safety issues and improve health and safety practices in Producer groups.



7 Good Working Conditions



COMPLIANCE CRITERIA



Achieved by
Applicable to



7.1 Health and Safety Risk Assessment & Management:

You have an up-to-date assessment of health and safety risks in your operations and record accidents or work related health problems, analysing all incidents and taking appropriate corrective action to improve the situation.

✓ **Mandatory by Year 2** all FTOs

7.2 Health & Safety Training and Workers involvement:

You train your Workers in health & safety and involve them in identifying and addressing risks in their workplaces.

✓ **Mandatory by Year 2** all members

7.3 Safe Conditions: You provide safe working conditions for your Workers and minimise risks of accidents or health problems including safe management of chemicals and other high risk activities, safe buildings & emergency procedures, adequate fire prevention and first aid.

✓ **Mandatory by Year 2** all members

7.4 Producers' Health & Safety Practices: You monitor important health & safety risks at Producer/Homeworker level and work with your Producers/home workers to ensure safety risk awareness, accident prevention and minimisation of health risks for themselves, their families and Workers (if any).

✓ **Continuous improvement** FTOs with Producers or Homeworkers

7.5 Working hours: You record working hours of your Workers and meet national legislation with regard to working hours, overtime, statutory holidays and annual leave.

✓ **Mandatory by Year 2** all members

7.6 Minimum Social security: You provide your Workers with all legally required social benefits (e.g. retirement contributions, sick leave, basic social security, health care contributions, as applicable).

✓ **Mandatory** all members

7.7 Additional Social Security: You strive to provide additional social security and benefits to your Workers, above legal obligations, in particular health insurance/medical support, retirement schemes, social security in case of disability or death of the income earner, sick leave.

✓ **Continuous improvement** all members

7.8 Paying Workers: You make payments to Workers at scheduled intervals in a form convenient to them, according to legal requirements, and documented on payslips.

✓ **Mandatory** all members

7.9 Regular Employment: You monitor the ratio of regular workers to casual workers, strive to provide regular employment and do not use limited term contracts or apprenticeships to avoid social security for Workers.

✓ **Continuous improvement** all FTOs



PRINCIPLE

8

Providing Capacity Building

The organisation seeks to increase positive developmental impacts for economically marginalised Producers and Workers through Fair Trade.

The organisation develops the skills and capabilities of its Workers and Producers/Producer groups. Organisations working directly with Producers develop specific activities to help these Producers improve their management skills, production capabilities and access to markets – local/regional/international/Fair Trade and mainstream – as appropriate.

Organisations, which buy Fair Trade products assist their Suppliers of FT Products to develop their capacity to support the economically marginalised Producers that they work with.





COMPLIANCE CRITERIA



Achieved by
Applicable to



8.1 Training Plan: You have a plan to build the capacity of your Workers and Producers/ Producer Groups (if any) according to their needs and your need as an organisation.

You should aim to improve your Workers' and Producers' as well as Producer Groups' capacity as needed and as required in this standard. The training plan should include at least the following aspects required in the respective standard chapters:

- Improving production, management & business skills (Principle 8)
- Basic information for fair price and wage setting (Principle 4)
- Gender equity and leadership (Principle 6)
- Health & safety issues (Principle 7)
- Fair Trade awareness of Workers and Producers (Principle 9)
- Minimising Impact on the environment (Principle 10)

✓ **Mandatory by Year 2** *all members*

8.2 Support of FT Suppliers: When buying from Suppliers of FT Products you support them to improve their management skills, production capabilities, leadership, product quality and access to markets, and support them in their efforts to meet the WFTO Standard as appropriate for your scale & leverage as a buyer.

✓ **Mandatory by Year 2** *FTOs buying from Suppliers of FT Products*

8.3 FTNs' & FTSO's capacity building and education: You educate your trading members in the FT Principles (and FTN's own FT requirements if any) paying particular attention to:

- Market access for economically marginalised producers.
- The labelling of products as Fair Trade (these must have been produced and traded according to Fair Trade Principles and guaranteed by WFTO or certified by a FT scheme listed in ■ Annex 2) .
- Sustainable and equitable trading relationships including fair prices.
- Decent working conditions.
- Capacity building and empowerment for Producers and Workers.
- Consumer awareness raising and advocacy.

✓ **Continuous Improvement** *FTNs, FTSOs*



PRINCIPLE

9

Promotion of Fair Trade

The organisation raises awareness of the aims of Fair Trade and of the need for greater justice in world trade through Fair Trade. It creates awareness of ongoing climate change and the impact this has on the Fair Trade community everywhere and especially on growers, producers and artisans who produce the lowest carbon emissions but suffer most from floods, droughts, changing rainfall patterns and rising temperatures.

The organisation educates its employees, constituencies, consumers and the general public about climate change and ways for them to combat it. It is the responsibility of the Fair Trade Organisation whether in the north or the south to assist producers in their transition to compliance with the criteria.

It provides its buyers and customers with information about the products it markets and the Producer organisations, Producers or Workers that make or grow the products. Honest advertising and marketing techniques are always used.



COMPLIANCE CRITERIA



Achieved by
Applicable to

9.1 Promoting FT: You promote and/or raise awareness of FT and FT Principles internally (with your Workers and Producers) as well as to your trade partners and the public (consumers, local community) according to the scope of your organisation

e.g. as part of your business promotion or as information on website. Only FTOs with a direct link to consumers, FTNs and FTSOs are expected to educate consumers.

✓ **Mandatory** *all members*

9.2 Advocacy for FT issues and engagement in WFTO: You engage in awareness raising, education, campaigning or advocacy on important FT issues (e.g. the climate crisis; stronger role for women; poverty eradication; discrimination) and engage in the WFTO community (e.g. at regional organisation level, at conferences or by contributing to working groups)

according to the scale of your operations, possibly in collaboration with partners or local FT networks.

✓ **Continuous improvement** *all members*

9.3 Living up to your claims: You use honest and ethical advertising and marketing techniques.

✓ **Mandatory** *all FTOs*

9.4 Credible membership system and claims by Fair Trade Networks: Credible membership system and claims by Fair Trade Networks:

a) Your membership criteria for trading members include commitment to and rules for Fair Trade practices in line with the FT Principles.

b) You have a credible membership system to verify that your members meet your membership criteria, and/or you encourage larger trading members who make FT product claims to seek external verification within three years of joining the network (e.g. by becoming WFTO members or obtaining FT certification through a scheme listed in Annex 2). ■

c) You have a system to follow up on material complaints about members' violation of your membership criteria.

d) Your external claims regarding your membership system live up to the system you have in place. References to WFTO and use of the WFTO logo are limited to you, the FTN. Your trading and retail members may not refer to WFTO or use the logo, unless they are WFTO members.

■ See also chapter 4 for more guidance on FTN membership requirements & claims.

✓ **Mandatory by Year 2** *FTNs*

9.5 Membership system requirements for FTNs:

a) Your membership system guarantees the whole Fair Trade supply chain.

b) You work with WFTO to facilitate your larger members (as described in chapter 4) to seek external verification of their Fair Trade claims, through becoming a WFTO member or gaining product certification via a Fair Trade scheme listed in Annex 2. ■

c) Your system needs to be recognised by WFTO.

✓ **Mandatory by Year 6** *FTNs*

9.6 Creating awareness of ongoing climate change and the need to protect our planet:

- You have a written policy plus a separate action plan to create awareness of climate change within your organisation and beyond.
- You share relevant information and support your producers and suppliers to mitigate against climate change.
- You communicate your own mitigation efforts to tackle ongoing climate change to your constituency, consumers and the general public and help producers to adapt.

✓ **Mandatory by Year 2** *all members*





PRINCIPLE

10

Climate Action and Protection of the Environment

Climate Action and Reduction of Greenhouse Gas Emissions

Fair Trade Organisations support and practice production, agriculture, service and trade activities that are natural resource conserving, low-emitting, culturally sensitive, socially just and economically viable. They work on adapting and building resilience to climate change and reducing the greenhouse gas emissions of their operations. Where they work with groups of agricultural producers and indigenous people, FTOs contribute to the conservation of their territories, strengthen their systems of land use (cultural landscapes) and protect their biodiversity with the aim of preserving the ecosystem and strengthening their agricultural models to gain resilience to climate change.

Buyers and importers of Fair Trade products and services support their supply chain partners in adopting practices and transport options that encourage sustainable development and protect our planet at this time of crisis.

As far as possible producer FTOs encourage and promote local production and local sourcing of raw materials. Fair Trade enterprises ship goods by sea, as far as possible choosing shipping lines with the greenest, most sustainable credentials. With regard to consumption, efforts are made to reduce environmental damage or ill-effects. All airline travel needs to be carefully considered, preferring to hold virtual meetings as far as possible, while recognizing the value of in-person visits to achieve better

understanding of producers' challenges and victories, and for meeting in conferences.

Sustainable Production and Waste Management

Fair Trade Organisations grow, produce and trade their products or services with minimum greenhouse gas emissions (see above), harm to natural ecosystems, wildlife and biodiversity. Ways are found to lessen unsustainable energy use. Solar, wind, hydro or other alternative energy use is encouraged. Water use as well as water and air pollution is minimised. Fair Trade Organisations manage their waste responsibly, in line with reduce-reuse-recycle principles, in order to reduce significantly the amount of waste that is thrown away. Farmers and indigenous peoples, by preserving their ecosystems and suffering from climate change, have their rights and territories guaranteed and their agricultural models strengthened to be more resilient to climate change. Fair Trade agricultural commodity producers adapt their practices to the changing climate, adjusting planting dates,

using drought resistant varieties, diversifying their crops and conserving natural resources. In flood prone areas, flood alleviation measures are taken. They use organic or low pesticide production methods wherever possible. Fair Trade Organisations that produce or sell consumable agricultural products have a written policy statement on their position with regard to genetically modified organisms.

Product Design and Packaging

Wherever possible, raw materials, ingredients, components and elements of Fair Trade Products or such materials required for services are obtained from Fair Trade or sustainable, responsible sources, or made from recycled or re-used material. Products are designed to be as readily recyclable, compostable or biodegradable as possible. To the extent possible, only recycled or easily biodegradable materials are used for product packing and the use of non-recycled plastics is reduced to the minimum.





COMPLIANCE CRITERIA



Achieved by
Applicable to

10.1 Policy Reporting: Your organisation works to understand the impact of your operations on the environment. Specifically, you have

- An assessment of the impact of your organisation's production and operational activities on the environment.
- An assessment of all waste that is generated in the operations – solid, liquid and gaseous.
- An assessment of the existing environmental laws in your country and its relevance to the waste being generated.
- An assessment of what needs to be done to (a) reduce the waste generated; and (b) treat the generated waste to reduce its harmful effects.

You have a policy document which describes

- Your intention to support Principle 10

- The actions you plan to take to do this in a time frame that is right for you.
- The resources available or accessible to support your action plan.
- If you are a buyer or importer, what you are doing to support your supply chain partners to deal with the impact of your operations on climate change.
- Your position with regard to GMOs.
- Your commitment to comply with legal environmental requirements in your country.

You report on actions taken in your SAR improvement plan.

✓ **Mandatory** *all members*

10.2 Reduce-Reuse-Recycle: a) You aim to reduce, reuse and recycle waste including waste water. b) Your disposal practices do not pose health or safety risks to producers, workers, other people or natural ecosystems. c) Plastic waste is not left on the land or thrown into waterways but disposed of responsibly.

✓ **Continuous improvement** *all members*

10.3 Conservation, Biodiversity, Protection of Forests and other Natural Ecosystems:

- You avoid producing or trading in products that come from degraded eco-systems or forests.
- If you are located in a forested neighbourhood, you make efforts to discover their status and the status of other natural eco-systems and advocate for their conservation and to reduce conversion of these to agricultural land or other land use.

✓ **Continuous improvement** *all members*

10.4 Adapting agricultural practices to climate change: If you are an

agricultural producer or work with agricultural producers, you encourage

- Good management practices and adopt measures to mitigate climate change.
- Traditional agricultural practices that minimise harm to the environment, traditional knowledge and sustainable practices.
- Agro-ecological practices, transformation that support organic, sustainable production.
- Technical innovations that respect different cultural lifestyles, e.g. the use of land, diversification of crops and varieties (including disease resistant crops), biological pest control, use of rainwater, renewable energy sources etc and their costs and benefits are shared.

✓ **Continuous improvement** *all members*

10.5 Product Design and Packaging: a) Raw materials, ingredients, components and elements of FT products or such materials required for FT Services are from sustainable, socially responsible sources or made from recycled materials wherever possible. b) Products are designed and packaged to be as readily recyclable, compostable or biodegradable as possible. Use of non-recycled plastic is minimised.

✓ **Continuous improvement** *all members*

10.6 Learning Together: You work together with your partners, respecting the cultural characteristics of the producers, to identify, and then implement, measures to mitigate and adapt to climate change and minimise environmental impacts.

✓ **Continuous improvement** *all members*

3

FTO'S SUPPLY CHAIN MANAGEMENT AND WFTO PRODUCT LABEL USE



3.1

INTERNAL MONITORING OF PRODUCERS (PRODUCER IMS)

In your WFTO SAR you list all Producers (normally organised in Producer groups). You are responsible for WFTO standard compliance of your own operation and your FT Producers and must work with the Producers to ensure that they meet their responsibilities as Fair Trade Producers. Accordingly, you must monitor some selected criteria in your Producer Internal Monitoring System (Producer IMS).

WFTO requirements for a Producer IMS are simpler than the requirements for a Supplier IMS for FTOs who buy from independent mature Suppliers of FT products that are neither WFTO members nor certified according to a FT scheme listed in Annex 2. The requirements for a Supplier IMS are described below in section 3.2. If you are not buying directly from Producers (or Producer groups) but through intermediary traders, this is deemed to be buying from “Suppliers of FT products”.

Criteria to be monitored in your Producer IMS

Most Compliance Criteria for FTOs with Producers focus on a fair relationship between you, the FTO, and your Producers. But there are a few selected important criteria that shall be respected by your Producers (and your producer groups), e.g. child labour, health and safety. You must work with your Producers/Producer groups to meet these requirements and monitor this in your Producer IMS.

These selected Producer Criteria are repeated in Annex 1 for easier overview; 1.3 Economically marginalised producers/workers; 4.8 Fair wages; 5.3 child labour; 5.6 Forced labour; 6.1 No discrimination and 7.4 Health & Safety; 10.3 Minimising Environmental Impacts.

Additionally, your Producer monitoring visits should be used to cross-check your own performance and your responsibilities towards your Producers, E.g. Producers have received the agreed product prices and have been paid on time. Producers agree with / accept the quality grading procedures applied by the FTO. Training has reached the selected Producers/ Producer groups as per Training Plan. Gender programmes or special Fair Trade projects have reached the Producers as intended.

Extra care is needed if any of your Producers (or producer groups) employ 50 or more Workers. The Producer IMS will be expected to monitor fair labour conditions in line with all WFTO criteria for fair working conditions in such Producer units.

Any Producer group or “Producer” with a substantial number of employed workers (50 or more workers for more than 3 months/year) needs to be categorised as “Supplier of FT Products” (■ *see implications below in 3.2*) and must be monitored against the full WFTO Fair Trade Standard in a Supplier IMS to ensure fair conditions for all workers in such operations.

Requirements for the Producer IMS

- **A site visit to the production areas at least once every 3 years** (every 2 years for complex/ high risk production) with Producer meetings and interviews. This can be sub-contracted to another FTO, local researcher or local NGO but you must ensure that the person carrying out the monitoring visit understands the applicable criteria and you must evaluate the findings;
- The **visits must be documented** in a report (i.e. one per producer group) and cover the Fair Trade criteria applicable to Producers (see Annex I) and related aspects.
- If you identified problems, you must follow up on them and work with Producers on improvement (e.g. training, awareness-raising).

You report on your Producers' performance in the relevant sections of your SAR and you will need to provide some basic information about your monitoring activities and the results for each Producer Group.

If you have Homeworkers, you may need to adapt a similar monitoring approach to ensure safe and fair working conditions and your compliance with the applicable criteria.





3.2

MONITORING SUPPLIERS OF FT PRODUCTS IN A SUPPLIER IMS

If you are buying from Suppliers of FT Products, i.e. independent vendors, (see introduction & definitions section) you must ensure that your Suppliers of FT Products meet the requirements of the WFTO Fair Trade Standard.

If the Suppliers are “externally verified Suppliers of FT Products” (WFTO members or certified for the respective products by a FT scheme listed in Annex 2), you only need to ensure that their membership/certification is still valid.

If you are buying from Suppliers of FT Products without external FT verification, you can monitor compliance with the WFTO Fair Trade Standard in your Supplier Internal Monitoring System (Supplier IMS) but only if the relationship is direct enough and you have the capacity to effectively monitor standard compliance down to Producer level. Suppliers of Fair Trade products under your Supplier IMS are referred to as “IMS Suppliers”.

This chapter describes the requirements for IMS Suppliers and the Supplier IMS.

Compliance Criteria for Internal Monitoring System Suppliers

As IMS Suppliers may be of the same complexity and scale as WFTO members themselves (with Producers and Workers and possibly Suppliers) the complete WFTO Standard must be monitored by the Supplier IMS, i.e. all WFTO compliance criteria applicable to FTOs.

≡/ Note: This is important to prevent unfair competition by IMS Suppliers compared to verified Suppliers of FT Products who are e.g. WFTO members required to meet the full Standard and bear the costs of the GS.

As the full standard applies, the Supplier IMS should use documents based on all applicable Compliance Criteria i.e. relevant sections of the WFTO SAR form and the WFTO monitoring report form or equivalently detailed documents.

Requirements for a Supplier Internal Monitoring System

a) Self Assessment Report: You should have a SAR form for every IMS Supplier. Some IMS Suppliers will be able to complete the form without your help, but in some situations you may need to complete it with the Supplier, e.g. during a monitoring visit. In any case you need carefully to cross-check and verify all information in the SAR as it is your responsibility to ensure that it reflects reality.

If you prefer, you may use another adapted form directly based on the FT principles and with equivalent depth of information. In such situations, the auditor will need extra time to ensure that your form covers all criteria.

b) Monitoring Visit: The Supplier IMS must include a monitoring visit to each IMS Supplier, including its production areas and Producers, at least once every 3 years. This can be sub-contracted to another FTO, local researcher or local NGO but you must ensure that the person carrying out the monitoring visit understands the Fair Trade Principles and applicable compliance criteria and you must evaluate the findings. The visit must include a visit to some producer areas and producer meetings. The visit must be documented preferably using the WFTO monitoring audit report format.

While the Supplier IMS may not be able to visit all producer areas each time, over time



all areas/groups should be visited. If the producer groups are too complex and diverse, or the Supplier IMS cannot get access to Producers to verify Fair Trade practices, approval as IMS Supplier will not be granted and the Supplier will be required to obtain external verification e.g. own WFTO membership.

Your Supplier IMS with all related documentation will be verified during your WFTO Guarantee System peer visit and monitoring audits. A sample of your Suppliers will be visited to cross-check the efficiency of your Supplier IMS.

≡/ Note: You will be given a transition period to gradually adapt your Supplier IMS to these new requirements but you need to start collecting SARs (or equivalently detailed documents) of your IMS Suppliers which are not otherwise externally verified.



3.3

USE OF THE WFTO PRODUCT LABEL AND NON-FAIR TRADE PRODUCT RANGE

Once you are a WFTO FTO member, have undergone your first Monitoring audit and signed a labelling contract with WFTO you may start to use the WFTO Product Label on all your Fair Trade products produced by your workers or sourced from:

- Your FT Producers/Producer groups, monitored under your Producer IMS.
- Verified Suppliers of FT Products, i.e. other WFTO members or Suppliers certified by a FT scheme listed in Annex 2
- IMS Suppliers registered under your Supplier IMS
■ see section 3.2.

You must declare in your WFTO Self Assessment (SAR) if you have any Non-Fair Trade Suppliers of Products that are not to be included in the scope of the WFTO Guarantee System. Such non-FT products cannot carry the WFTO Product Label and no Fair Trade claims may be made for them.

≡/ Please note that an FTO is expected to buy the majority of its products from FT Sources. All products that are available as FT Products shall be from FT sources.

The justification for the Non-FT origin products will be evaluated against the same criteria used for non-FT assortment of FT retailers (environmentally friendly products, books/music/educational materials, products from local small scale producers, products from solidarity trade projects for economically marginalised producers in the North, selected products/accessories to complement the FT product range).

The FT Sourcing policy for the ingredients/components and raw materials you buy for your production of FT products is described in Chapter 5.

Rules for use of the WFTO Product Label are described in the Guarantee System Handbook Chapter 6 (Claims, Labelling and Use of the WFTO logo).

4

REQUIREMENTS FOR FAIR TRADE NETWORKS



4.0

REQUIREMENTS FOR FAIR TRADE NETWORKS

A Fair Trade Network (FTN) is a WFTO member which is an association of organisations committed to Fair Trade. It could be, for example, an umbrella association of Fair Trade Shops (World Shops) or a network association of trading organisations (importers, exporters, producer organisations) or support organisations – or a mixture of different types of members. In addition to a few selected compliance criteria to apply to all WFTO members, all Fair Trade Networks who wish to become, or remain, full members of WFTO must meet three specific compliance criteria:

- they must ensure that their members only make well founded Fair Trade claims about the products they sell (compliance criteria ■ 2.6)
- educate their members about Fair Trade (compliance criteria ■ 8.3)
- and have a membership system in place (compliance criteria ■ 9.4) obliging their trading and retail members to fulfil the requirements of their membership criteria (based on WFTO Fair Trade principles) and follow up on complaints about members' Fair Trade practices or claims.

≡/ Note: These new compliance criteria for FTNs are likely to require some adjustment to their membership systems. Suitable, transitional solutions will be found on a case by case basis for existing FTNs.



4.1

WELL-FOUNDED CLAIMS BY TRADING & RETAIL MEMBERS OF FTNS

FTNs need to oblige their trading members to make well-founded Fair Trade claims about products, labelling only those products as “Fair Trade” that have been produced and traded along the whole supply chain according to Fair Trade Principles, verified by a credible system. Therefore, FTNs which do not have their own credible guarantee system in place must encourage any importer or exporter trading members to achieve such verification.

WFTO will work with FT networks to facilitate their members with an annual turnover of more than Euros 100,000 for exporters and Euros 250,000 for importers to seek external verification of their Fair Trade claims (through becoming a WFTO member or gaining product certification via a FT scheme listed in Annex 2).

Trading members with a lower turnover in FT products, and those who do not make Fair Trade claims about their products may be exempted from this requirement. In individual, selected cases, WFTO may approve an FTN's own membership monitoring system for its trading members, ■ *see guidance in Annex 2.*

Unless a trading member of a Network is a guaranteed WFTO member in its own right, the network member is not permitted to make any claims that suggest that they or their products are recognised, verified or guaranteed Fair Trade by WFTO unless these products are sourced from a WFTO Guaranteed member and carry that WFTO member's Product Label or First Buyer Label. The importer/ exporter may not use the WFTO Logo (or the WFTO Product Label) and they may not make marketing statements about the FTN's membership of WFTO.

As part of its commitment to well-founded claims (*compliance criteria* ■ 2.6), the FTN must oblige any retailers in their network to make well-founded and verified FT claims for any FT products they sell and a clear differentiation of non-fair trade products. No references to WFTO are permitted in shops (apart from WFTO product labels on FT Products), unless there is a specific bilateral agreement between WFTO and the FTN on this issue.

4.2

WFTO GUARANTEE SYSTEM REQUIREMENTS FOR FTNS

FTNs need to meet all WFTO Standard compliance criteria applicable to FTNs. The FTN's profile and SAR need to be updated every 3 years and the evaluation will focus on the FTN's membership system.

An initial monitoring audit is required to verify implementation of the new FTN requirements. FTNs pose a lower risk to the Guarantee System than FTOs and are therefore assigned a low risk factor and monitoring cycle of 6 years from the start. However, WFTO may increase the risk factor or require an extra audit.

If the FTN also trades Fair Trade Products beyond the “trading threshold” of 100'000 €/ year or if they want to use the WFTO Product label, they are considered an FTO as well as FTN (and all requirements for FTOs and for FTNs apply) and need to undergo regular Peer Visits and Monitoring Audits. These will include the assessment of FTO as well as FTN criteria.



5

SOURCING POLICY

5.0

SOURCING POLICY

As a WFTO member, you must buy all products that are readily available from Fair Trade from your FT Producers, from verified Suppliers of FT Products or from IMS (Internal Monitoring System) Suppliers monitored under your Supplier IMS. Chapter 3.3 provides information on your range of Non-FT products, if any.

If you produce FT products, you are expected to make reasonable efforts to source the majority of the raw materials, ingredients, components and elements of your FT Products from FT sources or, at least, to use sustainable/responsible choices wherever possible.

WFTO is in the process of developing more guidance on sourcing, but each member should begin to understand major issues in its non-FT raw materials/components supply chains (if any) and develop a Fair Trade sourcing policy. As summarised in Compliance Criteria 3.10 you therefore need to:

a) Find out the origin of the main ingredients/raw materials/components /constituents/elements of your FT products

- Investigate the origin of main non-FT ingredients/raw materials/components used in the production of your FT products, e.g. industrial fabrics, paper, leather, glass products, beads, wood etc.
- If you buy industrial materials/components etc. you are able to identify your supplier, and strive to collect additional information on origin / production methods.



- If you buy many such non-FT materials/components etc., focus on those used in highest quantities or any significant product components first (e.g. the beads in a handmade necklace, the baobab butter in a “baobab hand cream”), as well as known “high risk” materials (e.g. leather, all mined products, palm oil, etc.).
- For agricultural / natural/ wild harvest products used as major ingredients, detailed information on supply chains should be available.

b) Become aware of major sustainability risks / potential unethical practices in these supply chains and the possibility of more sustainable alternatives.

- If you do not know the actual supply chain of your ingredients/raw materials/ components, you should start by focussing your investigation on the most important raw materials/ingredients/components and on known, serious, environmental and social risks relating to certain materials and/or industries e.g.
Raw materials from mining: serious health & safety problems, child labour
Leather: health & safety for workers, contamination of water sources
Dyeing: environmental contamination, exposure to toxic substances, etc.
Hand weaving/stitching: child labour
Palm oil: destruction of natural ecosystems
Timber: unsustainable forestry, destruction of ecosystems by illegal logging.
- Try to find better alternatives for your most important raw materials, e.g. local producers or Suppliers of the raw materials who you could register as FT Producer/Suppliers, or product certifications like organic, FSC, credible sustainability schemes for specific industries (e.g. ISEAL Alliance members).
- WFTO will strive to provide additional information with recommendations of useful schemes and networks to assist you in identifying suitable alternative sources.

c) Develop a sourcing policy for the main raw materials/ingredients/components/ constituents of your FT product, using FT sources where possible, and, if not, from more sustainable, ethical or responsible production sources where available.

- The policy should include responsible choices in the selection of units you outsource part of your production to, if any. Following a risk base approach, high risk activities like e.g. dyeing, printing should be addressed first.



- Set priorities gradually to convert your sourcing to more sustainable and ethical sources, starting with high volume and high risk materials.
- For food products, and for all agricultural/wild harvest ingredients/raw materials, it is expected that everything that is readily FT available in commercial quantities is used in Fair Trade production and any exceptions must be well justified.
- The evaluation of your sourcing practices will consider the restrictions you face in using more sustainable materials (order size, import restrictions, etc.) but you should still start to address the issue with your trade partner, in cooperation with other members or with other like-minded organisations.

If you do NOT source the MAIN components/raw materials from FT sources or Suppliers of ingredients/components with sustainability product credentials (or if you outsource main processes to unverified units), you can at least justify your current sourcing practices and your sourcing policy indicates how you plan gradually to replace these components/raw materials/outourcing service providers with more responsible, sustainable choices.

6

ANNEX

6.1

ANNEX

1

The following compliance criteria of the WFTO Standard are applicable to Producers and must be monitored in the Producer IMS (■ see details in chapter 3.1). You are responsible for working with your Producers to meet these criteria.



COMPLIANCE CRITERIA



Achieved by
Applicable to

1.3 Focus on economically marginalised

Producers / Workers: You work and trade primarily with Workers, Producers and Suppliers of FT Products who are socially and/or economically marginalised, or who are buying from such groups, or otherwise demonstrate positive impact on economically marginalised groups as a central part of your business.

✓ **Mandatory** *all members*

4.8 Fair Prices for your Producers:

Your Producers receive Fair Prices that allow them to earn an income on Local Living Wage level.

Living Wage calculations for Producers consider which part of their working time is spent on producing FT Products and can include other household income. FTOs who are not paying Fair Prices to Producers analyse their gaps and have a plan to work towards Local Living Wage price levels with a realistic time-line and targets (included in their WFTO Improvement plan).

✓ **Continuous improvement** *all FTOs*

5.3 Producers' involvement of children in production:

You monitor the risks of involvement of children in your production processes (in your Producer IMS) and work with your Producers /Homeworkers to ensure that:

- if they involve their children (under the age of 15) in production this is kept to the minimum, is never dangerous and does not interfere with schooling.
- neither their young family members (15 – 17 years) nor any employed young workers are involved in dangerous or exploitative work.
- Producers do not contract children (under 15 years of age) as workers.

Your Producers' / Homeworkers' children below 15 years of age are allowed to help their parents in production within certain limits: Their work shall not interfere with schooling, i.e. it may only take place during non-school hours and holidays, and must allow time for homework and play. The work shall be appropriate for their age and physical condition. They should be supervised by their parents and not work long hours and/or under dangerous or exploitative conditions. Involvement of younger children under the age of 13 shall be minimal.

✓ **Mandatory by Year 2** *FTOs with Producers or Homeworkers*

5.5 No forced Labour and human trafficking:

You and your Producers do not restrict Workers' freedom of movement or employment and are not involved in human trafficking.

Sometimes even well intended services can lead to undue dependence or restriction of freedom, e.g. loan

schemes that keep Producers /Workers in long-term debt, keeping original identity papers of Workers etc.

✓ **Mandatory** *all members*

6.1 No discrimination:

In your employment practices you do not practice any discrimination in hiring,

access to training, promotion, disciplinary practices, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age, unless it is part of your mission to favour particular disadvantaged groups.

✓ **Mandatory** *all members*

7.4 Producers' Health & Safety Practices:

You monitor important health & safety risks at Producer/Homeworker level and work with your Producers/ home workers to ensure safety risk awareness, accident prevention and minimisation of health risks for themselves, their families and Workers (if any).

✓ **Continuous improvement** *FTOs with Producers or Homeworkers*

10.3 Producers Minimise Impacts:

You work with your Producers and/or Homeworkers to ensure that they are trained in good environmental practices

(as relevant for their production) and strive to protect their ecosystems and prevent contamination of water, soil or air.

✓ **Continuous improvement** *All members*

6.2

ANNEX

2

WFTO recognises the following Fair Trade certification systems for monitoring of Suppliers of FT Products to Fair Trade Organisations (FTOs):

- ECOCERT / IMO - Fair For Life
- FLO Cert
- SPP (FUNDEPPO)
- Naturland Fair Trade standards
- Other social certification bodies may be accepted as partially equivalent where FTOs have the audit reports on file and have scrutinised the results and complemented the monitoring to ensure the supplier complies with core FT Principles.

WFTO may recognise individual FTN membership verification systems if they include a similar level of assurance including a system for audits of members as well as sampling of Fair Trade practices in supply chains.





Home of Fair Trade Enterprises



CONTACT

For questions on the WFTO Fair Trade Standard, please contact:
standard@wfto.com

World Fair Trade Organization
Parallelweg West 9A,
4104 AX Culemborg,
The Netherlands

General email: info@wfto.com
Guarantee System: mmteam@wfto.com

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