

ESR TRANSITION PLAN Transition from version 2 to version 3

From the 15th of June 2013 onwards, ESR (Fairness, Solidarity and Responsibility) audits will be performed according to the new version of the ESR standard. Clients that are already certified as at that date will benefit from a transition plan to move from the old version of the standard to the new one.

Three adjustments are planned in order to allow progressive implementation of the new criteria:

- Deadlines granted for the new blocking criteria;
- Flexibility granted for the minimum percentage of conformity to achieve;
- Specific methods for the modification of labeling / communication support material.

1. New blocking criteria

“New blocking criteria” refers to the following:

- major criteria (orange),
- KO criteria (red),
- minor criteria in year 1, major criteria from year 2 onwards (yellow),

...which didn't exist in version 2 of the standard, or which existed in a different form.

The tables below give the date on which the new blocking criteria will take on the status of major / KO criteria. Before this date, they will be treated as minor criteria.

The criteria are given by operator type:

- All operators
- All production Groups
- Processor groups
- Buyer-Processors
- Buyer-Processors in developing countries
- Buyer-Processors in developed countries

Table 1: New blocking criteria for all operators

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Qual-04	<u>New requirement</u> Prior to the audit, the operator must perform a self-assessment based on the criteria of the standard.	15/06/2013	This new requirement will allow the operator to better prepare for the audit according to the new version.
Qual-06	<u>New requirement</u> Committed operators must ensure that their non-committed operators make a commitment with regards to a certain number of points (compliance with FTSR requirements, acceptance of audits, compliance with communication regulations, etc). <i>Non-committed operators: those for which the committed operator has paid the attestation costs.</i>	15/06/2013	This is the transcription of one of the clauses of ECOCERT's general terms and conditions as a control standard.
Qual-18	<u>New requirement</u> The operator has all the necessary records to monitor the traceability of the products delivered by the suppliers and registered subcontractors, and these elements are consistent with the data held by the operator. <i>Registered operator: an operator that does not have to be vouched for (such as subcontractors / handlers...representing a low risk). They are subject to annual documentary audits. They must submit the elements necessary to monitor their traceability to ECOCERT. These elements will be reviewed during the audit of their brand owners.</i>	15/06/2013	This is an adaptation of the standard on traceability taking into account the new, more flexible, registration method.
Qual-22	<u>New requirement</u> In order to ensure the compliance of fair trade ingredients, a registration confirmation may be provided instead of a certificate of compliance.	15/06/2013	This is the transcription of the new registration method, which provides more flexibility within fair trade networks, as a standard.
Qual-24	<u>Modified requirement</u> The minimum thresholds to be met by cosmetic and food products have been modified. FOOD: 20% of the total agricultural ingredients, with no other particular restriction. <i>Version 2: 25% represented by just one ingredient</i> COSMETICS: <ul style="list-style-type: none"> • "leave-on": 5% of the total ingredients. • "rinse-off" = 1% if more than 25% of the vegetable ingredients are fair trade. <i>Version 2: 5% of the total ingredients in any case</i>	15/06/2013	The new thresholds for the products are less restrictive than the previous ones.
Gov-01	<u>New requirement</u> The operator must outline a Corporate responsibility policy which describes its commitments in terms of sustainable development, responsible sourcing, etc.	15/06/2014	This is the transcription in writing of the company / organization's main goals in relation to corporate responsibility.

Trade-02	<p><u>New requirement</u> If the operator obtains commercial benefits linked to the use of the biodiversity or traditional know-how, these benefits must be shared fairly with the indigenous communities, based on conditions drawn up in common agreement.</p> <p><i>This requirement is related to all the buyer's supply networks (whether these are Fair Trade or not)</i></p>	15/06/2014	The operators must: - identify if this case applies to them (mapping of their suppliers) - Initiate a process of negotiation with the suppliers in question
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Table 2: New blocking criteria for production Groups

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Qual-12	<p><u>Modified requirement</u> It is clearly stated that an up to date list of the producers must be kept, with specific elements. This list serves as a base for the establishing of an Internal control System adapted to Fair Trade.</p> <p><i>Version 2: The standard simply stated that the producers should be "identified and registered"</i></p>	15/06/2013	The elements required are similar to those required for the Bio.
Gov-07 and 10	<p><u>Modified requirement</u> A policy of Fair Trade is established which identifies the beneficiaries of the project, the development fund decision methods and the commitments in relation to Fair Trade.</p> <p><i>Version 2: The standard stated that an action program, based on an assessment of the needs of the network, must be established by the project Sponsor.</i></p>	15/06/2013	These requirements will replace and clarify that existing in the old version and which concerned the fair trade action program.
Gov-08 and 09	<p><u>Modified requirement</u> The Fair Trade policy is based on an initial assessment, which identifies the potential beneficiaries and their needs. Specifically, the assessment allows the beneficiary of the development funds to be determined.</p> <p><i>Version 2: The standard stated that an action program, based on an assessment of the needs of the industry, must be defined by the project Sponsor.</i></p>	15/06/2013	
Gov-11	<p><u>Modified requirement</u> The Fair Trade policy is converted into a development plan spanning a minimum of 3 years.</p> <p><i>Version 2: The standard stated that an action program, based on an assessment of the needs of the network, must be established by the project Sponsor.</i></p>	15/06/2013	
Gov-30	<p><u>New requirement (Companies on a Production Contract)</u> The company implements adequate financial, technical and human means to put participative authorities into place.</p>	15/06/2013	These requirements now state that the contract production company has an obligation of means to implement the organizational reinforcement plan.
Gov-36	<p><u>New requirement (Companies on a Production Contract)</u> Likewise, if the producers wish to organize themselves into independent production organizations, the company will implement the adequate financial, technical and human means to achieve this.</p>	15/06/2013	
Trade-01	<p><u>New requirement</u> The production Group must treat any conflicts that may arise with the local people during its installation in terms of land-law in a responsible manner.</p>	15/06/2014	The production Group must be proactive and deal with any claims that may arise through transparent negotiation.
Trade-15	<p><u>New requirement (Companies on a Production Contract)</u> The clauses that must be included in the contracts with the producers are stated.</p>	15/06/2014	Existing contracts must be adapted.
Trade-21	<p><u>New requirement</u> Pricing regulations for the producers have been formalized.</p>	15/06/2014	The existing practices are put into writing.

Trade-24 and 29	<p><u>Modified requirement</u> It is clearly stated that the production Groups are responsible for conducting a study on the production costs allowing the minimum Group price to be determined.</p> <p><i>Version 2: The standard delegated this responsibility to the First Buyer.</i></p>	15/06/2013	In fact, it is really the production Groups that have access to the information on costs.
Trade-46	<p><u>New requirement</u> The production Groups must provide ECOCERT and the First Buyer with a description of the fair trade project and a public summary of the fair trade development plan and detailed report on the funds.</p>	15/06/2013	This information will subsequently be used for public communication with regards to the consumer.
Trade-53	<p><u>Modified requirement</u> The detailed report on the use of the development funds may be sent, on request, to the First Buyer.</p> <p><i>Version 2: The standard stated that the balance sheet items had to be sent to ECOCERT only.</i></p>	15/06/2013	In the interests of transparency, the buyer has information on the real usage of the development funds.
Trade-57 and 60	<p><u>Modified requirement</u> (Contract Production Company / Plantation) The methods for the financial management of the funds are stated:</p> <ul style="list-style-type: none"> - Separate bank account - Co-signed by a representative of the beneficiaries. <p><i>Version 2: The standard simply stated that the accounting of the funds had to be separate.</i></p>	15/06/2013	Flexibility is envisaged where such management is not possible (NGO, sole signatory companies, etc.).
Trade-56, 59 and 62	<p><u>Modified requirement</u> The possible uses of the funds are stated:</p> <ul style="list-style-type: none"> - Not for investments belonging to a private company. - Not to ensure the normal running of activity or to comply with local legislation. - An individual bonus for the beneficiaries is possible but subject to conditions. <p><i>Version 2: The standard stated that there must not be any risk of the appropriation of funds by individuals or stakeholders.</i></p>	15/06/2013	These provisions were already being applied in practice.
Hum-10	<p><u>New requirement</u> Working hours for young workers adjusted (studies + work + travel = a maximum of 10 hours)</p>	15/06/2014	
Hum-13 to Hum-17	<p><u>Modified requirements</u> For producer members of the group: CHILDREN UNDER 12 YEARS OLD:</p> <ul style="list-style-type: none"> - May not be employed; - May help for up to 2 hours a day outside of school hours. <p>CHILDREN BETWEEN 12 AND 15 YEARS OF AGE:</p> <ul style="list-style-type: none"> - May only be employed for less than 2 hours a day outside of school hours; - May help for up to 3 hours a day outside of school hours. <p>YOUNG WORKERS BETWEEN 15 AND 18 YEARS OF AGE:</p> <ul style="list-style-type: none"> - May only help or be employed for less than 8 hours a day. Studies, work and travel must not take up more than 10 hours. <p><i>Version 2: The standard stated that the employment of children was forbidden, other than helping within the family.</i></p>	15/06/2013	This is a clarification / relaxation in relation to the more general regulation established previously.
Work-58	<p><u>New requirement</u> LARGE UNITS: Work-related accidents and illnesses recorded and monitored</p>	15/06/2014	

Table 3: New blocking criteria for processor Groups

The standard now provides specific regulations for processor groups (or artisan groups), i.e., in the event that the producer members of the group are processors (and not farmers / harvesters) or artisans. The raw materials come from external sources.

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Trade-07	<u>New requirement</u> The origins of the raw materials and their manufacturing processes are known.	15/06/2013	The groups in question receive raw materials from harvest. The situation is not as complex as in the case of groups of artisans.
Trade-08	<u>New requirement</u> The raw materials do not come from vegetable or animal species that are in danger of extinction.	15/06/2013	
Trade-09	<u>New requirement</u> The social and environmental practices of the key suppliers are controlled (Integration in the Non-Trading Real Estate Investment Company (SCI) of the group, third party control). <i>Key suppliers = Companies or organizations delivering more than 50% of their produce to the group OR farmers / harvesters situated in a nearby area.</i>	15/06/2013	
Trade-30	<u>New requirement</u> A fair partnership is established between the group and its suppliers if these are farmers / harvesters situated in a nearby area: fair prices covering production costs, based on balanced negotiation.	15/06/2013	

Table 4: New blocking criteria Buyer-processors

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Env-20	<u>New requirement</u> Absence of endangerment of threatened species or habitats, absence of degradation of adjacent natural ecosystems.	15/06/2013	In most cases the processors are in urban areas and this requirement will not apply.
Trade-12	<u>New requirement</u> The commercial contracts between the fair trade buyers must clarify the commitments in terms of quality, payment terms and price. They must state the origin of the fair trade ingredient.	15/06/2014	The existing contracts must be adapted.
Trade-14	<u>New requirement</u> (Brand owners) When the brand owner himself is not the First Buyer, it must establish a long-term partnership contract (framework contract) with the First Buyer, which allows the latter to have visibility of minimum volumes.	15/06/2014	The key operators of the networks are linked to each other through framework contracts.
Trade-16	<u>New requirement</u> The payment deadlines stated in these contracts must be observed.	15/06/2014	Sales contracts must be complied with from the moment they are adapted.
Trade-34	<u>Modified requirement</u> (First Buyer) Each year, the First Buyer reviews the framework contract established with the production Group and adjusts the minimum prices / volumes in view of the volumes actually purchased and the evolution of production costs. <i>Version 2: The standard stated that the minimum price must be checked regularly based on the evolution of production costs</i>	15/06/2013	The regular review of the contract is related to the minimum price and volumes.
Trade-38	<u>Modified requirement</u> (First Buyer) The amount of pre-financing is limited to 60%. <i>Version 2: The standard did not state any limit. The First Buyer was therefore non-compliant if it refused to grant pre-financing of 80% and only granted 60%.</i>	15/06/2013	The First Buyers are required to grant a reasonable amount of pre-financing.
Trade-44	<u>New requirement</u> (Brand owners) Each year, the Brand owner reviews the framework contract established with the First Buyer, specifically the commitment regarding minimum volumes, in view of the volumes actually purchased.	15/06/2014	The volumes contracted in previous years will be taken into account to decide the minimum volumes to be established in the framework contract
Trade-49	<u>Modified requirement</u> (First Buyer) The minimum amount of development funds will now be indexed to the price paid to the production Group: - 5% of this price for minimally processed products - 3% of this price for highly processed products. <i>Version 2: The standard indexed the amount to be allocated to development funds to the minimum price guaranteed to the producers (5%)</i>	15/06/2014	The buyer must: - Verify, with the help of ECOCERT, which case applies to it - Adjust the methods for the provision of funds accordingly

Table 5: New blocking criteria Buyer-Processors in developing countries

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Hum-10	<u>New requirement</u> Working hours for young workers adjusted (studies + work + travel = a maximum of 10 hours)	15/06/2014	
Work-58	<u>New requirement</u> LARGE UNITS: Work-related accidents and illnesses recorded and monitored	15/06/2014	

Table 6: Buyer-Processors in developed countries

These criteria were already included in Version 2 but were only applied to developing countries. From this point forward they will also apply to developed countries. They are therefore new for the buyer-processors in the "North".

REF	CHANGE	DATE ON WHICH THE CRITERIA WILL BECOME MAJOR / KO	EXPLANATION FOR DEADLINE
Hum-01	Absence of systematic discrimination of workers	15/06/2014	<p>This generally relates to criteria regarding the application:</p> <ul style="list-style-type: none"> - of legislation - of existing regulations - of agreements by sector <p>...in terms of protection and workers' rights.</p>
Hum-04	Absence of forced labor	15/06/2014	
Hum-05	Absence of cruel or inhuman treatment	15/06/2014	
Hum-06	Fair disciplinary measures	15/06/2014	
Hum-07	Absence of child labor	15/06/2014	
Hum-10	Working hours for young workers adjusted (studies + work + travel = a maximum of 10 hours)	15/06/2014	
Work-01	Written contracts / agreements for all permanent workers	15/06/2014	
Work-04	The operator does not seek to avoid providing regular employment	15/06/2014	
Work-10	Compliance with minimum wage (permanent workers)	15/06/2014	
Work-11	Compliance with minimum wage (temporary workers)	15/06/2014	
Work-12	Compliance with local legislation in terms of benefits	15/06/2014	
Work-20	Regular payment of wages	15/06/2014	
Work-21	Payslips containing a breakdown of payments		
Work-24	Observance of normal working hours and with the ILO (less than 48h per week)	15/06/2014	
Work-25	Voluntary overtime, paid according to regulations	15/06/2014	
Work-26	Observance of total working hours (normal hours + overtime = up to 60h per week)	15/06/2014	
Work-28	Observance of annual leave as per regulations	15/06/2014	
Work-39	Observance of the right to collective negotiation	15/06/2014	
Work-40	Absence of discrimination against unionized workers	15/06/2014	
Work-45	Evaluation of health and safety risks	15/06/2014	
Work-46	A safe workplace with adequate prevention and protection measures	15/06/2014	
Work-47	Suitable protection equipment for the workers	15/06/2014	
Work-48	Protection of vulnerable people (no dangerous work)	15/06/2014	
Work-49	Information / training regarding health and safety risks	15/06/2014	
Work-50	Suitable first aid equipment	15/06/2014	
Work-51	Separate storage of dangerous chemical products	15/06/2014	
Work-55	If accommodation is provided for workers: this must be adequate and suitable	15/06/2014	
Work-56	LARGE UNITS: Representative for health and safety issues	15/06/2014	
Work-58	LARGE UNITS: Work-related accidents and illnesses recorded and monitored	15/06/2014	
Work-59	LARGE UNITS: Fire protection and fire-fighting system	15/06/2014	
Work-60	LARGE UNITS: Emergency exits not obstructed	15/06/2014	
Work-61	LARGE UNITS: Emergency procedures known and published	15/06/2014	

2. Minimum compliance percentages

The following compliance percentages must be achieved within the framework of the transition plan.

- 1st audit according to the new version: minimum % = 70%,
- 2nd audit according to the new version: minimum % = 80%,
- From the 3rd audit according to the new version: minimum % = 100%.

Explanation: Regardless of the number of years the clients have been audited according to the old version, "the counter is reset to zero" and the starting point is lowered to 70% (instead of 80%).

3. Labeling and communication documents

The new labeling and communication regulations will apply **immediately** for all new labels and all new communication documents. A period of two years is granted to use up existing stock of labels / communication documents (until the 15th of June, 2015).