ECOCERT
Fair Trade and Social Responsibility

ESR standards, version 2013
(applicable from June 15th, 2013)
Main changes
Main principles by section
Foreword

Considering:

- The complementary and close links existing between the principles of **Fair Trade** and those of **organic** agriculture
- The necessity of linking the concept of fair trade with a concept of **social responsibility expanded** to all the participants in the supply chains
- The **universality** of fair trade principles
- The search by consumers for **greater guarantee and transparency** in the face of increasing diversity of practical variations on Fair Trade
Foreword

This standards intends to:

- Provide a guarantee for projects linking organic agriculture and fair trade
- Define a social responsibility process allowing businesses and organisations to position themselves with respect to their impacts on society and the environment
- Define a fair trade process applied to both the producers of developing countries and the producers in developed countries
- Reinforce the credibility of fair trade for consumers and offer more transparency with regard to this process
Main changes

North-North Fair Trade
Responsible basis
Two possible labels
Control methods
Rating system
Development fund
Eligible products
Composition rules
Main changes
“North-North” Fair Trade

- Fair Trade is traditionally associated with « South-North » exchanges, for exotic products coming from developing countries.

- « North-North » Fair Trade is also legitimate since it answers the same need for a local and sustainable agriculture, and can rely on the same universal principles.

⇒ The scope of the standard was extended to « North-North » exchanges.
New: Companies / organisations committed to ESR Fair Trade shall above all be Responsible companies / organisations

- The ESR audit now assesses the CSR (Corporate Social Responsibility) management system according to the main ISO 26000 guidelines

- After the ESR audit, the company/organisation knows its performance in the CSR process and can value its practices thanks to the system-guarantee “Responsible Company / Organisation” delivered by ECOCERT

ESR standard

FAIR TRADE

RESPONSIBLE BASIS

Exchange of Fair Trade products within supply chains

Corporate Social Responsibility
The main changes
A strengthened Responsible basis (2)

The structure of requirements has been updated according to the 26000 guideline

- Quality Assurance
- Organisation governance
- Human Rights
- Work relations and conditions
- Respect of the Environment
- Good business practices
- Relationship with consumers
- Communities and local development

Fair Trade criteria are integrated all along these different areas

Procedures implemented to comply with the standard

Social Responsibility Company/Organisation level (Line 26000)
The main changes
1 standards, 2 possible labels

- Fair Trade certification, Communication about **Products**
- Responsible certification, Communication about **Company/Organisation**
The main changes
The new control methods (1)

The control plan is adapted to the realities in supply chains

- Clear distinction between **2 kinds of operators:**
  - "Key"-operators= Production Groups, First Buyers/Importers, Brand owners
  - "Intermediate" operators= Intermediate buyers (including Subcontractors) and Handlers

- **Intermediate operators** involving a **low risk** can be registered instead of certified

- **Registration:** Annual document review instead of annual audit. Emission of elements necessary to the monitoring of traceability. Possible unannounced audits.
Social aspects are now checked for all operators, through interviews with workers and producers

- **Workers:** Individual interviews according to the total number of workers and to the occupational risk
  - Ex. Company with 300 employees and low social risk: 9 workers to be interviewed

- **Producers (producer groups):** Collective and individual interviews
  - Ex: Cooperative of 1000 producers: 30 producers to be interviewed and at least two « focus group » to be organised
Development of a rating system to assess operators’ performance

- Score by criterion: from 0 to 4
- 4 levels of criteria: recommendation, minor, major or KO (prohibitive)
- Certification granted if:
  - Absence of KO and majors
  - Min % of compliance reached
- Monitoring of corrective actions: action plan and achievement of corrective actions checked by ECOCERT
- Total score obtained allow to determine the performance level reached: « Commitment »; « Mastery »; « Excellence »
The main changes
The development fund amount

The amount earmarked for the “development fund” corresponds at least to:

- 5% of the price paid to the Production group for insignificantly processed products
- 3% of the price paid to the Production group for significantly processed products

**Insignificantly processed products:** the cost of raw material represents 75% or more of the price of the sold product.

**Significantly processed products:** the cost of raw material represents less than 75% of the price of the sold product.
The main changes
Eligible products

- Organic food products
- Organic or natural cosmetic and aromatic products
- Organic or natural textiles
- Eco-products (paint, detergents, room fragrances)
- Handicrafts
# The main changes
## Composition rules of products

<table>
<thead>
<tr>
<th>Category</th>
<th>Case 1: Fair Trade</th>
<th>Case 2: Fair Trade, X Supply Chain</th>
<th>Case 3: Mention only of the ingredient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food</strong></td>
<td>95% of agricultural ingredients</td>
<td>20% of agricultural ingredients</td>
<td></td>
</tr>
<tr>
<td><strong>Cosmetics</strong></td>
<td>95% of total of ingredients</td>
<td>Leave-on products* except fragrances: 5% of total ingredients</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fragrances and rinse-off products*: (Fair trade ingredients / Plant ingredients) &gt; 25% AND (Fair trade ingredients / Total ingredients) &gt; 1%</td>
<td>Thresholds not met</td>
</tr>
<tr>
<td><strong>Textiles</strong></td>
<td>95% of total fibres</td>
<td>70% of total fibres</td>
<td></td>
</tr>
<tr>
<td><strong>Detergents / Air fresheners</strong></td>
<td>95% of total ingredients</td>
<td>5% of total ingredients</td>
<td></td>
</tr>
</tbody>
</table>

* Cosmetic products not intended to be removed after application (oils, butters, creams, milks...).
** Cosmetic products intended to be removed after application (lotions, shampoos, gels...).
Main requirements by section

Organisation governance
Human Rights
Work relations and conditions
Respect of the Environment
Good business practices
Relationship with consumers
Social commitment
Les 10 critères « KO » du référentiel ESR

1. Absence of worker **discrimination**
2. Absence of worker **forced labour**
3. Absence of practices violating human **dignity**
4. Absence of **child** labour
5. Freedom of **association** and collective negotiation for all employees
6. Non-discrimination with regard to **unionised** employees
7. Guarantee of **safe working conditions** for employees
8. **Protection of threatened species** and habits in production areas
9. Non-destruction or conversion of natural **ecosystems** adjacent to production areas, no destruction of **primary** or old secondary forest in the 10 years preceding the start of the programme
10. No **illegal forms** of production or **trade** in protected plants or animals
1. GOVERNANCE

**Responsible basis**
CSR concerted policy
Clear and non-discriminatory admission rules
(Producer groups)
Participatory and democratic functioning
(Producer groups)

**Fair Trade (Production groups)**
Fair Trade concerted policy
3-year based development plan
The governance of the organisation is the system that allows to an organisation to make decisions and apply them in order to reach objectives.

“Cornerstone of the standard, governance is the "place" where the company liable. How? By the responsible decision-making and allocation of resources to achieve its objectives.

Sustainable Development falls in with governance, and its manifestation with the strategy. In other words, good governance needs to be a clear and assertive will from the Direction.”
GOVERNANCE

CSR policy

- Formal commitments have been made by Management/managers in terms of corporate social responsibility (CSR): a policy is in place, and a management system ensures its monitoring.

FAIR TRADE policy

- The Production Group adds to its CSR policy a Fair Trade policy, which clearly identifies the beneficiaries of the programme. This policy is targeted on fair trade priority areas.
GOVERNANCE

Discrimination and integration within the groups

- The **Producer group** has clear and non-discriminatory membership rules, and welcomes disadvantaged groups and women within the group.

Democracy and participation within the groups

- The **Producer group** works in a democratic and participatory matter, without any links to unbalanced forces in decision-making.
GOVERNANCE

Democracy and participation within the groups

- In the case of **Contract production companies**, an organisational strengthening plan aiming to improve democracy and participation among producers is implemented.

- **FAIR TRADE**: For **Contract production companies**, if the producers wish it so, the company can support the development of commercially independent organisations.
2. HUMAN RIGHTS

**Responsible basis**
Absence of discriminations
Absence of forced labour
Absence of child labour
HUMAN RIGHTS

Discrimination and integration of vulnerable workers

- The company/organisation does not discriminate against the workers it employs, and on the contrary, it seeks to encourage disadvantaged workers.

Fundamental rights to work

- The company/organisation does not use any form of forced labour, of child labour, and provide young workers with good working conditions.
For **producer groups**, producers who are members of a group shall apply the same principles towards their own workers.

In producer groups, two levels are available for social criteria:
- Central level: collective units
- Individual producer level: producers members of the group
3. WORK RELATIONS AND CONDITIONS

**Responsible basis**
Formal, regular work
Adequate salaries, social benefits and working hours
Freedom of association and collective negotiation
Worker health and safety
Worker training
WORK RELATIONS AND CONDITIONS

**Employment and employer-employee relationship**

- The company/organisation provides, as much as possible, formal and regular work to workers it employs.

**Working conditions social protection**

- The company/organisation respects the ILO rules, the relevant local legislation or the collective conventions regarding wages, social advantages and working hours.

**Social dialogue**

- The company/organisation guarantees freedom of association and collective negotiation to all workers.
WORK RELATIONS AND CONDITIONS

Health and safety at work
- The company/organisation provides working conditions that are as safe as possible for the health and safety of workers, by minimising the inherent sources of danger in the workplace.

Human resources development
- The company/organisation encourages its workers' continuous or professional training.
WORK RELATIONS AND CONDITIONS

- For **producer group**, producers who are members of a group shall apply the same principles towards their own workers.

- In producer groups, two levels are available for social criteria:
  - Central level: collective units such as processing plants, offices...
  - Individual producer level: producers members of the group.
4. THE ENVIRONMENT

**Responsible basis**
- Synthetic chemical products and GMO
- Adequate waste, discharge and waste water management
- Adequate water resource management
- Adequate energy resource management
- Respecting surrounding ecosystems
- Eco-packaging policy

**Fair Trade**
- Organic or natural certification
- Prohibited materials in packaging of finished products
ENVIRONMENT

Synthetic chemical products and GMO

- The company/organisation has responsible practices in place related to the use of GMO and chemical products
- **FAIR TRADE**: The company/organisation is certified organic or natural for the products to be certified

Pollution prevention

- The company/organisation checks and minimises any impacts from waste, gaseous and liquid discharges and waste water on the environment and on health
Sustainable use of water resources
- The company/organisation is aware and manages the quantities of water used for production

Alleviation of climate change and adaptation
- The company/organisation makes the effort to minimise fossil fuel energy consumption and to maximise the use of renewable energy

Protection and restoration of surrounding environment
- The company/organisation protects and if possible improves the sustainability of surrounding ecosystems (actions on biodiversity, soil, ...)
**Eco-packaging policy**

- The company/organisation minimises volumes and limits impacts of packaging used

**Materials forbidden in packaging of finished products**

- **EQUITABLE**: The company/organisation does not use materials forbidden by the standards for packaging of final products to be certified
ENVIROMENT

- The **Production group** makes sure that those good practices are applied to workplaces/premises as well as production units

- In **Production groups**, two levels are available for environmental criteria
  - Processing/Marketing units: processing plants, premises
  - Primary production units: parcels, producers
5. GOOD BUSINESS PRACTICES

**Responsible basis**
Respecting the rights of indigenous and tribal people
Responsible procurement policy

**Fair Trade**
Justified fair trade profit margins
Respect of payment terms
Freedom of sale
Agreed fair prices
Context-related guaranteed minimum prices
Long-term partnership contracts
Pre-financing on request
Constant dialogue between partners
Development support (provision of a development fund (DCs); direct support)
Transparent and participatory management of the development fund (DCs)
Access to resources

- The operator has all the required legal permits for the setting up of the activity, particularly regarding land rights

- In the event of commercial use of biodiversity resources or traditional knowledge, agreements are made with the related communities for recognition and adequate compensation of this use

=> Fight against bio-piracy
Responsible procurement policies

- **Buyers** define and implement a responsible procurement policy for ethical sourcing. They are vigilant regarding the social and environmental practices of their suppliers.

- **Producer groups** favour procurement from the most disadvantaged producers.

- **Processor and artisan groups** ensure that their key suppliers adhere to good social and environmental practices. They do not use raw materials that have contributed to the degradation of the surrounding ecosystem or heritage.
Justified **FAIR TRADE** profit margins

- A policy for margin moderation is set up, so that the margins applied on fair trade products remain reasonable

**FAIR TRADE** contracts

- **Buyers** define the fair trade purchasing terms within clear and adapted sales contracts
- **First Buyers** set up long-term partnership contracts with Production Groups
- In long supply chains, **Brand Owners** set up long-term partnership contracts with First Buyers
- **Contract production companies** define the fair trade purchasing terms within clear and adapted contracts
FAIR TRADE pricing policy and terms of payment

- **Buyers** pay their fair trade suppliers within the agreed time frames.
- **Producer groups** establish clear rules for buying from producers. They pay producers in a reliable and timely manner.
- **First Buyers** guarantee a minimum price to Production Groups, and offer them fair and remunerative enough prices.
- **Production Groups** determine their sustainable costs of production in order to reach a fair minimum price with his buyers.
- **Producer groups** guarantee a minimum price to their producers members, and offer them fair and remunerative enough prices.
- **Processor and artisan groups** establish fair commercial partnerships with their nearest suppliers of agricultural products.
GOOD BUSINESS PRACTICES
Fair Trade

Fair practices

- **First Buyers** have fair practices, not seeking to mislead Production groups on the price paid, and protecting freedom of sale
- **Contract production companies** have practices that protect the producers' freedom to sell

Quality of the **FAIR TRADE partnership**

- **First Buyers** maintain a constant dialogue with Production Groups, in order to ensure the balance of the partnership. They grant them pre-financing of up to 60% of the contract value upon request
- **Production groups** maintain a constant dialogue with First Buyers, to ensure a transparent management of all Fair Trade benefits and to sustain a long-term partnership
Development support *(FAIR TRADE)*

- **First Buyers** support the development of Production Groups. For "Southern" suppliers, this assistance will be made through the provision of a development fund used to finance community actions. For "Northern" suppliers, this assistance will be direct development assistance of a technical, financial or human nature.

- **In the "South", Production Groups** will manage the development fund transparently, involving the project beneficiaries as much as possible in the choice of projects funded.
6. CONSUMERS

**Responsible basis**
Protection of consumer health

**Fair Trade**
Fair trade information and awareness
Protection of consumer health and safety

- The operator shall ensure that he provides products which are not harmful for consumer health

Education and awareness about Fair Trade (Brand owners)

- **FAIR TRADE:** The Brand Owner shall carry out actions in order to raise awareness and increase knowledge on Fair Trade issues
7. SOCIAL COMMITMENT

**Responsible basis**
- Support for community projects
- Promotion of education and culture
- Creation of local employment
- Technical support to producers
- Actions to increase the local added value
**SOCIAL COMMITMENT**

**Territorial anchorage**
- The operator supports projects which have an impact on the local community

**Education and culture**
- The operator supports projects promoting education and culture

**Creation of local employment**
- The operator creates new jobs at a local level
Producer groups

- There are technical support actions, which ensure that the supply chain remains sustainable
- Some actions are implemented in order to increase the added-value on-site (processing, diversification, local markets...)
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The main changes
The new control methods (Appendix)

- The **risk is “low”** if the operator meets the following characteristics:
  - Less than 10% of the turnover is Fair Trade
  - Fair Trade turnover < EUR 200 000
  - Guaranteed traceability
  - Socio-environmental risks low or controlled