



**FAIRTRADE
FOUNDATION**

Fairtrade Standards for UK Operators

In four parts

Part 2 (of 4) – Generic requirements

*These requirements are relevant to all companies registered with the Fairtrade Foundation and include: traceability, management of subcontractors, reporting on Fairtrade product transactions and production and licence fees
(See Part 3 for importing and Part 4 for licensing a product)*

All companies registered with the Fairtrade Foundation must meet the relevant requirements and will be audited against them.

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Please note the Annexes will be updated regularly – if you have printed this off please check the website for the latest version.

2.1 Registration & certification requirements

THIS SECTION APPLIES TO ALL REGISTERED OPERATORS

Foundation policy: The Foundation specifies the conditions for granting, maintaining and extending the registration of Operators to trade in Fairtrade certified products, the licensing of Operators to use the Mark and the conditions under which these may be suspended or withdrawn, partially or in total.

- 2.1.01** (FLO 1.1) All Operators who take title to a Fairtrade ingredient or product, i.e. it is purchased and resold, and the subcontractors who manufacture, process, re-label or store the products on their behalf will be subject to a certification regime to assess compliance to these standards.
- 2.1.02** The types of operation subject to the above requirement and the certification/registration bodies are set out in the table in **Annex 2.1.01**

Guidance: FLO-CERT operates internationally and the Foundation operates in the UK. However there are some situations where a UK Operator must be registered with FLO-CERT or the overseas subcontractors of a UK Operator must be registered with the Foundation. Other national labelling initiatives carry out their own registration/certification. See Annex 2.1.01 for more details.

Conditions for issuing and maintaining the registration

- 2.1.03** (ST&C 5.1) The Operator shall implement and comply with the relevant sections of these standards and the up-to-date version shall be available to key personnel. Existing Operators shall implement these standards and future amendments to the standards not less than three months from the date of notification, unless a later date is specified within the standard. New applicants shall implement these standards from the date they apply to the Foundation.
- 2.1.04** Importers shall implement and comply with the relevant Part C – Product Trade Standards as they apply to the Fairtrade certified products imported. These are detailed in **Part 3** of these standards.
- 2.1.05** (ST&C Article 5.2) In the situation where the Operator is selling unfinished products to a company registered with FLO-CERT, the Operator shall also be registered with FLO-CERT for these Fairtrade products and shall require its suppliers to do so (see **2.1.02** above).
- 2.1.06** (FLO GTS 1.3) All Operators must designate one official contact to represent the company in its certification dealings with the Foundation.
- FLO guidance: All Operators must designate one key contact person (a Fairtrade Officer) within their organisation. The Fairtrade Officer will be the main contact person for certification and audit issues. She or he will be responsible for ensuring the Operator's compliance with all certification requirements and for keeping the certifier updated with contact details and other relevant information.*
- 2.1.07** (ST&C 6.3) An Operator wishing to use the Mark on finished products shall make a formal application to the Foundation for each individual product, using the relevant form. See **Part 4** of these standards.
- 2.1.08** (ST&C 5.6.1) The Operator shall enter into the Registration, Licensing and Certification Agreement with the Foundation, agreeing to abide by the conditions for certification and comply with the Foundation's standards.
- Guidance: The operator must inform the Fairtrade Foundation of any changes to their company name or address so that the agreement can be updated.*
- 2.1.09** The Operator shall make claims of Fairtrade certified status or use the FAIRTRADE Mark only in respect of products which the Foundation has certified and which appear in the Schedules to the Registration, Licensing and Certification Agreement.

Guidance: Operators will also be required to register all their activities in relation to the Fairtrade products (e.g. importing, processing and manufacturing) once the Foundation has established an online recording system. These activities will be included in the schedules to the Operator's agreement.

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- 2.1.10 The Operator shall notify the Foundation of any changes to the product supply chain and/or product specifications prior to these being implemented.
- 2.1.11 The Operator shall notify the Foundation of any significant changes to the company's processing facilities, such as moving the processing to another site or use of a subcontractor.
- 2.1.12 The Operator shall provide site access during normal working hours, announced or unannounced, to an assessor authorised to audit the registered operations.
- 2.1.13 The Operator shall make available to the auditor the signed Registration, Licensing and Certification Agreement and the Schedules, relevant stock and financial records, including purchase and sales invoices, disposals as non-Fairtrade or samples, wastage, recipe sheets, processing records, product labels and evidence of artwork approval for the use of the Mark for the purposes of the audit.
- 2.1.14 (ST&C 8.1) The Operator shall pay all fees and costs related to the scheme according to the terms and conditions of the Foundation's Registration, Licensing and Certification Agreement.
- 2.1.15 The Operator shall correct any identified non-compliance within the periods specified and provide timely response to any/all correspondence issued by the Foundation, in realisation that failure to do so may jeopardise the Registration, Licensing and Certification Agreement.
- 2.1.16 (S.T&C Article 5.1) The Licensee shall act as the sole distributor of the finished products in their retail or commercial catering packaging unless otherwise agreed with the Foundation.

Guidance: The licensee is normally the last distributor selling the finished product to the retailer or catering company who sells it to the end consumer

- 2.1.17 (ST&C 6) The Operator shall ensure that no certification approval document or the Mark is used in a way which may be construed in a misleading manner or which may jeopardise the reputation of the Foundation or the Mark.
- 2.1.18 (ST&C 6) The Operator shall comply with the requirements of the Foundation when making reference to the Fairtrade certified status of their products or the Mark in communications media and materials such as documents, brochures or advertising.
- 2.1.19 (ST&C 6) The Operator shall not knowingly deliver, market or sell non-Fairtrade-certified products as Fairtrade certified products as though they were in compliance with these standards.
- 2.1.20 (S.T&C Article 5.3) The Operator shall ensure that purchase contracts with their suppliers specify that the Fairtrade certified products and ingredients have been produced and traded in accordance with the relevant Fairtrade standards and shall be identified as such on delivery documents and invoices.
- 2.1.21 Registration and certification documents, such as the Schedules to the Registration, Licensing and Certification Agreement, are the property of the Foundation and must be returned by the Operator in the event of a suspension or termination.
- 2.1.22 (S.T&C Article 7.1) The Operator shall notify the Foundation if it has reasonable grounds to suspect a failure by another Fairtrade-registered Operator, such as a Processor and/or Importer to comply with these standards.

Additional requirements for labelling unfinished food products, including bulk consignments

- 2.1.23 The product packaging and containers of unfinished products shall include:

1. The term 'Fairtrade'
and
2. The FLO-ID, as allocated by the Foundation.

In the case of a bulk consignment, where it is not possible to label the container, this information shall be on the accompanying documents.

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The FAIRTRADE Mark can be used on unfinished products. All uses of the FAIRTRADE Mark require prior approval by the Fairtrade Foundation. Contact artwork@fairtrade.org.uk for more information.

Additional requirements for cotton

- 2.1.24** As required in the **FLO Part B Product Specific Standards for Seed Cotton, section 10**, all registered operators who trade in Fairtrade certified cotton must demonstrate the efforts undertaken to comply with recognised international labour standards/national legislation and to improve working conditions. This includes, but is not limited to, ginner, spinners, dyers, knitters, weavers, cut/make/trim manufacturers and their subcontractors. The trader must resubmit its demonstration every two years. For details of the evidence required see **Annex 2.3.04**

Guidance: This relates to any operator who changes a product before it is classified as a finished licensed product. For example in a case where a blank T-shirt is licensed this requirement is not relevant to subsequent printing on the T-shirt.

Additional requirements for cosmetics

- 2.1.25** All licensees of cosmetic products are required to complete a Trading Partnership Plan, which must be approved by the Fairtrade Foundation before a Registration, Licensing and Certification agreement can be confirmed. A copy of this can be found in **Annex 2.3.01** and guidance on how to complete it in **Annex 2.3.02**

Guidance: A trading partnership plan is an agreement to additional measures to support producers of raw ingredients of their products, thus adding value to the producers by improved, longer term trading relationships.

Additional requirements for fresh fruit

- 2.1.26** All Operators who trade in fresh fruit product types added to the FLO Price and Premium Table since 1 April 2009 (e.g. melons) are required to demonstrate small farmer preference for these products. Full details on this are given in **Annex 2.3.03**.

International markets and cross-border sales

- 2.1.27** (S.T&C Article 2) The Operator shall market the certified products only in the UK or comply with paragraph **2.1.28** below if also selling into other countries.
- 2.1.28** (S.T&C Article 2) The Operator shall not actively market the Fairtrade certified products in any other country or territory without either:
1. Obtaining prior written approval from the Foundation that the relevant Labelling Initiative (LI) accepts the marketing of that product in its country or territory without a separate Licensing Agreement and that the use of the Mark meets the LI's requirements
- or**
2. Entering into a separate Licensing Agreement with the LI for that country.
- 2.1.29** Cross-border sales of finished products shall be accounted for in the report set out in paragraph **2.4.02**.

Guidance:

1. *The Operator should contact the Foundation for further guidance on the cross-border marketing of Fairtrade certified products in either wholesale or retail packaging. The Foundation will arrange for the required agreements with the Labelling Initiative in the destination country on behalf of the Operator and for any fees to be paid to the LI from the fees paid to the Foundation.*
2. *Sales of unfinished Fairtrade certified products to Operators in other countries may require registration with FLO-Cert as specified in paragraph **2.1.02**.*

Complaints procedure

- 2.1.30** All Operators must:
1. Keep a record of all complaints made to them by customers and others relating to the Fairtrade

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certified products and make these records available when requested.

2. Take appropriate action with respect to such complaints and any deficiencies found in products or procedures that affect compliance with these standards.
3. Document the investigations made and corrective actions taken.

Guidance: The Foundation requires that the Operator keep a record of complaints made by customers as a means of maintaining or raising the quality of the product. A written complaint from a customer should be recorded along with the investigations carried out and the outcome, including the actions put in place to avoid a repetition. These will be checked when a physical audit is carried out.

*The Foundation can supply the pro-forma record sheet **5.33 – Record of Complaint Received**, for this purpose.*

Self-assessment against the Fairtrade standards

- 2.1.31** Operators should have written operating procedures for compliance with these standards and/or a completed self-assessment questionnaire . This will become a mandatory requirement from January 2011.

*Guidance: The Self-assessment ensures that the risks to the integrity of the Fairtrade products are minimised. The Foundation’s pro-forma document **5.08 – Self-assessment Questionnaire** is a summary of all the standards in a tabular form with space to indicate how the standards are, or will be, complied with.*

***New applicants, and eventually all Operators** will be required to complete the relevant sections of the self-assessment questionnaire, thereby demonstrating that they have understood the requirements of these standards and have the necessary documentation and procedures in place. Guidance is included but, an Operator can ask for a member of the Foundation’s staff visit the company to assist them.*

Exceptions to the Fairtrade standards

- 2.1.32** Exceptions to any of the Fairtrade standards shall only be considered where as a minimum the following can be demonstrated.

1. The applicant is up to date with their Flow of Goods reports
2. The application for exception must be submitted in the required format
3. The credibility of the Fairtrade system is not undermined by this exception
4. The application must demonstrate why the Operator is not able to comply with the requirement in the Fairtrade standard
5. Where the exception affects the producer organisation it will only be accepted where the producer organisation receives a significant benefit from this action

More details on specific exceptions can be found in **Parts 3 and 4** of these standards, **Sections 3.7, Annex 3.3.01**, section **4.08** and **4.09**.

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2.2. Control of subcontractors

THIS SECTION APPLIES TO ALL REGISTERED OPERATORS WHO SUBCONTRACT AN OPERATION BUT RETAIN TITLE TO THE PRODUCT

2.2.01 (FLO GTS 1.1) Subcontractors shall be considered as additional premises of the Operator. They shall be required to submit themselves to an audit at the discretion of the Foundation. The Operator shall obtain written acceptance from subcontractors, when a new subcontractor is identified, confirming that audit can take place if required by the Foundation.

Audits of subcontractors will be assessed according to risk of non-compliance to these standards.

FLO guidance note: Any information, documentation or risk mitigating plans and systems provided by the Operator will be useful in helping to categorise the risk level of the subcontractor.

Guidance: Any company that takes title to, or ownership of, the product is not considered to be a subcontractor and must be directly registered with the Foundation.

2.2.02 Subcontractors who process or manufacture products shall be audited as part of the Operator's assessment. This includes subcontractors who handle or store products in bulk, process and label or re-label products.

2.2.03 Subcontractors who only store and handle products in sealed and labelled containers or retail packaging for the final consumer shall not normally require audit, however this is at the discretion of the Foundation.

Obligations of the Operator

2.2.04 To ensure that the subcontracting of any aspect of an operation maintains the integrity of the Fairtrade certified products, the Operator shall:

1. Make an application to the Foundation using the Form – **Product Registration**, describing the proposed arrangement and the facilities to be used.
2. Execute, and supply a copy to the Foundation of, a signed agreement with the subcontractor, which defines the obligations of both parties as indicated in this paragraph and **2.2.06** below.
3. Supply a copy of **section 2.3** to the subcontractor and ensure that the subcontractor fully understands and is aware of their responsibilities prior to engagement.
4. Be fully responsible for ensuring the subcontracted operations are, at all times, in compliance with these standards and ensure that any non-compliances found at audits are corrected.
5. Retain title to or ownership and control of the Fairtrade certified products, ingredients and sales.
6. Ensure that the relevant labels and packaging, as approved by the Foundation, are used by the subcontractor.
7. Report the operation of the subcontractor in the Flow of Goods reports.

2.2.05 As required in the FLO Part B Product Specific Standards for Seed Cotton, section 8, all registered traders of Fairtrade certified cotton must demonstrate the efforts undertaken by their subcontractors to comply with recognised international labour standards/national legislation and to improve working conditions. This includes, but is not limited to, ginneries, spinners, dyers, knitters, weavers, cut/make/trim manufacturers and their subcontractors. The trader must resubmit its demonstration every two years. See **Annex 2.3.04**.

Guidance: The Foundation recognises that UK textile manufacturers and retailers frequently use subcontractors to carry out the various processes involved in the manufacture of cotton products. The onus is on the Operator to ensure that all the subcontractors in the supply chain conform to the requirements for social compliance. This relates to any subcontractor who changes a product before it is classified as a finished licensed product. For example in a case where a blank T-shirt is licensed this requirement is not relevant to subsequent printing on the T-shirt.

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Obligations of the subcontractor

2.2.06 The subcontractor shall:

1. Not sell or market the product under its own name.
2. Permit an auditor appointed by the Foundation to access the site with a representative of the Operator for the purpose of an announced or unannounced audit, as part of the Operator's audit.
3. Notify the Operator of any non-compliance identified against these standards and take immediate steps to rectify these.
4. In the case of cotton processing and manufacturing, demonstrate to the Operator holding title to the product the efforts made to comply with the social compliance standard in paragraph **2.2.05**.

Guidance: The Foundation can supply a pro-forma Subcontractor's Agreement – see Doc 5.31 – Subcontractor Agreement (Food) and 5.32 – Subcontractor Agreement (Cotton).

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2.3 Traceability and documentation

THIS SECTION APPLIES TO ALL REGISTERED OPERATORS

(FLO Intent) Traceability requirements are put in place to protect Operators and consumers. The objective is to ascertain the authenticity of Fairtrade products, so that Operators sell only Fairtrade products that are purchased as Fairtrade. The objective is to trace the product back to the producer by check of documentation, as well as ensuring that the product is also physically separate and identifiable from non-Fairtrade products. The standards emphasise that the method of demonstration of physical traceability is at the discretion of the Operator.

*For these trade standards, traceability requirements are applied from the producer onwards. Traceability is not monitored for retail of finished products therefore **retailers** who purchase a finished product and sell onto the consumer without changing it will not be audited on storage and processing requirements (2.3.06 and 2.3.06), Dispatch documents (2.3.11), Physical stocktake (2.3.14) or Mass Balance (2.3.15)*

Product traceability

Supply chain information

- 2.3.01** When requested by a customer, the Operator **should** inform them of the supply chains used for the Fairtrade certified products. Where this information is to remain confidential, the Operator will be asked to supply this information to the Foundation.

Guidance: Supply chain information must be passed on so that the customer can complete their application form for a new product or supply chain. Operators who are licensees for a product do not need to give supply information to their customers. In exceptional situations where a supply chain is confidential, the Operator may supply the information directly to the Foundation rather than to their customer.

- 2.3.02** The Operator must source Fairtrade certified products only from companies who are registered with FLO-CERT, the Foundation or another Labelling Initiative. The only exception to this is detailed in 3.7.

- 2.3.03** (S.T&C Article 5.2) The Operator may rely on the warranty of registered suppliers that their products and/or ingredients comply with the Fairtrade standards provided that the supplier has valid certification for such products and/or ingredients.

Guidance: The supplier should be asked to demonstrate that they have valid certification by supplying a copy of their FLO-CERT certificate or using their FLO-ID on documents if registered with an LI that does not issue certificates.

The Operator should establish an approved Fairtrade supplier list and, where available, keep up-to-date copies of the supplier's certification documents (listing the certified products) on file, or ask for them to be supplied with each consignment, and check that the products supplied are listed.

Alternatively, the Operator must check that the supplier is registered with FLO by periodically checking the FLO-CERT internal pages and recording the check.

Labelling of raw materials/ goods received and delivery documents

- 2.3.04** (FLO GTS 2.1) Products that are bought, sold or altered as Fairtrade must originally have been produced by certified producers and must be physically traceable through product labelling.

Documentary traceability must also be ensured by using an identification mark clearly indicated on all related documentation.

FLO Guidance: For product traceability, the Operator must demonstrate that products bought, sold, or transformed as certified are traceable back to their seller when purchased and to their buyer when sold.

Verification of Fairtrade certified status for raw materials/ goods received

- 2.3.05** To ensure that incoming raw materials/goods received are Fairtrade certified, the status of the products must be verified at the point of delivery by the buyer before use.

1. On receipt of a Fairtrade certified product, the Operator shall check that the packaging is

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correctly labelled as Fairtrade and/or, in the case of a bulk delivery, the accompanying documentation identifies the product as 'Fairtrade certified' or 'Fairtrade'.

2. The check must be recorded as part of the goods received procedures.
3. If the product is not clearly labelled and correctly identified in the accompanying documents (only the latter in the case of a material transported in bulk), the Operator should contact the supplier and resolve the doubt before the product is used.
4. Where organic products are also handled, the same verification procedures should be applied to the Fairtrade products.

Storage and processing

These requirements are not relevant to retailers who do not change the product. They are also not mandatory for tea, sugar, cocoa and fruit juice although are recommended best practice.

- 2.3.06** (FLO GTS 2.1) Fairtrade certified products bought and sold as loose must be stored in a dedicated area and kept spatially or temporally separate from non-certified products. Where this is not possible, all necessary steps must be taken by the Operator to ensure that risks of substitution of certified with non-certified products are minimised.

Where dedicated storage is not possible, the storage area must be designated on a temporary basis and clearly labelled as containing Fairtrade certified products.

- 2.3.07** The Operator must demonstrate physical product traceability between raw materials/goods received and finished goods dispatched and must ensure that the physical product is identifiable throughout all stages of its handling. Processing operations must ensure that the integrity of Fairtrade certified products remains intact and ingredients are traceable through the system by:

1. Labelling finished products in store as Fairtrade.
2. Processing products separately and identifying them as Fairtrade on production records.
3. Labelling work in progress as Fairtrade.
4. Ensuring that the lot numbers, use-by or best before dates on the raw materials/goods received can be linked in the production records to the batch numbers, use-by or best before dates on finished products.

Guidance: The cleaning procedures typical for the process shall apply prior to a Fairtrade product being processed. Where equipment cannot be dismantled and cleaning in place (CIP) is done, it is not necessary to purge the system as is the case with organic products.

The Foundation can supply the record sheets – 5.35 – Record of Goods Received and 5.36 – Record of Goods Processed and Packed – for maintaining the traceability of ingredients.

Exemptions

- 2.3.08** (FLO GTS 2.2) During the first year of application of this standard, further research will ascertain whether or to what degree the principle of physical traceability is achievable for Operators certified against the cane sugar, cocoa, fruit juice and tea standards. Until a decision is taken on the outcome of this research, Operators certified against the cane sugar, cocoa, fruit juice and tea standards are exempt from physical traceability requirements. Requirements on traceability through documentation must still be complied with. The Operator shall in all cases demonstrate that prior to sale of any volume of Fairtrade product they have purchased the equivalent volume.

*Where physical traceability is **not** required, the Operator shall provide documentary evidence of purchase of Fairtrade-certified product prior to sale of an equivalent amount of product labeled with the FAIRTRADE Mark and shall demonstrate a mass balance reconciliation of the two. In such cases, the clauses above relating to separation of product in storage and processing (2.3.06 and 2.3.07) are not mandatory; however, demonstrating physical traceability is recommended as best practice in Fairtrade.*

- 2.3.09** Where an Operator cannot demonstrate full compliance with the physical traceability requirements specified in paragraphs 2.3.06 and 2.3.07, for product categories other than cane sugar, cocoa, fruit juice and tea then a transition period applies. This period ends on 16/2/2011. Requirements on traceability through documentation must still be complied with.

In each case the Operator must apply for an exception as outlined in 2.1.32 demonstrating the reason why they cannot comply with the requirement.

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2.3.10 The Foundation may grant a temporary exception where it can be demonstrated that physical traceability cannot be maintained during the storage and processing of the product. When applying, the Operator shall:

1. Supply the completed **Form – Exception Application Form for a General Exemption**
2. Submit written evidence explaining why it is not possible to maintain physical separation and traceability during storage and/or processing.
3. Provide an action plan to remedy the problem and comply with the standard in the future.

The exception shall be considered as outlined in **section 2.1.32**

Dispatch documentation

These requirements are not relevant to retailers who do not change the product

2.3.11 The seller must clearly identify the product as 'Fairtrade certified' or 'Fairtrade' on the related documentation such as contracts, bills of lading, pallet labels, delivery/dispatch notes and invoices.

Guidance: The product name on the dispatch document must include the Fairtrade descriptor. Where space is limited, the term FT may be used. This also applies to composite products which do not use the term Fairtrade on the consumer ready pack.

Operating procedures

2.3.12 **Where required**, the Operator must have written procedures for requirements as identified in the **Self-Assessment Questionnaire** to ensure that the risks of substitution of non-Fairtrade products are minimized during storage and processing.

Guidance: The Foundation can supply the document 5.08 – Self-Assessment Questionnaire to assist Operators in maintaining the integrity of Fairtrade certified products.

Documentation

Records

2.3.13 Where relevant, the following records shall be kept:

1. Dates of transactions.
2. Payments of Fairtrade minimum price (or market price if higher) and/or Fairtrade premium and/or pre-financing by importers where applicable.
3. Supply chain information by importers – exporters, processors, producer organisations.
4. Suppliers, subcontractors and distributors.
5. Purchases and sales – quantities of products bought and sold. Where the operator is the licensee, the value of sales of finished products to retailers and or end catering outlets. Or if agreed with the Foundation the sales to distributors. Retailers would normally report on the purchase value of finished products from suppliers.
6. Cross-border sales and purchases.
7. Suppliers' demonstration of their registration and product certification.
8. Verification of the Fairtrade status of products received.
9. Product composition or recipe sheet for each Fairtrade-certified product.
10. Production records – the alterations performed and relevant yields.
11. Disposals of Fairtrade-certified products as non-Fairtrade by sale and other means.
12. Approvals of artwork by the Foundation.
13. Exceptions and exemptions granted by the Foundation.

Physical stock take

These requirements are not relevant to retailers who do not change the product

2.3.14 A periodic physical stock take shall be undertaken. As a minimum this must be done at the end of the Operator's accounting year and preferably at the nearest quarter end. The stock records must

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be kept for future audits.

Guidance: Ideally a physical stock take should be done on each quarter end day to confirm the Flow of Goods Report when completed and demonstrate the input/output reconciliation.

Operators who are reporting annually must complete a stock take at the end of their financial year and include this in the Flow of Goods Report.

Mass balance

These requirements are not relevant to retailers who do not change the product

- 2.3.15** The records must reconcile the balance (mass balance) between the input and the output of each ingredient in a product by weight or volume.

Guidance: The records must enable the opening stocks plus receipts to be reconciled with the process losses, wastage, sales as non-Fairtrade and Fairtrade, non-sales disposal and closing stocks, for the ingredients of each product handled.

The auditor will carry out sample mass balances, which must demonstrate that Fairtrade sales do not exceed purchases. This is expected to be within 5% of the purchased quantity plus opening stocks.

This does not apply to distributors and retailers who are not subject to input/output reconciliations.

*The Foundation can supply an Excel spreadsheet **5.34 – Input/Output Reconciliation (Mass Balance)** for Operators to carry out their own trial reconciliations.*

- 2.3.16** The records must be kept for a minimum of three years.

- 2.3.17** (S.T&C Article 1.6) The Foundation shall be entitled to inspect the records, directly or through its appointed representative, on reasonable notice during business hours and to take copies of or extracts from such books and records. Archived records shall be made available for an audit at the request of the Foundation.

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2.4. Flow of Goods Reporting

THIS SECTION APPLIES TO ALL REGISTERED OPERATORS

Foundation policy – The Foundation has documented procedures to enable audits to be carried out in accordance with the criteria applicable to the certification system.

2.4.01 (S.T&C Article 8.4) As required by the Foundation, the Operator shall, on a quarterly, annual or other time-related basis as required by the Foundation, provide a statement using **the Flow of Goods – Reporting Document**, relating to all transactions in connection with its trade in the Fairtrade certified products, and where possible including the following items:

1. Receipts into stock of products and ingredients for the agreed period, supported by invoices and/or consignment/delivery notes from suppliers. In the case of an importer, the purchase invoices must be supplied with the report.

Guidance: Where the importer is paying the Fairtrade price to the Fairtrade certification producer group and the importing arrangements include Cost plus Freight (C&F) or Cost, Insurance and Freight (CIF), Free on Truck (FOT) or any other arrangement, the documents shall separately identify the Free on Board (FOB) component.

2. Separately itemised details of physical stocks of ingredients and work-in-progress in the Operator's possession, disposals and physical stocks of finished goods, as at the end of the period date, all supported by appropriate documentation.
3. Sales reports detailing sales of the products during the agreed period and showing the quantity of the products sold, the price charged, any discounts or other rebates given, the turnover in respect of those sales and the Registration & Licensing Fee due. If more than one product is sold, the statement shall show such information for each product, together with any other particulars that the Foundation may reasonably require.

*Guidance: For **retailers** who do not change the product information is only required on the purchase value*

4. In the case of cotton manufacturers, the sales of finished products to other commercial customers.

2.4.02 The Foundation will supply a template Excel spreadsheet – **Flow of Goods – Report Form**. Operators must provide the information specified in this template unless in exceptional circumstances an alternative format, based on the company's own documentation, has been approved.

2.4.03 The Operator shall forward reports to the Foundation within 30 days of each period end in respect of transactions for the preceding agreed period.

International trade and cross-border sales

2.4.04 (S.T&C Article 8.4.4) If the Operator also has agreements with other national Labelling Initiatives (Home LIs) for the marketing of the products in any countries other than the United Kingdom, the agreed licensing fee shall be due on such sales and the sales reports required under **2.4.01** shall clearly show the sales made to those countries separate from sales made in the UK. The Foundation shall report the sales to the Home LI and transfer the agreed fee.

*Guidance: Sales to the Republic of Ireland must be treated separately from UK sales. For **retailers**, information on product transferred to overseas outlets and franchises is collected.*

2.4.05 The **Flow of Goods Report** shall record finished products imported into the UK from other LI countries.

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2.5. Registration and licensing fees

THIS SECTION APPLIES TO ALL REGISTERED OPERATORS

Foundation Policy: The Foundation has the necessary financial stability and resources required for the operation of certification activities and funds its activities through the levy of a licence fee proportional to the sales of Fairtrade certified products using the Mark or other registration fees as appropriate.

Fees for Operators using the Mark on finished products

2.5.01 The Operator shall pay the fee for use of the Mark based on the following types of sale:

	Operator	Type of sale	Basis of the fee
1.	Processor/Manufacturer/Brand owner: The company or individual that has signed the Registration, Licensing and Certification Agreement with the Foundation and is licensed to apply the Mark to certified products listed on the Schedule as Fairtrade certified products.	Sales of finished certified products to retailers or catering outlets	Net invoice value of the sales of the Fairtrade certified products
		NB. Clause 3.2 of the Registration, Licensing and Certification Agreement is applicable to Licensed Operators	
2.	Retailer: The retail company that has signed the Registration, Licensing and Certification Agreement with the Foundation and is licensed to apply the Mark to their 'own brand' certified products listed on the Schedule as Fairtrade certified products.	Sales of finished products to the end consumer	Net invoice value of the purchases of the Fairtrade certified products from the suppliers* and/or The value of the retail sales less an agreed normal retail margin
3.	In the case of a company that both sells products to retailers and also acts as a retailer in its own right selling to the end consumer	Sales of finished certified products to retailers	Net invoice value of the sales of the Fairtrade products plus
		Sales of finished products to the end consumer	Net invoice value of the purchases of the Fairtrade-certified products from the suppliers* and/or The value of the retail sales less an agreed normal retail margin
* In some situations, a retailer may delegate fee payment to the supplier at the discretion of the Foundation, in which case it will be based on the example 1 above.			

2.5.02 The fee is calculated by multiplying the net invoice value of the sales or purchases (as appropriate) of Fairtrade certified products (as defined in **2.5.01** above) in the following bands by the percentage for that band and adding them together:

Sales of certified products	Fee payable			
	Standard rate		Reduced rate for 100% Fairtrade companies (see below)	
Up to £5,900 per quarter (standard rate) or £11,800 (reduced rate)	£100.00 per quarter (minimum fee)		£100.00 per quarter (minimum fee)	
On the first £5 million p.a.	1.7%	plus	0.85%	plus
On sales between £5 million and £10 million p.a.	1.6%	plus	0.8%	plus
On sales between £10 million and £20 million p.a.	1.3%	plus	0.65%	plus
On sales between £20 million and £40 million p.a.	0.9%	plus	0.45%	plus
On sales between £40 million and £80 million p.a.	0.6%	plus	0.3%	plus
On sales between £80 million and £160 million p.a.	0.4%	plus	0.2%	plus
On sales above £160 million p.a.	0.2%		0.1%	

2.5.03 To provide a launch period for new Operators, the minimum fee will apply either from the first anniversary of the commencement date, or from the first quarter in which sales of all products exceeds the value which would generate £100 per quarter in license fee, whichever is the sooner. However, during the period before the minimum fee is applicable, the standard rates of 1.7% or 0.85% will apply.

Guidance: In specific cases the minimum fee may not need to be applied e.g. trading only seasonally, not trading for a period of time (please contact the Foundation for further information on this).

2.5.04 All sales into other countries outside the UK will be charged at the standard rates of 1.7% or 0.85% without the discounts based on annual sales as detailed above.

2.5.05 Raw materials or products purchased as Fairtrade certified but used in the products sold as non-Fairtrade are not subject to the licence fee provided that documentary evidence can confirm the sales as non-Fairtrade.

2.5.06 The Foundation offers a 50% reduction in the licence fee to Operators who, by applying the Mark to all products that they sell in categories covered by Fairtrade standards, demonstrate a significant and long-term commitment to Fairtrade.

Guidance: Operators who think they qualify for the reduced rate should discuss their situation with their Business Development Officer at the Foundation.

Fees for importing and/or wholesaling unfinished products

2.5.07 The Registered Operator shall pay the following fees:

Operator	Registration/certification fee
Importers who only wholesale unfinished products and/or wholesalers of unfinished products	Currently there is no fee charged. However the Foundation reserves the right to introduce a fee at any time.

Fees for distributing finished products

2.5.08 The registered distributor shall pay the following fees:

Operator	Registration/certification fee
Voluntary registration	No fee

Registration required due to the use of the Mark	£100 application fee
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2.5.09 Fees for registering subcontractors

Operator	Registration/certification fee
Subcontractor	Currently there is no fee charged. However the Foundation reserves the right to introduce a fee at any time.

- 2.5.10** (S.T&C Article 8.4.5) From the reporting deadline specified in **2.4.03**, the licence fee shall be invoiced to the Operator. If in exceptional circumstances the report is not received by the deadline the Foundation reserves the right to invoice payment on account. The Operator is required to pay Foundation without deduction or set-off within the timeframe specified on the invoice.
- 2.5.11** (S.T&C Article 8.4.5) The licence fee is subject to VAT where required under customs and excise regulations at the rate prevailing at the end of the reporting period.
- 2.5.12** (S.T&C Article 8.4.5) The Foundation shall issue an invoice by way of receipt for the amount paid by the Operator or as a request for payment if this is not received with the report. In either case, the issue of an invoice shall be without prejudice to the Foundation's right to verify the reported information and to seek payment of any underpayment of licence fees.
- 2.5.13** (S.T&C Article 8.5) The Operator's fee shall accrue on a daily basis and is payable quarterly or otherwise as agreed in arrears on sales up to and including the end of the reporting period from the commencement date.
- 2.5.14** (S.T&C Article 8.8) Any fee due to the Foundation and correctly invoiced by the Foundation which is not paid on the due date shall (without prejudice to the rights of the Foundation) bear interest from day to day at the annual rate of 2% above the Bank of England base rate.