



# Fairtrade Standards for UK Operators

In six parts

## Part 6 (of 6) – Exceptions to the Fairtrade Standards

*These Standards are only relevant for operators that have or are applying for exceptions to other parts of the Fairtrade Standards for UK Operators*

FLO Standards and guidance are identified by the prefix:  
(FLO - followed by the reference).

All other Standards are requirements of the Foundation.

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

Issue 02

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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.*

## 6.01 Exception to use a non-Fairtrade ingredient where a Fairtrade product standard exists

**THIS SECTION APPLIES TO OPERATORS WHO PROCESS, PACK AND LABEL THE PRODUCT IN ITS FINAL RETAIL PACK READY TO SELL TO THE END CONSUMER OR IN A PACK SUITABLE FOR OUT OF HOME/CATERING SALES**

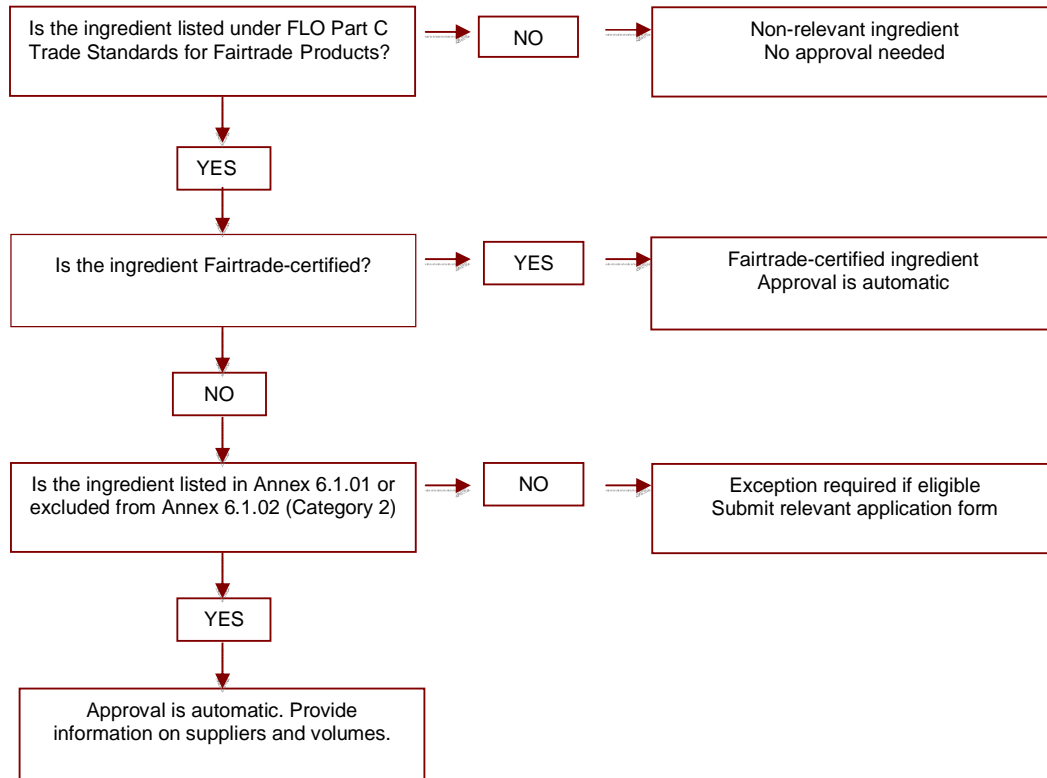
*Foundation policy: To maximise the trade in Fairtrade certified products and the returns to the producers, the Foundation may derogate the use of non-Fairtrade certified ingredients in composite products under certain circumstances. In addition, the Foundation may grant other exceptions specified in these standards.*

### Use of non-Fairtrade certified products

**6.01.01** When deciding whether an ingredient is relevant under 4.01.01 and if an exception is needed, the decision tree below should be used.

#### Decision tree

*Use this decision tree for each ingredient or component in a composite product to help determine whether an ingredient is non-relevant or is subject to an exception:*



**6.01.02** Before an exception application can be considered, the Operator must collaborate with the Foundation to identify all possible suppliers, must have tried to source from these suppliers and have obtained documentary evidence demonstrating the non-availability of the ingredient.

**6.01.03** An application for an exception must be submitted and formally approved before it can be authorised. When deciding whether to grant an exception, the Foundation will consider whether::

1. It is viable to source the product as Fairtrade certified in the form, quantity or locality required.
2. The credibility of the Fairtrade system is undermined by the exception.
3. Producer organisations will benefit from this action.
4. The Operator is up-to-date and accurate with their flow of goods reporting and payments.
5. The licensee provides support and investment in the producer groups

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*Guidance: The following can be considered in relation to whether the Fairtrade certified ingredient available is viable to use in the product:*

*Quality – The product is fit for purpose. Failure to meet the specified quality can include: contamination by micro-organisms, organoleptic problems, infestation by insects or contamination by moulds or foreign bodies. Alternatively a Fairtrade product may be available but of such poor quality that it is not suitable for use in a high value product or where the quality is too high for it to be used in a low value product. A quality assurance report or lab test would be required to justify failure on these grounds.*

*Taste – Some products will change the taste of the product from that intended. In a food product, dessert apples do not impart the sharpness that a cooking apple such as a Bramley or Granny Smith will to a cooked product.*

*Provenance – The source or place of origin of the product. This is linked to the product name, where the source, origin or variety of the characterising ingredient is mentioned. An organic and Fairtrade product must have certified organic ingredients in it. A traditional product such as Bramley apple pie requires that Bramley apples be used or a Seville orange marmalade, which must be made from Seville oranges and cannot have an alternative Fairtrade variety.*

*Specification – Some products need a particular physical formulation of an ingredient for technical reasons. A detailed technical justification will be required in such a case.*

- 6.01.04** The Foundation will consider the application according to its procedures and, if approved, will specify the exception, conditions of use and time limit
- 6.01.05** Excepted ingredients must not be identified as Fairtrade on the packaging. The Operator must submit designs showing the excepted ingredients correctly identified as non-Fairtrade using LASer
- 6.01.06** Where approved, the operator is required to source the Fairtrade ingredients as soon as it becomes available and before the exception deadline is passed. If the operator is not able to source the ingredient as Fairtrade in advance of the deadline they will need to apply for a further exception. The Foundation will notify the operator if it becomes aware that a Fairtrade certified version of the ingredient is available.
- 6.01.07** The Operator will be required to implement a product compensation wherever appropriate.
- 6.01.08** When requesting approval of products containing non-Fairtrade certified ingredients/components, the Operator shall, separately for each ingredient/component:
1. Apply for the exception in LASer
  2. Submit written evidence from at least three suppliers of the ingredient confirming why the use of the relevant ingredient or component certified to Fairtrade standards is not possible.
  3. Provide an auditable action plan to remedy the problem and secure supplies in the future.

*Guidance: An auditable action plan would include a timetable for periodic discussions with the Business Development Manager, suppliers and, where relevant, producers, in order to develop new sources or monitor when new supplies will become available. This should be done at least every four months.*

## **Food products**

- 6.01.08** In accordance with paragraph **4.01.06**, the Foundation may consider an application to use a non-Fairtrade certified ingredient in a composite product even though a FLO Part C Trade Standards for Fairtrade Products exists for that ingredient, where the ingredient ceases to be available, or is not available in the form required.
- 6.01.09** In accordance with the decision tree in **6.01.01**, where a derivative or product is not listed on the **Annex 6.1.01** the operator must apply for an exception as defined in **6.01.09**.

*Guidance: Definition of a Derivative – A derivative is produced from a product listed under the FLO Part C Trade Standards for Fairtrade Products by a secondary processing operation, including but not restricted to milling, grinding, evaporation, freeze drying, distillation and solvent extraction and for which there is not a FLO standard for the Fairtrade price and/or premium. When a FLO Standard is produced for such a product (e.g. cocoa butter), it will be listed under the FLO Part C Trade Standards for Fairtrade Products and cease to be a derivative.*

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### Cotton products

**6.01.10** The Foundation may grant a temporary exception for use of non-Fairtrade certified cotton in a cotton product.

### Cosmetic products

**6.01.11** In accordance with paragraph **4.04.07**, the Foundation may grant a temporary exception to use a non-Fairtrade certified ingredient listed in **Annex 6.1.02**, where it can be demonstrated that it is not available from a Fairtrade certified source. When applying, the Operator shall:

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## 6.02 Product compensation

### **THIS SECTION APPLIES TO OPERATORS WHO PROCESS, PACK AND LABEL THE PRODUCT IN ITS FINAL RETAIL PACK READY TO SELL TO THE END CONSUMER OR IN A PACK SUITABLE FOR OUT OF HOME/CATERING SALES**

*Guidance: Product compensation is defined as where a conventional material is used in the manufacture of a Fairtrade certified product and an equivalent quantity of Fairtrade certified material is then used to make a non-Fairtrade certified product. This will ensure that the producer organisation is compensated for the loss of product that would have otherwise been used in the Fairtrade certified product.*

**6.02.01** Applications for product compensation will be considered only in exceptional circumstances such as where crops are lost due to catastrophic events such as hurricanes, sudden floods, earthquakes, riots or war.

**6.02.02** When deciding whether to approve an application, the Foundation will consider whether:

1. It is not possible to source the product as Fairtrade certified.
2. It will be possible within a reasonable time to source the product as Fairtrade certified in sufficient quantities not only to make compensation but also to fulfil the ongoing product needs.
3. It is impossible to produce the product without it.
4. The approval will not undermine the credibility of the Fairtrade system.
5. The quality of the non-Fairtrade product used is at least as good as the Fairtrade certified product.
6. There are benefits to producers.
7. The problem cannot be solved by retroactive product certification (see section **6.03**).
8. The operator is up to date and accurate in their flow of goods reporting and payment of fees.
9. The minimum thresholds for Fairtrade ingredient content as confirmed in **Part 4** are still met
10. The licensee provides support to and investment in the producer groups
11. Where possible the operator is expected to source the product from an ethical source ideally with a recognised certification (e.g. soil association, ecocert)

**6.02.03** Product compensation will not be permitted for perishable products such as fresh fruit unless specifically permitted in the FLO Part C Trade Standards for Fairtrade Products

#### **Product compensation procedure**

**6.02.04** The Operator shall:

1. Contact their Business Development Manager at the Foundation to discuss the situation.
2. Supply the completed relevant form for exceptions with the reasons for the need to use the non-Fairtrade product.
3. Resubmit artwork/packaging designs, using LASer
4. If the application is accepted, purchase the compensating Fairtrade certified product after the quarter in which the non-Fairtrade material was used.
5. Report the compensation in their flow of goods reports, including details of the Fairtrade certified and non-certified products used.
6. Keep full documentary records to enable the product compensation transactions to be audited and to demonstrate the traceability so that product lots can be identified.

**6.02.05** If accepted, the Foundation will specify the scope of the approval for product compensation and the time period by which it must be completed.

**6.02.06** The Operator must supply a copy of the approval to their customer(s).

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## 6.03 Exception to the Fairtrade Standards – Retroactive product certification

**6.03.01** Retroactive product certification can be defined as either:

- a) When an importer has bought a product from a Fairtrade certified producer or exporter under non-Fairtrade conditions and now wishes to convert it into a Fairtrade certified product by paying the FLO Fairtrade price and/or premium.

**or**

- b) Where an importer has purchased a product from a producer who subsequently became Fairtrade certified. The product held in stock for a maximum of one year before certification was granted is eligible to be converted to Fairtrade certified by paying the FLO Fairtrade price and/or premium

*Guidance: There are special rules for wine grapes, which involve longer timelines (see the FLO Standards for Wine Grapes) and tea (see the FLO Trade Standards for Tea). See Annex 3.1.*

### Criteria for a request by an importer

**6.03.02** Retroactive certification will normally only be granted in exceptional cases.

**6.03.03** When deciding whether to accept and support an application for retroactive product certification from an importer, the Foundation shall take into account the following criteria:

- 1 Evidence of the commitment to the long-term relationship with the supplier, such as the contractual arrangements specified in Part 3 (Contract, Letter of Intent or Sourcing Plan).
- 2 Documentary evidence for the consignment, e.g. bill of lading, air waybill or invoices.
- 3 Proof of payment for the consignment that was originally sold as non-Fairtrade by the supplier (to be used to calculate the Fairtrade price due to the producer).
- 4 Whether the importer is up to date with their flow of goods reporting.
- 5 Whether the licensee provides support and investment in the producer groups.

### Procedure for retroactive product certification

**6.03.04** An application must be made to the Product Certification Officer (PCO) at the Foundation in advance of the use or sale of the product as Fairtrade. The relevant section of document “*Exceptions Application Form*” must be completed and include the following documents:

1. Bill of lading or air waybill.
2. Invoice from the supplier.
3. Proof of payment to the supplier showing the price paid for the product as non-Fairtrade.
4. Evidence of the commitment to the long-term relationship with the supplier, such as by a letter of intent or sourcing plan.

**6.03.05** The importer shall calculate Fairtrade price shortfall and balance owing as follows:

1. Fairtrade price adjustment = Fairtrade price + premium – price paid or agreed per quantity.

The price and premium shall be calculated separately. If the Fairtrade minimum price is above the market price the operator must pay the difference. The premium is then calculated separately on the volume or percentage of the final price. Where the product has been hedged by the Fairtrade trader and the price is to be fixed by the seller’s call, then the trader must clearly explain the effective ‘Price Paid’ figure that is used in the above calculation.

2. Fairtrade balance owing = Fairtrade price adjustment x quantity or volume.

The applicant shall provide a transparent calculation to the Foundation of the Fairtrade balance owing.

**6.03.06** The Foundation will consider the application according to the criteria in paragraph **6.03.03**. If

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accepted the Foundation will notify FLO-CERT and the applicant and identify the product as being retroactively certified

**6.03.07** If the exception is granted, the Operator will be required to:

1. Notify the supplier and ask for an invoice for the Fairtrade balance owing or self-invoice as appropriate.
2. Pay the Fairtrade price shortfall and the balance owing within the payment terms specified by the Foundation

*Guidance: The Foundation will specify payment terms as close to the normal payment terms as is possible based on the situation.*

3. Copy the invoice and payment details to the Certification department at the Foundation

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## 6.04 Exceptions to other Fairtrade Standards

### THIS SECTION APPLIES TO ALL OPERATORS

*Potentially an exception can be considered to any Standard within the Fairtrade Standards for UK Operators. The conditions for this may vary but the following requirement is a minimum for all exceptions.*

- 6.04.01** 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 has been submitted in the required format
  3. The credibility of the Fairtrade system is not undermined by the exception
  4. The application demonstrates 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

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## Annex 6.1.01: Products and Derivatives currently unavailable as Fairtrade-certified

Please refer to the appropriate link on the website for the latest version of this annex. **For food products only** – for cosmetics queries please contact the Commercial Team.

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## Annex 6.1.02: Consolidated list of INCI names related to existing Fairtrade standards for cosmetic ingredients Category 1 and 2 (cosmetic products)

*Contact the Commercial Team for the latest version*

*Guidance: INCI is the official dictionary for cosmetic ingredients (International Nomenclature of Cosmetic Ingredients) which was established by the Personal Care Products Council.*

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