



# Fairtrade Standards for UK Operators

In six parts

## Part 5 (of 6) – certification, subcontractors, traceability and reporting

*These requirements are relevant to all companies registered with the Fairtrade Foundation and include: subcontractors, traceability, reporting and auditing. See Part 2 for registration and license fees, Part 3 for importing, Part 4 for licensing a product, and Part 6 for Exceptions to the Standards*

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**

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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.*

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## 5.01 General certification requirements

### THIS SECTION APPLIES TO ALL REGISTERED OPERATORS

*Foundation policy: The Foundation specifies the conditions for certification*

- 5.01.01** (FLO GTS 1.3) The Operators shall 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.*

- 5.01.02** The Operator shall have available up-to-date versions of the relevant Certification Standards for key personnel. This includes:

Standard	Where available
Fairtrade Standards for UK Operators	<a href="http://www.fairtrade.org.uk">www.fairtrade.org.uk</a>
FLO Product Standards (Part C) relevant to products traded	<a href="http://www.fairtrade.net">www.fairtrade.net</a>
FLO Price and Premium table	<a href="http://www.fairtrade.net">www.fairtrade.net</a>

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 for registration with the Foundation.

- 5.01.03** The Operator shall only sell Finished Products bearing the FAIRTRADE Mark which have been approved by and included on their product schedule by the Foundation
- 5.01.04** The Operator shall notify the Foundation of any changes to the product supply chain and/or product specifications prior to these being implemented by using the online system.
- 5.01.05** The Operator shall notify the Foundation of any significant changes to the company's processing facilities, such as a change of ownership, moving the processing to another site or use of a subcontractor
- 5.01.06** The Operator shall provide site access during normal working hours, announced or unannounced, to an assessor authorised to audit the registered operations.
- 5.01.07** The Operator shall make available to the auditor the 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.
- (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. **In the case of a takeover by another company, the records should be retained if possible.**
- 5.01.08** 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.
- 5.01.09** The Licensee is responsible for notifying the Foundation's Certification team of any changes to a previously approved product recipe by using the online system
- 5.01.10** In the situation where the Operator is selling unfinished products to a company registered with

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FLO-CERT, the Operator shall contact the Foundation to confirm if they and/or their suppliers need to transfer their certification to FLO-CERT

### Additional requirements for cotton

- 5.01.11** 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, ginneries, 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 the FLO Product Standard for Cotton.

*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.*

### Self-assessment against the Fairtrade standards

- 5.01.12** 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.*

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## 5.02 Control of a Non-Registered Subcontractor

### THIS SECTION APPLIES TO ALL REGISTERED OPERATORS WHO SUBCONTRACT AN OPERATION TO A NON-REGISTERED COMPANY AND RETAIN TITLE TO THE PRODUCT

*Definition of Non-Registered Subcontractor: A company NOT registered with the Foundation, FLO-CERT or other Labelling Initiative, that provides services to the Operator and does not take ownership of, or title to, the ingredients or end product. The services can include, but are not restricted to, storage and handling of loose raw materials, processing and manufacturing, packing and labelling.*

*A company that takes title to, or ownership of, Fairtrade ingredients or the end product prior to sale by the licensee must be directly registered with the Foundation, FLO-CERT or other Labelling Initiative if outside the UK.*

**5.02.01** (FLO GTS 1.1) A Non-Registered Subcontractor shall be considered as an 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 Non-Registered 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.*

**5.02.02** The Operator shall have a written Agreement with the Non-Registered Subcontractor, setting out the obligations of both parties as defined in **5.02.04** to **5.02.06** and, at the discretion of the Foundation, the subcontractor shall be audited as part of the Operator's assessment.

**5.02.03** A company such as a logistics warehouse or bonded warehouse, that stores finished products and/or unfinished products in sealed packages or containers, is not considered to be a subcontractor under the above definition and the Agreement specified in **5.02.02** is not required. The company will not normally be audited as part of the Operator's assessment, although the Foundation reserves the right to do this should the need arise.

### Obligations of the Operator

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

1. 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 **5.02.06** below.
2. Supply a copy of **section 5.03** to the subcontractor and ensure that the subcontractor fully understands and is aware of their responsibilities prior to engagement.
3. 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.
4. Retain title to or ownership and control of the Fairtrade certified products, ingredients and sales.
5. Ensure that the relevant labels and packaging, as approved by the Foundation, are used by the subcontractor.
6. Report the operation of the subcontractor in the Flow of Goods reports.

**5.02.05** 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, ginners, spinners, dyers, knitters, weavers, cut/make/trim manufacturers and their subcontractors. The trader must resubmit its

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demonstration every two years.

*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.*

### **Obligations of the Non-Registered Subcontractor**

**5.02.06** 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 **5.02.05**.

*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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## 5.03 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, Dispatch document, Physical stocktake or Mass Balance*

### Supply chain information

**5.03.01** The Operator must source Fairtrade certified products only from companies who are registered with FLO-CERT, the Foundation or another Labelling Initiative.

**5.03.02** (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.*

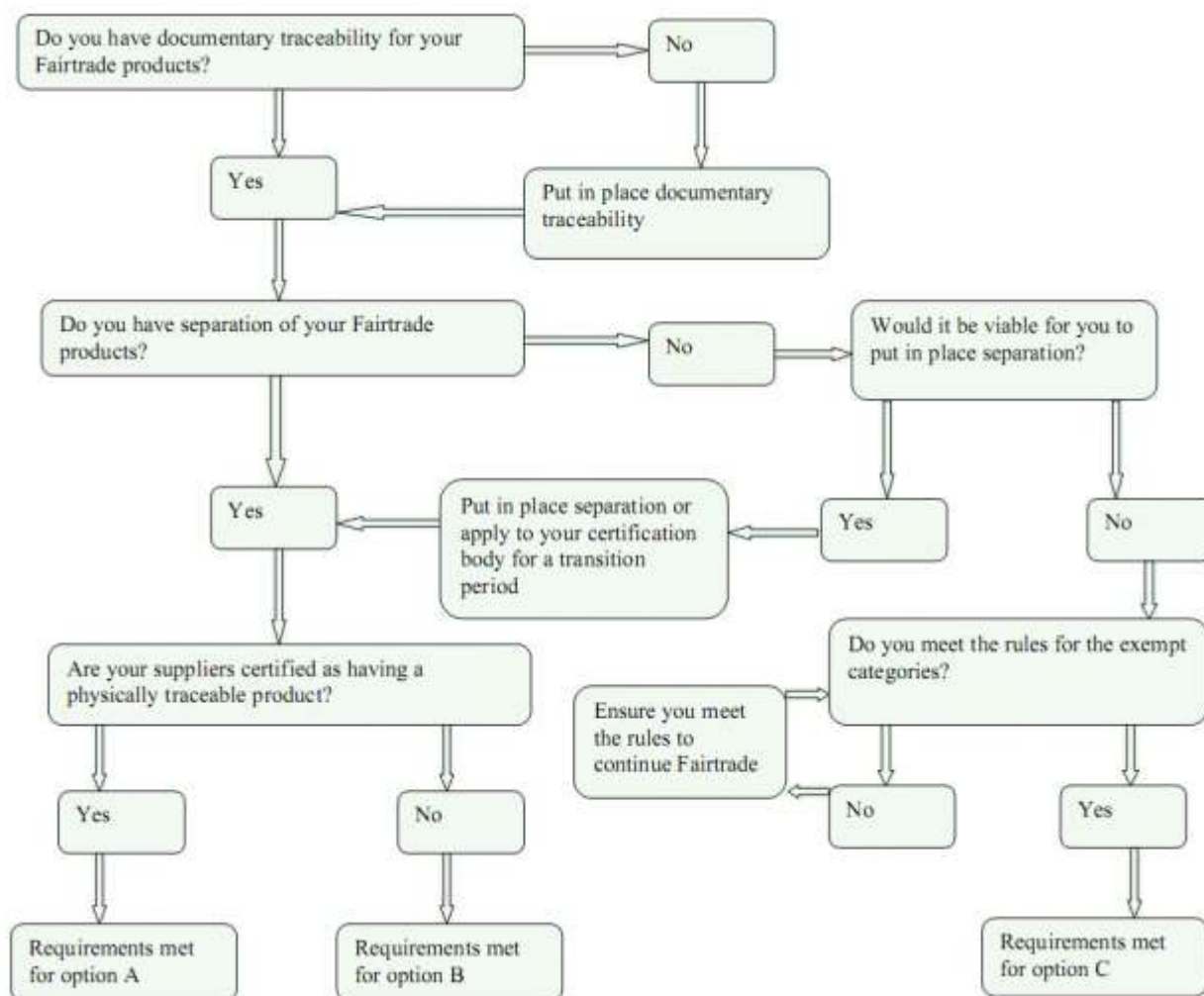
*Alternatively, the Operator must check that the supplier is registered with FLO by periodically checking the FLO-CERT internal pages and can record the check as a dated screen shot of the contact details. Registered operators can access the FLO-CERT Internal Pages, by applying to the Product Certification Officer for an access code. Once the code has been received, to access the FLO-Cert Internal pages - <https://internal.flo-cert.net/> - enter the account and password, click on **Contact Details & Profiles** to the left of the screen, enter the name or FLO ID No, click the button **Go** and then click on [**Contact Data**] in the company name.*

**5.03.03** When requested by a commercial customer applying for the certification of their product with the Foundation, 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.*

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### 5.03.04 Product traceability decision tree for tea, cocoa, juice and sugar



There are 3 different options for traceability

#### A) Physical Traceability of Full Supply Chain

If all steps in the supply chain of a product have full physical traceability the final product can be promoted as such. This option applies if the operator has separation of the Fairtrade product and purchases it from suppliers which have the product certified as having physical traceability. In this case the operator's product can also be certified as physically traceable and sold as such.

#### B) Ready for physical traceability (Separation of Fairtrade at operator's site)

If the operator has separation of Fairtrade product but their suppliers do not have the product certified as physically traceable the product cannot be certified as physically traceable. However the Fairtrade Foundation can still audit the separation systems at the operators site. Maintaining separation at site allows for a conversion to physical traceability once a physically traceable supply becomes available.

#### C) No Physical Traceability (Documentary Traceability Only)

The Foundation recommends separation of Fairtrade from non-Fairtrade as best practice. Where the operator has opted not to have separation this option applies. In this case the operator is required to meet the additional standards in section 5.03.6 and to provide a full mass balance as evidence of purchase before sale (see section 5.4). The operator shall notify the Fairtrade Foundation if they require this option.

#### Documentary traceability – responsibility of the seller

5.03.05 (FLO GTS 2.7) **Documentary traceability** is required for all products and must be ensured by using

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an identification mark clearly indicated on all related documentation. The seller must clearly indicate an identification mark on the related documentation, such as Contracts, Bills of Lading, Delivery Notes, Invoices.

The identification Mark must refer to 'Fairtrade-certified', 'Fairtrade' or, where space is limited, 'FT'. Alternatively, a specified Fairtrade product code may be used where Operators have a relationship with each other that require an agreed digital identification on documents.

*Guidance: Documentary traceability, without physical traceability, (option C above) is the means by which a Fairtrade ingredient in a finished product can be demonstrated to have come from an equivalent quantity of a Fairtrade ingredient purchased by an Operator but which has not necessarily been physically used in the product. This shall be through the identification of quantities, used and sold, on the related documentation and the demonstration that the quantities used match the quantities purchased, allowing for production conversions and losses.*

**Physical traceability (or product separation in exempt categories in option B) – responsibility of all traders**

**5.03.06** (FLO GTS 2.1) Physical traceability is required for all products except cocoa, fruit juice, sugar and tea (as per the decision tree in **5.03.04**):

1. Operators must demonstrate that products bought, sold, or transformed as certified are traceable back to their seller when purchased and to their buyer when sold (one up – one down).
2. (GTS 2.5) The buyer must ensure that products bought, sold or altered as Fairtrade must be physically traceable through product labeling. The physical product must be identifiable. The method of identification is at the discretion of the operator, but must be verifiable (e.g. the FLO ID or “FLO Fairtrade” on the packaging).
3. The operator must ensure that physical traceability procedures are recorded and followed to ensure that the risks of substitution of non-Fairtrade products are minimized
4. The operator must ensure that physical traceability procedures are recorded and followed to ensure that the risks of substitution of non-Fairtrade products are minimized.
5. (GTS 2.8) Where composite products combine physically and non-physically traceable ingredients, the Fairtrade physically traceable ingredients shall comply with the physical traceability requirements. If for technical reasons this is not possible operators shall apply for an exception with their certification body (see section **5.03.09**)

To demonstrate the product is physically traceable through the supply chain

6. (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.
7. (GTS 2.6) If the operator is certified to option A all cocoa, sugar, tea and juice product purchased will be clearly identified as ‘Fairtrade product with physical traceability’.

*Guidance: Physical traceability is required in addition to documentary traceability within the FLO GTS. Through physical traceability a Fairtrade ingredient in a finished product can be demonstrated to have come from the producer organisation responsible for its production. This shall be through the physical separation of the ingredient and identification of its Fairtrade status on the product packaging and/or related documentation at all stages of the storage, processing or manufacturing within a registered operation and in the transfer between registered Operators. This applies to all Fairtrade products with the current exception of Tea, Cocoa, Fruit juice and Sugar.*

**No physical traceability – requirements for Option C (section 2.03.04) – only relevant to cane sugar, cocoa, fruit juice & tea**

**5.03.07** (FLO GTS 2.2) Operators certified against the cane sugar, cocoa, fruit juice and tea standards are exempt from physical traceability requirements. Gold products can also be exempt from physical traceability as outlined in 5.03.10. If the operator does not have physical traceability the following Standards apply. We strongly recommend that wherever possible operators implement physical traceability and are certified under options A and B.

1. The following rules apply for products certified under option C. (FLO GTS 2.9 & 2.10) In the absence of full physical traceability, the operator shall meet the requirements for mass balance (5.03.14) and the Fairtrade product purchased (input) shall be delivered and

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processed in the same site from where the Fairtrade product sold (output) is processed (single site mass balance).

*Guidance note: Single site mass balance is audited per site. Operators should aim to use Fairtrade certified product in the processing of the product to be sold as Fairtrade.*

2. The operator will need to keep records to demonstrate full mass balance annually
3. (FLO GTS 2.11) The Fairtrade product purchased (input) shall be of the same kind and quality to the equivalent volume of Fairtrade product sold (output)

*Guidance note: For example if an operator sells Fairtrade chocolate made with a high quality cocoa the Fairtrade ingredient purchased cannot be low quality cocoa; if an operator sells Fairtrade organic sugar the ingredient purchased cannot be non-organic Fairtrade sugar; and if an operator sells Fairtrade green tea the ingredient purchased cannot be Fairtrade black tea.*

4. (FLO GTS 2.12) Cane sugar operators can process Fairtrade cane sugar in the premises also sourcing beet sugar. Operators shall ensure that products exclusively made of beet sugar are not sold as Fairtrade.

*Guidance note: Operators should aim at maximizing the use of Fairtrade cane sugar to process the certified product.*

5. (FLO GTS 2.13) Where a company has several sites and the equivalent volume of Fairtrade product purchased and Fairtrade product sold are not processed at the same site there may be an exception considered for Group Mass Balance. Operators can have Group Mass Balance approved for a 2 year period up to a maximum deadline of end of 2015.

*Guidance note: Group Mass Balance is audited per group of sites. Fairtrade inputs do not need to be sourced in the same factory that the Fairtrade output is processed.*

*The aim of Fairtrade is to achieve single site mass balance in the mid-term and to achieve physical traceability in all its products in the long term. Accordingly, it is foreseen to phase out Group Mass Balance in December 2015. A research on Group Mass Balance will be launched in 2013. The results will define the best approach for phasing out Group Mass Balance by the end of 2015.*

6. Where the Operator is not the brand owner of the product, they shall notify their customer that the product is made without full physical traceability
7. The product purchased as Fairtrade certified but not used in the final product due to the practice of mixing or substitution must not be sold as Fairtrade certified. The Operator must therefore ensure that these products are sold as non-Fairtrade and clearly indicate this on the accompanying documents.

*Full physical traceability is recommended. The exception to full physical traceability is only confirmed as an interim position as FLO are reviewing the standards and it may become a requirement in the future.*

#### **Exception for physical traceability for other commodities**

- 5.03.08** Where an Operator cannot demonstrate full compliance with the physical traceability requirements specified in this section, for product categories other than cane sugar, cocoa, fruit juice and tea then a transition period applies. This period ends on 1<sup>st</sup> May 2011. Requirements on traceability through documentation must still be complied with.

In each case above the Operator must confirm to the Foundation that they do not have full physical traceability and the product can be certified without this until the 1<sup>st</sup> May 2011 provided it complies with 5.03.07.

*Guidance note: Gold may also be considered for exceptions to physical traceability. The requirements for this are detailed in 5.03.10 below.*

- 5.03.09** 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**

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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 **Part 6**.

### Minimum requirements for the traceability of gold during trade, transport and processing

**5.03.10** The following additional requirements apply to gold and silver:

1. (FLO 7.2.1) All transactions between the Mining Organisation and the buyer are subject to full compliance to physical traceability requirements.
2. (FLO 7.2.3) All transactions between the trader/buyer and any subsequent operator or between operators, including transport, are subject to full compliance to physical traceability requirements.

*Guidance: A reference to the Fairtrade certified status of the product must be indicated on the Assay Note accompanying the product when sent to the UK Assay office for hallmarking.*

3. (FLO 7.2.4) During any process of further enrichment or manufacturing, all possible efforts towards full compliance to physical traceability requirements are made.
4. Where full compliance to physical traceability requirements imposes disproportional transforming costs, limiting access to Fairtrade markets for Fairtrade certified ASMOs, refiners and manufacturers will be exempt from physical traceability requirements.

*FLO Guidance: If the cost differential of applying any separate physically traceable transformation process (compared to a process based on exact mass compensation) exceeds 2% of the average LBMA (price <http://www.lbma.org.uk/stats/goldfixg>), the operator is allowed to use an alternative, lower-cost process based on exact mass compensation.*

*The operator determines by himself if exemption from physical traceability is applicable; no external approval is required at the moment of decision making. Decisions must be taken based of evidence, must be documented and all related documents must be archived during 5 years. All related documents are subject to verification by the certification body.*

7. (FLO 7.2.5) Operators (buyer/trader, transporter, refiner, manufacturer, etc.) handling Ecological Gold have to assure physical traceability requirements.
8. Manufacturers and refiners shall ensure that certified scrap gold is kept separate from non-certified scrap gold and retains its physical traceability.

### Verification of Fairtrade certified status for goods received

**5.03.11** To ensure that incoming 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 correctly labelled as Fairtrade and the accompanying documentation identifies the product as specified in **5.03.11** and **5.03.12**.
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.

*Guidance: 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.**

**5.03.12** (FLO GTS 2.4) 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

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certified with non-certified products are minimized.

**5.03.13** (FLO GTS 2.4) All Fairtrade raw materials shall be handled in a way that maintains separation and physical identity, by:

1. Where dedicated storage is not possible, the storage area for packaged (non-loose) materials must be designated on a temporary basis and clearly labelled as containing Fairtrade certified products.
2. Processing Fairtrade 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.*

### Mass balance

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

**5.03.14** (GTS 2.2) The Operator shall in all cases:

1. Demonstrate that prior to sale of any quantity of Fairtrade product they have purchased the equivalent quantity from a Fairtrade-certified source.
2. Ensure that a system is in place to record and monitor all relevant products bought as Fairtrade and the equivalent quantity sold as Fairtrade and demonstrate a 'mass balance'.

**5.03.15** (GTS 2.3) The mass balance must ensure that quantities sold as Fairtrade do not exceed the quantities purchased as Fairtrade. The Foundation must be capable of tracking product volumes and quantities through the process, including any losses that might occur during the transformation of the product.

*Guidance: 'Mass balance' is the practice of reconciling the amount of Fairtrade product bought and sold.*

*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.*

### Physical stock-take

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

**5.03.16** To facilitate the mass balance, 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 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*

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*and include this in the Flow of Goods Report.*

*A physical stock take is not required by retailers that do not change the product. Operators who handle perishable products such as bananas and have full physical traceability may be considered for an exception to stock takes based on the audit of their systems.*

## **Documentation and labelling**

### **Labelling unfinished food products, including bulk consignments**

**5.03.17** 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.

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](mailto:artwork@fairtrade.org.uk) for more information.

### **Records**

**5.03.18** 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.

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

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## 5.04 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.*

**5.4.01** (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.

**5.4.02** 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.

**5.4.03** 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

**5.4.04** (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.*

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

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## Annex 5.1.01: Non-compliance, corrective actions and penalties

### Definitions of compliance, non-compliance and penalties

3.61.01 The following definitions for compliance, corrective actions and penalties shall be applied to meeting the requirement of the Fairtrade standards

Category	Definition	Corrective action and penalties
Compliant	The sample of the systems and documents checked were found to be compliant with the relevant standards.	None required
Observation	A comment made by the inspector or certification officer intended to improve the system. This may apply to the Foundation or to the operator as indicated.	Recommended action but optional on the part of the operator.
Minor non-compliance	A requirement of the standards has not been fully met but the integrity of the Fairtrade product(s) is not in doubt.	The corrective action (see Definitions below) to be implemented. A large number of minor non-compliances (>5) may be treated as a major non-compliance. A minor non-compliance found not to have been corrected at a subsequent inspection may be elevated to a major non-compliance.
Major non-compliance	There is a substantial failure to meet a requirement of the standard, putting the integrity of the Fairtrade product(s) or the Mark at risk unless immediately corrected.	The corrective action (see Definitions below) to be implemented. A large number of major non-compliances (>5) may be treated as a critical non-compliance. A major non-compliance found not to have been corrected at a subsequent inspection may be elevated to a critical non-compliance. An additional spot inspection or inspections (at the operator's expense) may be specified at the discretion of the Foundation. Product compensation may be required. Applications for new products will not be accepted.
Critical non-compliance	A complete or partial system failure resulting in a product that does not conform to the standards, such that its Fairtrade integrity is lost. Includes the failure to respond to a compliance form and demonstrate that the specified corrective actions have been implemented within a reasonable time period.	The licence to be suspended (see Definitions below) until: <ul style="list-style-type: none"> <li>objective evidence has been supplied to confirm that the corrective actions have been implemented; and</li> <li>One or more spot inspections of the operation demonstrate full compliance. This will be at the operator's expense.</li> </ul> Product compensation may be required. Applications for new products will not be accepted.
Information required	Information to be supplied by the Operator, as specified by the inspector, certification officer or trade auditor.	The specified information to be supplied by the Operator.

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## Definitions of corrective actions and penalties

3.61.02 The following definitions of terms shall apply:

Term	Definition
Corrective action	The actions to be taken by the operator to correct a non-compliance. This must be agreed in writing with the Foundation and will require objective evidence that this has been, or will be done. This can include documentary evidence such as financial records, accounts, contracts, operating procedures, photographs etc. Where evidence of compliance cannot be supplied, such as where a long-term programme is to be implemented, a statement of intent may be accepted.
Time period	The deadline by which the corrective action must be completed, usually 1 calendar month from the notification of the non-compliance but at the discretion of the Foundation.
Suspension	The suspension of the operator's agreement by the Foundation for a specific product, batch of product or entire product range. The operator must not sell these products during the period of the suspension and must comply with any conditions set by the Foundation. The Foundation will lift the suspension only when it is content that all the corrective actions have been put in place, as demonstrated by a physical inspection.
Termination	The termination of the operator's Agreement by the Foundation due to, but not confined to, one of the following: <ul style="list-style-type: none"> <li>• The discovery of intended fraudulent activity, such as passing off non-Fairtrade products or ingredients as Fairtrade certified.</li> <li>• Gross misuse of the Mark.</li> <li>• The failure on the part of the operator to take satisfactory corrective action following a non-compliance notification.</li> <li>• Insolvency on the part of the operator.</li> </ul>

## Annex 5.1.02: Appeals procedure summary

### Appeals against a decision on compliance and corrective actions or exception decision

- 3.24.02 If an operator wishes to appeal against a compliance decision, or corrective action requirement, they shall submit the appeal in writing within 15 working days from the date of the communication of the corrective action decision or exception decision and provide appropriate evidence to justify the appeal.
- 3.24.03 **The Director of Certification shall consider the appeal within 10 working days of its receipt and either:**
- Accept the appeal based on the evidence supplied and issue an amended compliance form.
  - Reject the appeal and reissue the existing compliance form.
  - Refer it to the Certification Committee.
- 3.24.04 Where the operator does not accept the rejection of an appeal, they may also ask for this to be referred to the Certification Committee. The Director of Certification shall acknowledge this and notify the appellant of the next meeting date.
- 3.24.05 **The Certification Committee will consider the appeal at its next meeting and will either:**
- Accept the appeal based on the evidence supplied and instruct the Director of Certification to issue an amended compliance form.
  - Reject the appeal and instruct the Director of Certification to reissue the existing compliance form.
- 3.24.06 **The Director of Certification will communicate the decision of the committee to the operator within 10 working days of the decision.**

### Appeals to the Appeals Panel

- 3.24.07 Where the operator does not accept the decision of the committee, a further appeal can be made, through the Director of Certification, to the Appeals Panel. The operating procedures for the Appeals Panel will be supplied to the operator on request.
- 3.24.08 The decision of the Appeals Panel is final and no further appeals will be accepted.

### Appeals against termination

- 3.24.09 Where notice of termination of the Registration, Licensing and Certification Agreement has been issued, the operator may, within 15 working days of receipt of such notice, request a review of this decision by the Appeals Panel, which shall conduct such a review within a reasonable timescale.
- 3.24.10 The decision of the Appeals Panel is final and no further appeals will be accepted.

### Records

- 3.03.11 The appeal and subsequent actions shall be recorded on **document 5.61 – Record of Complaint/ Appeal.**

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## Annex 5.1.03: Suspension & termination procedure summary

### Procedure for decertifying a product

- 3.34.01 The Certification Unit shall make the decision whether or not to decertify a product in the case of a critical non-compliance identified against the product's compliance with the standards. Where they certification unit requires further guidance they can escalate this decision to the Certification Committee.
- 3.34.02 The Head of Certification shall notify the Operator and the product information shall be updated on the online system.

### Procedure for involuntary suspending or terminating the Operator's licence.

- 3.34.03 The Certification Committee shall make a recommendation that the Operator should have their licence to trade in Fairtrade products suspended or terminated, based on a critical non-compliance identified against the Operator's compliance with the standards. Where a critical non-compliance is identified by the Certification Unit they can escalate this to the Certification Committee for a recommendation on suspension/termination of the license agreement. The Certification Committee will recommend suspension if the Operator has not submitted their quarter's flow of goods reports and there has been reasonable time to rectify this. This will escalate to termination if the Operator has not completed their flow of goods reports within three months of receiving the suspension letter. All decisions on suspension/termination shall be referred to the Executive Director for ratification.
- 3.34.04 The suspension or termination of a licensee is covered by paragraph 6 of document **5.22 – Licensing Agreement**. Issuing the notice of suspension or termination shall be the final decision of the Executive Director.

### Voluntary termination

- 3.34.05 This procedure takes effect where an Operator voluntarily chooses to cease trading in Fairtrade certified products according to Article 6.4 of the Registration, Licensing & Certification Agreement, which requires that they shall give, as a minimum, three months notice of termination of the agreement in writing

### Conditions of Suspension

- 3.34.09 **Conditions for a suspended Operator:**
1. The suspension of the agreement will take effect from the date of the letter.
  2. The Fairtrade certified products that have the Mark on the packaging must be withdrawn from sale within three months from the date of the letter (the sell-off period).
  3. Any promotional materials containing the Mark and reference to the Mark on a website must be withdrawn within three months of this date.
  4. Outstanding flow of goods reports must be provided for the sell-off period.
  5. Outstanding fees must be paid based on the final invoice raised.
  6. No further sales of Fairtrade products may be made from the end of the sell-off period.
  7. At the end of the sell-off period, the Agreement and Schedule to the Agreement must be returned to the Foundation.
  8. To lift the suspension the Operator must implement the corrective actions identified in the Compliance Form and/or successfully appeal against the decision following the Appeals Procedure in **Annex 3** of the Foundation's Fairtrade Standards.

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### Conditions of termination with a sell-off period

#### 3.34.13 Conditions for a terminated Operator:

1. The termination of the agreement will take effect from the date of the letter.
2. The Fairtrade certified products that have the Mark on the packaging must be withdrawn from sale within three months of this date.
3. Any promotional materials containing the Mark and reference to the Mark on a website must be withdrawn within three months of this date.
4. Outstanding flow of goods reports must be provided for the sell-off period or until all stock have been sold, whichever is sooner.
5. Outstanding fees must be paid based on the final invoice raised.
6. No further sales of Fairtrade products may be made from the end of the sell-off period.
7. At the end of the sell-off period, the Agreement and Schedule to the Agreement must be returned.

### Conditions of termination without a sell-off period

#### 3.34.17 Conditions for a terminated Operator:

1. The termination of the agreement will take effect from the date of the letter.
2. The Fairtrade certified products that have the Mark on the packaging must be withdrawn from sale with immediate effect.
3. Any promotional materials containing the Mark and reference to the Mark on a website must be withdrawn with immediate effect.
4. Outstanding flow of goods reports must be provided. for the outstanding licence fee to be calculated.
5. Outstanding fees must be paid based on the final invoice raised.
6. No further sales of Fairtrade products may be made from this date.
7. The Agreement and Schedule to the Agreement must be returned to the Foundation.

### Actions of the Fairtrade Foundation at termination

#### 3.34.08 Upon termination:

1. The company's status on the Foundation's database shall be changed
2. FLO & FLO-CERT shall be notified.
3. All physical and digital records and documents will be archived for a minimum of seven years.
4. The relevant trading partners shall be advised that the company will no longer be trading in Fairtrade products (taking into account if there is a sell-off period)
5. The company's name and relevant details will be removed from the Foundation's list of Registered Operators on the website.

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