

FAIR FOR LIFE

SOCIAL & FAIRTRADE CERTIFICATION PROGRAMME

VERSION 2011



CONTROL MODULE 3: CRITERIA FOR PRODUCER GROUPS

CONTROL MODULES OF THE FAIR FOR LIFE PROGRAMME

1. LABELLING AND CONTROL CRITERIA

Module 1, see separate document

2. CRITERIA FOR HIRED LABOUR OPERATIONS

Module 2, see separate document

3. CRITERIA FOR PRODUCER GROUPS

Presented in this section

4. CRITERIA FOR HANDLING OPERATIONS

Module 4, see separate document

5. CRITERIA FOR PROCESSING AND ARTISAN OPERATIONS

Module 5, see separate document

6. CRITERIA FOR WILD COLLECTION OPERATIONS

Module 6, see separate document

7. CRITERIA FOR MINING OPERATIONS

Module 7, see separate document

8. CRITERIA FOR TOURISTIC SERVICES

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9. INTEGRATED PRODUCTION CRITERIA

Module 9, see separate document

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Structure of Standard and Minimum Requirements for Certification

Principle: fundamental Fair for Life rule, serving as a basis for reasoning and action

(a) Criteria: A state or aspect of a process or system, which should be in place as a result of adherence to a principle. The way criteria are formulated should help to assess degree of compliance in an actual situation

Guidance Texts provide additional background information and clarification to better understand the criteria and Fair for Life expectations

Following the criteria is a list of performance indicators (control points). Performance indicators further define the criteria and are the basis of compliance assessment and performance evaluation. For certification applicants they can also be used for self-assessment.

N ^o	Control Points Forced Labour	MAX	Score
1	(0) Clear evidence (2=M) no indication of forced labour	2 M=2	

Rating of performance indicators:

0= very poor performance / not compliant at all. Performance must be improved for continued certification

1= not yet sufficient, but already positive developments towards the norm for good social performance

2= defined as the norm for good social performance;

3= voluntary performance higher than norm, beyond minimum requirements

4= exceptionally high performance; outstanding, far beyond minimum requirements

M= indicates a “MINIMUM Requirement”, i.e. this requirement must always be fulfilled in the respective time frame. In the years before the respective requirement becomes a MINIMUM requirement (e.g. the first year of certification, if a requirement is MINIMUM from year 2 onwards), the company will be expected and reminded to demonstrate progress towards meeting the MINIMUM requirement in due time.

MAX = Maximum number of points awardable for the respective control point; All rating levels up to the MAXIMUM may be chosen, even if not explicitly defined in the control point text (→ comments necessary)

Total Norm Points (TNP) = Total number of points if all norm requirements were fulfilled, i.e. rated as “2”.

N.A.: If a control point is not applicable to the operation, it is indicated as n.a. and the respective norm and maximum points are not included in the calculation of applicable Total Norm Points and applicable Maximum points as assessed in the certification process and presented in the final rating.

Minimum Requirements for Certification:

- For certification, the following percentages of applicable Total Norm Points must be met: **First year: 90%, Second year: 95%, Third Year: 100%**. Continuous improvement is expected.
- All M= MINIMUM requirements must be fulfilled in the indicated time frame, e.g. (M=2 from year 2) means that for the first certification an operation may still be slightly below the norm as implementation of the requirement may take some time. For the 2nd certification, this norm requirement must be met, otherwise certification cannot be granted.
- If performance is rated as (0), a condition will be imposed to improve this aspect until the next update audit.

→ see also Module 1, chapter 1.3. Certification procedures

Applicability and Reference to Other Social Standards

This module only applies to groups of agricultural producers that are organised independently. They can either be organised independently as a group (e.g. cooperative) or by a processor / trader (“contracted production”).

The group standards are primarily intended for use in groups of smallholder producers (structurally depending on family labour; marginalised producers with limited own marketing potential). The standard may also be applied to groups of medium family producers that no longer structurally depend on family labour alone (they typically have 1-5 permanent farm workers and some temporary / seasonal labour).

Any plantation with a substantial number of workers (>15 permanent workers or more than 40 workers for more than 2 months per year) as part of a smallholder group needs to be inspected according to the complete Fair for Life hired labour standards (Module 2 of the Fair for Life Certification Programme).

The control points regarding group organisation as listed in this standard are based on the FLO standards for producer groups and IMO's experience with producer groups.

Group operator: the producer organisation or company organising the producers and buying from them. In the case of organised farmers' groups the group operator is the cooperative or registered farmers association. In the case of contract production, the group operator is the company or NGO contracting the individual farmers.

3 CRITERIA FOR PRODUCER GROUPS

3.1 ORGANISATION OF THE GROUP

3.1.1 Transparent Administration and Relations with Producers

Principle 3.1.1 The group operator (producer group or contracting company) acts as responsible and fair trading partner for the producers in the group.

- a) The group operator maintains good business practices.
- b) The group operation respects and supports all producers in the group as long term trading partners, in particular it seeks to establish a fair system of purchasing.
- c) The group operation encourages and supports interaction and exchange between producers and the set up of a producer presentation organisation(s).

No	Control Points: Transparent Administration / Relation with Producers (all Groups)	MAX	SCORE
1	The group operator has a regularly updated business planning and long-term strategic policy, which includes considerations of how profits / benefits can be shared with the farmers (0) no planning or written policies (1) ok planning, but no / few written documents (2) ok basic business planning, including benefit sharing aspects (3) very good planning, important business information accessible to all growers in the group.	3	
2	The group operator has (0) no (1) poor (2) good official book keeping (3) which is audited annually by a qualified external audit company.	3	
3	When the operator is not able to purchase the entire production of the producers in the group: The operator (0) does not have a clearly defined system of purchasing (1) gives preference to the larger producers in the group (2) gives preference to smallholders but no defined system (3) a written system for purchasing is in place (4) purchase system ensures that purchases are made primarily from small holders.	4	
4	<u>Additional points for voluntary commitment:</u> Special support schemes for producers (e.g. loan schemes, community projects) paid directly by group / company (not from FairTrade Premium) → comment and give points depending on level of support (1) occasional small community support (2) emergency loans available e.g. in cases of family hardship (3) well established loan / microfinance scheme for producers or good ongoing community support or producer support schemes (4) several support schemes. No norm requirement.	(4)	
5	If producers' depend mainly on a single product, the supplier is making (0) no (1) some (2) reasonable (3) exceptional efforts to promote product diversification.	3	
(TNP / Maximum points are summed up in subchapters 3.1.1.1 and 3.1.1.2 respectively)			

3.1.1.1 Additional Requirements for Organised Producer Groups

Organised Producer Groups: farmer cooperatives, formal farmer associations etc, which collect the products from their members and sell them as a group.

- d) Producer groups are democratically organised and producers are informed and participate in all key business decisions.

It is acknowledged that in some settings a classic democratic structure may not be the organisational form of choice for producers. In such a case the group must demonstrate to the certifier how every producer has a voice in key group decisions and how representatives for the group's board are selected in a transparent way that reflects the producers' will adequately.

No	Control Points: Additional Requirements for Organised Producer Groups	MAX	SCORE
1	An organisational structure which enables participation and control by the members (0) not in place (1=M) very basic OR in set up phase (2=M from year 3) functioning group organisation in place (3) well established and already successfully functioning for > 2 years (4) exceptional commitment and active participation of members.	4 M=1 M=2 from Yr 3	

2	There is (0) no general assembly (1) a general assembly with limited voting rights (2=M from year 2) an annual, well announced general assembly with voting rights for all members (3) a well attended general assembly / producers really participating well in group decisions (4) exceptional participation.	4 M=2 from Yr 2	
3	Producers are informed about the group's overall business policy and new developments and feel part of the group (0) very low producers' involvement and information (2) good overall involvement of producers (3) producers feel very involved and support the organisation strongly (4) exceptional; organisation really run and managed by producers.	4	
4	Regular meetings / exchange in group / sub-groups / village centres, etc. (0) no such active subgroups (2) moderately active subgroups; group members know each other (3) committed and active subgroups; good exchange and interaction between members (4) outstanding exchange and interaction.	4	
TOTAL 3.1.1 PLUS Additional Requirements 3.1.1.1		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		33	16

3.1.1.2 Additional Requirements for Contract Production Situations

- e) While initially the contracted producer group operator (in this case the company or NGO contracting the producers) may be the organising instrument for the social and economic development of the contracted producers, a producer representation organisation shall be initiated which can represent the producers' interests in negotiations with the contracting company.

Ideally, producers are organised in one or several associations or cooperatives working very closely with the contracting operator, who often provides the ICS and organises the purchasing directly. Alternatively the contracting operator works with the producers individually and initiates the set up of a representation organisation to facilitate communications and negotiations with the producers. If more suitable, several producer representations can be set up (e.g. for different independent regions). The main purpose of the representative organisation is for producers to elect their representatives who in turn can have more regular and in depth discussions with the group operator and act as communication link between the operator and the producers. The representatives shall facilitate farmers' meetings to understand the producers' needs and to maintain good communication on key issues in both directions.

The producer representation organisation shall ensure that the producers are informed and have a say in all aspects that directly concern their trade relations with the contracting company. This concerns in particular price setting and purchase practices, internal production standards / production requirements, as well as all aspects concerned with the FairTrade Development Premium (in the case of Fair for Life FairTrade certification). Producers can also choose to delegate responsibilities to the group operator if they do not wish to get involved in certain aspects as a joint group - in these cases it will be cross-checked during producer interviews that the producers are confident that their interests are effectively represented. Decisions on the use of the FairTrade Premium, e.g. election of producer representatives in FairTrade Development Premium Committee, can not be delegated to the operator but must be addressed by the producers themselves.

If democratic election of producer representatives by means of voting at an assembly is not commonly practiced in the region and explicitly not wanted by producers, in exceptional cases alternative transparent mechanisms to elect / nominate representatives may be accepted if verification confirms that the producers are adequately informed and every producer has a voice in selecting their representation.

In the case of very scattered individual producers with very limited communication with fellow producers in the group and hence very low practicability of a joint representation, the producers may opt out of having a formal representation organisation. In this case particular focus will be on communication between producers and the group operator, e.g. by means of open discussions during extension visits with feedback to management, discussions in small nucleus groups, joint trainings etc.

If the contracted producers are medium-size family farms with reasonable bargaining power of their own, part of the evaluation focus is still on transparent and fair relations between contractor and producers; a representation organisation also has to be initiated. The second focus of evaluation is activities with regards to sustainability of production (e.g. trainings) and on efforts to improved labour conditions on the participating farms. If the group is also applying for Fair for Life FairTrade certification the FairTrade focus is expected to be more on farm workers or marginalised groups in the local community rather than on FairTrade benefits for the medium size producers directly.

- f) The contracting company may not misuse the contractual relationship as a means to lower purchase prices (without prior agreement by farmer organisation due to substantial reasons) nor to create economic dependency for the producers. Producer must be free to cancel their contracts. If the producer group wishes to gradually become an organised producer group, this positive development must be supported by the group operator.

No	Control Points: Additional Requirements for Contracted Production Situations	MAX	SCORE	
1	There is a producer representation organisation with democratic structure: (0) no producer representation (1) some basic group structures in development OR group operator supports set up (2=M from year 2) a constitutionally democratic structure with rights for all members to elect their representatives OR exceptional case that farmers opt out, see guidance above (3) active democratic structure (with at least annual assembly on which critical issues are discussed) (4) formal active democratic organisation, e.g. cooperative of producers.	4 M=2 from Yr 2		
2	The farmers representation organisation is (0) still not existing / no effort (1) informal discussions between group members (2=M from year 3) effectively in place and meeting regularly; if not yet in place, a development plan must be presented and if necessary external experts must be included to support group development with positive participatory methods (3) active farmers' representation (4) cooperative OR exceptionally active farmers' representation organisation with effective bargaining power for producers. <i>First 2 years of certification: assess actual situation, including defined plans (0)–(4); no M.</i>	4 M=2 from Yr 3		
3	The group operator and the farmers' representation organisation(s) have regular and open communication on new developments, relations between operator and the producer and group activities: (0) no communication at all (1) irregular, or only very limited interaction and communication (2) adequate and regular communication with at least 2 meetings a year (3) close cooperation and communication.	3		
4	The group operator facilitates and supports basic administrative running costs of the farmer group representation – until the producer group is a fully independent registered legal entity and can fully negotiate prices which include these costs in addition to fair farm gate prices (0) no support although substantial communication costs for producers (1) very little support (2) adequate support of costs for farmer representation organisation communication costs and basic support for meetings (room, drinks) (3) good support (financial and organisational) (4) cooperative association of producers with own budget.	4		
5	Interaction and exchange of producers with each other to support the development of a group feeling (0) no efforts, producers don't know even other registered producers in their own village (2) adequate efforts by the group operator; reasonably active producer subgroups or exchange between producers (3) very committed and active subgroups or overall group; very good exchange and interaction between members (4) active cooperative OR formal association with general assembly.	3		
6	Producers feel: (0) misused (1) contractual relationship not good, but acceptable (2) fairly well treated in the contractual relationship, if group operator takes over responsibilities of the farmers organisation, producers are ok about this (3) exceptionally well treated.	3		
7	Cancellation of contract by the producer: (0) not possible (1) by contract free to cancel (2=M from year 2) effectively free to cancel the contract within an appropriate and fair time frame and fair conditions.	3 M=2 from Yr 2		
8	The contracting company gives (0) no (1) very little (2) sufficient basic (3) very detailed information about market prices or its cost / profit calculations in order to allow open discussion on prices paid to the producers.	3		
TOTAL 3.1.1 PLUS Additional Requirements 3.1.1.2		MAX	TNP	SCORE
Maximum Points / Total Norm Points / Effective Points		44	24	

3.1.2 Pricing and Producer Payments

Principle 3.1.2 Producers receive a fair price and are paid in a convenient, timely and well documented way.

- a) The group operator has and follows clear rules to set farmgate prices
- b) Producers are promptly paid after collection or delivery of the product and in a manner convenient to them. Payments are documented.
- c) Quality grading is done in a transparent manner and any group services or inputs provided by the group operator are not charged above market rate.
- d) Prices paid to producers always cover the basic costs of production and allow farmers to continue production. They shall aim to cover the producers' basic needs and to provide some discretionary income.

For FairTrade producer groups, see also additional requirements in chapter 3.6 of this module.

Basic costs of production: typical costs for land, farming materials, inputs and farm labour (including all family labour), in an ideally efficient farm of a size typical for the producer group.

No	Control Points: Pricing and Producer Payments	MAX	SCORE	
1	Farmgate price fixing methods are (0) arbitrary and there is no uniformity (different producers receive different prices) (1) no rules but there is uniformity (prices of producers in the same area do not differ) (2) rules on price fixing are available, followed and not changed without warning (3) rules are drawn up with participation of producers (4) rules as well as actual prices are always fixed in consultation with the farmers or their representatives.	4		
2	Producers receive payment for products delivered (subject to meeting quality requirements) (0) in instalments or not at all / very late (1) more than two weeks after delivery (2=M) within 10 days of delivery (3) immediately upon delivery (4) an advance payment of at least 20% of the value and the balance on delivery is possible if requested by producer and if justified as providing intermediate income during the year.	4 M=2		
3	Method of payment (0) in kind or in a very inconvenient way (1) per cheque (2) cash or bank transfer (3) group operation supports producers to set up bank accounts.	3		
4	Payments to producers (0) are not documented (1) only total paid is documented (2) the payment documentation clearly indicates the quantity, price per unit, total value and deductions of any detail but producers are not issued a copy (3) complete documentation with producers being issued a copy of payment documentation.	3		
5	Quality requirements and grading procedures: (0) not defined and arbitrary (1) specifications and grading rules in place but not followed (2) specifications are in line with industry norms and followed (3) quality and grading procedures always done with the farmer being present.	3		
6	Deductions for inputs supplied and or services provided by the group operator are (0) much higher (> 10%) than the actual cost incurred by the operator (1) at market price (2) benefits (such as quantity or volume discounts) of large volume purchases are passed on to the producers (3) at subsidised rate (4) free seedlings, inputs or services provided.	4		
7	Producer prices paid cover basic production costs: (0) prices clearly do not cover production costs / producers forced out of production due to low prices (2=M from year 2) prices paid to farmers cover at least basic costs of production and allow farmers to continue production (3) very good prices and basic production costs are known (4) exceptionally high prices (even if due to market levels).	4 M=2 from Yr 2		
8	The group operator prepares a summary of total money paid to each producer: (0) no summary would even be possible from documentation (1) no summary done (but would be possible to calculate) (2) producer receives information on total quantity delivered and total money paid to producer in the respective season / year (3) this information is made known to the family of producer.	3		
9	<u>Additional Points for voluntary commitment:</u> The organisation (0) does not have programmes to educate producers on cash management, budgeting and allocation of resources (1) has basic programs to educate producers on cash management budgeting and allocation of resources (2) provides regular counselling on cash management, budgeting and allocation of resources (3) helps individual producers in managing their income. No norm requirement.	(3)		
TOTAL		MAX	TNP	SCORE
Maximum Points / Total Norm Points / Effective Points		31	16	

3.1.3 Non-Discrimination and Gender Aspects

Principle 3.1.3 Membership to the group is as open as possible and does not contribute to discrimination.

- There is no restriction to group membership or to becoming contracted producer based on race, colour, religious beliefs, gender, political affiliation, national extraction, sexual orientation or social origin. Women producers are actively encouraged
- There are defined rules to membership or for selection of new producers and smallholder producers shall be encouraged and supported to be members. Producers (which grow the groups target crops and are in the group's operational area) may request to become part of the group operation and if this is not possible, it must be explained and justified.

No	Control Points: Non-Discrimination and Gender Aspects	MAX	SCORE
1	Statutes and / or rules of membership (0) clearly restrict (1) impose some discriminatory conditions (e.g. only unmarried persons, minimum educational qualifications, etc.) (2=M) do not restrict access to membership based on race, colour, religious beliefs, gender, political affiliation, national extraction, sexual orientation or social origin.	3 M=2	
2	There are defined rules and practices for assessing new membership applications or group extensions: (0) clear exclusion of certain groups or people or clearly personal preferences in selecting new members (1) no systematic exclusion or preference practiced but no clear procedures (2) basic, clear procedures on group extensions or dealing with new applications. Contract group operators can justify if small producers in the project area who apply cannot be considered (3) efforts demonstrated to identify new potential producers according to marginalisation and need criteria.	3	
3	Disadvantaged groups (other than women) are (0) systematically excluded (2) not systematically excluded, even if not present (3) encouraged to participate actively in the group (committee members, staff, become full members) (4) strongly supported. Encouragement of disadvantaged groups.	4	
4	Women group members: (0) excluded (1) not excluded but not present (2) not excluded, some women members, wives of members are free to also attend group meetings (3) women are actively encouraged to participate in the group and become full group members / many women members (4) special support and adapted organisation of meetings etc. to encourage and include women.	4	
5	Trainings and group activities for registered farmers adequately include all family members who are involved in production: (0) clear exclusion of e.g. wives of members (2) active promotion of group participation, appropriate organisation of trainings to also include the wives, etc. (3) high efforts to include women.	4	
6	Producers and workers are always paid directly (e.g. for woman farmer payment to woman, not her husband): (0) no direct payment (2=M) payment only directly to producer or to his / her authorised recipient of payments.	2 M=2	
7	<u>Additional points for voluntary commitment:</u> The group is active to strengthen the overall social and economic role of women (or men, if disadvantaged) in the communities and in the group by specific programmes, trainings, adapted procedures for e.g. group meetings. – Rating (0) to (4). No norm requirement.	(4)	
8	<u>Additional points for voluntary commitment:</u> The group creates specific and particularly beneficial opportunities (e.g. as producers, workers, micro entrepreneurs) for disadvantaged / discriminated ethnic (e.g. minorities) or social (e.g. handicapped) groups. – Rating (0) to (4), No norm requirement.	(4)	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		28	12

3.1.4 Internal Control System

Principle 3.1.4 The group operation develops an Internal Control System that monitors implementation of Social Responsibility / FairTrade and environmental principles on producer farms.

- a) A basic Internal Control System (ICS) monitors the implementation of the requirements of this standard on farm level and ensures that only produce from registered farmers is bought.

The ICS also ensures close contact with the farmers and the understanding of their needs e.g. of extension and training. An ICS comprises an internal production standard, monitoring the implementation of this internal standard by the producers, and appropriate procedures to deal with producers who do not show any efforts or improvements in dealing with key identified problems. Often the SR / FT ICS is combined with e.g. the organic ICS.

- b) An Internal Social and Environmental Standard is developed together with farmers which summarises relevant key aspects that producers in the group commit to work towards and this standard is communicated. Farmers in the group are made aware of their obligations (as well as rights) as socially responsible / FairTrade farmers.

The Internal Social and Environmental Responsibility Standard is usually part of the overall internal standard which includes e.g. also organic production rules for the farmers in easy and clear terms. The Internal Social and Environmental Standard summarises all core aspects that are relevant for each producer in the group, e.g. fair treatment of farm labour, safety aspects and children assisting in the fields. The Internal Social Standard may

contain specific FairTrade aspects (if applicable). The environmental content in the internal standard is covered in section 3.5 of this module when assessing the environmental performance.

For social aspects the standard should contain minimum requirements as well as progress objectives. The bigger and more labour intensive the farms, the more details will be expected in the standard.

The internal standards are made known to all producers. All producers need to have a copy of the Internal Social Standard written in a language they can understand and / or using pictorials.

No	Control Points: Internal Control System	MAX	SCORE	
1	The group has a list of all registered farmers: (0) no list or register (1=M) paper register or electronic, slightly incomplete list (2) complete electronic list with names, place, farm area or area under cash crop, year of registration (3) very well maintained list.	3 M=1		
2	The group has (0) no (1=M) basic overview even if no formal ICS yet; external inspection confirms overall picture (2) written up to date overview information on working conditions on the group's farms (<i>sufficient if well described in 13.1 Operator profile</i>).	3 M=1		
3	Any larger farm with contracted labour as members of a group: (0) bigger farms are not yet known; no knowledge of labour situation at all (1=M) farmers and overall labour situation is known (2=M from year 2) bigger farms are listed / marked in farmers list and all relevant labour aspects are monitored for each farm ; targeted in improvement plans. <i>If no bigger farms. → (n.a.). If group of medium producers and no actual monitoring yet → surveying and monitoring of labour situation must be confirmed to be done within 6 months.</i>	2 M=1 M=2 from Yr 2		
4	Internal Social Standard (see guidance): (0) no standard; no clear understanding of social aspects on farms (2=M from year 2) internal standard includes relevant social aspects as basis for internal control , adequate for producer farms' situation with regard to social standards (3) social standards well developed, with farmers' participation.	3 M=2 from Yr 2		
5	Producers are aware of (internal) social standard requirements and progress objectives as relevant for their farms (0) no awareness at all (2) adequate awareness created through training and group discussions – as far as changes in practice are required (3) farmers very committed to also improve the situation of their workers OR no workers.	3		
6	A basic ICS that also covers social aspects is in place within 1 year after certification (included in organic ICS, if also certified organic). For group of medium-size farms: 6 months after first audit. <i>First Certification: assess plans / capacity for each aspect → (2) if good plan and capacity, otherwise (1).</i>			
-a	Basic general and social / labour relevant data for each farmer: (0) none (1) very basic (2=M from year 2) ok (3) very good, detailed data on farm and social issues.	3 M=2 from Yr 2		
-b	Risk-based internal inspection of social and environmental aspects in internal standard: (0) none (1) very basic, not one per year (2=M from year 3) 1 inspection per year (3) very good inspection / supervision of social issues.	3 M=2 from Yr 3		
-c	Improvement system for non-compliant farmers: (0) none (1) very basic (2) ok (3) very good.	3		
-d	Qualified ICS staff: (0) no staff (1) very basic qualification (2) ok (3) very good staff.	3		
7	Farmers receive training on sustainable and good quality production: (0) none at all, although urgently needed (1) none / very little, but low demand (2) good training opportunities, as needed (3) very good training.	3		
8	If there are critical labour issues on farm level, there is (0) no (1) some ideas, but no plan (2=M) a written improvement plan which is implemented (3) a very good, annually reviewed plan to achieve social improvements also for this labour group.	3 M=2		
9	The purchase system ensures in principle that only produce from registered farmers is bought and that it is kept separate from non-certified produce: (0) no such system (1) some basic system in place (2) good system (3) very good traceability system.	3		
TOTAL		MAX	TNP	SCORE
Maximum Points / Total Norm Points / Effective Points		35	24	

3.2 WORKING CONDITIONS ON PRODUCER FARMS

Workers on smallholder or medium producer farms also have a right to fair labour conditions and shall be included in the Social / FairTrade development planning of the group. In medium producer farms, agricultural workers may often be the most marginalised group and therefore the focus of FairTrade activities (if FairTrade certification is envisaged). They may be the main target group for FairTrade Premium use.

Note: For any larger producers (more than approximately 15 permanent workers or more than 40 workers in total for more than 2 months per year) within the group, the hired labour standards (Module 2 of this programme) apply. Such operations must be inspected and certified according to these standards.

Workers = employed or contracted workers, including temporary, seasonal or casual labour. Neighbouring farmers helping each other on their farms (mutual exchange of work) are not considered as workers

3.2.1 Child Labour and Young Workers on Producer Farms

Principle 3.2.1 The participation of children in the production process is minimised and any work done by children on their family farms does not compromise schooling, is supervised and non-hazardous to the children's physical and mental health.

- a) Children (<15 yrs) are not employed / contracted as workers, but children older than 12 years may be permitted to light work for limited times after school or during school holidays to earn pocket money, provided that work does not compromise schooling and is non-hazardous to the children's physical and mental health.

ILO convention 33 permits that in non-industrial situations "Children over twelve years of age may, outside the hours fixed for school attendance, be employed in light work (a) which is not harmful to their health or normal development; (b) which is not such as to prejudice their attendance at school or their capacity to benefit from the instruction there given; and (c) the duration of which does not exceed two hours per day on either school days or holidays, the total number of hours spent at school and on light work in no case to exceed seven per day; not on Sundays and legal public holidays nor during night."

Children older than 14 can be permitted to work up to 7 hours during school holidays.

- b) Children may help on their family farms doing only light, non-hazardous work for limited times a day:

In line with ISEAL SASA project recommendations, children are allowed to do light work for a limited time per day on their family's farm provided that: Such work is not hazardous or dangerous to their health and safety, it does not jeopardise the children's educational, emotional, social and physical development, children are supervised by their parents or have the authorisation of a legal guardian, children are receiving appropriate training according to the type of work they are performing, and school education is not jeopardised by farm work.

No	Control Points: Child Labour and Young Workers on Producer Farms	MAX	SCORE
1	Children under 12 years EMPLOYED / CONTRACTED: there are (0) some children (2=M) no children under 12 years CONTRACTED on the farms. <i>If there are still contracted child workers → group has a plan and is active to responsibly phase out any child labour; children do no hazardous work. Members with contracted child labour are suspended.</i>	2 M=2	
2	Children between 12 and 15 years EMPLOYED / CONTRACTED: children of this age group (0) work considerably on farms as contracted workers (2=M) if sometimes working for pocket money, they only do light and non-hazardous work during non-school hours; not more than approximately 2 hours / day. 14 year olds less than 7hrs / day during school holidays, otherwise also max. 2h / day (3) no children 12-15 years as contract workers. <i>If there are still contracted child workers (12-15 years) to a greater extent → group has a plan and is active to correct the situation AND children do not carry out any hazardous work. In severe cases the producers are suspended.</i>	3 M=2	
3	Young workers (15-18 years) as contracted workers: (0) do (1) do occasionally (2=M) do not engage in work that is dangerous to their health or safety and that may jeopardise their development. Do not work more than maximum 8 h a day, less than 10 hours daily for school, work and transport. <i>If M not fulfilled → plan for improvement. Farmers with severe infringements are suspended.</i>	3 M=2	

4	Children of contract workers assisting their parents: (0) children assist the contract worker considerably (2=M) no work carried out by children of contract workers on the farm , if occasionally helping: always non-hazardous, max. 2 h a day, not interfering with schooling. <i>If M not fulfilled → plan for improvement. Farmers with severe infringements are suspended.</i>	2 M=2	
5	Children < 12 years working on their own family farms: (0) very common; children < 12 do considerable OR very heavy / hazardous work (1=M) occasionally some farms children do substantial work, but not very hazardous, accidents not common (2=M from year 2) not common OR children do only very light and appropriate work for less than 2 hours / day under their parents' supervision; farm work does not compromise school attendance (3) children < 12 do no actual farm work at all and high awareness about child labour / need for education (4) very good school attendance, no farm work. <i>If M not fulfilled → a plan for immediate improvements is presented, implemented and the situation resolved within a maximum of 2 years. Farmers with severe infringements (level 0) are suspended.</i>	4 M=1 M=2 from Yr 2	
6	Children between 12 and 15 working on their own family farms (or neighbouring farms if farming is done as community): (0) very common; children work regularly for several hours / day OR very hazardous (1=M) sometimes / on some farms; children work for several hours / day, not hazardous (2=M from year 2) no SUBSTANTIAL work (more than approximately 3 hours / day regularly); work is non-hazardous and appropriate to their age (3) children between 12 and 15 do no regular farm work at all (but may accompany certain activities for training) AND high awareness about child labour / need for education. <i>If M not fulfilled → plan for immediate improvements is presented and the situation resolved within a maximum of 2 years. Farmers with severe infringements are suspended.</i>	3 M=1 M=2 from Yr 2	
7	Young workers (15-18 years) on their own family farms (0) do (1) do occasionally (2=M) do not engage in work that is dangerous to their health, safety and that may jeopardise their development. Do not work regularly more than maximum 8 h a day, less than 10 hours daily for school, work and transport. <i>If not fulfilled → plan for improvement.</i>	2 M=2	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		19	14

3.2.2 Working Conditions on Producer Farms

Principle 3.2.2 Any workers on producer farms have a right to fair and safe working conditions.

- a) All farm workers (usually occasional seasonal labour, but in case of medium size farms also permanent or other temporary labour) have fair and safe working conditions.

Permanent worker: Any worker working for a major part of the year (more than approximately 8 months) is considered as "Permanent worker" in the following control points.

In the assessment of whether the conditions applied are fair, the producers' level of security, benefits and income from farm production is considered.

No	Control Points: Working Conditions on Producer Farms	MAX	SCORE
1	Forced or involuntary labour on farms: (0) evidence (2=M) no indication of forced labour , spouses of workers not obliged to also work on the farm, farmers do not keep workers' identity papers or parts of wages of their workers and workers are free to leave.	2 M=2	
2	Producers (0) clearly do not allow (2=M) allow associative activities and collective bargaining of workers and do not discriminate against organised workers.	2 M=2	
3	Disciplinary practices: (0) violate human dignity OR are not transparent (2) fair and transparent; no deductions from wages without agreement of worker OR no disciplinary actions.	2	
4	Discrimination: (0) evidence (2) no indication of systematic discrimination of workers (based on gender, race, caste, origin, religion, etc.); no sexually coercive / intimidating / abusive behaviour (3) good opportunities for disadvantaged social groups.	3	

5	Farm machinery and equipment (including farm processing equipment) are (0) very unsafe / in dangerous condition (1=M) not dangerous for worker or farmers (2) adequately safe for workers or farmers; work accidents not common (3) very good practice and equipment.	3 M=1	
6	Handling of agrochemicals / farm inputs by farmer and / or worker: (0) no protection / very unsafe handling although inputs are toxic (2=M) adequately safe handling procedures and protection of workers and producers, as required for specific type of inputs used. <i>If not ok → improvement / training plan for member producers</i> (3) good handling practice (4) very advanced handling procedures in local context OR no toxic / irritating substances used at all.	4 M=2	
7	Storage of agrochemicals / farm inputs: (0) highly toxic inputs stored openly or in kitchen / bedrooms. Containers reused for water, etc. (2=M) toxic agrochemicals not stored in living quarters; adequately locked away to prevent accidental use by children. Empty containers not re-used for water or food. <i>If not ok → improvement / training plan compulsory. If no toxic / irritating inputs → (n.a.)</i>	2 M=2	
8	Workers and family members are informed about major safety risks and safe working practice: (0) not informed (1) sufficiently aware of existing risks (2) workers well trained OR no major safety risks.	3	
9	First aid equipment: There is (0) no (1) some incomplete (2) sufficient basic first aid equipment (as needed for potential work accidents) (3) good and complete first aid kit and knowledge in first aid.	3	
10	Adequate protection from noise, dust, light (0) missing although necessary (2) adequate protection from substantial health or accident hazards OR not necessary.	2	
11	Defined employment conditions for permanent workers (job position, wage, benefits if any, working times, leave entitlement, housing if any): (0) employment conditions not defined, not even orally (1=M) clearly defined and known to worker , even if not written (2) contract or official registration of worker or other documents indicating at least the basic employment conditions. <i>If no permanent worker (working for more than 8 months / year) → (n.a.)</i>	2 M=1	
12	Defined employment conditions for casual / seasonal workers: (0) employment conditions not clear, not even orally (1) wage and working times agreed and known to worker, even if not written (2) contract or official registration of worker or other documents indicating at least wages and working times. <i>If smallholder producer → (n.a.)</i>	2	
13	Permanent workers are paid (0) less than local average (1) local average (2=M) at least applicable minimum wages¹ OR typical local rates – (if higher or if no minimum wage defined); <i>If not: improvement plan with activities to comply within 1 year</i> (3) paid more than local average (including benefits, if any) (4) paid substantially more.	4 M=2	
14	Casual or seasonal labour are paid (0) less than local average (1) local average (2=M) at least typical local rates; <i>If not: improvements planned and implemented within 1 year, extension to 2 yrs may be granted on justification</i> (3) paid more than local average (including benefits, if any) (4) paid substantially more.	4 M=2	
15	Payments of all workers are (0) not done or unduly delayed (1) no fixed days, or a few delays (2=M from year 2) done promptly and as agreed.	2 M=2 from Yr 2	
16	Payments are (0) not (1) poorly (2=M) documented , at least for permanent workers (3) documented for all workers.	3 M=2	
17	Weekly working hours <u>and rest days</u> of permanent workers: (0) not at all in line with legal requirements (1) working hours are slightly above maximum hours OR occasionally rest days not respected (2) basically in line with national labour legislation.	3	
18	Overtime of permanent workers is (0) compulsory, not remunerated extra (1) voluntary but not paid extra OR not voluntary but paid extra (2) voluntary (may be obligatory for short known peak times) and at least paid as extra time or time compensated (3) voluntary and remunerated at premium rate.	3	
19	Permanent farm workers time off: (0) no paid leave / holiday (2=M from year 3) official holidays are granted and paid leave as legally required (3) holidays plus annual paid leave (4) very generous leave provisions.	4 M=2 from Yr 3	

¹ In case of pay-per-production, calculate income of an average production day without overtime.

20	Permanent workers provident funds / basic coverage for retirement / basic social security: (0) no such cover, although local system would permit registration of workers (2=M from year 3) basic coverage for permanent workers if legally required. <i>If not: improvement plan to correct situation</i> (3) cover for all workers Or cover for employed workers is better than required.	3 M=2 from Yr 3	
21	If workers are given housing on the farm: (0) not acceptable in comparison to local conditions (1=M) acceptable (2) safe and adequate housing conditions in local context; reasonably priced (3) very good housing in local context.	3 M=1	
22	Farm workers are included in social development plan of the group: (0) not included, although many producers have contracted labour (2) gradual improvement of working conditions of farm workers included in development plan / FairTrade Policy (3) demonstrated efforts to increase awareness in labour issues and work towards improvement of labour conditions.	3	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		62	44

3.3 LABOUR CONDITIONS FOR PRODUCER GROUP STAFF

Workers in producer organisations (companies contracting producers), i.e. field staff, office staff and workers in group-operated processing units have a right to fair working conditions. At least the most marginalised workers' groups shall be included in the Social or FairTrade development plan of the group.

Note: For any larger processing workshops / factories (more than approximately 20 permanent workers or more than 70 workers in total for more than approximately 2 months per year) operated by the group, the hired labour standards (Module 2 of this programme) apply. Such operations must be inspected and certified according to these standards – and this section is then only completed with regard to group operation staff (e.g. field officers, office staff in export office). For subcontracted processing units, please see Module 4, chapter 4.4 for requirements.

Workers = All staff working in an operation including employees, permanent, seasonal, temporary, migrant, foreign, casual and sub-contracted workers. They can be working in the fields, in production and also in office administration, etc.

3.3.1 Basic Labour Rights for Producer Group Staff

Principle 3.3.1 The group operation respects the basic labour rights of all its workers.

- There is neither child labour nor forced labour.
- There shall be no discrimination in hiring, compensation, access to training, promotion, termination, benefits or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, HIV / Aids, union membership or political affiliation.
In case of discrimination entrenched in cultural norms or traditions, companies are encouraged to have proactive policies and programmes aimed at distributing opportunities more equally.
- Workers, without distinction, have the right to join or form workers' organisations of their own choosing.
- A safe and hygienic working environment shall be provided and the workers shall be trained in safety aspects.

No	Control Points: Basic Labour Rights for Producer Group Staff	MAX	SCORE
1	Child workers EMPLOYED / CONTRACTED: There are (0) some children (2=M) no children below 15 CONTRACTED as workers. <i>If there are still contracted child workers → see section 2.1.3 for policy details.</i>	2 M=2	
2	Children of contract workers assisting their parents: (0) children assist the contract worker considerably (2) no work by children of contract workers.	2	
3	Young workers (15-18 years) (0) do (2=M) do not engage in work that is dangerous to their health, safety and that may jeopardise their development. <i>If no young workers → (n.a.)</i>	2 M=2	
4	Forced labour: (0) evidence (2=M) no indication of forced labour.	2 M=2	

5	Associative activities and collective bargaining of workers (0) clearly not allowed (1) discouraged but not forbidden (2=M) allowed, no discrimination against unionised workers (3) workers are unionised or effectively organised (4) very active workers organisation, collective bargaining.	4 M=2	
6	Disciplinary practices: (0) Violate human dignity OR are not transparent (1) some minor problems with disciplinary practices (2) fair and transparent; no deductions from wages without agreement of worker (3) low need for disciplinary actions (4) very positive relation between employer and workers.	3	
7	Discrimination: (0) Evidence (2) no indication of systematic discrimination of workers (based on gender, race, caste, origin, religion, etc.); no sexually coercive / intimidating / abusive behaviour (3) employer active in promoting mutual respect and harmony between workers OR policies against discrimination written and implemented (4) actively supporting discriminated groups.	4	
8	Processing machinery and equipment (0) very unsafe / in dangerous condition (1) not dangerous (2=M) adequately safe for workers; no serious work accidents. If safety is a problem → improvement plan (3) very safe, very few accidents (4) special efforts have been made to make workplaces as safe as possible.	4 M=2	
9	Adequate protection from chemicals, noise, dust, light (0) missing although necessary (1=M) provided in acceptable condition (2) provided, maintained and used (3) high protection efforts OR no risks at all.	4 M=1	
10	Workers are informed about major safety risks and safe working practices: (0) not informed (1) sufficiently aware of existing risks (2) workers adequately trained OR no major safety risks (3) workers very well informed and trained (4) exceptionally well trained in health and safety practices.	4	
11	First aid equipment: There is (0) no (1) incomplete (2) sufficient basic first aid equipment (as needed for potential work accidents) (3) very good first aid equipment and emergency medical care.	3	
12	Pregnant or nursing women and other risk groups are (0) engaged in potentially hazardous work (2=M) excluded from potentially hazardous work, do not work at night.	2 M=2	
13	Adequate light and ventilation: (0) very poor (2) adequate by local standards (3) very good (4) exceptional efforts.	4	
14	Emergency procedures: (0) not in place, not known at all (2) known by all staff (even if not written) (3) good written safety procedures and signs (4) very good safety system.	4	
15	Emergency exits: (0) evacuation in emergency not possible (2=M) quick and safe evacuation in an emergency possible.	2 M=2	
16	Fire fighting equipment: (0) not available (1) in poor condition / not accessible (2) available and functional (3) well maintained, adequate and sufficient for size of operation.	3	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		49	32

3.3.2 Employment Conditions for Producer Group Staff

Principle 3.3.2 The group operation's workers are ensured good working conditions.

- a) Workers have clearly defined employment conditions.

There should be a written contract or comparable type of written agreement on employment conditions. This covers such subjects as job position, working hours, overtime regulation, social benefits entitlement and deductions, annual paid leave and sick days as well as provisions on termination of employment.

- b) Wages and benefits meet, at a minimum, national legal standards. Payments are documented.
- c) Working hours are not excessive and holidays as well as annual leave are granted as per national legal requirements.

No	Control Points: Employment Conditions for Producer Group Staff	MAX	SCORE
1	Defined employment conditions for permanent workers (job position, wage, benefits if any, working times, leave entitlement, housing if any): (0) employment conditions not defined, not even orally (1=M) clearly defined and known to worker , even if not written	3 M=1	

	(2) contract or official registration of worker or other documents indicating at least the basic employment conditions (3) good contract system.		
2	Defined employment conditions for casual / seasonal workers: (0) employment conditions not clear, not even orally (1=M) wage and working times agreed and known to worker , even if not written (2) contract or official registration of worker or other documents indicating at least wages, working times (3) good contracts	3 M=1	
3	Permanent workers are paid (0) less than local average (1) local average (2=M) at least applicable minimum wages² OR typical local rates (if no minimum wage defined); If not: improvement plan is required and action towards compliance is demonstrated (3) paid more than local average or applicable minimum wages, if minimum wage is higher (including benefits, if any) (4) paid substantially more.	4 M=2	
4	Casual or seasonal labour are paid (0) less than local average (1) local average (2=M) applicable minimum wages OR (if higher or not defined) typical local rates; If not: improvement plan and demonstrated action (3) paid more than typical local wages OR applicable minimum wages, if minimum wage is higher (including benefits, if any) (4) paid substantially more.	4 M=2	
5	Training sessions, time lost due to machine stoppage and other events beyond control of worker are (0) not remunerated (2) paid at normal rate.	2	
6	Payments of all workers are (0) not done or unduly delayed (1) not paid on any fixed days, or with a few delays (2) regular and prompt.	2	
7	Payments are (0) not (1) poorly (2=M) adequately documented.	2 M=2	
8	If accommodation or other in-kind remuneration is offered: (0) workers cannot choose freely (1) workers can opt out of in-kind remuneration in some cases (2) can chose freely the type of remuneration preferred (e.g. cash instead of housing) (3) subsidised accommodation or food, rates charged are substantially lower than typical local rates.	3	
9	If staff is given housing by the company: (0) not acceptable in comparison to local conditions (1=M) acceptable (2) safe and adequate housing conditions in local context; reasonable rates (3) very good housing; very good / subsidised rates (4) very good and included as benefit in workers' remuneration package. <i>If no housing → (n.a.).</i>	4 M=1	
10	The ratio of weekly working hours and rest days of permanent workers are normally (0) far higher (1) slightly higher (2) weekly hours in line with national labour legislation; at least 1 rest day out of seven (3) weekly working hours lower than legal maximum hours OR working hours < 42 hours / week.	3	
11	Overtime is (0) compulsory, not remunerated extra (2) voluntary and at least paid as extra time or time compensated; total working time not > 60 hours, including typical overtime (3) all overtime remunerated at premium rate.	3	
12	Holidays / paid leave: (0) no paid leave / holidays (2) holidays and paid leave granted as per legal requirements (3) generous paid leave allowance, paid sick days (4) exceptionally generous paid leave and sick days allowance.	4	
13	Basic coverage for retirement / provident fund: (0) none at all (2=M) for all workers as legally required (in many cases only for permanent workers) <i>If not → plan for correction within 1 year for all permanent workers, and 2 years for all temporary workers-as far as legally required</i> (3) better than legally required OR for all workers with adequate contributions from employer (even if legally required) (4) exceptionally high coverage with contributions by employer.	4 M=2	
14	Basic coverage for maternity is guaranteed: (0) none at all (1) some efforts / not yet sufficient (2) basic coverage for permanent workers as per legal requirements (3) for all workers OR for permanent workers higher than required OR at least 12 weeks (4) exceptionally generous practice; substantial contributions by employer.	4	
15	Regular employment for regular workers (working basically all year): (0) regular workers don't have the status of permanent workers (2) regular workers are employed with all benefits of a permanent worker: regular work guaranteed, social security payments, sick-days / paid leave entitlements, etc.; may be salaried or paid on daily wage (4) special effort to provide more workers than industry normal with regular employment rather than contract labour.	4	
16	If (some) workers are clearly marginalised → included in social development plan of the group: (0) not included (2) gradual improvement of working conditions of workers included in development plan / Social Policy (3) demonstrated commitment to improve OR consistently provide good labour conditions of workers.	3	

² In case of pay-per-production, calculate income of an average production day without overtime.

TOTAL	MAX	TNP	SCORE
Maximum Points / Total Norm Points / Effective Points	52	32	

3.4 SOCIAL RESPONSIBILITY AND COMMUNITY RELATIONS

3.4.1 Commitment to and Management of Social Responsibility

Principle 3.4.1 The group operation defines, implements and communicates its commitment to Social Responsibility and FairTrade principles.

a) The company has a Social Responsibility (SR) Policy or Social & FairTrade (SFT) Policy (depending on certification scope) that details its commitment to empowerment of and fair relations to producers, good working conditions and its continuous improvement of performance. Ideally, the policy is developed in cooperation with producers and workers.

Organised smallholder producer organisations have 2 years to develop a written policy.

b) The Social Responsibility / Social & FairTrade Policy covers the following aspects

- *Long-term commitment to good relations with producers and workers, to comply with For Life / Fair for Life group certification requirements (as applicable) and to continuous improvement.*
- *Objectives and development targets of For Life or Fair for Life certification*
- *Summary of rights and responsibilities of the management, producers and workers with regard to contracts between producers and the group operator, pricing, basic worker rights, conditions of employment, rights of indigenous people and community relations. References may be made to more detailed manuals, procedures or policies, but still the overall commitment shall be written down in all key aspects*
- *The policy must be signed by top management and must be made known to all producers' staff. Corporate Social Responsibility and workers' welfare shall be embedded in the overall mission statement and company policy.*
- *If the group applies for Fair for Life FairTrade certification, the policy includes details on FairTrade beneficiaries, administration of the FairTrade Development Premium Fund, the decision process for Premium use and intended Premium use (rough description of types of projects to be possibly funded) in adequate detail to ensure smooth implementation of FairTrade obligations described in Section 3.6 below.*

c) The Social Responsibility / Social & FairTrade Policy is accessible in a comprehensive form to all producers and group operator personnel, including executives and supervisors. It also needs to be publicly available, preferably on the company's website. The policy is reviewed regularly and revised when necessary.

d) The group operation must plan and implement the necessary activities to comply with the Fair for Life certification requirements and applicable law and to effectively implement its Social Responsibility / Social & FairTrade Policy.

No	Control Points: Commitment and Management of Social Responsibility	MAX	SCORE
1	Social Responsibility / Social & FairTrade commitment (see above): (0) none, very low management awareness of social issues, low commitment (1) no written policy, but clear social commitment (2=M from year 2) written basic policy covering the key commitments. For organised smallholder producer groups (2=M from year 3) (3) well developed policy, developed in cooperation with producers and workers.	4 M=2 from Yr 2 or 3	
2	The policy and the commitment to externally certified Social Responsibility performance is made known to the producers and workers (0) not at all (1) made available on request or formally available to producers and workers without really informing them (e.g. on inactive notice boards) (2=M from year 3) producer and workers are being adequately informed of the company's commitment to Social Responsibility (and FairTrade, if applicable) and key aspects of the Social Responsibility / FairTrade Policy , e.g. the policy is presented at annual producer meetings or staff trainings, or published prominently on site, etc. (3) producers and workers are trained and are aware of the policy commitments of their employer.	3 M=2 from Yr 3	
3	There is a senior management representative responsible for Social Responsibility or Social & FairTrade certification and performance: (0) no clear responsible manager or coordinator (1) somebody responsible but with insufficient management power (2) suitable Social Responsibility / Social & FairTrade coordinator (3) good, active	3	

	management and producer representation with regard to standard performance, spirits of cooperation to reach / maintain certification and improve social impact for identified target groups.		
4	The company has adequate management in place to implement its Social Responsibility / FairTrade Policy and ensure continued compliance with this standard: (0) no quality management system or social quality awareness in place at all (1) simple management system, responsible coordinator reasonably capable of coordinating implementation, but social issues not embedded in overall company management (2) adequate basic management in place to ensure continued compliance with the standard, to set objectives, develop procedures and define activities to address specific social issues of concern – if any (3) Social Responsibility / FairTrade aspects firmly embedded in all company policies and overall management.	3	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		13	8

3.4.2 Community Relations

Principle 3.4.2 Fair for Life group operations incorporate high social and cultural values and take an active role in the sustainable development of the communities and societies in which they operate.

- a) Group operators are expected to make positive economic, social and cultural contributions beyond legal obligations, in particular they are expected to reach out to remote and marginalised producers and provide local employment.

Other examples of positive contributions: active training of workers from the local community, supporting community cultural activities, preserving local traditions which are in line with the principles of social and ecological responsibility, engagement in social projects in the community (e.g. direct support, fundraising, management support), supporting the Corporate Social Responsibility and FairTrade movement, educating the public and providing training in local businesses or within the operation's supply chains, raising awareness on environmental problems and improved environmental management practices (e.g. training in composting and recycling), or marketing own products locally at a reasonable price.

Projects financed through FairTrade Premium may be mentioned – but in the performance rating it should be considered that the FairTrade Premium is usually a contribution paid by the FairTrade buyer of the products. In particular in contract production situations the evaluation should specifically consider contributions and efforts by the contracting company itself (not only Premium projects).

No	Control Points: Community Relations	MAX	SCORE
1	The group operation reaches out to producers in remote and marginalised regions (0) no marginalised producers included although present in project region and producing relevant crops (1) some marginalised producers, lower than other comparable group operations in the region (2) group also includes producers from more remote and marginalised regions, at least at similar levels as comparable group companies in the region (3) clear efforts (4) outstanding efforts to identify and include particularly marginalised producers OR entire group is based in particularly marginalised region.	4	
2	The group operator provides employment (incl. training, if required) for people from nearby local and / or indigenous communities (0) no employment opportunities for local / indigenous communities provided (1) very few jobs provided to local / indigenous communities (2=M) operation provides job opportunities for local / indigenous communities (3) job opportunities for local / indigenous communities include management positions (4) operation is predominantly run by the local / indigenous groups.	4 M=2	
3	<u>Additional Points for voluntary commitment:</u> The group operator provides income and employment to marginalised workers in the respective local setting. – Rate commitment (0) to (4). No norm requirement.	(4)	
4	<u>Additional Points for voluntary commitment:</u> The group operator as business entity supports the local communities through its engagement in social, cultural or environmental projects (e.g. support of school or local health services, scholarship programmes) – Rate activities beyond FairTrade Development Premium projects from (0) to (4) and provide comments. No norm requirement. <i>If organised producer groups: include rating of producers' empowerment through the organisation in rating.</i>	(4)	
5	<u>Additional Points for voluntary commitment:</u> The group operator is active in awareness creation, producer empowerment, education and training in Social Responsibility and	(4)	

	environmental protection / sustainable use of land and natural resources. – Rate performance from (0) to (4) and provide comments. No norm requirement.		
6	The group operator's activities and efforts in the local community do not have a clearly negative impact on local / indigenous communities, on the environment or on local sustainable development (0) activities have a clear negative impact on local sustainable development, e.g. lobbying for weaker environmental legislation, active promotion of unsustainable practices (2=M from year 2) operation's overall activities are in line with sustainability principles (3) to (4) very good / outstanding overall efforts and contribution to sustainable development.	4 M=2 from Yr 2	
TOTAL		MAX	TNP SCORE
Maximum Points / Total Norm Points / Effective Points		24	6

3.4.3 Respecting Rights of Indigenous and Local People

Principle 3.4.3 Fair for Life group operators have legitimate land use rights for production premises and respect the rights of indigenous people with regard to use of local resources and traditional knowledge.

- The group operator must have a legitimate right to land use and legal tenure of its operation premises. Disputes on land must be resolved responsibly and transparently before certification can be granted
- If relevant, the group operator respects the rights of indigenous people regarding the use of biological and other local resources and traditional knowledge (TK).

In the application of criteria a) and b) the rules outlined in ILO Convention 169 (Indigenous and Tribal Peoples Convention) must be respected at all times when the rights of indigenous or tribal peoples may directly or indirectly be affected by an operation.

No	Control Points: Respecting Rights of Indigenous and Local People	MAX	SCORE
1	The group operation holds valid, legal land use and tenure rights (including resource use rights such as water use) (0) significant, unresolved disputes OR no legal and legitimate land use rights (2=M) legal and legitimate land use and tenure rights . If there are any disputes, they are handled responsibly (3) to (4) mutually beneficial land use / tenure agreements with the local / indigenous communities based on transparent communication and negotiation and mutually agreed terms.	4 M=2	
2	There are no unresolved disputes related to the use of biodiversity and traditional knowledge (TK) (0) unresolved disputes with regard to the use of biodiversity and TK; no efforts to solve them (1) unresolved disputes with regard to the use of biodiversity and TK; steps have been undertaken to resolve them (2=M from year 2) no unresolved disputes with regard to the use of biodiversity and TK OR all such disputes resolved in a transparent and mutually beneficial way , based upon written agreements including prior informed consent and mutually agreed terms (3) proactive company initiative that has resolved all potential disputes with regard to biodiversity use and TK as described in (2) before starting the operation.	3 M=2 from Yr 2	
TOTAL		MAX	TNP SCORE
Maximum Points / Total Norm Points / Effective Points		7	4

3.5 ENVIRONMENTAL ASPECTS

All applicants for For Life Social Responsibility producer certification or Fair for Life Social & FairTrade producer certification must either:

- Confirm their responsible production practices by certification according to an acknowledged organic, ecological or Good Agricultural Practices (GAP) minimum standards (Organic Textile GOTS, FSC, Rainforest Alliance, GLOBALGAP, AquaGAP, Utz Certified).
- OR fulfil the Fair for Life Integrated Production Standards (Module 9) which deal with responsible handling of agrichemicals and other basic aspects of good production practices.

Exception: agricultural product processing companies (food processors, gineries, etc.) → only general environmental criteria as listed in this chapter apply.

Additionally the following general environmental criteria apply to ALL producer group operations:

3.5.1 Internal Monitoring of Environmental Aspects

Principle 3.5.1 The group monitors and trains producers in good environmental practices.

a) Basic environmental performance aspects shall be included in the group's ICS / monitoring system.

Since there are only very few MUST requirements for the producers and full compliance (rating 2) in every single control point is not required for certification, groups have some flexibility to set their own specific targets and development criteria in the fields of water conservation, energy use, ecosystem conservation and waste management.

No	Control Points: Internal Monitoring Environmental Aspects	MAX	SCORE
1	Internal standards for producers: (0) very poor environmental aspects on farms, but not included in standards (1) no environmental in internal standard, but no major problems (2=M from year 2) all relevant environmental requirements that are not yet well implemented on the farms are included in the internal standards in the form of progress requirements adapted for specific production situation (3) good and detailed environmental requirements included.	4 M=2 from Yr 2	
2	ICS: Progress in environmental aspects is: (0) not checked although problematic (1) not evaluated explicitly but there are no problems (2) evaluated during internal inspections or during normal extension visits; environmental performance is documented in farmer files (3) inspectors are well aware of environmental issues and good inspection.	4	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		8	4

3.5.2 Environmental Performance of Producers

The following control points assess the typical situation on the producer farms. If there are huge differences between different producers, please provide details. Medium family producer farms are expected to demonstrate better performance in environmental issues to be evaluated as fulfilling the norm adequately.

Principle 3.5.2 Producers strive to apply responsible water and energy management practices and to preserve natural ecosystems.

- a) Producers use water responsibly and minimise ground or surface water contamination.
- b) Producers are supported and trained not to waste energy and to use sustainable renewable energy where possible.
- c) Threatened and endangered species should be protected and natural ecosystems not destroyed.
- d) Waste is handled as responsibly as possible and composting and recycling is encouraged.

No	Control Points: Environmental Performance of Producers	MAX	SCORE
1	Water conservation practices: (0) apparent waste of water (2=M from year 3) adequate water use practices and rational use of water ; no apparent waste of water, e.g. through defective irrigation pipelines, ineffective use in processing, or other loss of water (3) very good water conservation practices compared to regional standards OR very low water usage (4) exceptional efforts.	2 M=2 from Yr 3	
2	Waste / sewage water management (processing waste water, domestic sewage water): (0) pollution of waterbodies by untreated wastewater (2) basic adequate waste water handling; no substantial risk to environment or people by sanitary facilities (3) good waste water management OR no negative impact at all on ground and surface water (4) exceptional efforts; minimisation of water use and very good water treatment.	4	
3	Programmes to minimise energy consumption and mitigate climate change: (0) no efforts although high consumption (2) no apparent waste of energy OR training programmes / activities to minimise overall energy consumption (3) very low overall consumption OR efficient use of electricity OR promotion of renewable sources of electricity (biogas, solar,	4	

	wind, water, etc.) (4) exceptional efforts to minimise energy consumption / use renewable energy sources.		
4	Protection of threatened or endangered species of flora and fauna and threatened habitats: (0) evidence that producers directly destroy such species and / or habitats (1) production has some negative impact (2) no evidence of substantial active negative impact on such species and / or habitats nor are such animals held in captivity (3) producers protect all near threatened, vulnerable, endangered or critically endangered species and threatened habitats within the farm.	4	
5	Destruction / clearing of primary or old growth secondary forest: (0) producers are commonly responsible for clearings or produce is grown on land that has been cleared in past 10 years (1) show some shortcomings (2=M) producers do not engage in such clearing or commonly operate on land that has been cleared in past 10 years. For clearing of secondary forest in the past, sufficient compensatory ecosystem conservation action may be accepted as compensation (3) minimal OR no land conversion, good conservation management of land use (4) exceptional efforts. <i>If M not fully met – practices must stop immediately and all producers trained accordingly. Farmers with infringements after training must be suspended.</i>	4 M=2	
6	Conversion or destruction of other valuable ecosystems, e.g. introduction of potentially invasive species; conversion of natural grass- or bushland or of other ecologically valuable areas: (0) producers are commonly responsible for such land conversions / destruction of ecologically valuable areas without any compensatory measures (1) show some shortcomings (2) producers do not engage in such conversion or destructions. In case of conversion of grass and bushland it may be accepted if producers take sufficient compensatory ecosystem conservation action (3) minimal OR no land conversion, good conservation management of land use (4) exceptional efforts.	4	
7	Destruction of or adverse impact on aquatic ecosystems (e.g. regulation of water courses, water bodies or wetlands; destruction of benthic ecosystems through intensive aquaculture or fisheries; introduction of potentially invasive species into water bodies, pollution of rivers): Producers commonly (0) are responsible for such adverse impact or destruction (1) some shortcomings (2=M from year 2) do not engage in such destructive practices OR have taken sufficient compensatory ecosystem conservation action; If M not met: the operator must provide a written declaration that they will stop such practices immediately and take compensation measures (3) minimal OR no impact on aquatic ecosystems; good conservation management (4) exceptional efforts.	4 M=2 from Yr 2	
8	Land clearing or conversion of land or aquatic ecosystems: (0) uncontrolled burning as means of land clearing (2) acceptable land clearing practices (3) exemplary efforts to minimise environmental impact OR no land clearing commonly practiced (4) good awareness creation on minimising and optimising land clearing.	4	
9	Genetically modified organisms (GMOs) are excluded (0) GMO crops very common for the certified crop (1=M from year 2) certified products are not genetically modified varieties (2) no GMO crops grown or used as animal fodder (3) GMO are excluded from the entire production system, including inputs (4) active education of producers in the region about the risks of GMO production.	4 M=1 from Yr 2	
10	Programmes for composting: (0) no efforts at all (2) adequate efforts (3) very good performance with regard to composting (4) exceptionally good performance.	4	
11	Programmes for recycling and waste reduction: (0) no efforts at all (2) adequate efforts (3) good performance with regard to recycling and reduction of waste production (4) exceptionally good performance.	4	
12	Waste disposal: (0) unacceptable waste disposal in local context, e.g. plastic all over the fields (2=M from year 3) communal waste disposal OR adequate waste disposal dumps on farms and / or controlled open air burning of waste with efforts to minimise negative impact on people and environment (3) very good / low emission waste management (4) exceptional waste management efforts.	4 M=2 from Yr 3	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		46	24
			SCORE

3.5.3 Environmental Performance of Processing Group

The following control points assess the environmental performance of the group operation's central processing or packing sites (unless so big that the processing is evaluated according to full hired labour standards, which include environmental criteria as well – chapter 2.4). Larger, more professional units are expected to demonstrate better performance in environmental issues in order to be evaluated as fulfilling the norm adequately.

Principle 3.5.3 During processing activities of the group, environmental criteria are respected.

No	Control Points: Environmental Performance Group Processing	MAX	SCORE
1	Water conservation practices: (0) apparent waste of water (1) some shortcomings (2) adequate water use practices and rational use of water; no apparent waste of water, e.g. through ineffective use in processing or other loss of water (3) good water conservation practices compared to regional standards OR very low overall use (4) exceptional efforts.	4	
2	Waste water management (processing waste water, domestic sewage): (0) pollution of waterbodies by untreated wastewater (1) some shortcomings (2=M) handling ensures that there is no substantial risk to environment or people e.g. by sanitary facilities, adequate treatment of processing waste water (3) good waste water management (4) exceptional efforts; minimisation of water use and high standard of water treatment.	4 M=2	
3	Minimising electricity consumption: (0) no efforts (1) normal practice with some aspects needing improvement (2) electricity is not wasted and reasonable efforts to minimise overall consumption (lights and machines are turned off after use, rational use of airconditioning, new machines / facilities are optimised with regard to energy efficiency) (3) efficient use of electricity OR very low overall consumption OR investment in alternative sources of electricity (solar, wind, water, etc.) (4) exceptional efforts to minimise electricity consumption and use of renewable energy sources.	4	
4	Minimising fuel consumption: (0) no efforts (1) most practices adequate but some shortcomings (2) adequate fuel saving practices (for new machines also fuel consumption considered in purchase decisions; minimising car / truck / tractor trips around operation, optimised operation schemes in factories, adequate temperature setting if heating / cooling required) (3) investment in energy efficient equipment, high efforts to minimise fuel consumption, increased use of biogas, biodiesel, solar, wind or water power) OR very low overall fuel consumption (4) exceptional efforts, e.g. low-energy buildings, advanced processing techniques.	4	
5	Renewable energy sources: (0) no awareness of sustainability of energy sourcing; only very problematic non-renewable or exploitative energy sources used (e.g. indiscriminately harvested wood from unmanaged forests, coal) (1) most energy used is from high / medium emission sources like oil and gas due to lack of alternatives and in spite of adequate awareness of the issues (2) adequate efforts to use some renewable (solar, water, wind, etc.) and / or sustainably harvested energy sources and more low carbon energy sources (e.g. natural gas instead of coal) (3) very good efforts and improvements to convert to renewable / carbon efficient energy sources (4) exceptional efforts OR all energy used is already sourced from renewable energy sources.	4	
6	<u>Additional Points for voluntary commitment:</u> Further efforts to mitigate climate change: Assess group operator's overall awareness and engagement to minimise climate change in its group operation and community with rating from (0) to (4). No norm requirement. E.g. targeted training and information on energy management and climate change, active in reduction of greenhouse gases (CO ₂ , NO ₂ , methane). <i>Relevant aspects for farm production are (additionally to other energy management efforts): reduction of CO₂, NO₂ and methane emissions by optimised livestock management, no burning of grassland / bushland, build up of organic soil fertility, appropriate composting methods, appropriate animal manure management (collection, storage, spreading) and efforts to reduce or avoid fertilisers that contain nitric acid or ammonium bicarbonate.</i>	(4)	
7	Protection of threatened or endangered species of flora and fauna and threatened habitats: Present operation (0) directly destroys such species and / or habitats (1) has some negative impact (2=M) no evidence that operation has substantial negative impact on such species and / or habitats (3) producers protect all near threatened, vulnerable, endangered or critically endangered species and threatened habitats within the farm.	4 M=2	
8	Conversion or destruction of land ecosystems by processing operation, e.g. clearings of primary or old-growth secondary forests; introduction of potentially invasive species;	4 M=2	

	conversion of natural grass- or bushland or of other ecologically valuable areas: Group operation (0) is responsible for such land conversions / destruction of ecologically valuable areas (1) some shortcomings or destruction in the past few years (2=M) does not engage in such conversion or destruction from date of certification onwards. Clearing of primary or secondary forest not acceptable up to 10 years before beginning of certification (3) no conversion / destruction plus some conservation awareness (4) minimises land conversion and practises management of land use according to acknowledged conservation standards. <i>If basically no land ecosystem inside or adjacent to operation → (n.a.)</i>		
9	Destruction of or adverse impact on aquatic ecosystems (e.g. regulation of water courses, water bodies or wetlands; destruction of benthic ecosystems through intensive aquaculture or fisheries; introduction of potentially invasive species into water bodies, pollution of rivers): Group operation (0) is responsible for such adverse impact or destruction (1) some shortcomings or destruction in the past few years (2=M) does not engage in such destructive practices or has taken sufficient compensatory ecosystem conservation action; If M not met: the operator must provide a written declaration that they will stop such practices immediately and take compensation measures (3) no conversion / destruction plus some conservation awareness (4) practises active management of aquatic ecosystem use according to internationally acknowledged ecosystem conservation standards. <i>If basically no aquatic ecosystem inside or adjacent to operation → (n.a.)</i>	4 M=2	
10	Land clearing or conversion of land (0) uncontrolled burning as means of land clearing (2) acceptable land clearing practises, burning only with justification of ecological benefits (3) exemplary efforts to minimise environmental impact OR no land clearing practises (4) good awareness of minimising land clearing.	4	
11	No hunting, production and trafficking of animal or plants originating from protected or threatened species (as per CITES, IUCN and red list designations) or products that are derived from them: (0) animal / plant parts originating from protected species or products that are derived from such animals / plants are produced and / or traded (2=M) no such activities by group operator. If practiced by producers only permitted if production is for subsistence use. Plan for improvement is necessary, see guidance in Module 2 Hired Labour (3) in addition, awareness creation is supported by the company (4) company actively supports animal rights and plant protection and has programmes to stop illegal production and trafficking of protected animal / plant parts or products based on these.	4 M=2	
12	Composting, recycling and waste reduction: (0) no efforts at all (2) adequate efforts (3) very good performance with regard to recycling, composting and reduction of waste production.	4	
13	Waste disposal: (0) no structured waste disposal in place (1) open waste disposal dumps and / or open air burning of waste (2) municipal waste disposal OR optimised waste disposal by means of burial of waste OR proper incineration that minimises impact on the environment and on human health. Open burning only of compostable materials without harmful emissions (e.g. no plastic) (3) advanced / low emission waste disposal (4) exceptional waste disposal management.	4	
TOTAL		MAX	TNP
	Maximum Points / Total Norm Points / Effective Points	52	24

3.6 FAIR FOR LIFE FAIRTRADE CRITERIA

This section of the standard only applies to Fair for Life Social & FairTrade producer group operations and all processing under the group operator's ownership. It covers the group operator's relationship to registered producers and all FairTrade Price setting and buying from the registered producers as well as the administration and management of the Fair for Life FairTrade Development Premium.

It does not apply to producer groups who apply for "For Life - Social Responsibility" certification and it does not apply to Fair for Life companies who buy in or manufacture Fair for Life certified products. For such trading companies further up the supply chain, the criteria for Fair for Life handlers outlined in Module 6 of this programme apply.

If the FairTrade producer also buys products from other FairTrade certified producer companies, it acts as a FairTrade buyer as well and must therefore fulfil the same basic requirements as applicable to other FairTrade handlers (see Module 4).

FairTrade Focus

"FairTrade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers (or workers) who have been economically disadvantaged or marginalised by the conventional trading system" (WFTO Fairtrade Principle 1).

Fair for Life strives to improve the livelihood and wellbeing of marginalised social groups, most of all smallholder producers. However, workers are often another very important target group for FairTrade, in particular temporary workers whose workforce is often exploited and who do not have appropriate bargaining power.

Since the Fair for Life FairTrade focus strongly depends on the specific local situation and project setting, an overall FairTrade Policy analyses the socio-economic situation, marginalisation and needs of producers, their workers (if any) and workers in the groups' processing operation(s) in order to come up with a suitable FairTrade focus for the Fair for Life group operation.

In the case of organised producer groups Fair for Life aims at:

- Empowerment of and better trading conditions for producers and their marketing organisation.
- Support for sustainable development projects in the local communities.
- Depending on the producers' socio-economic situation, seasonal workers on the producers' farms may be an additional FairTrade focus, as may be workers in the groups processing operation.

In the case of contract smallholder producer group operations, Fair for Life aims at:

- Empowerment of the producers and a fair relation between the group operator / buyer and the individual farmer.
- Better income, income security and overall benefits from production for the group's producers with related improvements in the livelihoods of the farmers, their families and communities.
- Depending on the producers' socio-economic situation, temporary workers on the producers' farms may be an additional FairTrade beneficiary.
- Depending on the socio-economic situation of the producers versus workers, the workers in the group's processing operation may also be an important FairTrade focus group, especially in case of groups of medium sized farm groups.

For groups of medium size producers who depend on some hired labour in their family farming operation, the focus for Fair for Life is always on workers on producer farms and in the group's processing unit. Depending on the analysis of the overall socio-economic setting, additional focus may be on empowerment of the producers' cooperative or on social projects in the wider community.

Applicants should be aware that the benefits of FairTrade have to reach the producers, workers and the communities and that any FairTrade Development Premium has to be administered separately and used for dedicated development projects only. It may never be used for complying with legal labour requirements or for business investment.

In order to become a meaningful FairTrade chain, contacts with buyers interested in FairTrade should be in place at an early stage, because this helps setting up a full FairTrade trade chain with appropriate FairTrade Development Premiums being paid into the Fair for Life Premium Fund to allow meaningful social development projects.

Eligibility Criteria for Fair for Life Social & FairTrade Certification

There are no pre-requirements or applicable eligibility criteria for organised groups or contract production operations buying mainly from marginalised smallholder producers in developing and emerging countries.

The following eligibility criteria for Fair for Life Social & FairTrade certification apply to

- Groups or contract production projects with a majority of producers who no longer structurally depend on family labour only, i.e. for groups of farms who cannot be considered smallholders.
- Groups with mixed size producers if less than 50% of volume is bought from smallholder producers and
- For all producer groups in high or upper middle income countries, see Module 1, Annex 1.

No	Eligibility Criteria for Fair for Life Groups with Applicable Eligibility Pre-Requirements
1	<p>The applicant presents a basic FairTrade justification analysis with the following elements</p> <ul style="list-style-type: none"> • Brief socio-economic analysis of status and position of the producers and of their workers in the local community (all types of workers). Brief description of social-economic situation and concerns in the region • Brief socio-economic situation of workers in processing unit and / or other intended beneficiaries of FairTrade • Expected focus and impact of FairTrade on producers, workers, their families and the local communities • History and commitment of the company to social and community development • Potential marketing links to buyers interested in buying FairTrade products and paying a FairTrade Development Premium, if any <p>The company must be able to justify the benefits of FairTrade for marginalised social groups beyond providing fair working conditions or better prices.</p>
2	<p>The applicant confirms his commitment to continuously improve the working and employment conditions in his operation and to support the empowerment of workers.</p>

Based on the above presented criteria, the certification body assesses the Fair for Life application and informs the applicant accordingly. Group operations that are not eligible for Fair for Life FairTrade certification are encouraged to apply for For Life – Social Responsibility certification instead.

3.6.1 FairTrade Policy and Producer Empowerment

Principle 3.6.1 The group operation has a defined FairTrade Policy with identified beneficiaries of FairTrade, based on a socio-economic analysis of potential target groups and adequate procedures to implement responsible administration of FairTrade Development Premiums.

- a) The group operator's FairTrade Policy defines the intended beneficiaries of FairTrade, with a short social analysis of several different potential target groups.

In a producer group, the benefits of FairTrade shall reach the producers, their families and communities as main target groups and shall strengthen the group's overall marketing capacities.

In contract production, the beneficiaries shall be the producers, their workers, or workers in the central processing unit(s). In some cases, different target groups in the local community may be the FairTrade beneficiaries; this must be clearly stated and justified in the FairTrade Policy.

In the case of production chains with farm producers as well as substantial processing under the ownership of the group operator, the FairTrade Policy defines the main beneficiaries and FairTrade target groups, depending on social impact and needs assessment.

Any Fair for Life certified producer operation must undergo full Fair for Life producer certification. The group operator's central processing unit is considered the same operation and the FairTrade certification concept is applied to the entire operation – however it depends on the FairTrade analysis of needs as to which groups are to be the focus for FairTrade Premium benefits. E.g. in some groups, only the smallscale marginalised producers will be targeted FairTrade beneficiaries, while in other settings both the producers and the workers in the central unit and warehouse are FairTrade target beneficiaries.

If the Fair for Life product is processed further in a processing unit at another location (e.g. a refining factory) and if this unit is owned by the same group operation, the unit is considered part of the producer group operation's Fair for Life certification and must normally undergo For Life Social Responsibility certification or equivalent. For details and guidance on certification requirements for product processing by the certified Fair for Life operation before the product is sold to FairTrade buyers see Module 1, Chapter 1.1.2 (a).

- b) The FairTrade Policy or related documents describe the FairTrade Development Premium decision processes and envisaged Premium use (scope of possible projects).
- c) In contract production projects the contracting company permits and supports producers to become a functional producer group selling to the company – if this is the producers' wish.

No	Control Points: FairTrade Policy and Producer Empowerment	MAX	SCORE
1	The group operation's FairTrade Policy (see details above) or related documents provide adequate analysis of the socio-economic situation of different potential target groups of FairTrade and define meaningful FairTrade beneficiaries: (0) no analysis, some relevant marginalised target groups, e.g. workers not included in present FairTrade focus at all (1) some information available, but not complete or acceptable for respective project setting (2=M) adequate analysis and overall FairTrade focus for respective group operation setting (3) well developed FairTrade analysis and well developed policy.	3 M=2	
2	The group operator presents adequately detailed procedures for responsible administration of FairTrade Development Premiums including decision process on Premium use and envisaged scope for the use of the FairTrade Development Premium: (0) no procedures or clear ideas (1) some procedures planned but not yet written down OR needing refinement (2=M) adequate written procedures (3) exceptionally well developed and meaningful procedures in place.	3 M=2	
3	The group operator presents progress in empowerment and capacity building of producers (0) very poor level of empowerment, low capacity (2) adequate activities to slowly promote empowerment and increase producers responsibility and capacities (3) very good programmes and support for participatory decision processes, group organisation and training in good production practices.	3	
4	Contracted Production: If wished so by the farmers, the farmers group (0) may not (1) may to some extent (2) is permitted (3) is supported to gradually take over more and more responsibilities of an independent smallholder organisation company.	3	
5	Annual products: Farmers are implicitly or explicitly required to grow the certified cash crop each year: (0) strong requirements, farmers immediately dropped if not growing the crop; no alternative crops (1) requirement exists; but growers not immediately dropped (2) no such requirements OR producer has a choice of products to grow to remain in the group. Limited restrictions may be acceptable, e.g. that the target crop must be grown e.g. for 2 years out of 3 to remain in the group.	2	
6	<u>Additional Points for voluntary commitment:</u> (0-3) There are programmes for workers or producers to obtain ownership shares of the group operator company at preferential conditions – Rate activities from (0) to (3) and provide comments. No norm requirement.	(3)	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		17	10

3.6.2 FairTrade Pricing

Principle 3.6.2 There shall be a system of fair sharing of profits in the producer's organisation or contracted production project. Prices paid cover at the very least the cost of production and shall result in producers earning a fair income from their production.

Overview:

FairTrade shall ensure that producers and workers receive fair prices for their products / services and thus can meet all basic needs of their families and have some discretionary income. Producers can invest in their families' or in their workers' welfare and contribute to the wellbeing of their communities.

In the Fair for Life system, sales prices are discussed and mutually agreed between the Fair for Life group operator and its primary FairTrade buyers, based on open and transparent negotiations.

In order to ensure that even in times of very low market prices producers recover their costs, a Floor Price is agreed that ensures that producers can always cover all costs of production, including their own work. The Floor Price is a safety net only, not the targeted FairTrade Sales Price.

On top of the FairTrade Sales Price, a FairTrade Development Premium is agreed and paid.

FairTrade Sales Price	Agreed sales prices slightly above market price to cover compliance costs. In case of low market prices at least equivalent to the agreed FairTrade Floor Price.
FairTrade Floor Price	a) FairTrade Sales Floor Price: Minimum price the FairTrade buyer pays to the group operator for FairTrade products; as safety net for producers who in turn receive a Farmgate Floor Price in case of low prices. b) FairTrade Farmgate Floor Price: Minimum price to be paid by the group operator to individual producers. Compulsory for contract production situations. Costs of production (including income for farmer family's work) are covered.
FairTrade Development Premium	A fixed FairTrade Development Premium is paid by the buyer on top of the FairTrade Sales Price to allow for social and other development in the producer operation's community. The Premium is administered separate from sales income and used for agreed purposes.

- a) The group operator and its FairTrade buyers agree on a Fair for Life Sales Floor Price which is the minimum price to be paid for all FairTrade sales of the Fair for Life group operation.

The Sales Floor Price is a safety net that shall ensure that even in times of very low market prices the Fair for Life FairTrade Price paid always covers the producers' cost of production (including farmers' working time). It is expected that the same Floor Price applies to all FairTrade buyers of the group operator; The Fair for Life Floor Price is determined in an openly discussed, negotiated and justified approach and normally remains valid for a period of 2 years or until reviewed and re-negotiated. The price calculation is documented.

The Sales Floor Price shall most of all ensure that smallholder producers are paid a fair price that, at all times, at the very least covers their production costs and that the organisation's overhead costs for transport, processing, packaging and organisational costs are covered. If the costs of certification are paid by the organisation, these are accounted for as well. Therefore group operations shall set a Farmgate Floor Price, i.e. a safety price that is applied for purchases from producers in low market price situations to ensure that at the very least producers always cover their costs of production. This is recommended for all types of group operations, but only compulsory for contract production projects.

Guidance on calculation of the Sales Floor Price and Farmgate Floor Price is given in Annex 1 to this module.

- b) Producers are paid a fair price that shall be at least slightly above local market rates for non-FairTrade products of similar quality to account for the higher quality and compliance expectations (quality premium). In case of low market prices, the farmgate price never drops below the agreed Farmgate Floor Price.

In times of very high prices well above the Floor Price, farmgate prices at local market level may be acceptable with justification of costs of production and compliance efforts.

- c) The FairTrade group operator and its primary FairTrade buyer(s) agree on a FairTrade Sales Price by negotiation. The agreed Fair for Life Sales Price may not be lower than the agreed Fair for Life Sales Floor Price.

It is expected that Fair for Life FairTrade Prices will normally exceed market prices for the respective commodity (world market prices, if defined) and the respective product quality (e.g. organic and respective quality grade). This will enable the costs for compliance with the requirements of this standard to be covered.

For smallholder producer companies, prices at least 5% higher than normal market prices (for respective quality) are recommended. In very low market price situations the Fair for Life Floor Price may be substantially higher than current market prices. If market prices are high it is acceptable for the FairTrade Price to be at market price level, provided that overall compliance costs, efforts and support of the supplier and additional benefits are considered and the price can be justified.

- d) Additionally a Fair for Life FairTrade Development Premium is agreed and paid on top of the FairTrade Sales Price. Calculation of the FairTrade Development Premium must be documented. The FairTrade development Premium shall be stated separately in each sales contract and is channelled by the group operator into its FairTrade Premium Fund (see chapter 3.6.3).

The FairTrade Development Premium is normally calculated as a set premium price for at least a year, or even two year period, and calculation must be documented. It is expected that the FairTrade producer charges all Fair for Life and other FairTrade buyers the same FairTrade Development Premium. The Premium shall not be discounted.

The FairTrade Development Premium for smallholder producer companies is recommended to be 10% of average farmgate prices and shall not be lower than 5% of average farmgate prices; other guidance on setting the FairTrade Development Premium is given in Annex 1 to this module.

As an exception, it may be permitted that an experienced traditional FairTrade organisation with a wide range of social activities rather than specific FairTrade Premium Fund activity, charges an overall "FairTrade-Quality-Including-Premium-Sales-Price" without a specified Premium to their FairTrade buyers. In this case the company must provide its buyers with an overview of its total income and overall costs and give detailed account of all social and development projects funded with the FairTrade Quality Price. Buyers must be informed that the certification body can only verify the accuracy of the report provided but cannot follow up any specified FairTrade Premium in detail. The exception is applied to companies who have been active FairTrade Organisations for at least 5 years and are entirely dedicated to FairTrade (e.g. confirmed by membership in WFTO). The exception must be confirmed by the certification body in writing.

No	Control Points: FairTrade Pricing	MAX	SCORE
1	In trade contracts and price negotiations the group operator gives its trade partners (0) clearly wrong information (1) slightly inaccurate / not clear information (2) correct information (e.g. on producer prices or other compliance costs) if requested by trade partner (3) detailed and correct information about operation.	3	
2	The group operator negotiates a FairTrade Sales Price with its buyers: (0) exaggerated price differentials; not at all related to FairTrade compliance costs (2) adequate FairTrade Price negotiated in reasonably open negotiations.	2	
3	Costs of production are known as basis for price negotiations; these costs include producer prices and all incurring costs from collection to sales: (0) no overview of production costs (2) adequate basic overview of production costs including farmgate prices, collection and transport costs, costs for extension and ICS, processing costs, group operator costs and other specific costs for Fair for Life compliance (3) very good cost analysis.	3	
4	Prices for farmers are based on a clear system: (0) pricing not transparent at all; prices vary between farmers; not based on an objective quality (2) transparent pricing system; same prices for same quality; clear pricing rules or set prices (3) good market price information for farmers; open communication on costs and overheads OR producers own the group operation company (4) exceptionally open communications OR farmers have high effective control over the group's finances and the price paid.	4	
5	The group operation presents a basic calculation for a fair Farmgate Floor Price (0) for contract production projects: no Farmgate Floor Price is defined (1=M from year 2) for contract production: rough estimation of a Farmgate Floor Price is offered. For producer groups: no Farmgate Floor Price, but Sales Floor Price is defined (2) adequate basic estimation of a Farmgate Floor Price according to IMO guidelines (3) good analysis of fair farmgate prices (4) very good overview of basic needs of farmers' and production costs under fair conditions.	4	M=1 from Yr 2
6	Farmers receive fair farmgate prices: Farmgate prices are higher than local prices for conventional products (0) no higher prices OR below Farmgate Floor Price (1) slightly higher prices (2=M contract production CP) at least 5% higher prices for non-organic, 10% higher prices for organic produce; never lower than Farmgate Floor Price. <i>If prices not higher than local level: detailed justification is required; acceptable mainly in times of high market prices</i> (3) clearly more than 5% / 10% higher prices plus FairTrade Premium money or Premium projects (4) exceptionally high prices or additional benefits for farmers. <i>First certification → (2) if such prices are planned.</i>	4	M=2 (CP)

7	Group or contracting company's overhead costs for collection, processing, marketing and profit: (0) not transparent at all; totally out of scale compared to similar organisations / companies (2=M) roughly known and seem justifiable / at least within normal range; no exceptionally high management costs compared to local typical situation (3) well known and presented to clients upon request; relatively low overheads / proven efforts to keep overheads small in favour of higher producer prices (and fair workers wages, if applicable) (4) exceptionally low overheads for management / exceptionally high percentage of sales price used for raw products, workers or other social projects.	4 M=2	
8	If the FairTrade Sales Price paid is considerably higher (> approximately 10%) than normal market prices for respective quality (not including the separate additional FairTrade Development Premium), the group operator prepares: (0) no summary (1) some very basic written information (2=M) accurate brief overview summary detailing what this higher price is used for (or details of its costs structure) and sends this summary to clients every year on request (3) to (4) very good / exceptional overview.	3 M=2	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		27	16

3.6.3 FairTrade Premium Administration and Use

Principle 3.6.3 The FairTrade Development Premium is intended to finance sustainable social community projects and must be administered responsibly. Decisions on Premium use are taken according to defined democratic procedures which always include the identified FairTrade beneficiaries.

- a) FairTrade Premium Fund money is generally intended to finance sustainable social community projects or as added income to marginalised low income farmers.

Primarily the FairTrade Development Premium is intended for sustainable social and environmental community projects as decided by the Premium Funds Committee. Alternatively, in the case of marginalised smallholder producers with very low income or very scattered producers where community projects are not very meaningful, the Premium may be distributed as additional Premium payment to producers; often this is paid at the end of the year, once it is clear how much Premium has been received.

Organised smallholder producer groups may also invest the Premium money into necessary business investment such as joint warehouse or livestock purchasing programmes, organic fertiliser production facilities, etc. However, the money is clearly not intended for maintaining normal business operations (paying market prices to farmers, paying ICS staff, paying workers the legal minimum wage, etc.).

Contract production projects are not permitted to use the Premium for business investments (such as e.g. a new packing station), unless the investment is then owned by the farmers as a group, nor can it be used for meeting regular legal minimum requirements (local labour legislation). If any substantial assets are purchased with Premium money, a FairTrade Funds legal entity must be established as owner of such assets.

- b) The Fair for Life Development Premium must be specified in all invoices and sales contracts. Once received, the Premium money is administered separately and can be followed up by the control body. While organised producer organisations may keep internal accounts of the Premium, in the case of contract production operations, the Premium shall be administered in a separate bank account, with appropriate signatory rights.

Appropriate signatory rights for contract production projects are normally joint signatures by contracting company and a producer representative. Other appropriate settings may be used as long as they are both practical and prevent misuse, e.g. two members of the cooperative board.

If only the group operator director holds signatory rights or if for specific reasons a separate bank account is not possible, a written confirmation signed by the executive management is required affirming that the contract group operator acknowledges that the money in the Premium Fund is not the operator's property.

- c) FairTrade Development Premium Fund decisions are taken by a designated Premium decision body, which can be the assembly of producers or a mixed Fair for Life Premium Fund Committee, according to defined procedures.

A mixed Premium Fund Committee must always include producer and worker representatives (if workers are identified as FairTrade beneficiaries) and may include group operator's management, external experts or buyer representatives. The intended FairTrade beneficiaries shall, at least after the initial phase, hold the majority of votes in the Committee.

When Premium use decisions are made by the producer assembly but there are also workers e.g. in central processing unit, who are intended beneficiaries, it should be considered how their interests can be represented in

the process; e.g. by allocating some part of the Premium to be decided by workers assembly, or by a mixed Premium Committee.

Producer and worker representatives shall be elected in a democratic process. Adequate gender representation and fair representation of different interest groups are very important.

- d) The Premium money is only used for projects decided by the designated Premium decision body. The decision any expenditure and use is well documented.

No	Control Points: FairTrade Premium Administration and Use	MAX	SCORE	
1	FairTrade Development Premium Fund financial administration: (0) Premium amounts not specified in contracts / invoices and not documented (1=M organised producer groups PG) Premium amount can be traced and is known but not in a separate account (2=M contract production CP) Premium specified in contracts or invoices and administered in a separate bank account for the Fair for Life Premium (or alternative confirmation by company, see guidance above). Signatory rights are documented and appropriate (3) Funds organisation is separate legal entity.	3 M=1 PG M=2 CP		
2	Functioning FairTrade Premium decision body: (0) no decision body although Premium expected very soon / already received (1) some idea about decision body, not formally set up (2=M) functional Premium decision body (assembly of intended beneficiaries OR a Premium Funds Committee) with documented members and procedures. If M not met at first inspection → Rate according to present situation, set condition that the company has to set up Committee and inform IMO before any Premium money is used (3) active Funds Committee OR producer assembly as decision body.	3 M=2		
3	Balance in FairTrade Development Premium decision body: (0) no producer representation or indications that Committee member selection is misused to dictate Premium decisions (1) mixed Premium Committee with producers and other intended beneficiaries in minority (2=M from year 3) assembly of intended beneficiaries (e.g. producers and factory workers) or balanced Funds Committee in which representatives of the intended beneficiaries are in the majority (3) very balanced and well established Premium decisions.	3 M=2 from Yr 3		
4	Decisions on Premium use as well as any money spent for the agreed activities are well documented: (0) no documentation (1) some basic documentation (2=M) decision and use are documented. <i>If no Premium yet received, assess procedures and capacity of future implementation.</i>	2 M=2		
5	The Premium Fund decision body writes (0) no report (1) a summary or overview about some activities, but incomplete (2=M from year 2) an annual report with total Premium received, Premium use decisions, all activities financed by Fund money (with detailed budget) (3) a very good report.	4 M=2 from Yr 2		
6	The records of expenses paid from the Fund correspond (0) not at all (1) with minor shortcomings (2=M) satisfactorily to the amount spent as per bookkeeping and the activities reported in the annual Fund report (3) exactly. Very good records, easy to trace.	3 M=2		
7	The effective use of the FairTrade Development Premium Fund money is (0) not for the projects as agreed by Premium Fund decision body OR unacceptable projects (1) mostly for adequate projects, other use justifiable (2=M) only for agreed projects and justified related expenses (3) or (4) very good / exceptional projects / activities.	4 M=2		
8	The Premium Funds use was (0) clearly not in line with Fair for Life requirements, used to meet statutory requirements or business investment (1) partly in line with Fair for Life requirements (2=M) overall in line with Fair for Life requirements and guidance. In borderline cases, Fair for Life was consulted before money was used (3) invested in very good projects. <i>If no Premium yet received → (n. a.)</i>	3 M=2		
9	Social and environmental impact of FairTrade Premium use: (0) no particular social impact although Premium received (2) ok social or environmental impact, but rather small amount of Premium (3) good social impact (4) very good social impact with ongoing projects in local community.	4		
TOTAL		MAX	TNP	SCORE
Maximum Points / Total Norm Points / Effective Points		29	18	

3.6.4 Accountable Trade Relation to Buyers

Principle 3.6.4 FairTrade producer companies and their FairTrade purchasers seek to establish a long term and stable relationship in which the rights and interests of both trading partners are mutually respected. FairTrade producer companies are accountable trade partners and work on continuous quality assurance.

- a) The group operation company acts as accountable and responsible trade partner, entertaining good and open communication with its FairTrade buyer(s).
- b) Smallholder producer groups can request pre-finance of up to 50% of the contract value in order to finance the buying operations from member producers and agree on terms and use of the prepayment with their buyers.

The FairTrade buyer or any external pre-finance initiated by the buyer is permitted to charge interest for the pre-finance provided according to interest rates applicable to him / her.

Pre-finance is intended to ensure timely payment to producer when the product is collected. Different uses of pre-finance have to be explicitly agreed with the primary buyer.

No	Control Points: Accountable Trade Relation to Buyers	MAX	SCORE
1	The company acts as responsible long term trade partner: (0) company often drops / changes FairTrade buyers without warning or open communication (2) efforts to maintain long term trade relation with committed FairTrade buyers, open communication if the trade relation might be threatened by higher demand etc. (3) very good and close cooperation with long term FairTrade buyers.	3	
2	The group operation has (0) not fulfilled its trade agreements at all (1) several delivery or quality problems (2) fulfilled the agreements with FairTrade buyers or, if not, has found a mutually agreed solution with its clients. <i>If no sales / first certification → (n.a.).</i>	2	
3	The group operation keeps good regular communication with its FairTrade buyers and specifically also coordinates with them on any need for adaptation of trade terms, e.g. delivery times in order to fulfil its responsibility of providing fair working conditions: (0) no reliable communication links (2) adequate regular communication as needed (3) very close relations and regular exchange, also concerning any problems and challenges.	3	
4	The group operation provides its customers with truthful information about its organisation and products and in which conditions they are made. Truthful information is given on prices and services to producers as well as working conditions during buyer visits or upon request: (0) wrong / misleading information given (2) truthful information given if requested (3) open and proactive communication with FairTrade buyers to address and solve identified deficiencies and problems, or any other areas of concern.	3	
5	The group operation provides its FairTrade trade partners with an annual Premium Fund summary report: (0) no overview or informal information on Premium use provided (2) basic annual summary of FairTrade Fund activities: overviews provided on the decision process, the use of the Premium from the respective buyer, and also on other Social & FairTrade related activities, brief work plan for coming year (3) detailed and good information of activities provided.	3	
6	The group operation uses honest marketing and advertising techniques and does not provide misleading information about its activities and achievements with regard to Social Responsibility and FairTrade (0) misleading information; wrong claims made (2) adequate (3) very good efforts to provide education of the public and raise awareness of FairTrade.	3	
7	The group operation aims to achieve high standards of product quality and to fulfil all key requirements of the market: (0) no efforts (1) some improvements (2) continuous, good efforts (3) serious efforts (4) exceptional efforts.	4	
8	If there were / are substantial quality problems and quality claims: (0) no steps were taken towards improvement of situation (1) some compromises found with trade partner, some disagreements remaining (2) partners agreed on resulting consequences (e.g. return of produce) and took steps to improve the situation (3) exceptional efforts to immediately improve situation.	3	
9	Prepayments: If any prepayment has been received: (0) use cannot be justified, farmers have been paid late in spite of prepayment (1) justified use, even if not directly for farmers' payment (2=M from year 2) used to pay farmers in time or any other measure agreed with trade partner.	2 M=2 from Yr 2	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		26	18

ANNEX 1: GUIDANCE FOR FAIRTRADE PRICING

Note: This Annex is a new document and may need to be revised earlier than the next regular Fair for Life Programme Revision.

FairTrade Sales Floor Price

The FairTrade Sales Floor Price ensures that producers always, at the very least, receive a price that covers their cost of production and that the group operation's costs for central services, collection, processing and export are covered.

The group operation has three basic options for how to calculate its Sales Floor Price:

1. *Calculation of the Sale Floor Price based on a Farmgate Floor Price according to the guidance outlined below.*
2. *Use of established sustainable cost of production calculations, if available.*
3. *Use of long term average market prices plus 2% compliance costs as Floor Price. However, contract production operations must still always calculate a Farmgate Floor Price.*

The calculated FairTrade Sales Floor Price (option 1) consists of

- *The Farmgate Floor Price – normally producers' cost of production including their family labour and investments*
- *Plus all added costs of the group operation for collection, processing, storage, export as well as other group operator costs (producer support, ICS, Quality assurance, certification, office etc.)*

The following section provides basic guidance for calculation of the Farmgate Floor Price as basis for the calculated FairTrade Sales Floor Price.

FairTrade Farmgate Floor Price

Two approaches for arriving at a Farmgate Floor Price are accepted:

- a) Producers' costs of production, including their labour and investment
- b) Calculation based on living wage for the farmer family

Option a) Producer Costs of Production

Producers' typical costs of production are calculated, based on collection of data from at least 4 different producers. The following aspects should be discussed with the respective sample producers in a group:

- *Size of a representative farm*
- *Crop life cycle if applicable as costs of production must be reported over a longer production cycle*
- *Costs of production related to field operations and harvest / post harvest activities*
- *Yields*

The cost for labour, inputs and capital / investment are collected and calculated into data per kg of product in question based on average production figures

- *Costs of Labour: family labour, regular hired labour, seasonal / casual labour.*
- *Inputs: use actual costs*
- *Capital and investment: machinery, land costs should be included, e.g. at bank interest rate (land value times typical saving interest rate) or rent equivalent*

The calculation considers all production steps under responsibility of the producer:

- *Establishment (initial investment): e.g. land preparation, planting of trees, production expenses – this cost shall be taken pro rata over typical lifecycle of the crop.*
- *Field operations: labour, irrigation water, fertilisers, other farm inputs, seeds, fuel, machinery, costs of land.*
- *Harvest and post harvest: harvesting but also sorting, grading, etc. if machinery – fuel and investments*

A simple basic calculation sheet will be provided.

Ideally the resulting costs of production are cross-checked with living wage estimations to ensure that the resulting Farmgate Floor Price covers at least the basic needs of the producers.

Option b): Calculation Based on Fair Wages

The group operation calculates the Farmgate Floor Price based on the assumption that overall the producer family shall earn a living wage, i.e. shall be able to cover all basic needs like food, housing, clothes and education and is able to have some discretionary income.

At the very least the minimum wage or typical local rates (if higher) shall be used as the basis for the calculation. It is recommended that the group operations also cross checks these wage levels with living wage estimations or collects basic data on living wage level to cover basic needs plus discretionary income.

In this calculation it is common to start with the target income for an average producer family and then to account for the percentage of income derived from agriculture and specifically from the crop in question. Additional farm production costs such as inputs and seasonal labour shall be added. Then this target family income plus costs is divided by average good yields to arrive at a minimum fair price per kilo.

Pricing expectations in case the Sales Floor Price is applied in low market times

If producer operations are paid the Sales Floor Price in times of low market prices, they must demonstrate that higher income from the Floor Price effectively reaches the producers. As part of their price setting calculations they should estimate their FairTrade sales volumes and apply the Farmgate Floor Price accordingly.

Contract production groups shall always ensure a Farmgate Floor Price. However in exceptional situations, eg if only a small percent of production could be sold at Floor Price level and the contracting operation is too small to buffer the difference, then the contract production operation might be unable to pay the full Farmgate Floor Price. In these circumstances the same basic principle is applied for assessment whether or not the farmers have received all possible benefits from the FairTrade sales.

Assessment of fair farmgate prices if the Sales Floor Price is applied (if market levels are lower than the Sales Floor Price)

If 100% of sales are according to the agreed Sales Floor Price, it is expected that all producers will have received at least the Farmgate Floor Price.

If only a part of the production could be sold at Sales Floor Price level, it is expected that at the very least the producers benefit from the additional income from the FairTrade sales at Floor Price level.

Sample Calculation: Example: if only 50% of production was sold at Sales Floor Price level during times of low market price

- *50% of sales were FairTrade sales with agreed FairTrade Sales Floor Price of 1\$, 50% were sold at market rate of 0.8\$*
- *Sales Floor Price is 1\$ based on Farmgate Floor Price of 0.6\$ (60%) and 0.4\$ group operator costs (40%)*
- *Then it is expected that producers have received at the very least the respective part of the Farmgate Floor Price. Average sales price was 0.9\$ minus 40% group operator costs (0.36\$) = 0.54\$ minimum farmgate price.*

FairTrade Development Premium

FairTrade Premiums are either calculated or an operation may chose to apply established fair trade premiums if available.

The FairTrade Development Premium for smallholder producer companies is recommended to be 10% of average farm gate prices and shall not be lower than 5% of average farm gate prices, or premiums defined by standards as acknowledged as equivalent by Fair for Life.

Sample Calculation of FairTrade Premium:

Farmgate price averaged over 2 years x 10% Premium = FairTrade Premium per kg final product

Example: 1\$ / kg primary processed x 10% = 0.1\$ / kg

When farmgate prices are very much above 3 year average prices and costs of fair production, the group may set a theoretical maximum farmgate price as basis for Premium calculation.

Example: A group has a set percentage (10% of farmgate prices, prices fluctuate and the Premium is recalculated periodically), average market prices are 2\$ / kg, costs of production 1.5\$, present farmgate prices are 3.5\$ / kg this season and fluctuating → the company may decide to apply a percentage Premium (10%) only up to a maximum farmgate price of 2.5 \$, i.e. maximum 25 ct / kg

It is however recommended to set a fixed Premium amount, based on percentage of market prices averaged over the last 1-3 years.

If the group also operates a hired labour processing unit and the workers have been identified as additional FairTrade beneficiaries, the Premium guidance rules for hired labour apply: 5- 10% of non-management labour costs , depending on the potential social impact of the FairTrade Premium and the overall FairTrade focus of group plus processing.

Annual non-management labour costs: The total amount of wages of workers up to and including supervisory grade charged to the profit and loss account of the company. – this includes overtimes wages

Calculation of 10% Premium: annual labour costs / annual production in kg x 10%

Example: 70'000\$ labour costs, annual production 80 tons → Premium is 70.000 / 80.000 x 0.10 = 0.057 \$ / kg

Fair for Life Programme. Version 2011 by Bio-Foundation. Main Author: F. Meinshausen.

Approved by the Fair for Life Standard Committee. Weinfelden, January 2011.