



FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL

FAIRTRADE STANDARDS

FOR

Timber

FOR

Forest Enterprises

sourcing from small-scale / community-based producers

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Contact for comments:

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For further information and standards downloads:

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SECTION A: Introduction and Definition of Terms

The purpose of this Fairtrade Standard for Timber is to define additional Fairtrade requirements for:

- a) Forest Enterprises who already hold a valid Forest Stewardship Council (FSC) combined FM/CoC (Forest Management / Chain of Custody) certificate that are themselves or source their timber from Small-scale or Community-based producers.
- b) Traders in the supply chain that subsequently handle the Fairtrade products who must also already have a valid FSC CoC (Chain of Custody) certificate.

The focus of the FSC is to ensure the sustainability of the forest/plantation resources; the focus of Fairtrade is to add to social-economic development. Therefore, the Fairtrade standard adds an extra dimension to responsible forest management as defined by the FSC standard and fair trading practises at supply chain level.

This standard applies to Forest Enterprises producing a broad range of forestry products based on wood such as, logs, planks of timber, machined components, decking blanks, plywood, furniture, charcoal and other wood products transformed by the Forest Enterprises locally or along the supply chain.

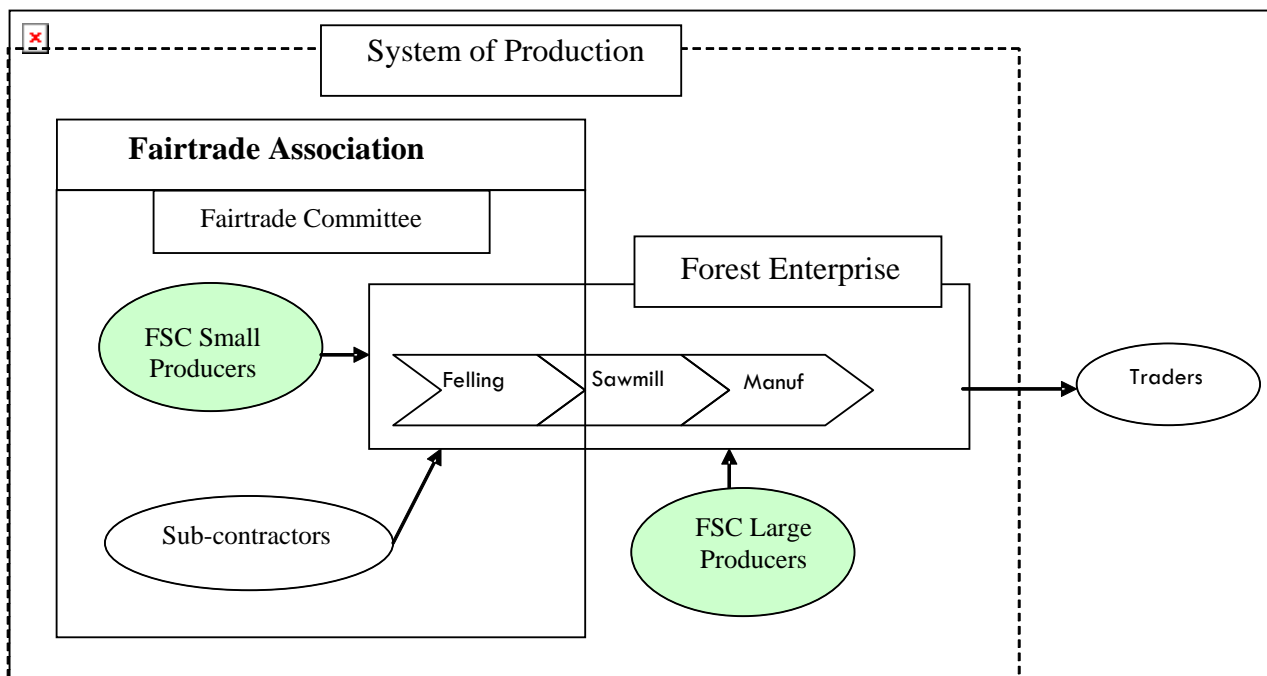
This standard can also in theory be applied to Forest Enterprises producing Non-Timber Forest Products (NTFPs), such as nuts or resins, harvested from the same FSC certified forest or plantation resource. However during the initial testing phase the scope of the standard will be restricted to products made from wood.

Definitions

The following key definitions are binding guidelines for this standard

Organizational Terms

Relationship between the main organizational entities referred to in this standard



A **Forest Enterprise (FE)** can be a commercial enterprise, a self-contained co-operative or indigenous community or any other organizational form that performs or organises forest management with optional additional processing activities on forest products.

The FE applies for Fairtrade Certification and should be able to describe all the stages of the 'System of Production' in which it is involved from tree to the final forest product produced by the enterprise.

The FE is the Fairtrade Certificate Holder.

The FE must be a legal entity.

The FE is not necessarily but can be identical with the Fairtrade Association (see below).

All responsibilities for Fairtrade standards compliance are with the FE.

The **System of Production** is a description of the activities or main stages of production in the value chain undertaken by the FE and for which it is responsible.

The System of Production may be wider in scope than the activities of the FE alone. For example these stages or activities may include silviculture, felling, extraction and transport, primary sawmilling, kiln drying, machining etc. The activities may be undertaken directly by employees of the FE, by small-scale producers, contracted workers or sub-contractors.

The **Fairtrade Association** is usually a subset of those involved in the various activities in the System of Production of the Forest Enterprise. However, in some cases it may include the entire System of Production of the FE and thus be identical with the FE.

It is usually a multi-structure of small-scale or community-based producers providing timber to the FE, workers hired by the FE, sub-contractors and small entrepreneurs providing services to the FE.

The Fairtrade Association consists of two parts: registered individual members and an executive body elected by those members to act on their behalf, the Fairtrade Committee.

Members of the Fairtrade Association are the beneficiaries of the Fairtrade system and have Fairtrade responsibilities.

The FE must define the scope of the Fairtrade Association on initial registration with the Certification Body. This scope is a list of activities of the System of Production to be included in the Fairtrade Association.

The FE must be able to justify the inclusion of the various social groups in the Fairtrade Association by showing that they have the potential to benefit from Fairtrade.

The Fairtrade Association must include those involved in the forest or plantation, either as owners or forest workers, as part of the Fairtrade Association. At least some of these must be small-scale producers and these must be FSC certified. (However, if the forest or plantation owner is the Government, then the government does not need to be represented in the Fairtrade Association.)

If the FE's System of Production includes further value-adding activities such as felling and extraction, sawmilling, kilning or manufacturing, these can optionally be included in the scope of the Fairtrade Association.

Members of the Fairtrade Association are all registered individuals of the Fairtrade Association, e.g. small-scale producers, their workers and community representatives and thus define the Fairtrade beneficiaries of the FE. The Fairtrade Committee maintains an up-to-date list of all members. Registration means being on this list. This list must be available to the Certification Body on request.

The **Fairtrade Committee** is the executive body, which includes representatives of the different social groups in the Fairtrade Association such as small-scale producers, sawmill workers and communities and one management representative from the FE. The structure of the Fairtrade Committee reflects the structure of the Fairtrade Association and is initially defined by the FE. The representatives of the social groups in the Fairtrade Committee are elected by a General Assembly of all registered members of the Fairtrade Association. The management representative is appointed by the FE.

Ideally the Fairtrade Committee should be of a manageable size, such as 9 or 11 individuals, and an odd number so that majority voting results are possible.

The Fairtrade Committee represents the Fairtrade Association and decides on the use of the Fairtrade benefits such as the Fairtrade Premium.

If the Fairtrade Committee is a legal body, the legal responsibility for the Premium money and all assets acquired with the Fairtrade Premium is with the Fairtrade Committee. As long as the Fairtrade Committee is not a legal body, this responsibility lies with the FE.

Other Terms

Buyer: an operator that buys a certified product.

Certification Body: an independent third party, or third parties, to whom FLO has delegated the function of auditing and certification. For the purpose of this standard, it is FLO-CERT.

Community-based Forestry: forest management implemented in a communal forest with the community's consent, or in forest areas locally recognized as pertaining to members of the same community who coordinate efforts to manage forest resources and/or sell forest products.

Conveyor: an operator that receives the Fairtrade price or Fairtrade Premium from a Fairtrade payer and passes it on to the certified producer.

Fairtrade certified forest products are always FSC FM/CoC or FSC CoC certified. For the scope of the test period of this standard these will be wood-based products.

Fairtrade payer: the buyer responsible for paying the Fairtrade Minimum Price and the Fairtrade Premium to the FE. Buyers must check their potential status as a Fairtrade payer with the Certification Body.

FSC FM/CoC Certificate: a Combined FSC Forest Management and Chain of Custody certificate: awarded for example to an enterprise consisting of a forest concession and a sawmill, allowing for the sale of FSC certified sawn lumber from the sawmill.

Licensee: The party taking final ownership before retail of the consumer-ready product (typically the brand owner).

Operator: any producer, buyer, seller and conveyor certified against this standard.

Seller: an operator that sells a certified product.

SLIMF (Small and Low Intensity Managed Forest): The FSC definitions of 'small' or 'low intensity management' vary in different parts of the world depending on the type of forest present, and on the productivity of that forest type. The FSC SLIMF policy therefore provides FSC-accredited National Initiatives with the option of developing national or sub-national criteria and thresholds for eligibility. An initial international threshold of 100 ha, below which any forest may be defined as 'small' for the purpose of applying streamlined certification procedures with an international maximum threshold of 1000 ha, which national or sub-national thresholds may not exceed.

Small-scale producers: self-contained groups of people that undertake an activity (such as forest management leading to the production of trees or conversion of logs by chainsaw / portable sawmill in a forest) which contribute to the beginning of the forest products value-chain that are not hired or employed directly by the FE. Eligible producers are those that are defined by the FSC (Forest Stewardship Council) as smallholder forestry, Community-based forestry or SLIMF (Small and Low Intensity Managed Forest) producers, Large-scale industrial forestry enterprises are excluded from the scope of the Fairtrade Standards.

Examples of Small Producers in a forestry context are:

1. Individual forest owners or farmers who sell timber from their forests or woodland. Their main contribution may well be in owning the land, selling the trees and guaranteeing the forest security (rather than providing any labour), while the certificate holder organises any forest management, felling, extraction etc.
2. Individual forest-owning communities with their own internal organizational structure who may either sell their timber, or do a lot of the forest management work themselves using their own community labour.
3. A network of small producers – perhaps a loose association of woodland or woodlot owners who all supply the certificate holder with timber from time to time (often managed under the FSC Group Forest management scheme)
4. A stand-alone Small Producer Organization - such as a formally organised cooperative of forest or plantation owners who collectively sell their timber to outside buyers.
5. A community of timber harvesters - i.e. at individual village level there is a group of workers with their own structure, who harvest and sell timber to a larger organization for further processing.

Smallholders: term used by the FSC to describe those who own, manage or use forests which are considered “small” in relation to others in their region, and those who apply low intensity harvesting practices to timber and/or non-timber forest products.

In different parts of the world, smallholders are known by different names – woodlot owners, family forests, small non-industrial private forests, small forest enterprises, community forestry operations, and non-timber forest product (NTFP) harvesters are some examples. Collectively they face cost and procedural barriers to certification. (Source: www.fsc.org)

Trader: an operator in the supply chain that buys and sells a certified product, usually without changing its physical format; i.e. a buyer / seller as opposed to a small-scale producer.

Workers: all waged, non-managerial employees. It includes migrant, temporary, seasonal, sub-contracted and permanent workers, any other employee of the Fairtrade Association and the non-managerial employees of any sub-contractor or small producer that performs an activity included in the scope of the Fairtrade Association such as sawmill workers, hauliers etc. Where family labour of producers is employed directly by the FE, by any other small company in the Fairtrade Association, by other individual producers or by a group of producers in the Fairtrade Association, the term “workers” also includes them. The term “workers” includes all other hired personnel, e.g. employees working in an organization’s administration. To all of them, the requirements of Chapter 4 of the standard apply as defined in section B.

SECTION B: Standards for Forest Enterprises

0. General Requirements

0.1 Purpose

Fairtrade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers and workers in the South, who have been economically disadvantaged or marginalized by the conventional trading system. If fair access to markets under better trade conditions would help them to overcome barriers to development and empowerment, they may join Fairtrade.

0.2 Scope

These standards apply to all Forest Enterprises within the geographical scope determined by FLO. Within the System of Production of the Forest Enterprise there must be small producers as defined above.

A Forest Enterprise (FE) can only apply for Fairtrade if its plantation or forest resources are certified as well-managed under the FSC system. Therefore this standard is not a stand-alone Fairtrade standard: it is always to be used together with FSC certification.

For example a detailed Environmental Section for the Forest / Plantation resource is not included in this document, as the FSC Principles and Criteria cover these environmental requirements for small producers.

De-certification within the FSC system leads automatically to de-certification within the Fairtrade system. However, Fairtrade de-certification or suspension does not necessarily change the status of the FSC certificate.

0.3 Structure

These standards are composed of requirements against which Forest Enterprises will be inspected. These requirements are divided into:

- **general requirements**, which all Forest Enterprises must meet from the moment they join Fairtrade;
- **minimum requirements**, which must be met before initial certification; and
- **progress requirements**, against which Forest Enterprises must demonstrate compliance over time and by means of continuous improvement. For some progress requirements, the degree of progress required from each Forest Enterprises depends on the level of economic or other benefits it receives from Fairtrade and on its specific context.

Each section of the standard begins with an introductory statement that describes the objective of that section. Then the standard itself is presented, setting out the requirements in exact terms. Alongside the standard guidance for interpretation is provided as necessary.

0.4 References

When setting the Fairtrade standards, FLO follows certain internationally recognized standards and conventions, particularly those of the International Labour Organization (ILO), the most widely-recognized international labour standards. In this document the requirements are worded in their own terms but, where applicable, references are given to other external standards that FLO follows.

FLO also requires that Forest Enterprises always abide by national legislation unless that legislation sets standards which are below the referenced internationally recognized standards and conventions, in which case the international standards prevail. However, where national legislation sets higher requirements on a specific issue than these standards then that national legislation shall apply. The same applies to regional and sector-specific practices.

0.5 Implementation

When undertaking inspections and certification decisions the certification body will closely follow the exact wording of the standard and the objectives given. Technical compliance criteria for the standards are developed by the certification body. In cases where there is doubt over whether a Forest Enterprise has correctly applied a requirement, the certification body will make its assessment according to the objectives set out in these standards. As FLO's main aim is to enable disadvantaged producers to access the benefits of the Fairtrade market, it is not the intention of these standards to prevent the certification of Forest Enterprises because of their lack of capacity at the start of their certification process. However, some aspects of the standards are fundamental to ensuring the rights of the members and workers of the Forest Enterprise as well as those of buyers and consumers.

0.6 Application

This standard is valid for producers and traders of wood based products that are participating in the Joint FSC / Fairtrade labelling pilot project only. The standards are valid until Dec 31st, 2013. Extending the time scope of the standards must first be authorised by the Fairtrade Standards Committee.

1. Social Development

Intent

The Fairtrade standard for Forest Enterprises aims to contribute to the social development of those producing forest products certified under the FSC scheme and is directed at small-scale producers and other members of the Fairtrade Association.

1.1 Structure of the Fairtrade Association and the Forest Enterprise

This section clarifies the relationship between the Fairtrade Association and the FE and determines roles and responsibilities of each.

1.1.1 Minimum Requirements

- 1.1.1.1 The FE is either itself a small-scale enterprise or sources at least some of its timber from small-scale producers.

The Fairtrade Association includes at least some small-scale producers.

This requirement is defined by the scope of the FSC / Fairtrade collaboration.

- 1.1.1.2 The FE describes the System of Production and keeps this description up-to-date.

This can be a written description or a diagram showing all the main activities undertaken from the FSC certified forest / plantation to the final product sold by the FE. It is the basis for describing the scope of the Fairtrade Association (see 1.1.1.3)

- 1.1.1.3 The FE initially defines the scope of the Fairtrade Association, which is all, or part of the System of Production at the time of application for Fairtrade certification and keeps this definition up-to-date.

Changes to the scope of the Fairtrade Association can be proposed from within the Fairtrade Association membership but must be agreed by the General Assembly.

Changes to this definition must be communicated to the certification body.

Large-scale forest sources that do not meet the definition of small-scale producers are excluded from the scope of the Fairtrade Association.

In some cases the Fairtrade Association can be identical to the FE.

The same description or diagram of the System of Production (see 1.1.1.2) can be used to show the scope of the Fairtrade Association.

- 1.1.1.4 The FE demonstrates to the Certification Body how Fairtrade benefits could contribute to the social, economic or environmental development of the social groups it proposes to include in the Fairtrade Association in addition to the small-scale producers required in 1.1.1.1.

Examples of social groups are: Workers in the sawmill or manufacturing unit and teams of regularly used sub-contractors that cut and haul timber out of the forest using mechanised equipment or animals.

It is clear that at the stage of first application, a full needs assessment of the social groups involved in the System of Production that could be part of the Fairtrade Association will not have been done.

However, a preliminary assessment of the ways in which Fairtrade benefits could add to the social-economic development of the proposed social groups should be made by the FE at this point.

Examples:

- *Guaranteed H&S conditions for factory workers that meet the requirements of the Standard.*

- *Access to micro-finance schemes for smaller sub-contractors set up with Fairtrade Premium seed money.*
- *Improved community services such as health / education facilities for workers and / or local sub-contractors.*

1.1.1.5 The FE must be a legal body.

The FE holds overall accountability for the implementation of this standard.

The FE is responsible and legally accountable for the Fairtrade Association.

1.1.1.6 The FE assigns a responsible person that has access to adequate administration and communication equipment to deal with Fairtrade issues and communicate with the Fairtrade Committee and the Certification Body.

1.1.1.7 The FE initially defines inclusion and exclusion criteria for registration to the Fairtrade Association.

During the application process to Fairtrade the FE may exclude sub-contractors or service providers from the scope of the Fairtrade Association if they don't contribute to the core process of the production of forest products.

Reasons for exclusions have to be documented by the FE. Exclusions are documented within the scope description which is an application template developed by the Certification Body. This document has always to be kept up to date.

Changes to the inclusion and exclusion criteria for registration to the Fairtrade Association of the Fairtrade Association can be proposed from within the Fairtrade Association membership but must be agreed by the General Assembly.

1.1.1.8 All individual members of the Fairtrade Association are registered in a member list. This register has always to be maintained up to date and must be made available to the Certification Body upon request.

All producers and workers operating under the defined scope of the Fairtrade certificate are registered as members of the Fairtrade Association. The list includes:

- Full name and ID-Card number;*
- Affiliation: name of the group to which he/ she belongs: i.e. cooperative, sub-contracted agency, worker of a plantation (name), worker of a producer (name of small-holder) or name of the group organized under the group certification scheme of the FSC for individual smallholders.*

1.1.1.9 Fairtrade products may only be sourced from registered members of the Fairtrade Association. Where a certified FE wishes to sell products produced by non-members, these must not be sold as Fairtrade products.

1.1.2 Progress Requirements

1.1.2.1 The FE has taken all reasonable measures to inform all members on the different functions, duties and positions of the Fairtrade Association / the Fairtrade Committee and to keep them updated.

Measures might include e.g. adequate training to raise awareness of Fairtrade matters at all levels.

1.2 Democracy, Participation and Transparency

Intent

The Fairtrade Association is an instrument for the social and economic development of its registered members.

The key responsibility for control and monitoring the democratic and transparent administration of the Fairtrade Association (including the decisions about how Fairtrade benefits such as the Fairtrade Premium are shared) is with the Fairtrade Committee, which represents the Fairtrade Association.

Furthermore, there must be no discrimination regarding participation by Fairtrade Association members in the democratic process to elect Fairtrade Committee members, or otherwise participate in Association activities.

All the requirements of 1.2 must be enacted once significant premium monies have been transferred to the FE through the trading process. This is because the incentive to undertake the organizational work involved in establishing the Committee and its functionality is much more likely to happen on the basis of a real need rather than in advance of something that has not happened yet and may not happen for some time. For new / start-up FEs it may be a considerable time before any premium monies arrive through the trading process.

1.2.1 Minimum Requirements

- 1.2.1.1 A General Assembly (GA) with equal voting rights for all individual Fairtrade Association members is carried out at least annually.

The General Assembly can be performed through a delegate system where communities and producers send their delegates.

Minutes of the GA are kept and are available for viewing by members on request.

- 1.2.1.2 The FE establishes the Internal Regulations of the Fairtrade Association. The internal regulations are approved by the GA of the Fairtrade Association.

The internal regulations include defining voting rights and quorum; rules for a delegate system (if applicable) and the election and functions of a Fairtrade Committee.

- 1.2.1.3 The FE initially decides on the structure of the Fairtrade Committee at the time of application for Fairtrade. Members of the Fairtrade Committee are representatives of the different social groups in the Fairtrade Association and one representative from the management of the FE.

As the FE is responsible for defining the scope of the Fairtrade Association, it should also be responsible for the initial formation of the Fairtrade Committee.

All social groups in the Fairtrade Association should be represented in the Fairtrade Committee approximately proportional to their size.

Depending on the size of the Fairtrade Association, the Fairtrade Committee should ideally 9 or 11 members or less (preferably an odd number to facilitate majority decision-making during voting).

- 1.2.1.4 The representatives of the social groups in the Fairtrade Committee are elected through a democratic process by the GA.

The management representative is appointed by the FE.

The management representative should not play a leading role and impose his/her views, but should facilitate the process and guide, assist and support the Fairtrade Committee, by sharing his/her know-how, experience and connections.

- 1.2.1.5 The Fairtrade Committee meets regularly and has a meeting schedule.

- 1.2.1.6 The Fairtrade Committee's annual report, budgets and accounts must be presented in an understandable and clear manner, to and be approved by the General Assembly of the Fairtrade Association members.

- 1.2.1.7 The FE ensures that adequate administration and facilities are in place to enable the Fairtrade Association / Committee to function effectively.

All standard relevant documents are administered properly and available at defined focal points. All registers, legal documents, minutes and documents on FT sales and price and premium payment, sales contracts and all other standard relevant documents are available at the focal point. Usually, the focal point is the office of the FE.

- 1.2.1.8 Major changes in the composition of the Fairtrade Association must be reflected in appropriate changes in the composition of the Fairtrade Committee within 6 months.

A change in the structure of the Fairtrade Committee can be proposed by any member of the Fairtrade Association or by the FE. The new structure has to be approved by the GA.

1.3 Non-Discrimination

Intent

The Fairtrade standard follows the Universal Declaration of Human Rights on ending discrimination. The Declaration rejects “distinction of any kind such as, race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status” (art. 2).

Individual members of the Fairtrade Association should not be excluded from participation in the organization or otherwise discriminated against if their activity has been included in the scope of the Fairtrade Association.

1.3.1 Minimum Requirement

- 1.3.1.1 The FE and the Fairtrade Association and its members do not discriminate against registered members; or restrict new registration on the basis of race, colour, sex, sexual orientation, disability, marital status, age, religion, political opinion, language, property, nationality, ethnicity or social origin.

Furthermore there must be no discrimination regarding participation, voting rights, the right to be elected, access to training, technical support or any other benefit of being registered members.

Distinctive groups within the Fairtrade Association such as indigenous communities might obviously have limited membership rules.

The scope of activities included in the Fairtrade Association is defined by the Forest Enterprise and registered with the Certification Body.

2. Economic Development

2.1 Fairtrade Premium

Intent

The Fairtrade Premium is an amount paid to the Fairtrade Association (represented by the Fairtrade Committee) that is proportional to the value of Fairtrade products sold. The FE is the legal trustee of the Fairtrade Premium if the Fairtrade Committee is not a legal body.

The use of the Fairtrade Premium is proposed, controlled and monitored by the Fairtrade Committee. The Fairtrade Premium is a tool for development, supporting the Fairtrade Association to realize its members' development objectives. These should be described in its premium plan, which is meant for investment in the social, economic and environmentally-sustainable development of the Fairtrade Association's members and their communities.

All the requirements of 2.1 must be enacted once significant Fairtrade Premium monies are available. For new FE's it may be a considerable time before premium monies arrive through the trading process.

2.1.1 Minimum Requirements

- 2.1.1.1 The Fairtrade Committee administers and manages the Fairtrade Premium transparently on behalf of the membership of the Fairtrade Association.

All expenditure of the Fairtrade Premium and related issues are decided exclusively by the Fairtrade Committee after consultation with the members of the Fairtrade Association.

The Fairtrade Committee ensures that members of the Fairtrade Association are regularly informed about the administration and use of the Fairtrade Premium by presenting e.g. a report on activities, a financial report and the FP work plan for next year.

Fairtrade Association members should have the opportunity to suggest and influence the choice of Fairtrade Premium projects. As appropriate, the Fairtrade Committee meets and consults with the members of the Fairtrade Association, by social group and/or during the general assembly to gather and discuss project ideas.

- 2.1.1.2 The Fairtrade Premium should be used for investment in the social, economic and environmentally-sustainable development of the Fairtrade Association and its members and through them, their families, workers and the surrounding community.

- 2.1.1.3 Until the Fairtrade Association is able to register its own bank account, the FE sets up a separate bank account for receipt of the Fairtrade Premium on behalf of the Fairtrade Association.

Unless and until the Fairtrade Association evolves into a formal organization, it might not be legally able to open a bank account. In that case, the FE opens a separate bank account on behalf of, and in the name of, the Fairtrade Association.

The bank account has assigned signatories of the Fairtrade Committee and the FE.

- 2.1.1.4 All requests/suggestions for Fairtrade Premium use are documented. Decisions on Fairtrade Premium use by the Fairtrade Committee are also documented.

Suggestions for Fairtrade Premium use can come from individual members of the Fairtrade Association as well as their elected representatives on the Fairtrade Committee.

- 2.1.1.5 The FE stands as trustee of the Fairtrade Premium funds until such time as the Fairtrade Committee is a legal entity. It is responsible for ensuring that no embezzlement or misuse of the funds occurs.

The FE confirms in writing that it stands trustee for the safe custody of the Fairtrade Premium. The company recognizes the Fairtrade Association as the rightful recipients of the Fairtrade Premium.

The FE will demonstrate that the Fairtrade Association receives the correct amount of Fairtrade Premium, based on the volume of the product sold by the FE as Fairtrade.

The FE ensures that the correct amount of Fairtrade Premium is passed on to the Fairtrade Association within 7 days after receipt by the FE.

This requirement applies when capital and assets are acquired with Premium money. In order to have a clear ownership structure, which ensures that the Fairtrade Premium is for the benefit of Fairtrade Association members, a legal body must exist. The following requirements apply: this body

- *can function as the official owner and can take legal actions*
- *secures the funds and ensures that Fairtrade Premium money is used for the benefit of Fairtrade Association members and through them, their families, workers and the surrounding community*
- *secures assets,*

- ensures that tax is reduced as far as possible

Without this officially constituted body there is a void, which contains the risk of appropriation of assets by individuals or interest groups. Requirements for complying with this clause may be established by the Certification Body according to the legal situation in the various countries and according to the use of the Fairtrade Premium (e.g. acquired assets would need an owner).

2.1.1.6 The Certification Body and Fairtrade Committee members have the right to check the relevant accounting records of the Fairtrade Premium account.

An internal audit committee, elected according to the same rules as the Fairtrade Committee may monitor the financial administration of the account.

2.1.1.7 The FE ensures that training on Fairtrade Premium administration for the members of the Fairtrade Committee is carried out if considered necessary.

2.1.2 Progress Requirements

2.1.2.1 Within one year of certification the Fairtrade Association carries out an initial needs assessment on how the Fairtrade benefits help promote the environmentally-sustainable social and economic development of its members *and through them, their families, workers and the surrounding community.*

The needs assessment can be executed and managed by assigned members of the Fairtrade Committee.

2.1.2.2 The Fairtrade Committee prepares a yearly Fairtrade Premium work plan in consultation with the Fairtrade Association members that takes into account the needs of all groups of beneficiaries.

The Premium plan should include development goals as long-term goals of the organization.

3. Environmental Development

Intent

The Fairtrade certified FE is expected to protect the natural environment and to make environmental protection a part of its management objective. The Forest / Plantation resource are already managed to FSC standards, thus their environmental protection is assured as far as Fairtrade is concerned. However the scope of the Fairtrade Association may extend beyond the FSC certified forest to include additional value-added stages such as a sawmill or manufacturing facility. Here too, basic environmental issues must be addressed: the following section defines the minimum environmental requirements for those activities of a Fairtrade Association that are outside of the FSC's scope.

3.1 Impact Assessment, Planning and Monitoring

FEs are expected to assess the environmental impacts of any non forest-based activities if these are in the scope of the Fairtrade Association (such as sawmills or manufacturing units), to develop plans designed to mitigate those impacts, and to monitor the implementation of those plans.

3.1.1 Minimum Requirements

3.1.1.1 The FE must assign a person that ensures that any production and processing operations not part of the FSC certified forest operations meet the requirements of the environmental part of the standards.

The person(s) responsible for maintaining the operation's environment-related activities and ensuring that operations meet the requirements of the standards should be able to show an organised methodology and record-keeping system that gives an overview of all aspects of the

operation including activities carried out by hired labour. Data should be updated on an annual basis at least.

The duties should be specified in a written job description.

3.1.2 Progress Requirements

3.1.2.1 The FE has identified any environmental risks, assessed their impacts and developed a plan to address them. Key aspects of this plan shall include how the following are identified, managed, and/or avoided, as applicable as a result of any non-forest based activities in the scope of the Fairtrade Association:

- endangered and critically endangered species
- habitat protection
- buffer zones around water bodies and watershed recharge areas

The reservation of areas for biodiversity and natural resource conservation is vital to ensuring the long-term health and equilibrium of natural ecosystems and good water quality. The impact of humans on 100% of a given land area eliminates the possibility of the native ecosystem's natural balance continuing.

The information mentioned in this requirement should be documented by the company and should be verifiable by inspectors. Maps or similar documentation should provide an indication of all pertinent areas. Independent studies or documented field observations and scouting by the company should be used as supporting data to attest to the valid assessment of the status of any endangered species.

3.1.2.2 The FE has undertaken a process of consultation with local inhabitants and workers on the identification of environmental risks and appropriate methods to control and minimize those risks.

Any type of environmental risk deemed worthy of attention by workers or management should be identified and listed.

Worker consultation should be documented in the form of meeting minutes or similar summaries of worker participation in such discussions.

Alternatives to each risk should be enumerated and a concrete plan of action described in each case. This action plan should at a minimum indicate timelines for action, persons to be involved, activities to be carried out and follow-up evaluation.

3.1.2.3 The FE has a plan that adequately describes current and projected land use in any non-forested areas that it uses and are in the scope of the Fairtrade Association.

The company should develop a map that illustrates its current and projected use of its land and be able to demonstrate that it is sustainable from an ecological, social and economic perspective. Environmental factors and workers' welfare should be taken into consideration.

The plan can include both quantitative and qualitative information as appropriate to its particular vision.

3.1.2.4 The FE assesses the environmental impacts of any planned changes in land use.

Each proposed change should be accompanied by the projected effect(s) it will bring to the environment, labourers' welfare and the market.

The plan can include both quantitative and qualitative information as appropriate to its particular vision. Examples might be expansion of a sawmill or factory or log storage areas.

3.1.2.5 The FE maintains records that include water and energy consumption (electricity, heating oil, natural gas, etc.) and ensures that such consumption is kept to a minimum. Wherever possible, renewable energy should be used.

By performing an ongoing analysis of water and energy use, FEs will be able to find ways to reduce operational costs and environmental impact.

If there are different sectors or production units to the operation and separate metering is possible, usage should be documented per sector or unit.

- 3.1.2.6 To the best of its ability, the FE supports the environmental and infrastructure projects of the local and regional authorities that improve the living conditions of the workers (e.g. drinking water supply, roads, reforestation, sewage treatment, transportation, community infrastructure etc.).

Fairtrade operations should embody socially responsible interactions with the community not only on a global market scale but also at the local level. Positive and constructive interactions with the local community have the potential to spread the long-term objectives of the Fairtrade mission.

However, this progress requirement is not meant to necessarily dictate use of the Fairtrade Premium: such expenditure of the premium should be made only at the judgement of the Premium Committee, as it deems appropriate.

3.2 Waste

The FE is expected to reduce, reuse, recycle or compost waste in a manner that is appropriate to the materials in question.

3.2.1 Minimum Requirements

- 3.2.1.1 The FE disposes of any hazardous waste in a safe manner.

The FE should establish a plan for the disposal of all the hazardous waste materials (e.g. used machinery fluids, heavy metals, batteries, fluorescent tubes, greenhouse plastics, etc.). The plan should include, at a minimum:

- *identification of all potential hazardous waste produced by the operation*
- *rules for the disposal of each type or category of waste product*
- *a system of education for all persons involved about these rules;*
- *a means of routine or periodic verification that these rules are being followed.*

- 3.2.1.2 The FE ensures that organic sawmill or factory waste (sawdust, off-cuts) are stored / disposed of in a way that does not damage the local environment or watercourses.

- 3.2.1.3 All waste materials generated by the Fairtrade Association's activities are recycled where this can be managed effectively. Paper, plastic, metal, organic, and other waste material are separated and recycled whenever possible.

Recycling of natural resources should be maximized in order to make the production unit(s) as self-reliant as possible and reduce the need for consumption of non-renewable resources.

It is acknowledged that formal recycling systems and similar relevant waste streams may be unavailable in certain areas due to limitations of infrastructure or regional progress.

3.2.2 Progress Requirement

- 3.2.2.1 Sawmill and manufacturing operators do not burn wood waste without energy recovery if this alternative is available. The FE should be encouraged to get energy for heating or kilning, if needed for its operations, from wood waste wherever possible.

Sawdust and sawmill wood-waste is a valuable source of heat energy for kilning and should be used wherever possible if kilning of wood is part of the FE's value chain.

The company should be knowledgeable about which materials should never be burned, which materials can/cannot be burned under certain circumstances and what these circumstances are. A list should be generated and updated as necessary.

3.3 Soil and Water

The FE is expected to avoid damage to the fertility of soil around operations for which they are responsible. Any water resources used are managed with the objectives of conservation and non-contamination.

3.3.1 Minimum Requirements

- 3.3.1.1 The FE has undertaken procedures and practices designed to reduce and/or prevent soil erosion caused by the effects of its processing operations.

The conservation of soil is a primary tenet of sustainable agricultural /forestry production. Soil serves as the basis of human livelihood and should be protected to the maximum possible extent.

The company should evaluate what the possible causes of erosion may be on any of the land or affected water resources under its scope where products for Fairtrade labelling are produced.

The FE should take note of any land that is at risk of erosion, and this should be monitored regularly to ensure that activities or phenomena for which it is responsible (e.g., transport, storage of logs, bare areas, water runoff, etc.) do not result in the creation of erosive conditions. Existing problems should be identified and documented. Remedial actions appropriate to the problem should be implemented and regularly followed up to ensure that the situation is improved.

- 3.3.1.2 The FE ensures that any wastewater is handled in a manner that does not damage local water sources.

The FE has to have a means of correcting any incidence of contaminants down to adequate levels. The company should install water filtration or other treatment systems as necessary to meet the requirement.

3.4 Fire

FE's are expected to prevent the unwanted occurrence of fire in all operations for which they are responsible.

3.4.1 Minimum Requirement

- 3.4.1.1 The FE has adopted fire safety procedures and practices that are appropriate to its operations.

The FE should establish basic rules for fire management. These should be in written form and also communicated to all relevant workers or other potentially affected parties.

4. Labour Conditions

Intent

FLO regards the ILO Conventions as the authority on working conditions, and expects Fairtrade small-scale or community-based producers and their organizations to meet the ILO requirements as far as possible. Fairtrade should lead to the demonstrable empowerment and environmentally sustainable social and economic development of the small-scale producers and other members of the Fairtrade Association.

Standard sections 4.1 (Freedom of Labour), 4.2 (Freedom from Discrimination) and the minimum requirements of section 4.5 (Health and Safety) are applicable to all workers of all parts of the System of Production.

Sections 4.3 (Freedom of Association and Collective bargaining), 4.4 (Conditions of Employment) and the progress requirements of section 4.5 (Health and Safety) only apply where a significant number of workers are employed by the FE or by any member of the Fairtrade Association.

Subcontractors that are not part of the Fairtrade Association, but operating within the System of Production have to comply at least with the ILO Core conventions reflected within the minimum requirements.

However, the focus of the compliance criteria as set by the Certification Body will be on the permanent workers. The Certification Body interprets “significant” number of workers on the basis of national labour law.

The criteria for labour conditions are based on the concept of decent labour launched by the ILO as a global objective. It involves “opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”. The concept of decent work can be summed up in four basic objectives: rights at work, employment, social protection and social dialogue.

4.1 Freedom of Labour

Intent

FLO follows ILO Conventions 29, 105, 138 and 182 on child labour and forced labour. Forced or bonded labour must not occur. Bonded labour can be the result of different forms of debt owed by the workers to a company or to intermediaries.

Children may only work if their work is structured so as to enable them to attend school. For children who work outside of school hours, their work should not be so demanding as to undermine their educational attainment. If children work, they shall not execute tasks that are particularly hazardous for them because of their age.

Family labour in the form of children helping their parents after school and in holidays is not considered as child labour within reasonable limits and if guided by a family member. In any case children must not perform remunerated woodworking activities or activities in the forest or any processing plant or in other non-timber activities within the Forest area of certification which involves physical communities.

4.1.1 Minimum Requirements

4.1.1.1 Forced labour, including bonded or involuntary prison labour, does not occur.

As defined by ILO conventions 29 and 105, forced labour includes work that is exacted from any person under the menace of any penalty and for which the said person has not offered him or herself voluntarily.

Employers under must not retain any part of the workers’ salary, benefits, property or documents in order to force them to remain in that employment. The employer must also refrain from requiring or forcing workers to remain in employment against their will through the use of any physical or psychological measure.

Any employer must explain to all workers that each worker is free to leave at any time, giving a due notice period as per his or her contract.

The term ‘bonded labour’ also refers to workers having received loans from employers, when these loans are subject to unreasonable terms and conditions (such as excessively high interest rates).

4.1.1.2 Child labour does not occur. Minimum contracted employment age must not be less than 15, or existing national law for the forest sector, if this age were older.

Children below the age of 15 are not employed (contracted).

Where children help their parents at individual member level after school and during holidays this is not considered as child labour under the following conditions:

- *The child's work does not jeopardise her or his attendance at school, and is not so demanding as to undermine her or his educational attainment*
- *The work does not jeopardize the child's social, moral or physical development and does not constitute a hazard to the child's health,*
- *Working hours are maintained within reasonable limits.*
- *A member of the family must supervise and guide the child.*

Where children have worked or been employed in the past, it is expected that the organization has put in place a remediation policy. The objective of the remediation policy is to ensure that any children who once worked for the employer and who no longer do so do not enter into worse forms of work.

Wherever applicable – and particularly in contexts where there is a high likelihood of child labour occurring – the organization considers the underlying social and economic context in its development plan for effectively eliminating child labour. One example of an appropriate response might be to implement community projects to improve children's access to schooling.

- 4.1.1.3 Persons under 18 years of age shall not be employed for any type of work which, by its nature or the circumstances under which it is carried out, is likely to jeopardise their health, safety or morals.

Persons under 18 years of age shall not handle chemicals or perform other duties that constitute a health hazard. Persons under 18 years of age shall not be allowed to undertake work during the night. Persons under 18 years who participate in forestry activities through family work should not execute tasks that are especially dangerous for them, such as chain sawing or carrying heavy loads.

- 4.1.1.4 Employment of a worker is not conditioned by employment of their spouse. Spouses have the right to work elsewhere.

This also applies where housing is provided to the worker and his/her family.

4.2 Freedom from Discrimination

Intent

Fairtrade follows Conventions 45, 100 and 111 of ILO against worker discrimination. It rejects “any distinction, exclusion or preference based on race, colour, sex, religion, political opinion, national ascendancy or social origin that alters equal opportunity or treatment in employment and occupation”(Art. 1).

The spirit of this requirement seeks to protect people who are vulnerable due to their physical, cultural, social or economic characteristics, especially women producers and workers; also disabled or ill persons, HIV-AIDS orphans, or persons displaced by conflict or ex-combatants seeking a new beginning.

4.2.1 Minimum Requirements

- 4.2.1.1 There is no discrimination on the basis of race, colour, sex, sexual orientation, disability, marital status, age, religion, political opinion, membership of unions or other workers' representative bodies, national extraction or social origin in recruitment, promotion, access to training, remuneration, allocation of work, termination of employment, retirement or other activities unless.

Discrimination is making an unfair distinction in the treatment of one person over another on grounds that are not related to ability or merit.

Where discrimination is endemic within a sector or region, the organization is expected to address this, e.g. within the framework of the employment policy. During recruitment, pregnancy, HIV and genetic tests are prohibited.

- 4.2.1.2 Employers do not engage in, support or tolerate the use of corporal punishment, mental or physical coercion or verbal abuse.

Where discrimination is endemic within a sector or region the Fairtrade Association is expected to establish and implement a clear policy and system to prevent improper disciplinary practice. The policy shall be in line with the principle of non-discrimination. Workers should be aware of this policy.

4.3 Freedom of Association and Collective Bargaining

This section is applicable to the FE, small-scale producers, subcontractors or any other entities that are registered members of the Fairtrade Organisation and employ a significant number of workers.

Intent

FLO follows ILO Conventions 87 on “Freedom of Association and Protection of the Right to Organise” and 98 on “Right to Organise and Collective Bargaining” and Recommendation 143 on “Workers’ Representatives recommendation”. “Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorisation. Workers’ and employers’ organizations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes.”

Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment. The term ‘workers’ organization’ as used below refers to any organization of workers with the aims of furthering and defending the rights and interests of workers. FLO enshrines the rights of freedom of association and collective bargaining and considers independent trade unions the best means for achieving this.

4.3.1 Minimum Requirements

- 4.3.1.1 The FE or the employer (where applicable) allows trade union organisers to meet all the workers, and allows workers to hold meetings and organise themselves without the interference of the management.

The FE allows information meetings between workers and trade union officials to take place. Such events should take place on request from the workers or from external union officials if the union they represent is involved in a Collective Bargaining agreement (CBA) within the relevant industry or at national level. Participation of workers in this meeting is voluntary.

- 4.3.1.2 The FE or the employer (where applicable) ensures that neither workers nor their representatives are discriminated against or suffer other repercussions because of freely exercising their right to organise or because of their decision whether or not to join a workers’ organization and/or participate in its legal activities.

It is expected that the FE does not move or close production or deny access to workers for the direct purpose of retaliating against those who have formed or are attempting to form a workers’ organization. Other indicators of discrimination might be longer working hours, difficulty with transport (for themselves and colleagues) and dismissal. The FE is requested to report all cases of dismissals of union or workers’ organization leaders to the Certification Body immediately, giving reasons for dismissal. The employer maintains a register of all terminated contracts with details on circumstances/reasons for termination and indicating whether the worker was a member of a union or workers’ organization.

4.3.2 Progress Requirements

- 4.3.2.1 The FE or the employer (if different and applicable such as the FE/ processing unit or a sub-contractor of woodworkers) recognises in writing and in practice the right of all workers to establish and to join workers' organizations of their own choosing and to collectively negotiate their working conditions.

The term 'workers' organizations' is used in reference to ILO Convention 110. The ILO defines the term as any organization of workers with the aims of furthering and defending the rights and interests of workers. Workers are free to legally incorporate their organization. It is expected that there has not been any opposition from the FE to workers organizing themselves within two years prior to application for certification, or, if this has been the case, that the organizational circumstances have changed substantially in the intervening time (e.g. through a change of management).

- 4.3.2.2 If no active and recognised union is able to work in the area, the employer (where applicable) encourages the workers to democratically elect a workers' organization which represents them and which negotiates with the employer to defend their rights and interests.

FLO upholds the rights to freedom of association and collective bargaining and considers independent trade unions the best means for achieving this. This provision relates to situations where free and independent trade unions are prohibited by law, where trade unions are managed by government rather than by their members, or where a representative trade union is not actively present in the area where the organization operates. The employer and their workers may ask FLO for assistance in contacting representative trade unions if such unions are not active on the organization's site. An active workers' organization is needed to ensure that the Fairtrade standards are adhered to. The term 'recognised' means that the union is a member or affiliate of a national or international trade secretariat (e.g. Global Union Federation).

- 4.3.2.3 The representation and participation of the workers is improved through training activities for workers. They or the employer (where applicable) provides adequate resources for this to take place.

The employer and workers alike may initiate training. Training is aimed at improving workers' awareness of the principles of Fairtrade and of workers' rights and duties. Training activities are undertaken during paid work time.

4.4 Conditions of employment

This section is applicable to members of the Fairtrade Association that employ a significant number of workers and to sub-contractors, including sub-contractors that are not part of the Fairtrade Association, but operates in the area of the Fairtrade Association.

Intent

FLO follows ILO Conventions 100 on equal remuneration and ILO Convention 110 on conditions of employment of workers.

4.4.1 Minimum Requirements

- 4.4.1.1 Conditions of employment and in particular salaries are equal to or exceed sector Collective Bargaining Agreement (CBA) regulations where they exist, regional average wages or official minimum wages for similar occupations, whichever is higher. The employer shall specify wages for all functions.

National laws and applicable CBA terms must be complied with. Where national laws and applicable CBA terms exceed this standard, they supersede the standard. Where the provisions in this standard exceed national laws and CBA terms then this standard shall apply.

For remuneration based on production, quotas, or piecework, the pay rate allows the worker to earn the proportionate minimum wage or relevant industry average (whichever is higher) during normal working hours. This pay rate is made public. Such remuneration should not

occur as a means to avoid time-bound contracts. Where rates for piecework are applied, workers should agree that these rates are fair and the method of calculation is transparent and obtained through suitable means.

- 4.4.1.2 Payment is made regularly and in a timely manner, in legal tender and is properly documented.

Documentation should consist of pay slips bearing all necessary information. Mutually agreed payment practices such as remuneration of daily activities in cash or in cash and kind are acceptable if the worker explicitly agrees and this is the typical method of payment in the local context.

4.4.2 Progress Requirements

- 4.4.2.1 Other relevant conditions of employment like maternity leave, social security provisions and non-monetary benefits are at least equal to national law, the sector CBA regulations where they exist or the Agreement signed between the workers' organization and the employer, whichever is higher.

National laws and applicable CBA terms must be complied with. Where a workers' organization exists it is encouraged to negotiate the conditions of work with the employer. Workers have the right to choose representatives to take part in any negotiations, without external interference.

- 4.4.2.2 All permanent workers must have a legally binding written contract of employment.

The contract shall include all necessary items related to the position of the worker. If applicable, sector specific contracts may be used as guidance. The contract safeguards the worker from loss of pay in the case of illness, disability and accident. In case of dissolution of the contract, the notice period must be identical for employer and worker. The worker must be provided with a copy of the signed contract.

- 4.4.2.3 An adequate regulation on sick leave is put in place.

The regulation refers both to sick leave directly caused by the work (e.g. accident during work) and not related to the work (e.g. unrelated illness) where there is medical proof for the illness. The regulation stipulates that sick leave is not deducted from annual leave.

- 4.4.2.4 A working hours and overtime regulation is put in place.

Working hours and overtime must comply with applicable law and industry standards.

- 4.4.2.5 Salaries are gradually increased to levels above the regional average and official minimum.

It is expected that salaries will be negotiated between the employer and the workers' organization (where it exists) through a benchmarking system (taking into account salaries and other benefits of comparable businesses) and in relation to the additional income the organization or member realises through Fairtrade.

- 4.4.2.6 Where possible, all regular work that requires hired labour is undertaken by permanent workers.

The objective is that work is undertaken by permanent workers and legal obligations are not avoided through continuous use of fixed-term employment contracts. Only work that is added to usual work levels during peak season may be undertaken by seasonal workers. Regular work excludes all seasonal work. Time-limited contracts or any subcontracting are only issued to non-permanent workers during peak periods or in the case of special tasks.

- 4.4.2.7 Local and migrant, seasonal and permanent workers receive equivalent benefits and employment conditions for equal work performed.

Equivalent benefits take into account situations when, for example, a pension scheme or social security cannot be made available to a set of workers. In these cases workers should receive the equivalent/an alternative benefit through other means. The annual employers' work plan specifies measurable objectives with regard to this.

4.5 Health and Safety Conditions at the Workplace

Minimum Requirements are applicable to the FE and its workforce, small-scale producers or sub-contractors that are registered members of the Fairtrade Association, including sub-contractors that are not registered members but work in the activity scope of the Fairtrade Association. Progress Requirements only apply where a significant number of workers are employed by the FE or by any member of the Fairtrade Association.

Intent

FLO follows ILO Conventions 100 on equal remuneration and ILO Convention 110 on conditions of employment of workers. FLO adheres to ILO convention 155 that “prevents accidents and health impacts resulting from work, is related to working, or emerges while working, reducing to the minimum, in a reasonable and feasible way”.

4.5.1 Minimum Requirement

- 4.5.1.1 Work processes, workplaces, machinery and equipment on the production site are as safe as reasonably practicable. The Certification Body may require that a competent authority or independent inspection agency carry out an inspection.

The FE is expected to carry out a risk analysis of health and safety issues. This risk analysis shall identify risk areas and potential hazards. This is the first step to developing a Health and Safety (H & S) policy.

- 4.5.1.2 The following persons must not undertake any potentially hazardous work: persons younger than 18 years; pregnant or nursing women; persons with incapacitating mental or physical conditions; persons with chronic, hepatic or renal diseases; and persons with respiratory diseases.

The intention of the standard is to ensure that the specified types of workers do not carry out potentially hazardous work (e.g. application of pesticides). It is the responsibility of the employer to ensure that for any existing worker alternative employment is found to ensure continuous employment, in cases where a change of work is necessary to comply with this standard.

- 4.5.1.3 The FE provides adequate emergency first aid facilities, equipment and appropriately trained first aid staff to meet all reasonably foreseeable emergency first aid situations.

Suitably stocked first aid boxes must be present in the workplace and be quickly accessible at all times. The employer trains a reasonable number of workers (in relation to the size of the operation) in first aid. Forest workers working in natural forest or plantation situations away from a building designated for a particular part of the value chain are not expected to be provided such facilities.

- 4.5.1.4 All workers must have access to drinking water and clean sanitary facilities where appropriate and possible.

Forest workers working in natural forest or plantation situations away from a building designated for a particular part of the value chain are not expected to be provided such facilities.

4.5.2 Progress Requirements

- 4.5.2.1 A workers' representative must be nominated who can be consulted on health and safety issues.

The workers' representative on health and safety issues is not necessarily hired exclusively for this task but may have other duties and responsibilities within the operation. Where appropriate the workers can choose to create a health and safety committee.

4.5.2.2 Workers engaged in any potentially hazardous work are adequately trained.

The workers are aware of the health and environmental risks of the activities they undertake and the products they handle, and are able to take correct emergency actions in the case of an accident.

All information, safety instructions and hygiene recommendations should be displayed clearly in a visible place in the workplace in the local language(s) and with pictograms where possible and appropriate. Where no pictograms or other means of public posting are suitable, the FE ensures that all workers are aware of the risks and measures to be taken.

4.5.2.3 Workers performing hazardous tasks are provided with adequate personal protective equipment of good quality and in good condition at the employer's expense.

This applies to all workers, including temporary workers.

The management implements the necessary measures and control systems to ensure that the protective equipment is used and that replacement equipment is ordered and distributed in due time.

4.5.2.4 A Health and Safety policy is developed by the Fairtrade Association or by the FE (where applicable) to minimise any inherent risk to health.

A Health and Safety (H & S) policy shall be developed that addresses all necessary measures, means and control points. The policy is documented and communicated to the workers and is part of the overall employment policy. As a result of this policy:

- *Risk areas and potential hazards must be clearly identified by warning signs in local languages and including pictograms if possible.*
- *Safety instructions and procedures including accident prevention and response must be in place and communicated to staff.*
- *All hazardous machinery and equipment must be equipped with adequate safety devices. Protective guards must be placed over moving parts.*
- *Safety equipment must be provided to all workers who perform hazardous tasks. They must be instructed and monitored in its proper use.*
- *Equipment for chemical spraying must be stored safely.*

4.5.2.5 Workers and their representatives are trained in the basic requirements of occupational health and safety, relevant health protection and first aid.

Special measures are taken to identify and avoid recurring health risks to vulnerable workers operating in high-risk areas.

All workers will be given a formal induction and refresher training on occupational health and safety issues related to all aspects of their tasks. In the case of certain key hazardous tasks, including spraying, working with hazardous chemicals, substances and materials and other potentially hazardous tasks such as operating vehicles and other machinery, workers will receive formal recorded training to allow them to work safely in the context of the hazards that they are presented with.

Information and training courses are held periodically during working hours. The frequency of training depends on the risks of the operation and the size of the production site. In particular, training should be given and regularly repeated to new and reassigned workers.

All training activities must be recorded. Records should include information on topics, time, duration, names of attendees and trainers.

SECTION C: Trade Standards

Intent

The purpose of the Trade Standards is to maintain the integrity of the Fairtrade mark by ensuring traceability, appropriate payment mechanisms and other commercial transactions that safeguard the commercial interests of small-scale producers and workers.

The following requirements are additional to FSC's Chain of Custody standards and apply to all operators including those that further process and add value to the forest products down the supply chain. Where applicable the following section also applies to agents and conveyers.

1. General Requirements

1.1.1 Minimum Requirements

- 1.1.1.1 Operators may only sell certified products to other operators holding a valid certification with the Certification Body or to companies registered with a Fairtrade Labelling Initiative.

Selling products as Fairtrade to other than Fairtrade certified operators is not allowed.

After sales to a non-Fairtrade certified operator the product ceases to be an eligible Fairtrade product.

- 1.1.1.2 Fairtrade certified products must be purchased from the FE only and not from individual members of the Fairtrade Association.

This requirement applies to the FE's buyers only.

- 1.1.1.3 All traders must designate one official contact person that will be the main contact person for certification as well as for the trader's compliance with all certification requirements, contact details and any relevant information.

- 1.1.1.4 All traders will be subject to an inspection and certification regime to assess compliance to the Fairtrade standards.

- 1.1.1.5 Certified producers may sell products that have been held in stock for a maximum of one year before the certification was initially granted.

2. Traceability

Intent

Operators with an FSC CoC or FM/CoC can already trace FSC certified products through their systems. The purpose of this section is to ensure that the same disciplines are applied to products certified to both schemes, FSC and Fairtrade.

2.1 Traceability Methods

Operators with an FSC CoC or FM/CoC are optionally exempted from physical traceability of Fairtrade products if this is not feasible or practical for the operator. If physical traceability is used, 2.1.1.2 applies. Otherwise, 2.1.1.3 applies.

2.1.1 Minimum Requirements

- 2.1.1.1 Traceability of Fairtrade products through documents must be ensured by all operators, whether or not physical traceability is implemented, by using an identification mark that clearly identifies Fairtrade products on all related documentation.

- 2.1.1.2 Wood Products that are bought, sold or altered as Fairtrade must originate from Forest/Plantation sources that are members of the Fairtrade Association.

This requirement applies if no mixing of Fairtrade and non-Fairtrade timber takes place in the processes covered by the FE's System of Production.

- 2.1.1.3 If an operator has a Fairtrade source and a non-Fairtrade source of timber (provided both are FSC certified) and it is operationally necessary to mix them then a percentage of the operator's output by volume can be labelled as Fairtrade, in proportion to the Fairtrade input, by volume.

Requirements for labelling these products with the FAIRTRADE Certification Mark can be found in Section C.7, Labelling.

This requirement exempts the operator from physical traceability and is valid during the testing period of this standard.

This might apply where:

- *a manufacturer purchases from an FE that is FSC and Fairtrade certified as well as from a source that is FSC but NOT Fairtrade certified.*
- *the FE purchases from an FSC source that is part of the Fairtrade Association, as well as from an FSC source that is NOT included in the Fairtrade Association.*

2.2 Flow of Goods reporting

2.2.1 Minimum Requirements

- 2.2.1.1 All Fairtrade operators must regularly report their Fairtrade transactions using the reporting types as defined by the Certification Body.

The data are to be provided to the Certification Body Flow of Goods Reporting System.

3. Contracts

Intent

Contracts between producers and buyers set the framework for Fairtrade trade operations. It is important that the contractual obligations are mutually agreed, well documented, and clearly understood by the contracting parties.

3.1 Fairtrade Contracts

3.1.1 Minimum Requirement

- 3.1.1.1 Buyers must sign binding purchase contracts with producers. Unless otherwise stated in the product standards, contracts must as a minimum clearly indicate the:

- agreed volumes
- quality / specification
- price
- payment terms
- delivery conditions

All contracts between the FE and Fairtrade payers or conveyors must stipulate an arbitration mechanism agreed by both parties.

3.2 Suspension

3.2.1 Minimum Requirements

- 3.2.1.1 Where notice of a FE's or buyer's suspension is made, signed contracts made before the date of such notice will only be recognised as representing certified products for a maximum period of six months.

3.3 De-certification

3.3.1 Minimum Requirements

- 3.3.1.1 Traders may not purchase products from, or sell products to de-certified operators for sale as Fairtrade certified products, from the date of de-certification. All contracts that have already been delivered to the buyer shall be accepted. Contracts that have not yet been delivered shall not be classified as Fairtrade contracts.

3.4 Bonded contracts

3.4.1 Minimum Requirements

- 3.4.1.1 Buyers must not offer to buy certified products from a FE on the condition that the FE sells a quantity of non-certified product under terms that are distinctly disadvantageous to the FE.

This requirement applies to buyers who buy both certified and non-certified products from the same FE.

The Certification Body will determine whether any given transaction can be considered as 'distinctly disadvantageous'. FEs that feel they have experienced disadvantageous practices by their buyers should document their concerns and send these as a complaint to the Certification Body.

3.5 Access to contracts

3.5.1 Minimum Requirements

- 3.5.1.1 The FE must have access to the contracts signed between agents or conveyors and Fairtrade payers.

On request from a producer the agent or conveyor must make a copy of the relevant contract(s) available to that producer.

3.6 Quality claims

3.6.1 Minimum Requirements

- 3.6.1.1 Quality requirements and procedures for quality control must be agreed by both parties according to normal trade practice.

4. Sustaining Trade

Intent

Fairtrade aims to create sustainable trade partnerships between producers and their buyers, which enable producers to have long-term access to markets under viable conditions. Above and beyond standards requirements, it is important that these relationships grow stronger over time and are based on mutual respect, transparency and commitment.

Exchange of information is one important element of the trade relationship, in particular for producers. Sourcing plans allow producers to plan their production more effectively, and to ensure that they can deliver the required amounts of products (of the required quality) to buyers. The aim is to encourage buyers to facilitate the planning process for producers.

Buyers are also encouraged to give any additional assistance they can mutually agree on with producers. Tools such as information sharing, price updates, quality training, risk sharing plans and others should be considered.

4.1 Sourcing Plans

4.1.1 Minimum Requirements

- 4.1.1.1 Buyers must provide an annual sourcing plan to each FE they plan to buy from.

Sourcing plans describe the qualities, quantities, dates of delivery or purchase, price or value of Fairtrade certified wood products that the buyer expects to purchase throughout the year.

Buyers are encouraged to use the buying pattern of the previous season or year as a guide for the development of their sourcing plans. In cases where no prior buying patterns exist (i.e. when the buyer, FE, or product is new within the trading relationship) the buyer should make a reasonable estimate of their buying intentions.

5. Pre-finance

Intent

The intention of this section is to help FEs gain access to reasonable forms of financial assistance to support their purchases from Fairtrade Association members.

Fairtrade encourages traders to offer other forms of financing or payment such as “pre-payment” and/or “advance-payment” to producers. However, this standard refers to “pre-finance” only in relation to payments that are made against agreed contracts between producers and buyers for Fairtrade products. Pre-finance payments are payments that usually attract interest.

5.1 Pre-financing for FEs

5.1.1 Minimum Requirements

5.1.1.1 FEs may request pre-finance from buyers against agreed time periods and, where required, against specific quantities.

Buyers may explore possibilities to seek pre-finance via third parties. However, the interest rates that the producer pays on such pre-finance agreements must not be higher than the buyer’s cost of borrowing from the third party.

5.1.1.2 Where a sufficiently high level of risk of non repayment or non delivery has been associated with a particular FE, and only where that level of risk has been assessed and verified via a third party lender, then pre-finance requirements under 5.1.1 do not have to be met.

5.1.1.3 Where pre-financing is requested, buyers must provide pre-finance up to 60% of the contract value. The FE must define the minimum percentage of the pre-finance.

5.1.1.4 Buyers must make pre-financing available from the point of signing the contract, or at any point thereafter, but not later than 3 months.

5.1.1.5 Interest charges on the pre-financed value must be mutually agreed on and shall be covered by the FE at the buyer’s current cost of borrowing (as a maximum, including administrative costs), or on better terms (lower rate) for the FE.

5.1.1.6 Local and National Legislation requirements take priority where they conflict with these requirements on pre-finance.

5.1.1.7 Buyers must document either a separate pre-finance section within the contract or a separate credit agreement with the FE when pre-finance has been agreed on.

6. Pricing

6.1 Payment of a Cost Covering Price to the FE

6.1.1 Minimum Requirements

6.1.1.1 The price paid for Fairtrade products must cover the Costs of Sustainable Production (COSP) of the FE.

- 6.1.1.2 During the first year of certification the FE reviews the Costs of Sustainable Production for the Fairtrade wood-based products. The FE and the buyer must review the agreed price after this period. From this moment on the Cost of Sustainable Production review and price review must be done at least annually. If the System of Production is such that FE buys timber from small producers then the price paid by the FE should also meet the COSP of the Small Producers.

The results of the Cost of Sustainable Production review are to be documented by the FE. Both the buyer and the FE must explain the rationale for the agreed price, which should be documented.

The FE annually reviews the COSP of its purchasing from any small producer members of the Fairtrade Association and includes these costs in its own COSP annual review.

Criteria for the Cost of Sustainable Production review will be established in a separate FLO e.V. guidance document on "Evaluation of costs of sustainable production for Fairtrade". The FE must complete an applicable template provided by the Certification Body. During standard testing, specific attention will be given to challenges faced by the FE in meeting this requirement.

6.2 Payment of the Fairtrade Price and Premium

Intent

The Fairtrade Premium is an amount calculated as a percentage on top of the price of the Fairtrade product. Its purpose is for socio-economic development of the members of the Fairtrade Association and their communities. It is paid by the Fairtrade payer directly to the Fairtrade Association (if they have their own bank account) or to the FE if not. The FE is in turn required to pass it onto to the Fairtrade Association (represented by the Fairtrade Committee) in accordance with section B: 2.1 of this standard.

Taking into account the likely annual trading volumes, this percentage should result in an annual Fairtrade Premium fund that is enough to be able to make a real difference to the members of the Fairtrade Association, but not so much as to be a disincentive to trade because of the adverse impact of the Fairtrade Premium on prices down the supply chain. There is a risk that lower trading volumes would result in a lower absolute Fairtrade Premium fund for members of the Fairtrade Association, in spite of a higher percentage.

However, any one percentage will not necessarily achieve this balance for all Fairtrade wood based products, so the standard allows some flexibility for the Forest Enterprise and Fairtrade payers to negotiate this figure on a case-by-case basis.

In addition, two alternative payment options are presented in 6.2.1.3, to allow the maximum Fairtrade Premium benefit to be transferred to producers at minimum impact to final prices. These options address the problem of premium amplification along the supply chain, which can increase final prices without benefiting producers and risks lowering trading volumes as a result. Both options apply for the testing period of the standard.

6.2.1 Minimum Requirements

- 6.2.1.1 Payment terms are to be agreed between FE and the Fairtrade Payer but no later than 30 days after the invoice date.

- 6.2.1.2 Fairtrade payers must additionally pay a Fairtrade Premium for wood-based forest products.

The FE calculates the projected annual value of the Fairtrade Premium based on 10% of the value of estimated annual sales of Fairtrade products ex-works.

The FE, the Fairtrade Committee (as soon as it is in operation) and Fairtrade payers should agree that this Premium level (10%) will result in a Fairtrade Premium fund that is enough to make a difference to the members of the Fairtrade Association without being a commercial disincentive to successful trade of the Fairtrade product.

If they do not agree, they should negotiate the Premium level until agreement is reached. However, the level should not fall below 5%. If the product produced by the FE is a value-added, it should also not fall below the equivalent of 10% of the value of the product at the forest gate.

Premium levels should be reviewed annually.

Any agreed variation on the 10% should be documented along with appropriate calculations and justifications.

Setting any fixed value for all wood-based products is somewhat arbitrary, as different wood products have different price sensitivities in the market. The 10% figure chosen is thus a starting point for calculation and discussion.

Some wood products are lower value and traded in considerable volume and have high price sensitivity – thus the adverse impact of any price premium on sales could be high. In such cases the Fairtrade Premium percentage could be relatively low.

Other wood products maybe traded in lower volumes and may be less price sensitive, thus be able to support a higher Fairtrade Premium percentage without affecting trade.

The output from the forest-gate may be a log or a slab if some primary conversion (i.e. by portable sawmill or chainsaw) is already done within the forest itself. If the output of the FE is a standing tree, then the Fairtrade Premium should be at least 10% of the price paid to the FE for the standing tree. The standard allows for these judgements to be made and requires agreement to be reached between the interested parties on a case-by-case basis.

6.2.1.3 The Fairtrade payer / conveyor pays the Fairtrade Premium to the FE, or – once the Fairtrade Committee has an own bank account - to the Fairtrade Committee. The FE is required to make available any Fairtrade Premium payments it receives within 7 days to the Fairtrade Committee for its disposal and further use.

6.2.1.4 For Wood Based Forest Products, the Fairtrade Premium payment can additionally be made in one of two different ways:

Option A) Directly from the Fairtrade Licensee to the FE or via a trusted intermediary agreed by both parties (direct payment model).

Option B) The Fairtrade Premium is specifically itemised on the invoices and passed through the trade chain from the FE to the Fairtrade Licensee without amplification (pass through model).

Option A implies that the Licensee is informed about the Fairtrade Premium to be paid to the FE for every contract placed for a Fairtrade wood product. It is the responsibility of the Licensee to ensure that the FE receives the Fairtrade Premium payment. Option A is best suited to transactions where it is known in advance that a known volume of Fairtrade product will be sold to a known Licensee.

Option B may be more suitable where the supply chain branches and the Fairtrade products go to more than one final Licensee. In this case the itemised Premium should be in proportion to the volumes of Fairtrade products sold into each branch so that the total Fairtrade Premium charge passed up the supply chain remains the same.

6.2.1.5 Fairtrade payers may use all available forms of payment as long as those payment instruments are transparent, traceable and mutually agreed on.

7. Labelling and Packaging

7.1 Labelling

7.1.1 Minimum Requirement

- 7.1.1.1 All consumer-facing packaging (end product or finished product) must bear the FAIRTRADE Certification Mark to indicate its compliance with Fairtrade Standards.

A product may not be promoted as being “Fairtrade” certified unless it bears the FAIRTRADE Certification Mark.

The FAIRTRADE Certification Mark may only be used on the end product or finished product if a valid License Contract has been signed with a Labelling Initiative or FLO.

The party taking final ownership before retail of the consumer-ready product (typically the brand owner) is designated as the licensee. This party must liaise with the Home LI to obtain a license contract. After the contract is finalized, the licensee must submit all relevant artwork to the artwork department of the Home LI to ensure that the FAIRTRADE certification mark is used according to the established guidelines.

7.2 Artwork Approval

7.2.1 Minimum Requirement

- 7.2.1.1 All artwork (packaging, promotional, etc.) bearing the FAIRTRADE Certification Mark must be approved by the Labelling Initiative holding the main license contract (Home LI).

The licensee must submit all relevant artwork to the artwork department of the Home LI to ensure that the FAIRTRADE certification mark is used according to the established guidelines.

The guidelines for use of the FAIRTRADE Certification Mark on Timber must comply with the “FAIRTRADE Certification Mark Guidelines: Non-Food Products”.