Fairtrade International Exceptions & Documented Compliance Policy

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Purpose of this document

This Policy defines and regulates Fairtrade International's approach and processes regarding Exceptions and documented compliance cases in line with the **Fairtrade Standards**.

This document also sets out the processes on how to proactively document Exceptions and different compliance pathways with Fairtrade Standards.

Fairtrade International defines this policy with the intention to:

- Foster harmonization and rigour around Exception decisions in Fairtrade.
- Provide clarity regarding roles and responsibilities around Exceptions and documented compliance.
- Be transparent to the wider community and to the consumer around the need for and existence of Exceptions and documented compliance
- Ensure compliance with applicable legislation and regulations.
- Comply with ISEAL's Code of Good Practice.

Definitions and References

Assurance Provider or Certification Body means an independent third party, or third parties, to whom Fairtrade International licensed the function of inspection and certification.

'Assurance' in this context refers to all steps that lead up to and including the decision taken on compliance against a Fairtrade Standard. Assurance Providers' activities are described in the Fairtrade International Certification Scheme and are regulated by the Fairtrade International Requirements for Assurance Providers. In the Fairtrade Trader Standard "Assurance Providers" are referred to as "Certification Bodies".

Documented Compliance is the formal collection of records or documented evidence that Customer adheres to the Fairtrade Standard. It serves as a verifiable "document/digital trail" showing that the Customer claims what it does. For example, where one ingredient of a proposed composite product or composite ingredient is not available as Fairtrade, the Customer proactively demonstrates that the ingredient is unavailable at the time the product is proposed.

Exceptions are decisions to temporarily exempt a Customer from compliance with a particular requirement in the standards.

Fairtrade Certification and Licensing Scheme means the system whereby Fairtrade Standards are set and compliance by Customers is confirmed, as well as the granting of permission for the use of the Fairtrade Marks on products and the confirmation that use of the Marks is in conformance with the Fairtrade International Mark Use Guidelines and License Contract obligations.

Fairtrade CONNECT refers to a web application which is used to manage Fairtrade licensing activities (e.g. license contracts, product registration and approval, sales reporting, Exceptions, etc.).

Fairtrade International Executive Management Team refers the Senior Management Team at Fairtrade International with the authority to make decisions regarding the Fairtrade Scheme.

Fairtrade International Oversight Committee refers to a multi-stakeholder subcommittee of Fairtrade International's Standards Committee. It defines the rules that govern the Fairtrade Assurance and Licensing Scheme and evaluates its effectiveness and adequacy, as defined it is Terms of Reference, hereinafter referred to as the Oversight Committee (OC).

Fairtrade Standards means the Fairtrade standards applicable to Customers, including those specific to various producer organisations types or Traders and those specific to a particular product, as set out at 'Who we have standards for'

Ingredient is any substance, including a food additive, used in the manufacture or preparation of a food and present in the final product, although possibly in a modified form.

Composite Ingredient is an ingredient made of several components (e.g., chocolate chips) not intended for consumer purchase.

Licensee means a Customer that has been granted the right by a Licensing Body to use the Fairtrade Marks.

Customer means any producer, buyer, seller and conveyor certified against the relevant Fairtrade Standard.

Licensing Body refers to any organisation, that is allowed by Fairtrade International to perform specific licensing activities related to the FAIRTRADE Marks. Their activities are regulated by Fairtrade International Requirements for Licensing Bodies.

Oversight refers to the bodies, functions and processes put in place by Fairtrade International to ensure the effectiveness of both assurance and licensing processes, as reflected in Fairtrade International Oversight Procedure.

Producer Network means institution representing farmers and workers within a defined geographical territory in which Fairtrade Products are produced. Producer Networks are organised in the following continental networks: Africa, Asia/Pacific and Latin America/Caribbean.

Systemic Disruption to Supply Chains for the purposes of the Exceptions Policy refers to structural dysfunctionality in international trade or production including but not limited to pandemics, extensive Governmental intervention in trade or primary production, or widespread and persistent impact on trade or production due climate change or other environmental phenomenon, or war/conflicts.

Trader is any company subject to the Fairtrade Trader standard.

Fairtrade approach towards Exceptions

- The need for Exceptions in the scheme shall be transparent and made subject to public scrutiny.
- The scheme owner Fairtrade International shall perform its responsibilities in the Exceptions process but avoid interfering with the impartiality of certification and licensing decisions.
- Consistency within and amongst Assurance Providers and Licensing Bodies shall be monitored by Fairtrade International.

All decisions shall consider that an Exception:

1. Brings Fairtrade's mission forward.
2. Is used only as a last resort.
3. Ensures overall and long-term benefit for producers and/or workers.
4. Involves assessing and minimizing risk to the credibility of Fairtrade.
5. Avoids significantly altering the level playing field amongst Customers.
6. Is temporary.
7. Has an expiration date and therefore an obligatory review before extension.
8. Includes criteria that shall be met by the Customer and monitored by the relevant Assurance Provider or Licensing Body.
9. Is properly documented, including the conditions for the Exception.
10. Does not render the Fairtrade Claim false or misleading.

Granted Exceptions in general shall:

1. Be communicated publicly in aggregate at least annually by Fairtrade International while respecting the confidentiality of the specific Customer involved.
2. Be followed by analysis regarding the necessity for a change to the relevant Fairtrade Standard, as part of the regular review process of Fairtrade Standards.

1 Process Requirements for Exceptions

1.1 General Requirements

The following general requirements about processes apply to all types of Exceptions set out in this Exceptions Policy.

Exceptions requests:

1.1.1 Where the Exceptions consider an individual Customer, the Customer that needs the Exception is eligible to apply for the Exception.

1.1.2 Where the Executive Management Team grants the Exception the Exception request is submitted by the respective Licensing Body or Assurance Provider on behalf of the Customers.

1.1.3 Exception requests shall specify:

- the Standard or policy requirement(s) for which the Exception is requested.
- the justification for the Exception.
- actions that will be taken to mitigate the need for the Exception where applicable.

Exception Decisions

1.1.4 All decisions on Exceptions mentioned in the Fairtrade Standards shall meet the specific criteria for these Exceptions defined in the respective Fairtrade Standard, and this Exception and Documented Compliance Policy, as well as additional criteria in the Assurance Provider's or Licensing Body's Exceptions procedure, if there are any.

1.1.5 Exception decisions are made with a clear rationale and in a timely manner.

1.1.6 Granted Exceptions shall be communicated to the Customer in writing or through the applicable channel used by the Licensing Body or the Assurance Provider, specifying:

- the standard or policy requirement(s) for which the Exception is granted.
- a justification for the Exception.
- the validity of the Exception (from/to date, product scope etc.).
- the conditions for the Exception, i.e. specific additional requirements that shall be met, such as the implementation of a phase out plan or specific reporting.

1.1.7 A denied Exception is also communicated to the Customer in writing or via the applicable digital tool with an explanation of the reasons for denial.

1.1.8 An Exception decision cannot be appealed. However, complaints can be lodged with the respective Assurance Provider or Licensing Body, or with Fairtrade International, as set out in the Fairtrade International Oversight Procedure.

1.1.9 The Fairtrade International Executive Management Team can take actions to sanction an Assurance Provider or Licensing Body if:

- the process of granting Exceptions is not followed
- an Exception decision does not meet the criteria set out in
  - the Fairtrade Standards,
  - the Executive Management Team Guidelines as applicable, or
  - this Exceptions & Documented Compliance Policy; or.
- an Exception decision is not consistent with the Fairtrade approach to Exceptions as set out in this Exceptions & Documented Compliance Policy

Exception Reporting

1.1.10 Assurance Providers and Licensing Bodies report to Fairtrade International on an annual basis on Exceptions granted. Fairtrade International Scheme Management Team oversees the correctness of the Exception granting process and Exception decisions.

1.1.11 Fairtrade International Scheme Management Team will publish at least annually an anonymized summary of Exceptions granted for public information.

1.1.12 The Fairtrade International Scheme Management Team shall annually provide an overview of all Exceptions granted by Fairtrade Assurance Providers and Licensing Bodies so that Exceptions are applied consistently across the Fairtrade system.

Process Exception referred to the Executive Management Team

1.1.13 An Assurance Provider or Licensing Body may refer Collective Special Circumstances Exceptions to the Executive Management Team via the Scheme Management Team (see Annex 1 for referral form).

1.1.14 The Scheme Management Team, prior to submission to the Executive Management Team will conduct a legal and a risk assessment.

1.1.15 The Scheme Management Team will consult with the relevant Fairtrade Members, Fairtrade International units or the Assurance Providers and Licensing Bodies as needed before submission to the Executive Management Team.

1.1.16 The following process applies when a request is submitted to the Executive Management Team:

a) The Executive Management Team assesses the case, decides if an Exception is justified, and, if applicable, defines the expiration date for the Exception granted as well as the actions the Customer has to take to mitigate the need for the Exception.

b) The Executive Management Team shares the details of the Exception with the relevant Assurance Provider or Licensing Body to communicate the Exception decision to the Customers and to oversee its implementation.

1.1.17 The Assurance Provider or the Licensing Body who requested the Exception on behalf of the Customer has to ensure there is transparent and public communication about the granted Exception.

Note: The Scheme Management Team can give guidance to Assurance Providers and Licensing Bodies on whether an Exception is eligible to be granted or not, however, the Assurance Provider and the Licensing Body shall retain the authority to take decision on the Exceptions granted.

2 Exceptions

2.1 Retro-certification

Retro-certification Exceptions are granted by the respective Assurance Provider.

Retro-certification is converting a product bought by a Fairtrade Payer or Conveyor under ordinary conditions (non-certified) from a Fairtrade certified producer or conveyor into a Fairtrade certified product through the granting of Retro-certification Exception and the payment of a Fairtrade Price differential (if applicable) and Fairtrade Premium.

The following criteria must be met:

The Customer can demonstrate that:

- they were not able to source a product as Fairtrade.
- the Exception is a temporary measure (for example related to the launch of a new product) or a product from a newly certified producer bought before certification of the producer

The Price differential (if applicable) and Fairtrade Premium are paid to the corresponding producer. The Price differential is the difference between the Fairtrade Minimum Price and the price at which the product was initially bought from the producer, if the Fairtrade Minimum Price is higher than the price at which the product was initially bought.

Note that “Systemic” Retro-certification directly regulated in a product standard is not considered an Exception. Please refer to the relevant product Standard.

2.2 Conversions for Newly certified Traders

In their first year of certification a Trader may apply to the Assurance Provider for an Exception to convert Fairtrade eligible stocks in order to facilitate the transition to Fairtrade, if:

- The Trader has Fairtrade eligible stock purchased from Fairtrade certified Producers before the Trader’s initial certification.
- The product was purchased within 12 months before the initial certification.

This Exception can only be used once, in the first year from the initial certification.

If the newly certified Trader is a Price and Premium payer, then the Fairtrade Price differential (if applicable) and Fairtrade Premium are paid to the corresponding supplier if they have not already been paid.

2.3 Mass Balance Rules Exceptions in case of Systemic Disruptions

Mass Balance Rule Exceptions are granted by the respective Assurance Provider.

In the case where there are Systemic Disruptions to supply chains of Mass Balance products, Traders may apply for an Exception to the Mass Balance rules set out in the applicable requirements of the Trader Standard.

The following criteria apply:

- There is systemic disruption to supply chains for a product and/or region.
- Rectification of the issue is beyond the control of the Trader and
- A literal application of the Mass Balance rules would go against the purpose and mission of Fairtrade.
- The Exception does not render any Fairtrade Claim to be false or misleading.
- Applicable only for ‘purchase prior to sale’ and ‘like for like’

Mass Balance Exceptions may be granted for up to one year. Traders must reapply for any extension prior to expiry. Extensions may be granted for up to maximum one additional year following review by the Assurance Provider.

In case a mass balanced product is mixed, or processed together with a physical segregated product, and if for technical reasons the physical segregation is no longer possible, an Exception can be requested from the Assurance Provider.

2.4 Special Circumstances

Where no other Exception is possible and a literal application of Fairtrade Standards would go against the purpose and mission of Fairtrade, then an Individual or Collective Special Circumstances Exception may be requested.

2.4.1 Individual Exceptions

These Exceptions are granted by the Assurance Provider to an individual Customer.

A Special Circumstances Exception can be requested in the following cases:

- Rectification of the issue is beyond control of the Customer and is not used as a corrective measure to a non-conformity.
- Force majeure situations (natural or manmade disasters).
- Other unforeseen events outside of the control of the organization (such as changes in legislation, pest outbreaks, abrupt price changes).
- Specific organizational, environmental, social or technical conditions of a particular case that make it Exceptionally and justifiable different from other cases.
- Granting the Exception does not pose a risk to the credibility of Fairtrade.

- The granting of the Exception does not render any Fairtrade Claim false or misleading.

2.4.2. Collective Exceptions

Exceptions that apply collectively to a country, region or product category are granted by the Executive Management Team. A Collective Exception can be requested when there is a systemic disruption to trade with an impact on a large scale and the situation is outside of the control of the Customer, e.g. a whole industry is affected, and the application of the standard requirement makes trade extremely difficult or impossible.

A Special Circumstances Exception will take into consideration the following criteria:

- Specific organizational, environmental, social, technical or other circumstances of a situation that make it Exceptionally and justifiably different from a regular situation.
- Granting the Exception does not pose a risk to the credibility of Fairtrade.
- Substantial benefits to producers and workers via Fairtrade sales is made impossible by the application of standard requirements.
- The granting of the Exception does not render any Fairtrade Claim false or misleading.
- Without the Exception there is significant impact on the viability of Fairtrade in general or in a product area or region.

3 Documented Compliance

3.1 Product Composition Documented Compliance

Cases of Documented Compliance relate to the Trader Standard Product Composition section, for both ‘All That Can Be’ (ATCB) and ‘Fairtrade Sourced Ingredient’ (FSI) models.

Documented compliance is the formal collection of records or documented evidence that a Trader adheres to the Fairtrade Trader Standard product composition rules. It serves as a verifiable "paper/digital trail" showing that a Trader claims what it does.

The Trader Standard requires Traders under the ‘All That Can Be’ model to source as many Fairtrade ingredients as possible, however, there may be situations and reasons beyond the control of the Trader where not all ingredients that are possible can be sourced as Fairtrade. The overall Fairtrade content in the final product cannot be less then 20% in the ATCB model and. Products under the ‘Fairtrade Sourced Ingredient’ model contain 100% of the relevant commodity. Sometimes, in FSI, when composite ingredients are used, the same commodity cannot be sourced as Fairtrade.

Hence, the Trader Standard allows for the use of non-Fairtrade ingredients when one of the below situations exist. The ingredient that has an Exception must be excluded from the overall Fairtrade percentage declared on the package.

The documented compliance cases are reviewed and approved by the Licensing Body for composite products, and by the Assurance Provider for composite ingredients. Compliance is documented in Fairtrade CONNECT for composite products, and for composite ingredients compliance is documented according to the applicable certification procedure of the Assurance Provider.

- **Unavailable ATCB Ingredient:** For All That Can Be (ATCB) products the ingredient form is indicated as unavailable in the North American, European, Australia New Zealand or East Asian Regional Unavailable Fairtrade Ingredient List and the Customer does not have the capacity to buy from origin. For Customers located outside these regions the Unavailable Ingredient case is not applicable.
- **Unavailable FSI Ingredient:** Products under FSI contain 100% of the relevant commodity. However, in the final product where a composite ingredient is used and this composite ingredient contains the same FSI commodity, a deviation is possible as long as the product in the composite ingredient does not exceed 1 % of the overall content of the FSI commodity in the finished product.
- **Supply shortage**: Sourcing of Fairtrade Ingredient is temporarily not possible due to lack of availability for reasons beyond the Customer’s control, e.g. drought, natural disaster, strikes, war or similar reasons.
- **Inadequate quality:** The required Ingredient form is available, but the particular quality required by the buyer is not available and the qualities that are available would cause insurmountable technical problems.

- **Sourcing constraints:** The required Ingredient form is available, but the minimum order quantity is more than the Customer needs, or there is an import/export ban on the product form or seasonal unavailability of the product, or the Customer is in the “Rest of World” Availability Region, and the ingredient is not available in their country.
- **New Fairtrade Product Standard:** When a new product specific Fairtrade Standard is published an Exception of two years is automatically granted to all current affected ingredients of Fairtrade Trader to allow time for sourcing the new Ingredient. If the sourcing problems persist after two years, Customers must seek another method to achieve compliance. All new ingredients must be Fairtrade unless another Exception or Fairtrade provision applies.
- **Provenance:** Ingredients holding a provenance certification, e.g. *Appellation d'origine contrôlée*, *Denominación de origen*, *Districtus Austria Controllatus*, *Denominação de Origem Controlada*, etc. The ingredient for which provenance is claimed must not be indicated or implied to be Fairtrade in any way.
- **Temperate Climate Products:** For Customers located in the North America, Europe, Australia New Zealand or East Asian Unavailable Ingredient Regions, ingredients that are temperate climate products can be sourced locally (within their country or Unavailable Ingredient Region) by the Trader. Outside of these regions the product must be sourced as Fairtrade if there are Certified Producers of the product in the Trader’s country. Fairtrade International provides a list of Ingredient categories that are considered temperate climate products for the purposes of this provision.
- **Transitioning Ingredient:** The ingredient is available and being sold/ processed as Fairtrade by a Customer, but sufficient volumes do not exist to supply 100 % of the required quantity. In order to qualify for the Exception, the Trader must have a written plan approved by a Licensing Body or Assurance Provider for the Ingredient to become 100 % Fairtrade as the product becomes available. The transitioning Ingredient must become 100% Fairtrade in accordance with the agreed plan and as soon as enough supply is available. The Transitioning ingredient Exception applies to cases where sufficient quantities of ingredient exists, but parts of the supply are not of the quality needed by the Customer. If an Exception is granted any Fairtrade Claims must be adjusted so that they are not false or misleading.

4 Packaging artwork Exceptions

4.1 Exceptions granted in Fairtrade CONNECT

4.1.1 Fairtrade International delegates the responsibility to grant Exceptions for the use of the FAIRTRADE Marks, the FSI Mark and their corresponding claims on packaging to the respective Licensing Body. The Licensing Body follows the procedure set out in Fairtrade CONNECT. If the Licensing Body declines the artwork, the licensee can apply for an Exception. The following information must be included in Fairtrade CONNECT:

- Exception type
- Motive for Exception
- Mitigation actions
- Supporting documents
- End date (validity)

4.1.2 Each Licensing Body has discretion whether to extend the validity of an Exception or not. Depending on the industry or market, the total period of an Exception should not extend beyond the usual packaging turnover common in the respective industry or market.

4.1.3 Records must be kept of all packaging artwork Exceptions that are granted by the Licensing Body.

4.2 Exceptions for promotional materials

4.2.1 Exceptions for the use of the FAIRTRADE Marks and the FSI Mark on promotional materials can be granted by the respective Licensing Body following a procedure set out in CONNECT. An exception can be requested for the same as in 4.1.

4.2.2 Records must be kept of all promotional artwork Exceptions that are granted by the Licensing Body.

4.3 Exceptions granted by Fairtrade International Comms & Brand Unit

4.3.1 In the following cases, the Licensing Body must obtain approval from the Fairtrade International Comms & Brand Unit prior to granting an Exceptional use of a FAIRTRADE or FSI Mark on packaging (see Annex 2 for request form):

- For situations that are not included in a FAIRTRADE Mark or FSI Mark Guidelines in any way.
- When a core principle is changed, for example
  - Mark colours are altered
  - Fairtrade Claim is absent
  - Fairtrade Claim is altered
  - Other major change
- For the transition period, when a new way of applying the FAIRTRADE

Mark or the FSI Mark arises, due to new procedures or innovative types of packaging, until the respective guidelines are updated.

- When the conditions stated in a FAIRTRADE Mark or FSI Mark Guidelines about how they are applied need to be changed for a particular market.

4.3.2 Exception records must be kept of all packaging artwork Exceptions that are granted by the Licensing Body and shall be reported to the Fairtrade International Comms & Brand Unit on an annual basis.

4.4 Exceptions reviewed by Fairtrade International Comms & Brand Unit but granted by Licensing Body.

4.4.1 Exceptions for a Fairtrade Mark to be on the back or non-main panel of the product are decided by the Licensing Body. However, Licensing Bodies are asked to inform the Fairtrade International Comms & Brand Unit once approved. Licensing Bodies have to use the “Information on the Back of Pack Artwork Exception” (see Annex 3) so that the Exception can be recorded.

4.4.2 Requests that present a brand risk for Fairtrade will be singled out and possibly denied and this will be explained to the Licensing body.

Annex 1: Collective Exception referred to Executive Management Team

Licensing Body or Assurance Provider presenting the case:	
Date:	
Product:	
Exception type	
Suggested validity date:	
Suggested measures to avoid future Exceptions:	

Please explain the basis for your Exception request:

Suggested measures for transparency and communication:

Please send the request to the Executive Management Team via the Scheme Management Team through exceptions@fairtrade.net.

Annex 2: Request for a temporary artwork Exception

This document is to be filled for an application for a temporary artwork Exception for products sold in several markets (cross-border sales).

Temporary artwork Exceptions are granted by Fairtrade International Comms & Brand Unit as described in the Exceptions Policy (this document).

Please send the filled form to Fairtrade International at: brand@fairtrade.net

Please enter the following information as an official application for an Exception to any FAIRTRADE Mark guidelines as applied to artwork:

Name of the Licensing Body (LB) presenting the case:	
Name of the Licensee:	
Date:	
Senior manager from LB endorsing the Exception:	

Request for Exception:

Reasons/rationale for the request:

Core principle is changed:

- ☐ Mark colours are altered
- ☐ Fairtrade Claim is absent
- ☐ Fairtrade Claim is altered
- ☐ Other: Describe here

☐ Application of Mark on-pack not included in guidelines

☐ New labelling or packaging procedure

☐ Innovative packaging

☐ Market needs or conditions

☐ Other: Describe here

Please explain the case:

Additional detail: Including risk assessment.

Additional information: **Start date:** **End date:** **Batch size/stock affected by the Exception:** **Other:**

Please attach graphics of the applicable artwork when submitting the request.

Insert artwork here. If there is a guidelines-compliant artwork to be used after temporary Exception's deadline, include it as well.

Include a caption if helpful.

Annex 3: Information on the Back of Pack Artwork Exception

This document is to be filled for providing information for use of the Fairtrade Mark on Back of Pack Exception by the applicant.
SEND TO brand@fairtrade.net

When backed by a robust rationale, concessions for back of pack use of the Mark are acceptable and granted by the Licensing Body after FI has been informed of the request. Requests that present a brand risk for Fairtrade will be singled out and possibly denied and this will be explained to the licensing body.

LICENSEE NAME

NFO REASON FOR GRANTING CONCESSION: Design, space limitation, relationship protection/other, specify

BUSINESS CASE: i.e. company commitment to Fairtrade, demonstrable producer benefits, etc.

RESTRICTIONS Legal for example

ELEMENTS YOU HAVE TAKEN INTO ACCOUNT Cross border sales, FSI opportunity, etc.

ADDITIONAL INFORMATION: Have you tried to convince the Licensee to use the Mark on the front? Do you know the arguments against it? Is there any claim as to the products being Fairtrade or Fair Trade on the front of pack? Have you assessed risk vs opportunity of allowing this Back of Pack Artwork Exception?

ARTWORK (Insert images of artwork here)

ENDORSED BY (Name of executive) Director/Commercial/Sales Director, similar

SHARING YOUR EXPERIENCE More reflection, negotiation context, any learnings for future needs, competitors' insights, etc.