Factory Program Guidebook

FOR APPAREL & HOME GOODS
The Fair Trade USA® Factory Support Services team created the Factory Program Guidebook to help factories implement their fair trade certification program. It provides a high-level summary of the entire journey to certification and beyond.

The key audience of this Factory Program Guidebook is factory management, primarily the Fair Trade Officer, who is the factory representative responsible for implementing the Apparel and Home Goods Factory program.

This Factory Program Guidebook may also be a resource for other stakeholders, including but not limited to: Fair Trade USA Factory Support Services field teams that provide consulting services to factories and workers; participating brand partners that buy and sell Fair Trade Certified™ products; Fair Trade Committees1; and community partners who support the implementation of the Fair Trade Premium Plan.

1. In Vietnam and China, Fair Trade Committees are referred to as "Premium Management Teams"
Scope and Structure

This Factory Program Guidebook is a tool for factories to better understand the steps and actions involved when participating in the Fair Trade USA Apparel and Home Goods Factory program. It includes information from every department that engages with the factory, and it is structured for factories to easily identify where they are in the process, understand each step, and be able to access more information, materials, tools, and guidance. The Factory Program Guidebook does not replace the Apparel and Home Goods Factory Standard (also referred to as the Factory Standard) and other related policies, requirements, and supporting guidance, which set the minimum expectations for initial certification and renewal of certification.
Fair Trade USA is a nonprofit organization and the leading certifier of fair trade products in North America. The trusted Fair Trade Certified seal on a product signifies that it was made according to rigorous fair trade standards that promote sustainable livelihoods and safe working conditions, protection of the environment, and strong, transparent supply chains.

In addition to meeting rigorous compliance standards, factories that are Fair Trade Certified receive additional funds for every product sold on fair trade terms, between 0.5%-2% of Freight on Board (FOB), that go back to the workers. The workers decide how to best utilize these funds to positively impact their lives and communities.

Fair Trade USA develops, implements, updates, enforces, and audits against fair trade standards, including the Apparel and Home Goods Factory Standard, which drive income sustainability, community and individual well-being, empowerment, and environmental stewardship.
Value for Factories

Factories that participate in the Fair Trade USA Apparel and Home Goods Factory program benefit from:

• A direct economic benefit to workers through Fair Trade Premium
• Commitment from fair trade buyers, who nominate factories for the program that are strategic long-term valued partners
• Recognition for achieving Fair Trade USA’s factory certification and implementing initiatives with Fair Trade Premium that support the workforce
• A workforce that is empowered and has resources to improve
• Development and leadership opportunities for workers and members on the Fair Trade Committee
• Apparel and Home Goods Factory Standard implementation guidance from Fair Trade USA at no direct cost to the factory, which helps to improve the factory’s human resources and environmental practices
How Does the Apparel and Home Good Factory Program Work?

First, the brand partner nominates the factory and supports its journey towards fair trade certification.

Factories must adopt and implement the Fair Trade Apparel and Home Goods Factory Standard. Once the factory is certified, every buyer that is a participant in the program at the certified factory can sell Fair Trade Certified products.

For every Fair Trade Certified product sold, the brand pays a premium from 0.5-2% of FOB that goes into a fund at origin.

A committee of workers, called a Fair Trade Committee, decide together how to spend the funds to improve their lives and communities.

Brands add the Fair Trade Certified seal to their products and communicate their commitment to sustainability to their customers through hang tags, media campaigns, and more.

REQUIRED READING FOR ALL FACTORIES

- Factory Program Guidebook Resources
- Factory Standard
- Requirements for Certificate Scope
- Guidance for Determining Scope
- Policy on Identifying the Premium Participants
- Guide to Identifying the Premium Participants
- Unannounced Audit Policy
- Program Assurance Manual
- Glossary
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Applicant Factory
What does a successful factory in the program look like? Here’s an example:

A certified factory in India is in its third year of certification. At year zero, the factory was certified with one single buyer. Now, three years later, the factory has five fair trade buyers and is one of the highest worker-to-Premium ratios in the program. Workers in this factory have benefited from multiple Premium projects every year, including field trips, healthy breakfasts, free eye check-ups for workers, and a full scholarship for higher education of one of the workers’ children. The factory has embraced and excelled in meeting the Apparel and Home Goods Factory Standard and honestly communicates its challenges and action plans to its buyers, the Factory Support Services team, and the Fair Trade USA Certification team.

Factory Journey

With dedication, factories can typically attain certification in 8–12 months. The speed of the onboarding is directly affected by how quickly the factory implements the Apparel and Home Goods Factory Standard requirements. Here’s a roadmap that illustrates milestones in a timeline:

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<th>4) AUDIT &amp; CERTIFICATION</th>
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Apparel and Home Goods Factory Standard Overview

In five major sections, the Apparel and Home Goods Factory Standard outlines requirements and compliance criteria for facilities that produce apparel and home goods. The objective of the standard is to increase empowerment—including leadership, economic development, and engagement of workers—and to ensure fair working conditions and environmentally responsible production methods.

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<tr>
<td>This section guides the identification of Premium Participants, election of the Fair Trade Committee, and management and spending of Fair Trade Premium. It also addresses grievance procedures. This section encompasses requirements for the success of the Fair Trade Apparel and Home Goods Factory program.</td>
<td>This section focuses on the Fair Trade Premium, conditions of worker employment, working hours, and remuneration.</td>
<td>This section outlines social and labor standards, including the prohibition of child labor and forced labor, freedom from discrimination and abuse, the right to freedom of association, and health and safety protections.</td>
<td>This section guides the criteria for an environmental management system that monitors and improves environmental performance with requirements around hazardous chemicals and waste management.</td>
<td>This section provides a framework of basic trade requirements, including how to work with subcontractors and how to cooperate with Fair Trade USA and its Conformity Assessment Bodies (CABs) during audits in a transparent manner.</td>
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</table>
Premium Participants are the main beneficiaries of the Fair Trade Premium. They include personnel working at certified sites, regardless of whether they are temporary or permanent, full- or part-time, or production or non-production workers. Middle and senior management at the factory are not Premium Participants and do not directly benefit from the Fair Trade Premium. For more information, review the Empowerment (EM) section of the standard and the Premium Participant Policy.

The use of short-term employment status and apprenticeship schemes for the purpose of avoiding legal or social security obligations is prohibited. Fair trade standards require that labor-only contracting arrangements provide workers with legally required benefits. For more information, review the Economic Development (ED) section of the standard.

Night work is prohibited for workers age 15-18. The factory may employ young workers, but where such young workers are subject to compulsory education laws, they may work only outside of school hours. Under no circumstances shall any young worker’s school work and transportation time exceed a combined total of 10 hours per day, and in no case shall young workers work more than eight hours per day. For more information, review the Social Responsibility (SR) section of the standard.

Workers handling any potentially hazardous chemicals regularly receive free medical examinations by a physician of their choice (according to risks and levels of exposure) and receive the results privately. For more information, review the Environmental Responsibility and Management (ERM) section of the standard.

For workers employed at subcontracted facilities and/or homeworkers, there must be a written contract that states that workers receive at least the legal minimum wage and all legally mandated benefits. For more information, see the Trade Requirements (TR) section of the standard.
Apparel and Home Goods Factory Standard Overview

_Do_ – Read and understand the Fair Trade Apparel and Home Goods Factory Standard and supporting documents before committing to adopting fair trade certification. The requirements will create positive changes in the factory that should be agreed to and planned for by the leadership team at the factory.

_Don’t_ – Don’t assume fair trade certification is like other certifications. There are sections of the standard that are unique to fair trade and may be challenging to implement. The most common challenges for factories are establishing the Fair Trade Committee bank account, conducting Needs Assessments, and implementing the Fair Trade Premium project planning for workers.

REQUIRED READING FOR APPLICANT FACTORIES

- Apparel and Home Goods Factory Standard
- Requirements for Certificate Scope
- Guidance for Determining Scope
- Policy on Identifying the Premium Participants
- Guide to Identifying the Premium Participants
- Unannounced Audit Policy
Application and Agreement

At this stage, the role of the Factory Support Services team is to present the Fair Trade USA Apparel and Home Goods Factory program to the factory, answer certification scope and program implementation questions, and process the application and agreement.

First, the factory will read the resources listed on the next page and define the scope of the factory's Certificate. Then, the factory is ready to fill out the application and agreement, including any factory locations that will be in scope. Once the application and agreement are processed and approved, the factory is ready to start the Risk Based Pre-Assessment process with the Factory Support Services team.

Here are some examples of how a factory can define the scope of the Fair Trade Certificate and notate it in the application:

**SINGLE SITE**
Sells Fair Trade Certified Product

**MULTIPLE SITES A**
Sells Fair Trade Certified Product from Factory B, Units 3–4

**MULTIPLE SITES B**
Sells Fair Trade Certified Product from Factory A, B, C, D

Scope of Certificate
Application and Agreement

The factory must review these resources before submitting an application and agreement.

**Do** – When filling out the Application, be clear which sites are in and out of scope of the Fair Trade Certificate. If parts of the manufacturing process are in different locations, outsourced, insourced, or at sites that are not captured in the scope of the Fair Trade Certificate, those products may ultimately be ineligible to be sold as Fair Trade Certified. Consult the [Requirements for Certificate Scope](#) and a Factory Support Services field manager for guidance.

**Don’t** – Don’t forget to confirm with the fair trade buyer the site address where the buyer’s fair trade products will be manufactured as Fair Trade Certified. You must be aligned with your buyer that the sites on the application are the same sites where the buyer will want to produce fair trade products. This is especially important if the factory has multiple sites, i.e., administration, warehouse, canteen, dormitories, embroidery, day care, religious sites, etc.

**RESOURCES**

- Application
- Agreement
- Fair Trade Introduction Video & Presentation
- Applicant Factory Work Plan
- Apparel and Home Goods Factory Standard
- Requirements for Certificate Scope
- Guidance for Determining Scope
- Policy on Identifying the Premium Participants
- Guide to Identifying the Premium Participants
- Glossary
Compliance Improvement

The Compliance Improvement phase includes a Risk Based Pre-Assessment, an onsite assessment conducted by the Factory Support Services team at a factory’s in-scope production site(s). It helps the factory implement the Apparel and Home Goods Factory Standard requirements and be prepared for their certification audit. The field manager assigned by Factory Support Services evaluates a factory’s current practices against Fair Trade USA’s most critical criteria in the Apparel and Home Goods Factory Standard and provides in-depth advisory to guide the factory towards sustainable improvements that benefit both the business and its workers. The Risk Based Pre-Assessment is scheduled several months prior to a factory’s certification audit to enable sufficient time to remediate any identified gaps that would block the factory from achieving certification.

Tip

Transparency is a core program requirement and imperative for success in the program. All fair trade activities must be transparent to ensure open communication with the Fair Trade Committee, factory management, workers, Premium Participants, and Fair Trade USA teams.

Steps in the Risk Based Pre-Assessment Process

1) Preparation & Scheduling
2) Onsite Assessment
3) Continuous Improvement Plan Development
4) Continuous Improvement Plan Implementation
5) Committee and Worker Training

RESOURCE

- Risk Based Pre-Assessment Guidance
Training

Once the Continuous Improvement Plan is near completion and it’s clear that the factory has made significant progress to meet the Apparel and Home Goods Factory Standard requirements, the Fair Trade USA field manager will begin training factory management and workers on elements of the program such as the Fair Trade Committee and Fair Trade Premium.

Management Training

The field manager will introduce the Apparel and Home Goods Factory program to factory senior management and program implementation staff. The training will cover the following topics:

- Premium Participant Identification
- Worker General Assemblies
- Committee Nominations
- Committee Elections

*Did you know?* The Fair Trade Officer is an appointed management representative on the committee that is responsible for providing the worker representatives with the necessary tools for success. For more information, review the Fair Trade Officer Responsibilities.

Worker Training

After the management training, the Factory Support Services team will conduct an introductory training for workers and contractors that will cover the following topics:

- Worker Involvement and Responsibilities
- Worker Representative Nominations to the Fair Trade Committee
- Elections
- Fair Trade Committee Purpose

*Do* - Incorporate fair trade certification as part of the factory’s announcements or celebrations for workers to remind workers about the benefits of the program and that their participation is important. Additionally, integrate fair trade into the human resources processes to ensure new workers are informed of their participation from the start.

*Don’t* – Don’t assume that one announcement per year is enough for workers to understand the Fair Trade Apparel and Home Goods Factory program. Certification audits show that workers better understand fair trade when it’s communicated frequently and effectively.

RESOURCES

- Fair Trade Officer Responsibilities
Training

FAIR TRADE OFFICER

The Fair Trade Officer serves as the factory management representative on the Fair Trade Committee. This individual is an ally and supports the Fair Trade Committee to ensure success.

Do – Encourage the Fair Trade Officer and management representatives to allow the worker representatives to take ownership of the Fair Trade Committee activities. It may take time for the worker representatives to understand and own their roles on the Fair Trade Committee. Fair Trade USA’s Factory Support Services field managers will provide support and guidance throughout the onboarding process and beyond.

Don’t – Don’t let the Fair Trade Officer and management representatives conduct all of the activities on the Fair Trade Committee. Certification audits show that when Fair Trade Officers and management representatives are involving worker representatives, the factories are more likely to be in compliance with the Empowerment aspects of the Apparel and Home Goods Factory Standard. See the EM section of the standard for more information.

RESOURCE

- Fair Trade Officer Responsibilities
Fair Trade Committee

The responsibility of the Fair Trade Committee is to effectively manage the Fair Trade Premium and perform related activities such as conducting worker needs surveys, identifying community needs, and proposing, designing, communicating, and implementing community development projects. The committee meets regularly throughout the year as agreed to in the Fair Trade Committee Constitution².

This section covers the following topics:

1) Committee Structure
2) Committee Elections
3) Committee Constitution
4) Fair Trade Committee Bank Account

² In Vietnam and China, the Constitution is referred to as the “Premium Management Team Operations Manual”
Fair Trade Committee

Committee Structure

The Fair Trade Committee includes both 1) Premium Participant representatives—also called worker representatives—and 2) management representatives.

Premium Participant representatives are elected and must be the majority on the Committee. Management representatives are appointed by the factory. Fair trade standards require that worker representation on the Fair Trade Committee is proportional to worker demographic, plus one or two management representatives or Fair Trade Officers.

*Did you know?* A delegate system can be used in larger groups that are geographically dispersed, or where it is difficult for all Premium Participants to come together. Delegate systems may be used in lieu of direct attendance at each General Assembly if they offer adequate representation of all Premium Participants and the Committee Constitution clearly outlines the representation and delegate schemes. The intent of the delegate system is to represent all of the interests of the Premium Participants in a streamlined and implementable manner. Premium Participants must democratically elect their delegates themselves.

*Do* – Ensure that the majority of the Fair Trade Committee members are worker representatives. Additionally, the Apparel and Home Goods Factory Standard requires proportional representation. In other words, if 50% of the workers are women, 50% of the worker representatives on the Fair Trade Committee should also be women. Where proportional representation is not possible, efforts should be made to include at least one representative from each minority group.

*Don’t* – Don’t forget to consult with a legal advisor before opening the Fair Trade Committee bank account. This process is unique for every factory as local, regional, and national laws may apply. The Apparel and Home Goods Factory Standard requires that the bank account is clearly identifiable as the Fair Trade Committee Bank Account.

RESOURCES

- Fair Trade Committee Training Presentation
- Best Practices for Fair Trade Committee Election & Voting Procedures for the First Committee Election
- Committee Election Examples
Committee Elections

Elections can be conducted in large or small group gatherings, depending on the factory size, space, and resources. All Premium Participants must be able to vote freely, either through a voting box or through raised hands. Workers agree on an election process including how, when, and where the election will take place. This can be done in a large assembly or in smaller groups (e.g., by department). Workers may choose to invite external support, such as the Factory Support Services field managers or independent organizations that specialize in worker elections, to assist with the election process. The agreed-upon election process must be documented.

Do – Encourage Premium Participants to nominate people that best represent them on the Fair Trade Committee. If the nominated and elected participants do not meet proportional representation, encourage the missing population to nominate and elect Premium Participants onto the Fair Trade Committee. To attain the best and most impactful Premium projects, a well-represented population on the Fair Trade Committee is recommended. Maintain accurate records as evidence for the certification audit.

Don’t – Don’t forget to include production, temporary, migrant, or non-production populations from being nominated and elected on to the Fair Trade Committee.

RESOURCES

- Best Practices for Fair Trade Committee Election & Voting Procedures for the First Committee Election
- Committee Election Examples
- Policy on Identifying the Premium Participants
Committee Constitution

After the Fair Trade Committee is established, the Committee’s first task is to create a Fair Trade Committee Constitution that contains the governance details of the Fair Trade Committee. It must define the objectives, functions, composition, means, and procedures of the Fair Trade Committee. The Constitution must also identify the Premium Participants as the supreme decision making authority.

After the Fair Trade Committee finalizes the Constitution, it must be shared with and understood by all the Premium Participants at a General Assembly at the factory. The Fair Trade Committee must also gather feedback from the Premium Participants and update the Constitution accordingly. All members of the Committee must agree with the terms in the Constitution and sign. The Constitution must be approved by a majority of the Premium Participants in a General Assembly meeting (at least 51%) before it becomes effective. For more guidance on the Constitution, see Apparel and Home Goods Factory Standard Annex 2 and the Fair Trade Committee Constitution Training Video.

Do – Encourage the worker representatives to insert language that safeguards the retention of knowledge so that new Committees learn from previous Committees.

Don’t – Add eligibility criteria in the Constitution for worker representatives in the Fair Trade Committee. All workers that qualify as Premium Participants have the opportunity to be elected onto the Fair Trade Committee. Remember that the Premium Participants must vote to approve the Constitution. Many applicant and certified factories forget this step, resulting in a finding on the certification audit. Review the Apparel and Home Goods Factory Standard for more information.

RESOURCES

- Instructions for Fair Trade Committee Constitution Template
- Fair Trade Committee Constitution Template
- Fair Trade Committee Constitution Training Video
- Fair Trade Committee Meeting Agenda
- Fair Trade Committee Meeting Minutes
- General Assembly Meeting Agenda
Fair Trade Committee

Fair Trade Committee Bank Account

Fair trade factories are required to create a separate bank account to receive the Fair Trade Premium. The account is often referred to as the Fair Trade Premium Bank Account. This separate bank account may be a subaccount under the factory’s bank account. It must be clear at all times that the Premium belongs to the Premium Participants, not the factory management, and that the Premium amounts can be traced at any time.

Did you know? The Fair Trade Premium Bank Account must have at least one worker and one management representative from the Fair Trade Committee as joint signatories. Adding a worker signatory onto a bank account can be challenging for factories. Consult with the appropriate internal teams to ensure this is established before the certification audit.

RESOURCES

- Premium Payment Methods
- Premium Payment Process Examples
Audit Preparation

Audit preparation is the final step before the factory is introduced to the Fair Trade USA Certification team to begin the certification audit process. It is imperative that the factory has made the improvements outlined in the Corrective Action Plan before the certification audit. Additionally, the Premium Transfer Process should be established between the buyer and seller before Fair Trade Certified products are sold.

Premium Transfer Process

Together, the factory and brand partner will determine how the Premium will be invoiced and paid from the brand partner to the factory. Fair Trade USA recommends that this discussion take place as early as possible, so that the process, accountability, and traceability of Premium funds is clear.

Do – Consult with legal and tax professionals to fully understand the changes necessary to be in compliance with the Apparel and Home Goods Factory Standard and local and national regulations.

Don’t – Don’t embed the Premium in the cost of the product. The Premium is a separate payment made by your buyer to be used for the benefit of the workers, their families, and their communities. Premiums should not be included in price negotiations between the buyer and seller.

RESOURCES

- Trade Standard
- Trade Standard Summary for Certificate Holders
- Premium Payment Methods
- Premium Payment Process Examples

*The Fair Trade Premium Bank Account can be a subaccount under the factory or an independent account from the factory (for example, in a separate legal entity).
Certification Audit

When the factory is ready for the certification audit, the field manager will introduce the factory to the Fair Trade USA Certification team to start the audit process.

After the audit takes place, the factory will work with the Conformity Assessment Body for 30 days to close out findings from the audit. During that time, field managers are available for clarifications related to the Apparel and Home Goods Factory Standard but cannot provide any additional guidance.

Based on the audit results, the Fair Trade USA Certification team will then decide whether or not the factory met the requirements or if any additional information is needed in order to make a certification decision. When the factory is certified, a Fair Trade Certificate is granted by the Certification team at Fair Trade USA.

The certification process is based on a three-year certification cycle with an initial certification status issued after the Year 0, with subsequent certification statuses made in audit Year 3, 6, etc. Annual surveillance audits are conducted between certification audits (Years 1, 2, 4, 5, etc.). This is to assess ongoing compliance with the Factory Standard, along with full implementation of CAPs developed as a result of NCs issued during previous audits. Learn more about the FTUSA audit process in the Apparel and Home Goods Program Assurance Manual.

| TRANSPARENCY | Factories commit to pursue efforts towards full transparency. |
| ADHERENCE TO THE STANDARD | Factories commit to full adherence to the Apparel and Home Goods Factory Standard. |
| AUDIT SCHEDULING | Factories commit to scheduling certification audits with Fair Trade USA’s Conformity Assessment Bodies. |
| AUDIT | Factories allow Fair Trade USA Conformity Assessment Bodies to audit all requirements of the standard onsite. |
| CORRECTIVE ACTION PLAN (CAP) | Factories commit to timely communication and closure of corrective action items found in current and previous audits. |
| BI-ANNUAL TRANSACTION REPORTING | Factories commit to reporting all Fair Trade Certified product transactions bi-annually. |
Compliance Assessment Process

Do – Double check to make sure that the information on the application is correct. Incorrect information can lead to audits of incorrect facilities, insufficient auditor time scoped for the audit, and incomplete audits. All this leads to wasted resources and time and may jeopardize the factory’s Fair Trade Certificate.

Don’t – Don’t provide misleading information to auditors. The Fair Trade USA Certification Team and the Conformity Assessment Bodies (CAB) work closely to identify inconsistencies in audit findings. Transparency and honest dialogue will increase the factory’s chances of receiving fair trade certification.

Checklist for management:

- Factory Support Services field manager will introduce an applicant factory to the Fair Trade USA Certification team to start the certification process.
- Factory management will complete factory scoping form via RizePoint.
- Schedule the audit with Conformity Assessment Body (CAB) within 2-4 weeks of the time the audit is requested by the Fair Trade USA Certification team.
- Complete the onsite audit with the Conformity Assessment Body and understand the audit findings in the closing meeting.
- Review Audit Letter in RizePoint and the Corrective Action Plan (CAP) in the Fair Trade USA Partner Portal.
- Collaborate with the CAB during the first 30 days of the CAP review.
- Submit a CAP response for every NC within 10 calendar days of receiving the CAP in the Partner Portal or within the timeframe communicated in the audit letter and/or the CAP in the Partner Portal.
- Consult your Factory Support Services field manager if you have queries about the CAP.
Certified Factory
Immediate Actions After Certification

Once the factory has received fair trade certification and made the necessary changes and preparations to launch the program, it’s time to celebrate the journey.

Checklist of actions the factory can take to improve the success of the program:

- Complete a Factory Work Plan to keep track of program activities.
- Announce to management and workers that the factory is Fair Trade Certified.
- Notify the fair trade buyer a) that the factory is Fair Trade Certified and b) the corresponding Fair Trade Premium percentage.
- Notify the field manager if there are other buyers that are interested in Fair Trade Certified products.
- Add the Fair Trade Certified seal, along with information about fair trade, to external-facing platforms and materials so buyers know that fair trade products are eligible for purchase.
- Ensure that the Fair Trade Committee Bank Account is active and can receive Fair Trade Premium funds.
- Coordinate your next Fair Trade Certified product order with your buyer. Ensure that the sustainability, sourcing, and in-country teams are informed and that the process is clearly documented and confirmed.
- Review the Apparel and Home Goods Factory Standard progress requirements for year one and start working towards meeting compliance in future audits.

Activity lifecycle for certified factories

- FAIR TRADE COMMITTEE ACTIVITIES
  - Implement the workers’ Needs Assessment (NA)
  - Review the Needs Assessment results & create a Fair Trade Premium Plan
  - Workplace approves the Premium Plan
  - Implement the Premium Plan
  - Elect a Fair Trade Committee (depends on Fair Trade Constitution)

- COMPLIANCE IMPROVEMENTS
  - Close Corrective Action Plan with Fair Trade USA Certification team
  - Prepare for compliance improvement for year 2+ audit

- FAIR TRADE CERTIFIED PRODUCTION
  - Manufacture, label, and ship
  - Submit product and Fair Trade Premium invoices to brand

RESOURCE

- Factory Work Plan

Did you know? There are 74 additional year one requirements (five major) and 51 year three requirements that factories will need to adhere to maintain fair trade certification.

Do – Hire a professional financial auditor if USD $75,000 in Premium is received or spent by the Fair Trade Committee in one year, because a third-party audit of Fair Trade Committee accounts must be undertaken. This should be scheduled to occur before the annual audit. Refer to the EM section in the Apparel and Home Goods Factory Standard for more information.
Needs Assessment

A Needs Assessment is a systematic process for determining and addressing the needs, or gaps, between current conditions and conditions expected under fair trade certification. The Needs Assessment process will help the Fair Trade Committee identify the needs of the Premium Participants so that Premium can be best utilized to have the greatest impact.

Process Details and Templates

**Activities and Supporting Resources**

1) Factory management and the Fair Trade Committee understand the Needs Assessment process.
   - AHG Needs Assessment Implementation Guide

2) Factory management conducts demographic worker survey. (Note: Not required but strongly recommended.)

3) Fair Trade Committee conducts Needs Assessment survey followed by a Focus group discussion (optional) with support of factory management. Please reference the following Annex’s:
   - Annex A – Survey
   - Annex B – Focus Group
   - Annex C – Survey Example

4) Fair Trade Committee prioritizes categorical needs of workers.

5) Fair Trade Committee identifies projects for top categorical needs.

6) Fair Trade Committee conducts Project Selection Survey.

7) Fair Trade Committee develops Premium project plan, timeline, and budget for top projects.
   - Annex D - Premium Plan

8) Workers approve Premium Plan by survey or voting.

**Do –** Encourage the worker representatives and Premium Participants to own as much of the process as possible. As the program matures and Premium projects are realized, there will be more participation from the workforce.

**Don’t –** Don’t impose the ideas or needs of factory management onto the Fair Trade Committee or in the Needs Assessment process.
Premium Projects

Premium projects vary and are often very specific to a workforce. A Premium project is the result of a Needs Assessment. Fair Trade USA encourages Fair Trade Committees to utilize Premium funds to address the most important needs of the workers, their families, and their communities. As the program matures and the Premium Participants start to see the results of fair trade, the program will become more and more impactful. These are some of the Premium projects implemented globally:

**COMPUTER LEARNING CENTER**

<table>
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<tr>
<th>Description</th>
<th>Learning center for Premium Participants and relatives to learn new skills and develop technological awareness</th>
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<tr>
<td><strong>Need</strong></td>
<td>Premium Participants want to access learning opportunities online, but computers and Internet are not readily available</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Enhance education and learning opportunities for Premium participants</td>
</tr>
<tr>
<td><strong>Timeline</strong></td>
<td>Research: 3 months; Execution: 1 month; Maintenance: Every semester; Expiration: 5 years</td>
</tr>
<tr>
<td><strong>Funding Source(s)</strong></td>
<td>80% Fair Trade Premium, 20% government grant</td>
</tr>
<tr>
<td><strong>Premium Amount</strong></td>
<td>$40,000 Fair Trade Premium + $10,000 government grant = $50,000 total</td>
</tr>
<tr>
<td><strong>Beneficiary Group</strong></td>
<td>4,000 Premium Participants</td>
</tr>
</tbody>
</table>
## Premium Projects

### BASIC HEALTH CARE

<table>
<thead>
<tr>
<th>Description</th>
<th>Access to healthcare services for Premium Participants and their immediate families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need</td>
<td>Premium Participants are not receiving basic health care needs</td>
</tr>
<tr>
<td>Goal</td>
<td>Increase access to healthcare and preventive care and reduce time spent away from work</td>
</tr>
<tr>
<td>Timeline</td>
<td>Research: 3 months; Execution: 1 month; Maintenance: Year-round; Expiration: Ongoing</td>
</tr>
<tr>
<td>Funding Source(s)</td>
<td>75% Fair Trade Premium; 25% employer</td>
</tr>
<tr>
<td>Premium Amount</td>
<td>$45,000 Fair Trade Premium + $15,000 employer = $60,000 total</td>
</tr>
<tr>
<td>Beneficiary Group</td>
<td>300 Premium Participants + 400 family members = 700 total</td>
</tr>
</tbody>
</table>
## Premium Projects

### SCHOOL BOOKS

<table>
<thead>
<tr>
<th><strong>Description</strong></th>
<th>One-time purchase of new books for the local elementary school library</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Need</strong></td>
<td>Many of the school’s books are old or ripped and hard to read</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Purchase new books for students to check out and take home to help increase literacy</td>
</tr>
<tr>
<td><strong>Timeline</strong></td>
<td>Research: 2 months; Execution: 1 month; Maintenance: None; Expiration: 1 Year</td>
</tr>
<tr>
<td><strong>Funding Source(s)</strong></td>
<td>100% Fair Trade Premium</td>
</tr>
<tr>
<td><strong>Premium Amount</strong></td>
<td>$800 Fair Trade Premium</td>
</tr>
<tr>
<td><strong>Beneficiary Group</strong></td>
<td>330 elementary school students at two schools within the community</td>
</tr>
</tbody>
</table>
# Premium Projects

## MICRO-CREDIT PROGRAM

<table>
<thead>
<tr>
<th>Description</th>
<th>Micro-credit program for starting small businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need</td>
<td>Premium Participants do not have the capital to grow and improve livelihoods</td>
</tr>
<tr>
<td>Goal</td>
<td>Provide secondary sources of income for workers</td>
</tr>
<tr>
<td>Timeline</td>
<td>Research: 5 months; Execution: 1 month; Maintenance: Quarterly; Expiration: Ongoing</td>
</tr>
<tr>
<td>Funding Source(s)</td>
<td>100% Fair Trade Premium</td>
</tr>
<tr>
<td>Premium Amount</td>
<td>$100,000 Fair Trade Premium</td>
</tr>
<tr>
<td>Beneficiary Group</td>
<td>100 Premium Participants</td>
</tr>
</tbody>
</table>

## RESOURCES

- [Annex D – Premium Plan](#)
- [AHG Needs Assessment Implementation Guide](#)
New Fair Trade Committee

Fair Trade USA recommends that new worker representatives on the Fair Trade Committees are elected every two to three years. Longevity allows the members of the Committee to learn their roles and responsibilities and to experience the full cycle of events, from nomination to implementation of Premium projects. Once the factory has had at least one Fair Trade Committee elected and trained, a Needs Assessment process and project(s) has also likely been implemented. If the Committee does not need to be re-elected, skip this section. If re-election is necessary in this audit cycle, refer to the Fair Trade Committee section of this guidebook to start planning the next Fair Trade Committee election.

Do – Encourage worker representatives to decide the length of service terms in the Constitution.

Don’t – Don’t forget that every time the Constitution is updated because of a new Committee, the Constitution must be approved by the Premium Participants.

RESOURCES

- Fair Trade Committee Training Presentation
- Best Practices for Fair Trade Committee Election & Voting Procedures for the First Committee Election
- Committee Election Examples
- Policy on Identifying the Premium Participants
- Fair Trade Committee Constitution Template
- Fair Trade Committee Meeting Agenda
- Fair Trade Committee Meeting Minutes
- General Assembly Meeting Agenda
Transaction Reporting

Fair Trade USA verifies purchases from buyers and sales from sellers of Fair Trade Certified products. Every six months, the factory will receive a reminder notification to report all fair trade transactions in an online portal. Information requested includes:

1) Invoice Date - Date of the invoice you are referring to
2) Name of Buyer - The name of the customer you sold to
3) Buyer Fair Trade ID - The Fair Trade ID of the customer you sold to
4) Invoice # - Invoice number
5) Fair Trade Label - Factory means sewing only, Cotton is Fair Trade Cotton purchases, and Full is both
6) Count of Items - How many items in the invoice
7) Total Price Paid (without Premium) - The total price paid for minus the Premium
8) Currency - Currency used for the invoice
9) Terms of Delivery - E.g. FOB, EXW

Do – Report on time! Late reporting or lack of reporting may lead to negative impacts on the factory’s certification status.

Don’t – Don’t forget to clearly document all fair trade transactions to expedite the reporting and auditing processes. Auditors will refer to the transaction records to verify Fair Trade Premiums.

RESOURCE

❑ Transaction Reporting Guidance
Renewal Audit

**Did you know?** Certificate Holders receive an onsite audit every year as part of regular compliance surveillance. Audit intensity (the range of audit criteria assessed) is dictated by the audit year and indicated in the Factory Standard. For more information on the audit process, refer to the Certification Audit section.

The progress criteria for EM-PTA 7.3, Year 3, requires that worker representatives receive yearly training on topics such as:

1) Budgeting  
2) Financial literacy  
3) Project management  
4) Meeting facilitation  
5) Consensus-building  
6) Communication  
7) Technology  
8) Conflict resolution  
9) Survey deployment and analysis

**Did you know?** Factories can be decertified for various reasons outlined in the Factory Agreement and the Program Assurance Manual (PAM). Additionally, factories can voluntarily withdraw themselves from the program at any time. In both cases, factories should be familiar with the Decertification Policy for the Apparel and Home Goods Program.

**Did you know?** When a factory is found non-compliant to criteria or aspects considered core to the fair trade principles and program, Fair Trade USA has the right to suspend that factory. Read more about the events and conditions that may result in suspension of a Certificate Holder in the Suspension Policy for the Apparel and Home Goods Program.

**Progress Requirements** – The Apparel and Home Goods Factory Standard takes a development approach, differentiating between minimum criteria and progress criteria. Each compliance criterion applies at a specific point in time, indicated in the “Year” column. Compliance criteria reflect the difference between minimum criteria that apply at Year 0 and progress criteria that apply at Year 1 or Year 3.

**RESOURCES**

- Apparel and Home Goods Factory Standard (Year 0 + 1 or/and 3 requirements)
- Program Assurance Manual
- Decertification Policy for the Apparel and Home Goods Program
- Suspension Policy for the Apparel and Home Goods Program
Other
Accommodations Due to COVID-19

Factory Applicant Year 0 Process Exception Guidance

Fair Trade USA has published exception guidance to the certification process for applicant factories. This exception, when granted, moves certain criteria related to the Empowerment Standard section on Fair Trade Difference from the Year 0 audit to Year 1. A factory may apply for this exception for many reasons; however, it may be useful in reducing the need for large, in-person activities that are a risk due to COVID-19.

For applicant factories interested, please see the Exception Guidance: Factory Applicant Year 0 Process for reference. Applicant factories can apply by following the Exceptions Policy and submitting an Exceptions Form. For any questions related to this, please contact your field manager.

RESOURCES

- Exception Guidance: Factory Applicant Year 0 Process
- Exceptions Policy
- Exceptions Form

Do – Develop a plan with support from your field manager with a timeline of implementation for the 16 postponed Empowerment Section Compliance Criteria so you maintain certification at the Year 1 audit. Guidance on timing of implementation is in Table 1 of the Exception Guidance: Factory Applicant Year 0 Process.

It is still important that a factory implements the 9 unchanged, Year 0 Empowerment Section Compliance Criteria which will be audited in the Year 0 audit. Reference Table 2 in the Exception Guidance: Factory Applicant Year 0 Process for a list of the 9 unchanged Compliance Criteria.
Factories are required to pay for the yearly audits and additional costs that may require more auditor time. Indirect costs related to program management are employee time and compliance improvements.

**Frequently Asked Questions**

**How much will this program cost the factory?**

Factories are required to pay for the yearly audits and additional costs that may require more auditor time. Indirect costs related to program management are employee time and compliance improvements.

**What if I don’t pass the audit?**

The Corrective Action Plan will be available after the audit. It will allow factories to identify core compliance issues and make improvements over time.

**What is the length of the certificate?**

Audits and certificates are issued yearly and required to maintain Fair Trade Certification.

**What products will be Fair Trade Certified?**

The goal is to have all products sold to your Fair Trade buyer as Fair Trade Certified. Discuss this with your Fair Trade buyer.

**What workers are eligible to receive certification?**

All workers are eligible to receive Premium. See [Guide to Identifying the Premium Participants](#).

**What will be the scope of the certification?**


**What is the length of the certificate?**

Audits and certificates are issued yearly and required to maintain Fair Trade Certification.

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**What will be the scope of the certification?**


**What is the Premium percentage for my factory?**

Premiums range from 0.5% to 2% FOB and is determined by Fair Trade USA. Total amount of Fair Trade sales at the factory and the number of workers at the factory are considered in the calculation. New factories are informed of their Premium percentage following the completion of the Risk Based Pre-Assessment.

**How much will this program cost the factory?**

Factories are required to pay for the yearly audits and additional costs that may require more auditor time. Indirect costs related to program management are employee time and compliance improvements.

**What if I don’t pass the audit?**

The Corrective Action Plan will be available after the audit. It will allow factories to identify core compliance issues and make improvements over time.

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Audits and certificates are issued yearly and required to maintain Fair Trade Certification.

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**What workers are eligible to receive certification?**

All workers are eligible to receive Premium. See [Guide to Identifying the Premium Participants](#).

**What will be the scope of the certification?**

If you have concerns regarding a Fair Trade USA position, policy, decision, or the behavior of anyone involved in the Fair Trade USA system, we want to address it. Anyone can submit a compliant, allegation, and/or appeal, and confidentiality is very important to us.

- Review the Complaints Procedure
- Complete the Complaints Form

Fair Trade USA recognizes that circumstances arise that create undue and unforeseen difficulty in meeting all requirements of a Fair Trade USA program. If you are an applicant or certified factory unable to meet the Fair Trade USA program requirements please review the Exceptions Policy and complete the Exceptions Form.

Buyers and sellers of Fair Trade Certified goods are held to the Fair Trade USA Trade Standard, which is one of the ways we fulfill our mission and deliver benefits to your business and producers. Review the requirements and compliance criteria for all traders of product sourced from Fair Trade Certified producers in the Fair Trade USA Trade Standard.

The Trade Standard Summary for Certificate Holders guidance has been developed to help Certificate Holders understand how your economic development rights are addressed in the Fair Trade USA Trade Standard so that you can work with your traders and Fair Trade USA to ensure your rights are respected.
## Fair Trade USA Factory Program Teams

<table>
<thead>
<tr>
<th>FACTORY SUPPORT SERVICES</th>
<th>BRAND PARTNERSHIP MANAGEMENT</th>
<th>CERTIFICATION</th>
<th>STANDARDS</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible for supporting factories and workers who are working towards, or have, fair trade certification</td>
<td>Responsible for supporting brand partners</td>
<td>Makes certification decisions. Manages Conformity Assessment Bodies and auditors</td>
<td>Responsible for setting the Apparel and Home Goods Factory Standard and provides clarification on interpretation</td>
<td>Responsible for assessing program Impact</td>
</tr>
</tbody>
</table>

factorysupport@fairtradeusa.org
factorycertification@fairtradeusa.org
# Acronyms to Know

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHG</td>
<td>Apparel and Home Goods</td>
</tr>
<tr>
<td>FSS</td>
<td>Factory Support Services</td>
</tr>
<tr>
<td>FTC</td>
<td>Fair Trade Committee</td>
</tr>
<tr>
<td>FTO</td>
<td>Fair Trade Officer</td>
</tr>
<tr>
<td>PD</td>
<td>Program Development</td>
</tr>
<tr>
<td>RBPA</td>
<td>Risk Based Pre-Assessment</td>
</tr>
<tr>
<td>FOB</td>
<td>Freight On Board</td>
</tr>
<tr>
<td>CAB</td>
<td>Conformity Assessment Body</td>
</tr>
<tr>
<td>EM</td>
<td>Empowerment</td>
</tr>
<tr>
<td>ED</td>
<td>Economic Development</td>
</tr>
<tr>
<td>SR</td>
<td>Supply Chain Responsibility</td>
</tr>
<tr>
<td>ERM</td>
<td>Environmental Responsibility Management</td>
</tr>
<tr>
<td>TR</td>
<td>Trade Requirements</td>
</tr>
<tr>
<td>CAP</td>
<td>Corrective Action Plan</td>
</tr>
<tr>
<td>NA</td>
<td>Needs Assessment</td>
</tr>
<tr>
<td>PAM</td>
<td>Program Assurance Manual</td>
</tr>
</tbody>
</table>