



# Factory Standard for Apparel and Home Goods

Version 1.4.0

Fair Trade USA

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## INTRODUCTION

### Fair Trade USA's Mission and Vision

Fair Trade empowers workers, farmers, and fishermen to fight poverty in ways that improve lives and protect the environment. Rather than creating dependency on aid, it harnesses the power of markets to help producers, businesses, and consumers alike to invest in a better future.

Fair Trade USA, a nonprofit organization, is the leading certifier of Fair Trade products in North America. Fair Trade USA and partnering Conformity Assessment Bodies audit and certify supply chains to help ensure that workers, farmers, and fishermen are paid fair prices and wages, work in safe conditions, protect the environment, and earn community development funds to improve their lives.

### Fair Trade USA's Theory of Change

Fair Trade USA views workers, factory management, businesses and consumers as an ecosystem of partners. Each of these key stakeholder groups needs the others to realize their goals. Fair Trade USA believes that:

- Workers and factory management will have more sustainable livelihoods if the economic model of trade enables access to markets and good working conditions, if workers and factory management have the skills and resources to manage their businesses and to produce in environmentally responsible ways, and if workers and factory management develop and successfully implement organizational models for enterprise and community development.
- Businesses will strengthen themselves by enabling sustainable livelihoods for producers in their supply chains. Companies that source in socially and environmentally responsible ways, verified by independent third-party Conformity Assessment Bodies, will create shared value and be rewarded by their consumers, employees and other stakeholders.
- Consumers want to feel good about their purchases. They will buy sustainable products when they are available in the right places, from the right brands, at the right quality and price, and when the products' sustainability attributes are credible and verified by independent third-party Conformity Assessment Bodies.

In order to enable these outcomes, Fair Trade USA invests directly and with our partners in the following core activities:

- Develop and implement standards
- Enable producer services which build competitiveness
- Certify producers and supply chain partners
- Engage businesses and consumers to cultivate demand
- Define, measure, and communicate impact



## Objective of this Standard

The Fair Trade USA Factory Standard for Apparel and Home Goods (Factory Standard) serves workers in facilities that produce apparel and home goods. The objective of the Factory Standard is to increase empowerment, including leadership, economic development, and organization of workers employed in these facilities, and to ensure fair working conditions and environmentally responsible production methods. The Factory Standard is based on the following four focal impact areas:

- a) **Empowerment:** Workers are able to represent themselves effectively in their negotiations with management for improved working conditions as well as partner with factory management to increase empowerment of all workers. Grievance procedures are in place to provide a worker-management communication mechanism.
- b) **Economic Development:** Workers earn a Fair Trade Premium, paid by buyers and managed by the Fair Trade Committee, which can be distributed as a cash bonus or invested collectively in social needs identified by workers.
- c) **Social Responsibility:** Factories commit to uphold internationally-recognized labor standards and to provide greater benefits to workers. Conditions of employment are in line with or exceed sector regulations, the regional average, and official minimums. Health and safety measures are established in order to avoid work-related injuries. Buyers commit to long-term purchases from factories, providing a stable business climate and allowing factories to invest in improved working conditions.
- d) **Environmental Responsibility and Management:** Factories put forth efforts to protect and restore the natural environment and drive continuous improvement toward cleaner production, which aims to reduce the impacts of industrial production by reducing waste, water, chemical, and energy use. Hazardous chemicals must be controlled and part of a reduction plan and waste must be properly disposed of.

Fair Trade USA brings consumers, factories, and brands together to support a transformation to sustainable supply chains. Traditional sourcing practices can be disadvantageous to workers producing the product. By setting standards, establishing a rigorous certification system, and engaging the end consumer, Fair Trade USA provides a unique opportunity to change the nature of the sourcing relationships, add value throughout the supply chain and provide more benefits to workers.

## About this Standard

Version 1.3.0 of the Factory Standard replaces the prior versions of the Factory Standard (version 1.2) and Compliance Criteria (version 1.2 v1). In this minor revision, the Factory Standard and Compliance Criteria documents were merged into a single document, and compliance criteria were edited and reorganized for clarification purposes.

The Fair Trade USA Factory Standard for Apparel and Home Goods (originally called the CMT Facilities Standard) was developed with an aim to adopt or exceed best practice codes of conduct and labor standards set by global, multi-stakeholder initiatives such as Social Accountability International (SAI), the Fair Labor Association (FLA), Workers' Rights Consortium (WRC), the Ethical Trading Initiative (ETI), the Joint Initiative on Corporate Accountability and Workers' Rights (Jo-In Code), and the Fair Wear Foundation (FWF).



Fair Trade USA started to research the feasibility of certifying apparel factories in 2006, producing a feasibility study that consulted over 60 organizations globally and highlighted the key issues for Fair Trade certification in the category. From 2007 to 2009, Fair Trade USA reviewed other existing standards and consulted with NGOs, trade unions, brands, retailers, suppliers, and artisan workshops to draft the first CMT Facilities Standard.

In November 2009, the first draft CMT Facilities Standard was published for consultation during a 45-day public comment period and revised based on input received from 55 organizations in 15 countries. In March 2010, the first version of the Pilot CMT Facilities Standard was published, and pilots were initiated. A Multi-Stakeholder Group for Apparel was established to evaluate the implementation of the Apparel Pilot, including impact to workers and lessons learned, and issued written recommendations to Fair Trade USA; the full report is available on the Fair Trade USA's website. Fair Trade USA incorporated these recommendations into the Factory Standard. In 2014, the CMT Facilities Standard was renamed to Factory Standard for Apparel and Home Goods to increase the scope of applicable products. The content, was not changed in any substantive way from the CMT Facilities Standard, Apparel & Linens Version 1.0, which the Factory Standard for Apparel and Home Goods the CMT Facilities Standard replaced.

The core labor standards of the Factory Standard, found in the Social Responsibility section, are almost entirely from SAI's SA8000:2008 Standard. For proof of compliance with these criteria, Fair Trade USA may accept valid SA8000 certificates and will aim to arrange joint Fair Trade/SA8000 audits wherever possible. Additionally, the Factory Standard follows minimum workplace conditions based on core conventions of the International Labour Organization (ILO). Where other specific references are used, they are referenced within the relevant standard.

The Standard Development and Revision Procedure, available on the website, outlines the process we use to write and revise all Fair Trade USA standards. This process was designed to follow the [ISEAL Code of Good Practice](#) for Setting Social and Environmental Standards. Per ISEAL practices, major reviews of Fair Trade USA Standards occur every five years. The next major review of the Factory Standard is scheduled to begin in 2018-2019.

## Scope and Eligibility

The Factory Standard applies to manufacturing systems worldwide that produce and sell manufactured commodities that are certified to Fair Trade USA standards. The full details of which entities, sites, and activities must be included in the scope of the Certificate are explained in a separate Fair Trade USA document called *Requirements for Certificate Scope Under the Factory Standard for Apparel and Home Goods*. Rug industry partners should refer to *Requirements for Certificate Scope in the Rug Industry Under the Factory Standard for Apparel and Home Goods*.



A parallel Standard “Trade Standard for Apparel and Home Goods” outlines the expectations of importers, brands, and retailers interested in purchasing and selling Fair Trade Certified apparel and home goods products. Buyers commit to sourcing practices that enable manufacturers to uphold the highest labor standards and provide lasting benefits to workers.

## Applicability

Where the term “worker” is used in compliance criteria, the requirement applies to all workers included in the scope of the Certificate, see the *Requirements for Certificate Scope Under the Factory Standard for Apparel and Home Goods* document or, for partners in the rug industry, the *Requirements for Certificate Scope in the Rug Industry Under the Factory Standard for Apparel and Home Goods* for more details. Some criteria refer specifically to permanent workers, temporary workers, trainees, fixed-term contract workers, young workers, or migrant workers, and are applicable only to the specified type of workers.

Some compliance criteria define responsibilities for employers. The term “employer” is used to refer to any entity that controls and directs workers under an express or implied contract and is responsible for paying those workers’ wages. Note that the Certificate Holder is always ultimately accountable for ensuring compliance by all sites and entities in the scope of the Certificate.

## Compliance with Local and National Laws

All Fair Trade Certified factories and Certificate Holders are expected to comply with all local and national laws and regulations. The requirements in the Factory Standard may be stricter, less strict, or equivalent to applicable laws. In the case that an applicable law or regulation is stricter than the Factory Standard requirements, the law will prevail. In the case that the Factory Standard requirement is stricter, the requirements of the Factory Standard will prevail. The intent is that where laws and the Factory Standard requirements overlap, the one that offers the strongest protections for workers and communities prevails. This holds true regardless of whether the requirement in the Factory Standard is graded as Minor or Major.

Given the broad range of jurisdictions in which Fair Trade USA operates, as well as the complexity and changing nature of laws and regulations, there is no reference to country-specific legal requirements in the Factory Standard. Ultimately it is the responsibility of the Certificate Holder to ensure compliance with the law. In any case where there is concern that a requirement conflicts with an applicable law, the Certificate Holder or applicant should contact Fair Trade USA.

## Using the Factory Standard for Apparel and Home Goods

### Structure and Types of Criteria

The Fair Trade USA Factory Standard for Apparel and Home Goods takes a development approach differentiating between minimum criteria and progress criteria. Minimum criteria are assessed during the first certification audit and represent minimum practices required in social





empowerment, economic development, and environmental responsibility. These criteria are met prior to initial certification. Progress criteria are required after initial certification and represent continuous development towards increased social empowerment and economic development as well as best practices in environmental responsibility. The Factory Standard is organized into 5 sections. The requirements under each section apply either to the Certificate Holder or the factory, which sometimes may be the same entity. Each **section is split into sub-sections** by theme. Within each **sub-section**, there are multiple principle-based **standards**, each of which has one or more associated requirements specified in **compliance criteria**.

**Compliance criteria** define the requirements that Certificate Holders must commit to meet within the binding timeline, meaning that they are binding. Criteria identified as “Major” represent the core Fair Trade values and principles, and non-compliances with these requirements are considered to be especially severe. Non-compliance with any single Major requirement, or a combination of Minor requirements, may prevent or postpone initial certification or may result in suspension of an existing Certificate until compliance has been ensured. Decisions will depend on the severity and extent of the non-compliance(s). 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. Requirements marked with Year 0 must be met prior to initial certification, or as soon as they become applicable (e.g. if no dormitories are provided, Y0 criteria related to dormitories apply as soon as dormitories are added to the Certificate, not only at the next audit).

The final column of the tables in each section, labeled “Intent and Clarification”, includes further explanation of the requirements as well as guidance, best practices, and recommendations for implementation. The terms “shall”, “must”, and “required” indicate a binding requirement, which must be met in order to be certified. The terms “should”, “may”, and “best practice” indicate that the item is optional. The Intent and Clarification column also includes examples and suggestions for how compliance with the requirement could be achieved. These items, usually prefaced with the phrase for example, are not required and are not an exhaustive list of ways to comply.

No.	Compliance Criterion	Year	Major	Intent and Clarification
<i>Compliance Criterion Number</i>	<i>Defines specific requirements of the standard, against which conformance will be assessed during the audit</i>	<i>Specifies point in time by which the requirements must be met</i>	<i>Indicates whether a criterion is Major</i>	<i>Further explanation of the requirements as well as guidance on best practices and recommendations for implementation</i>



## Other Important Documents

In addition to this document, it is recommended that factories and Certificate Holders be familiar with the following additional documents, which are available on [Fair Trade USA's website](#):

- a) *Requirements for Certificate Scope under the Factory Standard for Apparel and Home Goods*: This document explains in detail which entities, sites, and activities must be included in the scope of a Certificate and the audit, as well as which facilities must comply with a smaller list of requirements for subcontractors. This document does not apply to entities in the rug industry (see c) and d) below).
- b) *Identifying the Fair Trade Premium Participants under the Factory Standard for Apparel and Home Goods*: This document explains in detail how to determine the group of the Fair Trade Premium Participants. This document does not apply to entities in the rug industry (see e) below).
- c) *Requirements for Certificate Scope in the Rug Industry under the Factory Standard for Apparel and Home Goods*: This document explains the requirements for the scope within which the audit will be conducted and the Certificate issued for factories in the rug industry. It defines the entities, products, sites, and activities that must and may be included in the scope of the Certificate.
- d) *Requirements for Traders in the Rug Industry Under the Factory Standard for Apparel and Home Goods*: This document explains the requirements for the trader in the rug industry where the trader is not the same entity as the CH who is certified under the Factory Standard for Apparel and Home Goods.
- e) *Identifying the Fair Trade Premium Participants in the Rug Industry under the Factory Standard for Apparel and Home Goods*: This document outlines the requirements for who must and who may be included in the group of the Fair Trade Premium Participants in consideration of the unique structure of supply chains in the rug industry.
- f) *Glossary*: The Fair Trade USA Glossary includes definitions of terms used in this and other key Fair Trade standards and certification documents.
- g) *Fair Trade USA Quality Manual*: The Quality Manual describes Fair Trade USA's structure, mode of operation, Mission, Vision and Values, Quality Policy, and Quality Management System (QMS).
- h) *Trade Standard*: Supply chain partners that buy and sell Fair Trade Certified products from Certificate Holders must be certified to Fair Trade USA's Trade Standard.
- i) *Fair Trade USA Impact Management System*: This describes Fair Trade USA's approach to defining, measuring and communicating the impact of our model. It includes the organization's Theory of Change and the indicators, processes, and technologies used to monitor and report on progress over time.



## Contact Fair Trade USA

To submit comments on this standard, please contact Fair Trade USA's Standards team: [standards@fairtradeusa.org](mailto:standards@fairtradeusa.org). If you have any questions about the auditing process, scope of the Certificate, or other certification questions, please contact Fair Trade USA's Certification team: [factorycertification@fairtradeusa.org](mailto:factorycertification@fairtradeusa.org).



## SECTION 1: Empowerment (EM)

### SUB-SECTION 1.1: Fair Trade Management Systems (MS)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-MS 1: Corporate social responsibility is an integral part of the Certificate Holder's written mission or policy statement(s). The Certificate Holder can demonstrate its implementation with concrete evidence.</b>				
EM-MS 1.1	The Certificate Holder incorporates corporate social responsibility into its written mission and/or policy statement(s).	1		<p>The term corporate social responsibility does not need to be part of the mission statement, but it should be clear that social responsibility is of objective value to the Certificate Holder and that socially responsible practices are in place that are aligned with the objectives of the Factory Standard.</p> <p>Some examples of objectives or values associated with this standard are fair pay and treatment to workers, worker empowerment, and social and environmental responsibility.</p>
EM-MS 1.2	Measures have been implemented to introduce all levels of the factory to the Fair Trade program, including the Fair Trade Committee and worker representatives.	1		<p>The intent of this criterion is to encourage communication about Fair Trade within the entire factory. When all parties understand the mission and concept of Fair Trade and the intended outcome of the implementation of the Factory Standard, the benefits to the factory and workers tend to be greater.</p> <p>Examples of proof of compliance include evidence that written materials about Fair Trade have been shared with workers, such as postings on bulletin boards, memos, etc.</p> <p>Records from trainings conducted and copies of training materials can be used to demonstrate compliance.</p>
<b>Standard EM-MS 2: Factory management must appoint a Fair Trade Officer responsible for Fair Trade matters. The Fair Trade Officer reports to the Executive Manager and is sufficiently senior in the factory to ensure a high profile of Fair Trade. S/he is responsible for the overall coordination of the Fair Trade program in the factory, the grievance and complaints processes, and for ensuring all necessary communications. The Fair Trade Officer serves as a management representative on the Fair Trade Committee (FTC).</b>				



No.	Compliance Criterion	Year	Major	Intent and Clarification
EM-MS 2.1	Senior management is accountable for the implementation of the Factory Standard.	0		As the Certificate Holder, senior management is ultimately responsible for ensuring compliance with the Factory Standard by all entities included in the scope of the Certificate. As per <i>Fair Trade USA's Glossary</i> , the Certificate Holder is the legal, certified entity holding the Fair Trade Certificate.
EM-MS 2.2	A Fair Trade Officer has been appointed and reports to the Executive Manager.	0		<p>The Fair Trade Officer must be an employee of the factory and cannot be the owner of the factory. Where an independent contractor is hired into the role of the Fair Trade Officer, a clear agreement to act on behalf of the factory must be in place and shared with the FTC.</p> <p>If a Compliance Officer is already employed by the factory, s/he can serve as the Fair Trade Officer as long as EM-MS 2.3 is met.</p> <p>If the Compliance Officer is not the Fair Trade Officer, they may work closely together.</p>
EM-MS 2.3	Responsibilities of the Fair Trade Officer are clear, appropriate, and documented.	0		The Fair Trade Officer is responsible for the overall coordination of the Fair Trade program in the factory, the grievance and complaints processes, and for the dissemination of necessary communications. The Fair Trade Officer serves as a management representative on the FTC.
<b>Standard EM-MS 3: In addition to compliance with Fair Trade standards, factories and cooperatives must demonstrate progress towards having management systems in place that promote continuous improvement in compliance.</b>				
EM-MS 3.1	Management systems for human resources (HR), Health and Safety, and Environment (HSE) are in place. Management maintains and continuously improves these systems.	1		A management system is a monitoring and control mechanism, such as a documented set of policies and processes that the factory implements to ensure compliance with the Factory Standard. Management systems seek to identify risks, monitor the risks identified, and take measures to address areas where there are challenges and opportunities related to compliance with the Factory Standard.



No.	Compliance Criterion	Year	Major	Intent and Clarification
EM-MS 3.2	There is a competent and qualified HR Manager in place.	1		The HR Manager must be an experienced professional, trained in human resources management. S/he has the authority to make HR decisions.  In small factories, a senior executive may perform the tasks of an HR Manager. In this case it is highly recommended that the person is trained in human resources management.
EM-MS 3.3	The factory conducts a regular self-assessment (via internal audits) of employment practices.	3		The intent of this requirement is that factory management ensures that risks of non-compliance within the human resources management system and against the Factory Standard are continuously identified, monitored, and addressed.
<b>Standard EM-MS 4: Management systems must include policies and procedures addressing worker communication and accountability.</b>				
EM-MS 4.1	<p>The factory has a written HR policy that at a minimum covers:</p> <ul style="list-style-type: none"> <li>wages, overtime wages, piece rate (including how piece rate is calculated), and/or production bonuses;</li> <li>when and how workers will be paid;</li> <li>salary deductions and how they're calculated, e.g. for services or benefits;</li> <li>working hours and schedule, including breaks;</li> <li>rights to vacation, sick, maternity, and holiday leave;</li> <li>quality, quantity, and costs of food to be provided, if applicable;</li> <li>quality and cost of housing available, if applicable; and,</li> </ul>	0		The factory may share the policy verbally or in writing. As a best practice, the factory makes a copy of the factory's HR policy available to workers in a language they understand.



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>grievance procedures.</li> </ul>			
EM-MS 4.2	Workers are aware of social and ethical standards in the workplace and the factory's human resources policies.	1		<p>"Aware" means a demonstrated understanding of the topic.</p> <p>"Social and ethical standards" refers to familiarity with workers' rights in the work place. This includes rights granted to workers by law, by the Factory Standard, and by the factory's HR policies.</p>
EM-MS 4.3	Management staff has the skills needed to implement social and ethical standards, labor laws, and the factory's human resources policies.	3		<p>"Social and ethical standards" refers to familiarity with workers' rights in the work place. This includes rights granted to workers by law, by the Factory Standard, and by the factory's HR policies.</p>
<b>Standard EM-MS 5: Management ensures access to primary education for the children of all workers. Management should also pay special attention to the education of workers' children in general.</b>				
EM-MS 5.1	Access to primary education is available for the children of all permanent resident workers.	3		<p>Permanent resident workers are workers who live on-site. This criterion is only applicable where children of workers live on-site.</p> <p>"Access" may mean ensuring that the permanent resident workers' children have affordable (or free), reliable transportation to and from school. If there are no schools nearby, that may mean supporting the development of schools in the area via petitioning the government to construct one, directly supporting construction, staffing a school near the factory's worker housing, and/or other means of ensuring that children who live in the factory's housing have access to primary education.</p>



## SUB-SECTION 1.2: Worker Participation, Transparency, and Financial Accountability (PTA)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-PTA 1: All facilities must have systems for strong participation by workers in all aspects of implementation of the Factory Standard. Specifically, workers shall participate in and be given the opportunity to review and comment on findings of third-party assessments.</b>				
EM-PTA 1.1	Workers are not penalized for participating or providing information/feedback to auditors.	0	M	
EM-PTA 1.2	Workers participate in and are given the opportunity to review and comment on findings of third-party audits.	1		<p>Sensitive information that may impinge on the privacy of workers, such as individuals involved in a sexual harassment case, need not be revealed in the audit report shared with workers. However, the need to safeguard sensitive information should not be used as a pretext to keep non-sensitive information from workers.</p> <p>As a best practice, representatives from the Fair Trade Committee, Workers' Committee (where applicable), the HR Manager, the Fair Trade Officer, and the Health and Safety Officer are invited to observe the closing meeting of Fair Trade audits. As an additional best practice, audit and inspection results are shared with all workers in a manner that respects privacy of individuals and treats sensitive information appropriately. The aim is that by sharing these results, the Committees and workers will be able to assist in identifying non-compliances and participate in implementing corrective actions.</p>
<b>Standard EM-PTA 2: Workers, the union (where applicable), and management shall together form a Fair Trade Committee (FTC) for the purpose of deciding how to allocate Fair Trade Premium. The workers decide democratically whether to distribute the Premium as a cash bonus, deposit the Premium into a collective workers' account for social investment, or some combination of the two.</b>				
EM-PTA 2.1	Workers, the union (where applicable), and factory management have together formed a FTC comprised of workers, union representatives, and managers in accordance with this Standard.	0	M	See guidance in <a href="#">Annex 1</a> .





No.	Compliance Criterion	Year	Major	Intent and Clarification
EM-PTA 2.2	A Constitution defining the objectives, functions, composition, means, and procedures of the FTC is in place.	0		See guidance in <a href="#">Annex 2</a> .
EM-PTA 2.3	The Constitution has been duly approved by the Fair Trade Premium Participants.	0		The Fair Trade Premium Participants are the group of workers who are eligible to elect one or more FTCs to manage the use of the Fair Trade Premium. Premium Participants and their families are the primary beneficiaries of the Fair Trade Premium.  For additional guidance around the Constitution please see <a href="#">Annex 2</a> .
EM-PTA 2.4	The Constitution identifies the Premium Participants as the supreme decision-making authority of the legal body.	0		EM-PTA 4.1 requires a legal body to be established before any collective assets are acquired using the Fair Trade Premium.
<b>Standard EM-PTA 3: A separate Fair Trade Premium bank account is established and worker representatives from the Fair Trade Committee (FTC), together with management, are joint signatories.</b>				
EM-PTA 3.1	A separate Premium bank account is established.	0		Some countries have specific regulations pertaining to foreign monetary transactions which may prevent the Premium from being sent directly from the buyer to the FTC bank account. In these cases, the Premium payment may need to go through a proxy account, usually owned by a foundation that is linked to the factory, or a totally separate entity. In order to meet the intent of this criterion, it is required to have a mechanism by which the FTC has visibility into all the transactions originating from the Premium payer. The intent of this criterion is that transparency is maintained at all times.  See <a href="#">Annex 3</a> for additional guidance.
EM-PTA 3.2	At least one worker representative and management representative from the FTC are joint signatories of the Premium bank account.	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-PTA 4: A legal body is established before any assets are acquired using the Fair Trade Premium. This body comprises and represents all employees of the factory as the owner of any property acquired with the Fair Trade Premium</b>				
EM-PTA 4.1	A legal body is established before any collective assets are acquired using the Fair Trade Premium.	0		<p>The legal body comprises and represents all Premium Participants as the joint owners of the Fair Trade Premium and of any collective assets acquired with the Fair Trade Premium (see EM-PTA 4.2).</p> <p>Once it has been established, the legal body is responsible for receiving and owning the Fair Trade Premium and any collective assets purchased by the FTC on behalf of the Premium Participants. Forming a separate entity is a safeguard against corruption, and ensures that the collective assets owned by the Premium Participants, including the Premium, are protected even if the production entity becomes decertified.</p> <p>A collective asset is an asset which remains the shared property of the Premium Participants as a group.</p> <p>The legal body must be registered before the FTC purchases collective assets. In some cases, the process of legal registration may take a long time to complete. It is critical that alternative banking arrangements are in place during the time of registration (see EM-PTA 3.1).</p> <p>It is important to note that the legal body is subject to external audits when there is a high volume of Fair Trade Premium (see EM-PTA 8.4).</p>
EM-PTA 4.2	The legal body comprises and represents all Premium Participants as the joint owners of the Fair Trade Premium and of any assets acquired with the Fair Trade Premium.	0		See guidance for EM-PTA 4.1.



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-PTA 5: Workers shall comprise a majority of members on the Fair Trade Committee (FTC) and shall be elected democratically and independently of management influence.</b>				
EM-PTA 5.1	Workers comprise a majority of the members of the FTC.	0	M	<p>The FTC is the body that consists largely of elected worker representatives and a few appointed non-voting factory management representatives who serve as observers.</p> <p>See <a href="#">Annex 1</a> to learn more about the composition and eligibility to serve on the FTC.</p>
EM-PTA 5.2	Worker representatives on the FTC have been elected independently of management influence and through a democratic process, which is documented.	0	M	<p>When planning the first FTC election, factory management may support workers in identifying which groups of workers exist within the workforce and therefore need to have the opportunity to be represented on the FTC. Factory management may also support workers in identifying how everyone will best be able to participate in the election. The intent is that minority groups, such as women, workers from different geographic regions, temporary or seasonal workers, unionized workers, etc., are represented on the FTC.</p> <p>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 to assist with the election process. The agreed-upon election process must be documented. Factory management and Fair Trade USA staff may assist the workers in this process as needed, with the expectation that need for support decreases over time. For the first election, factory management and Fair Trade USA staff may prepare and present a process that is representative and inclusive for the workers to consider and potentially accept and adopt.</p> <p>Nominated individuals may decide on their own not to become candidates, but those that do should understand and accept the responsibility. The intent of this criterion is that the election process should enable workers to vote freely for the representatives of their choice without threat or fear of discrimination from management.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				The intent of this criterion is that workers understand who they can nominate and which work areas and groups need to be represented on the FTC. It is useful to list or map the groups that should be represented along with the number of members of each of those groups before the election begins so that the workers can visualize how the composition of the workforce should determine the number of nominees from each group (women, migrant workers, temporary workers, union members, etc.) or factory, if a multi-site. If a multi-site, it is not required for an individual from each factory to be on the FTC, but workers at each factory should understand how they are represented on the FTC. As a best practice, individuals representing workers from other factories in scope should be able to demonstrate how they are including the interests of these workers.
EM-PTA 5.3	All workers are able to participate in FTC elections with equal rights to vote and to be nominated.	0		See guidance for EM-PTA 5.2 to learn more about the election process.  Worker participation in FTC elections may be via a delegate if there is an agreed upon delegate system in place and captured in the Constitution (see EM-PTA 2.2 and associated guidance).
EM-PTA 5.4	The factory keeps records for all cases of dismissals of FTC members.	0		This criterion refers to dismissals from the factory, not from the FTC. Also, see Criterion ED-CE 12.4 for record keeping requirements of all terminated contracts.



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-PTA 6: Management participates actively and responsibly in the Fair Trade Committee (FTC) through its representatives and assists and supports the workers in the management of the Premium. Management representatives do not have voting rights, but are allowed to veto FTC decisions where these are clearly illegal or go against the Factory Standard.</b>				
EM-PTA 6.1	Factory management appoints non-voting management representatives who serve as observers to the FTC.	0		<p>These representatives of the Certificate Holder/factory management cannot vote in FTC decisions, but may block any Premium project that is not aligned with the Premium Plan (see EM-PTA 7.4 for a description of the Premium Work Plan). Any such block must be documented in the meeting minutes of the FTC.</p> <p>The FTC may invite more than one factory management observer from the Certificate Holder. Where there is more than one FTC, each FTC must have a management representative of the Certificate Holder who serves as an observer. The same observer can serve on multiple FTCs</p> <p>The Certificate Holder may nominate an independent third party, such as a consultant, to serve as their management representative who serves as the observer, as long as this individual has an agreement to act on behalf of the Certificate Holder and it has been made clear to the FTC.</p>
EM-PTA 6.2	Management provides resources for the FTC meetings to take place regularly during working hours without deductions.	0		<p>“Resources” are necessities to allow the FTC meetings to take place. This may include, but is not limited to: office or meeting space, transportation for FTC members, remuneration for workers’ time, and supplies such as paper, pens or computer resources where appropriate. For remuneration based on production, quotas, or piecework, payment for FTC meetings must be calculated based on the worker’s average or typical piece rate earning for the equivalent time period.</p> <p>The intent behind “regularly” is that the FTC meets at least once per quarter at the full pay rate during paid working hours. It is acceptable to meet during untraditional hours if workers receive the same pay rate they would for those working hours. If workers volunteer to meet outside of working hours, they must still earn their normal wage for the hours spent during those meetings, including premium rates for overtime if relevant.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				This is separate from the requirements EM-PTA 11.1, which requires the FTC to have regular access to infrastructural resources by Year 3.
<b>Standard EM-PTA 7: The Fair Trade Committee (FTC) shall liaise with all employees in order to allocate the Fair Trade Premium funds that are directed to the FTC from Fair Trade orders.</b>				
EM-PTA 7.1	The Premium Participants meet annually for a General Assembly to discuss and decide on FTC activities and Fair Trade Premium funds.	1		<p>The minutes of the General Assembly meetings clearly record all decisions and comments made. The decisions should be posted in a public place accessible to and used by Premium Participants, for example, in the cafeteria or news board.</p> <p>If there is no balance in the Fair Trade Premium account and no funds were spent in the previous year, the annual General Assembly may be postponed or skipped. Any reasons for postponing or skipping a General Assembly meeting must be clearly communicated to the Premium Participants.</p> <p>However, it is recommended to always hold the General Assembly, as it is an important opportunity for sharing information, training on general Fair Trade matters, and planning for future Premium spending.</p>
EM-PTA 7.2	An initial training is provided to new FTC members on the function and responsibilities of a FTC.	0		The intent of this criterion is that FTC members have a clear understanding of what the FTC is, how it functions, and what its responsibilities are. This training can be accomplished by the factory management, which is repeated for any new FTC members. FTC members must understand the function and responsibilities of the FTC before any Premium is spent, but by Year 1 at the latest.
EM-PTA 7.3	Regular capacity building activities for worker representatives on the FTC are undertaken to ensure that they can carry out their responsibilities.	3		<p>The FTC should receive training once per year so that its members have the skills they need to manage the Premium.</p> <p>At a minimum, this includes:</p> <ul style="list-style-type: none"> <li>• The role and responsibility of the FTC and the sub-roles (president, treasurer, etc.) where applicable; and,</li> <li>• Training on the management of the Premium.</li> </ul>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				<p>New members joining the FTC should be trained on the accounting system shortly after they join.</p> <p>Other training topics can include budgeting, financial literacy, project management, meeting facilitation, consensus-building, communication technologies, conflict resolution, and interpretation of results of needs assessments.</p>
EM-PTA 7.4	The FTC has prepared and is following a Fair Trade Premium Plan which sets priorities for Fair Trade Premium use. The Premium Plan contains a reasonable budget based on expected Fair Trade Premium income.	1		<p>The Fair Trade Premium Plan is a written plan prepared by the FTC outlining the objectives, timelines, and activities for any Premium use. The Fair Trade Premium Plan includes a prioritized and detailed list of projects and investment that address identified needs captured from the Needs Assessment (see <a href="#">Annex 5</a>) and a list of any other expenses for which the Premium will be used. The Fair Trade Premium Plan is approved by the majority of Premium Participants.</p> <p>In all cases, Premium expenditures must be linked to a need identified in the Needs Assessment and be approved by the Premium Participants. The intent of Premium expenditure is that it improves the livelihoods of Premium Participants, as guided by the results of the Needs Assessment.</p> <p>See <a href="#">Annex 4</a> for Premium Expenditure Guidelines.</p> <p>Project selection processes will vary across projects to some degree, but in all cases Premium Participants shall have the opportunity to voice their priorities. The FTC will record all ideas and priorities and develop project proposals that reflect the ideas most supported by Premium Participants, as derived from the Needs Assessment. In presenting final projects for approval to the Premium Participants, the FTC shall ensure workers understand which of the projects received the most support during the prioritization vote or survey. In all cases, workers shall also have the opportunity to vote on the approval/rejection of the Premium Plan (EM-PTA 7.6). Project selection criteria should be included in the Constitution of the FTC with clear and transparent rules and procedures (see EM-PTA 2.2 for other requirements around the Constitution).</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
EM-PTA 7.5	The Fair Trade Premium is not used to cover the running cost of the Certificate Holder or the costs of compliance with the requirements of the Factory Standard.	1	M	<p>“Running cost”, also called operating cost, pertains to the amount of money a factory regularly spends on salaries, heating, lighting, rent or other operating expenses.</p> <p>This criterion prohibits the use of Premium funds for meeting the requirements of the Factory Standard, including required trainings and certification fees, unless otherwise explicitly stated in this document.</p> <p>In EM-PTA 7.8, for example, if the members of the FTC have no previous experience in inclusive decision-making, consensus building, managing elections, or financial accounting, then the workers may consider it worthwhile to spend some Premium to share the cost of training in addition to the initial training that is required by EM-PTA 7.2. Premium may be spent on trainings that go beyond what the Factory Standard requires if there is an identified need captured in the Fair Trade Premium Plan.</p>
EM-PTA 7.6	The Fair Trade Premium Plan is democratically approved in advance of Premium spending by the Premium Participants.	1		Once the Premium Plan is approved by the Premium Participants, the FTC may make decisions within the approved projects without having to return to the Premium Participants.
EM-PTA 7.7	All expenditure of Premium and related issues are decided exclusively by the FTC after consultation with the Premium Participants.	1		





No.	Compliance Criterion	Year	Major	Intent and Clarification
EM-PTA 7.8	FTC decisions on the use of Fair Trade Premium are reached by consensus or if no consensus can be reached, the decision is taken by the majority of the voting members of the FTC.	1		<p>The intent of this criterion is that the FTC attempts to reach consensus, or general agreement, on decisions about Premium use through discussions and negotiations. Decisions may be made with unanimous support from all members of the FTC, or from a majority vote of the worker representatives, or another means that demonstrates no serious sustained opposition to the decision. Factory management representatives on the FTC serve mainly as observers and may not vote in FTC decisions, but may block any Premium project that is not aligned with the Premium Plan (see EM-PTA 7.4 for a description of the Premium Plan). Any such block must be documented in the meeting minutes of the FTC.</p> <p>Meeting notes should record attempts to reach consensus. FTC decisions and agreements should take into account the input and opinions they received from Premium Participants more broadly, for example via the General Assembly, project idea submissions, and Premium Participants' responses to the Needs Assessment.</p>
<b>Standard EM-PTA 8: The Fair Trade Committee (FTC) is accountable to the workers and Conformity Assessment Body for the administration and use of the Fair Trade Premium. Payment and distribution of the Premium must be transparent and verifiable.<sup>1</sup></b>				
EM-PTA 8.1	The administration and use of the Fair Trade Premium is transparent and coherent.	1	M	<p>The intent of this criterion is that the Premium is spent in line with the Fair Trade Premium Plan, that Premium Participants understand how Premium was spent, and that safeguards and structures are in place to prevent misappropriation.</p> <p>"Transparent and coherent" includes that the transfer of Premium funds follows a mutually agreed upon process and timelines that are documented. The Premium must always be traceable from the brand to the FTC's bank account.</p>

<sup>1</sup> Factories should post notices informing workers of details of buyers' Fair Trade Premium payments, including the amounts and frequencies of payments.



No.	Compliance Criterion	Year	Major	Intent and Clarification
				<p>A typical transparent and inclusive process to determine Premium use is as follows:</p> <ul style="list-style-type: none"> <li>Premium Participants identify priorities for Premium investment through a vote or survey on their individual and collective needs (Needs Assessment).</li> <li>The FTC develops a Premium Plan which reflects those priorities and develops specific project proposals around those priorities that takes into account feasibility, budget, timelines, additional resources needed (such as government permits), etc.</li> <li>The FTC returns to the Premium Participants to seek feedback and democratically approve/reject/amend the Premium Plan.</li> <li>Once the Premium Plan is approved by the Premium Participants, the FTC may make decisions within the approved projects without having to return to the Premium Participants.</li> <li>In implementing projects, FTCs should solicit multiple bids to secure the most competitive option and help ensure the most efficient use of Premium funds.</li> </ul>
EM-PTA 8.2	Information about Premium received, commissions, and charges are made readily available by management to all FTC members.	1		<p>Management has a responsibility to provide information on sales and expected sales forecasts to support the FTC budgeting. The amount of Fair Trade Premium depends on the quantity and value of product that is sold as Fair Trade Certified.</p> <p>Calculating the correct amount of Premium will often involve considering exchange rates, transfer fees, and other factors. In cases where the Premium payment is made in a currency foreign to the Certificate Holder (e.g. U.S. dollars), the exchange rate should be set at the time of the initial sale between buyer to seller.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				As a general guideline, each party (Premium payer and Premium recipient) is responsible for the fee that their bank charges for a transaction. If only the Premium is being transferred, the recipient's fee can be charged to the Premium account. If the Premium is being transferred at the same time as other payments (i.e. payment for product) and it is a flat fee (not based on value), it is best practice for the recipient to pay the fee out of their budget and not out of the Premium account (since the recipient would be paying a fee regardless).
EM-PTA 8.3	The FTC makes available to all workers an annual financial report with information on Fair Trade Premium income, expenditure, and balance as well as information on its activities and the progress of existing Premium projects.	3		The intent of this criterion is that Premium Participants receive information about Premium use and accounting directly in a report. Included in this report are details of the buyer's Premium payments as well as the amounts and frequencies of payments. The report can be posted in a public place, or shared at the General Assembly.
EM-PTA 8.4	If more than USD 75,000 in Premium is received or spent by the FTC in one year, a third-party audit of FTC accounts is undertaken by a professional financial auditor.	1		The purpose of the third-party audit of FTC accounts is to ensure that the FTC is receiving the correct amount of Premium, spending is being recorded accurately, and expenditures follow the Fair Trade Premium Expenditure Guidelines as described in <a href="#">Annex 4</a> . The Premium may be used to cover the costs of the financial audit of the FTC bank account.  The FTC should budget for auditing costs in the annual budget.
<b>Standard EM-PTA 9: Within one year of certification, the rules, regulations and procedures of the Fair Trade Committee (FTC), established as part of the Constitution required by EM-PTA 2, are in place and available to workers.</b>				
EM-PTA 9.1	Within one year of certification, the rules, regulations, and procedures of the FTC, established as part of the Constitution required by EM-PTA 2, are in place and available to Premium Participants.	1		Before the Year 0 audit, EM-PTA 2.2 requires that a Constitution be developed and approved that includes objectives, processes, and procedures for the FTC. This criterion requires that by Year 1, these procedures, rules, and processes be fully in place, functioning, and available to Premium Participants.



No.	Compliance Criterion	Year	Major	Intent and Clarification
				<p>To strengthen the FTC, to increase worker participation in the Premium projects, and to give new potential candidates the opportunity to prepare for the next election, the FTC should make an effort to inform Premium Participants about how the FTC operates.</p> <p>The FTC may find that the Constitution provides general guidelines for operations but that they may want to establish further internal policies and procedures to define smaller operational issues without having to amend the Constitution. In this case, these policies and procedures should be in writing, approved by the FTC, and provided to the Premium Participants. Any changes to the overall functions and responsibilities of the FTC as outlined in EM-PTA 2.2 must be approved by the Premium Participants.</p>
<b>Standard EM-PTA 10: The Fair Trade Committee (FTC) makes use of Fair Trade training tools in preparation for writing the Fair Trade Premium Plan.</b>				
EM-PTA 10.1	The FTC implements measures to improve the planning and analysis that goes into its preparation of the Fair Trade Premium Plan (Needs Assessments, setting of priorities, feasibility studies, cost analysis, implementation, and monitoring and budgeting).	3		<p>The intent of this criterion is to promote a process of continuous improvement over time for the planning and analysis used by the FTC to guide Premium spending. The first Premium Plan needs to be developed and approved by the Premium Participants before any Premium is spent. Subsequent Premium Plans should demonstrate improved analysis over time.</p> <p>The FTC will prepare one annual Fair Trade Premium Plan which may contain multiple projects to submit for approval to the Premium Participants. The FTC may want to elaborate more detailed project plans for individual projects. The level of detail is expected to vary with the complexity of the project, and work plans for any individual project may change over time as the project is developed and evaluated. Only major changes (e.g. significant new project direction or discontinuation of a project) would require that the FTC return to the Premium Participants to seek approval again. See also related guidelines under EM-PTA 7.4.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-PTA 11: The Fair Trade Committee (FTC) has access to administration and communication tools (telephone, email and/or fax), and has its own independent email account, where infrastructure allows it.</b>				
EM-PTA 11.1	The FTC has access to administration and communication tools (telephone, email and/or fax), and has its own independent email account, where infrastructure allows it.	3		<p>This criterion builds on the requirement EM-PTA 6.2. The intent of this criterion is that as the FTC gains capacity and is able to take over more responsibilities from Management. The factory provides the FTC with the resources necessary for the FTC meetings to take place regularly, during working hours, and without deductions.</p> <p>Management representatives on the FTC may initially have responsibility for running the election, recordkeeping, and bookkeeping of the Premium bank account, but should transfer these responsibilities and skills to worker FTC members over time. As they transfer responsibilities, they should ensure that FTC members have regular access to the infrastructural tools necessary to complete these tasks. For example, Management should help the FTC establish its own office facilities (e.g. a phone, an email address, and a filing area).</p> <p>Until the FTC is able to take on these responsibilities, or by Year 3 at the latest, the Certificate Holder should at least provide adequate resources for required FTC and General Assembly meetings to take place.</p>



## SUB-SECTION 1.3: Grievance Procedure (GP)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard EM-GP 1: Management ensures the right of workers to gather to discuss workplace grievances without fear of reprisal or other negative consequences. Meeting space is provided on request to enable the worker representatives to carry out their functions. All grievances must be documented and addressed by management in a clear fashion to the person who presents the grievance, as well as to other workers if relevant.</b>				
EM-GP 1.1	All workers are allowed to gather and discuss workplace grievances without fear of negative consequences.	0		The intent is that workers are not disciplined, dismissed, or discriminated against, neither for discussing grievances nor for using any grievance or allegations process.
EM-GP 1.2	Worker representatives from trade unions or other worker organizations are provided with resources (including time and meeting space) upon request to carry out their functions.	0		This criterion is applicable where there is a trade union or other worker organization in place at the factory.  As a best practice, representatives of an active worker's organization meet monthly.
<b>Standard EM-GP 2: A written grievance procedure is established which ensures that workers have the right to be heard and to appeal. Management does not discipline, dismiss, or discriminate against workers for using any grievance procedure.</b>				
EM-GP 2.1	A grievance policy and procedure is in place and communicated to workers verbally and in writing. At a minimum, the grievance procedure: <ul style="list-style-type: none"> <li>Protects workers against possible retribution;</li> <li>Allows a worker to report a grievance against a supervisor to someone other than that supervisor;</li> <li>Provides for management follow-up; and,</li> <li>Reference a third-party ombudsman, a government department, and/or a union representative that will mediate</li> </ul>	1	M	The procedure shall be designed for worker complaints regarding pay, working conditions, rights to Freedom of Association, and other labor-related aspects of the Factory Standard. It must be accessible to all workers regardless of employment status (i.e. temporary, migrant, or permanent etc.).  This information is made available in languages the workers understand. It may be provided through a brochure or poster in a public place where workers gather.  The employer is responsible for ensuring that all levels of management and supervisors understand the employer's grievance procedure and that they are prohibited from enacting any form of retaliation against those who use it. If disciplinary action is taken against a worker after s/he reports a grievance, the employer must prove that this was not retaliatory.



No.	Compliance Criterion	Year	Major	Intent and Clarification
	disputes that do not reach resolution at the site level.			
EM-GP 2.2	Records of grievances are maintained, including a description of the grievance, procedures of the investigation, persons involved, and actions taken to address each grievance.	1		Records must be kept for at least five years, or longer if required by law.
EM-GP 2.3	<p>Factory management does not discipline, dismiss, discriminate against, or otherwise punish its employees for:</p> <ul style="list-style-type: none"> <li>• Using any grievance procedure;</li> <li>• Talking to Fair Trade USA or its representatives; or,</li> <li>• Using Fair Trade USA's allegations process.</li> </ul>	0	M	
EM-GP 2.4	Factory management communicates with trade union and/or workers' organization representatives about all grievances and corresponding actions taken related to Freedom of Association.	1		This criterion is applicable where there is a trade union or other worker organization in place at the factory.



## SECTION 2: Economic Development (ED)

### SUB-SECTION 2.1: Fair Trade Premium (FTP)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-FTP 1: Buyers pay a Fair Trade Premium on all Fair Trade orders, to benefit all workers. Buyers are responsible for paying the current Fair Trade Premium as listed in the Fair Trade Premium requirements in Annex 6.</b>				
ED-FTP 1.1	The correct amount of Premium is received in the Premium bank account.	0	M	<p>Paying the Fair Trade Premium is the responsibility of the buyer, whereas it is the responsibility of the Certificate Holder to communicate accurate information to the buyer to calculate the correct amount of Premium. The Premium must always be traceable from the brand to the FTC's bank account.</p> <p>The Premium is determined by Fair Trade USA and stated in Fair Trade USA's contract with the factory.</p>

### SUB-SECTION 2.2: Conditions of Employment; SA8000: Working Hours and Remuneration (CE)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 1: The factory shall treat all workers with dignity and respect. The factory shall not engage in or tolerate the use of corporal punishment, mental or physical coercion, or verbal abuse of workers. No harsh or inhumane treatment is allowed.</b>				
ED-CE 1.1	<p>The workplace is free from abuse, including:</p> <ul style="list-style-type: none"> <li>• corporal punishment and physical harassment;</li> <li>• sexual harassment; and,</li> <li>• psychological and verbal harassment.</li> </ul>	0	M	





No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 1.2	<p>The factory has a written and clearly communicated policy and procedure on anti-harassment and abuse which includes:</p> <ul style="list-style-type: none"> <li>• Reporting harassment and abuse cases;</li> <li>• Investigating harassment and abuse cases; and,</li> <li>• Standardized sanctions for each type of abuse.</li> </ul>	0		
ED-CE 1.3	<p>The factory has a written policy on discipline and termination which:</p> <ul style="list-style-type: none"> <li>• States the code of behavior for all managers, supervisors and workers;</li> <li>• Describes acts of infractions or violations as well as corresponding disciplinary actions; and,</li> <li>• Describes the discipline and termination process.</li> </ul>	0		<p>The discipline and termination process includes:</p> <ul style="list-style-type: none"> <li>• Communication of infraction or violation to the employee at fault;</li> <li>• Employee's response or explanation;</li> <li>• Implementation of progressive disciplinary action (e.g., verbal warnings and written warnings); and,</li> <li>• System for appeal of unfavorably resolved complaints or disciplinary actions.</li> </ul>
ED-CE 1.4	<p>The discipline and termination policy and procedures are effectively communicated to all workers.</p>	0		<p>The policy and procedures can be communicated in person during the hiring process and/or in groups of workers during a training, once hired. The information can also be conveyed in writing, for example via notice boards or the employee handbook.</p> <p>The effectiveness of a communication will be measured by the workers' understanding of the information.</p>
ED-CE 1.5	<p>All disciplinary and termination notices are documented and filed. The contents of disciplinary notices include:</p>	0		<p>Disciplinary and termination notices include but are not limited to written warnings, sanctions and other supporting documents.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>A summary of infraction (when it occurred, where, witnesses, employee's response);</li> <li>Date disciplinary notice was issued;</li> <li>Results of deliberation and corresponding disciplinary action;</li> <li>Signature of management; and,</li> <li>Proof of employee's receipt of disciplinary notice.</li> </ul>			
ED-CE 1.6	Established procedures for disciplining and terminating workers are standardized throughout the factory.	1		ED-CE 1.3 requires a written policy on discipline and termination at Year 0. This criterion requires that all departments apply the same discipline and termination procedures by Year 1.
ED-CE 1.7	Workers report that disciplinary measures are reasonable.	1		
ED-CE 1.8	The factory conducts periodic anti-harassment and abuse training for management and supervisors and has a continuing education program for workers on anti-harassment and abuse. The factory has an assigned unit or assigned staff member to receive and process worker's reports of harassment and abuse. The assigned staff member/unit is properly trained to handle harassment and abuse cases.	1		<p>Periodic trainings aim to foster a work culture that respects workers at all levels. As a best practice, these trainings are held annually or whenever turn-over is high.</p> <p>The role of the assigned unit or assigned staff member should be clearly outlined in the policies and procedures required under ED-CE 1.2 and ED-CE 1.3.</p>
ED-CE 1.9	The factory trains supervisors and managers on handling workers and discipline and termination practices.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 1.10	The factory has a continuing education program for managers and supervisors on positive management techniques.	3		
ED-CE 1.11	Workers are never asked to sign a blank paper, an empty or incomplete form, and are never forced to sign a letter of resignation.	0	M	
ED-CE 1.12	Security guards do not intimidate workers.	0	M	Security guards should guarantee workplace security and under no circumstance can be used to intimidate workers or restrict their freedom of movement.
ED-CE 1.13	Deductions for tardiness or time missed do not exceed the wage equivalent of actual time missed.	0	M	
<b>Standard ED-CE 2: The factory shall comply with applicable laws and industry standards on working hours and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours.</b>				
ED-CE 2.1	Workers shall not work longer than 48 hours of regular hours per week, or the legal limit, whichever is less.	0		
ED-CE 2.2	The factory has a policy that defines each employment status (e.g. temporary, permanent, part-time, full-time) as well as the maximum working hours, including overtime, allowed for each status.	0		
ED-CE 2.3	Workers' work schedule is compliant with the law.	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 2.4	Workers receive the legally required breaks.	0		<p>The intent of this criterion is that workers are able to take rest time in order to protect their health without losing wages. In all cases, workers should be aware of their legal rights related to breaks. Where not regulated by law, it is best practice that workers are given one 30-minute meal break for every five hours worked, and an additional 15-minute rest break for every four hours worked. For example, if a worker is scheduled for an 8, 9, or 10-hour shift, that time should include at least one hour of total break time (one meal plus two smaller breaks). A longer shift would also include an additional meal break on top of that. The meal and rest breaks can be paid or unpaid, which may be dictated by law.</p> <p>In hot climates or workplaces, when the temperature exceeds 27 degrees Celsius (80 Fahrenheit), it is best practice to give rest breaks more frequently to help mitigate the risk of heat stress.</p>
ED-CE 2.5	The factory has a clear and established system of setting production targets and schedules to ensure it is based on realistic and reasonable efficiency rates.	1		<p>For remuneration based on production, quotas, or piecework, the pay rate must allow the worker to earn at least the sector Collective Bargaining Agreement (CBA) wage or official minimum wage (whichever is higher) during normal working hours, taking into account legally required breaks.</p> <p>Workers should be involved in the process of setting production targets.</p> <p>Production quotas should allow the majority of workers to complete their work within an eight-hour work day.</p>
ED-CE 2.6	Workers are not penalized for failing to reach production quotas.	0	M	The factory cannot require its workers to work more than a regular workweek, even if they do not meet the quota.
ED-CE 2.7	In countries where a Collective Bargaining Agreement is agreed for the sector, the employer meets or exceeds conditions of employment as per the agreement. Where no CBA exists, the employer meets or exceeds industry and legal requirements.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 3: Workers shall be provided with at least one day off following every six consecutive days of working. Exceptions to this rule apply only where both of the following conditions exist:</b> <ul style="list-style-type: none"> <li>a) National law allows work time exceeding this limit; and</li> <li>b) A freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods.</li> </ul>				
ED-CE 3.1	<p>Workers shall be provided with at least one day off following every six consecutive days of work. Exceptions to this rule apply only where both of the following conditions exist:</p> <ul style="list-style-type: none"> <li>National law allows work time exceeding this limit; and,</li> <li>A freely negotiated Collective Bargaining Agreement is in place that allows work time averaging, including adequate rest periods.</li> </ul>	0		<p>A rest day is defined as 24 consecutive hours without work.</p> <p>When workers agree to give up rest days, this must be agreed to in writing, either individually or collectively, for instance through a CBA negotiated by a representative worker organization or via a human resources procedure for voluntary overtime.</p> <p>When workers give up a rest day the factory should provide a replacement rest day at the earliest available time within the following week. It is best practice to assign lighter tasks to workers who give up a rest day to protect against fatigue and overexertion.</p>
<b>Standard ED-CE 4: All overtime work shall be voluntary, except as provided in ED-CE 5 below, and shall not exceed 12 hours per week, or be requested on a regular basis</b>				
ED-CE 4.1	All overtime is strictly voluntary unless prescribed in detail in an employment contract or Collective Bargaining Agreement.	0	M	Workers may agree to overtime in advance through detailed agreements on overtime prescribed in employment contracts. Workers may also agree to overtime in advance through Collective Bargaining Agreements negotiated by representative worker organizations.
ED-CE 4.2	The factory has written procedures for overtime work that states that overtime is voluntary at all times.	0		
ED-CE 4.3	Overtime does not exceed 12 hours per week.	0		Where it is not defined by national or local law, overtime is any work performed after an eight-hour day.



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 4.4	In the absence of legal overtime limits, workers do not regularly work more than 60 hours total per week. The only exception to working hours limits is force majeure, such as severe weather conditions, a natural disaster, or an electrical outage.	0		ED-CE 2.1 requires workers to not work longer than 48 hours of regular hours per week, or the legal limit, whichever is less. Criterion ED-CE 4.3 allows workers to work 12 hours of overtime per week or the legal limit, whichever is less.
ED-CE 4.5	There are no repercussions or penalties against workers for refusing to work overtime.	0		
<b>Standard ED-CE 5: In cases where overtime work is needed in order to meet a short-term business demand and the factory is party to a Collective Bargaining Agreement freely negotiated with worker organizations representing a significant portion of its workforce, the factory may require such overtime work in accordance with such agreements.</b>				
ED-CE 5.1	<p>In cases where overtime work is needed to meet short-term business demands, despite proper planning, and the paying of a premium rate does not attract sufficient voluntary overtime workers, the factory may require overtime work under two conditions:</p> <ul style="list-style-type: none"> <li>• National law allows overtime; and,</li> <li>• A freely negotiated Collective Bargaining Agreement that allows overtime due to short-term business demand is in place.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 6: The factory shall respect the right of workers to a living wage and ensure that wages paid for a normal work week shall always meet at least legal or industry minimum standards and shall be sufficient to meet the basic needs of workers and to provide some discretionary income.</b>				
ED-CE 6.1	All workers receive wages directly from the factory.	0		
ED-CE 6.2	All workers, including piece rate workers, are paid at least the legal minimum wage as their base wage.	0	M	A piece rate system should guarantee workers at least the local minimum wage for a regular work week, and the factory should pay any piece rate work beyond the 40-hour week (or 48-hour, depending on national laws) at a premium rate. Base wages do not include overtime wages or bonuses.
ED-CE 6.3	<p>The factory has a written policy on regular and overtime wages that are compliant with the national/local laws on compensation or as established in a Collective Bargaining Agreement. The policy includes details of the following:</p> <ul style="list-style-type: none"> <li>• Rates of regular and overtime wages for all types of workers;</li> <li>• Description of how wage is calculated;</li> <li>• Pay schedule; and,</li> <li>• Complete description of all deductions.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 7: The factory shall ensure that deductions from wages are not made for disciplinary purposes. Exceptions to this rule apply only when both of the following conditions exist:</b> <ul style="list-style-type: none"> <li>a) Deductions from wages for disciplinary purposes are permitted by national law; and</li> <li>b) A freely negotiated Collective Bargaining Agreement is in force.</li> </ul>				
ED-CE 7.1	Disciplinary measures do not include the use of punitive deductions (fines) from workers' pay.	0	M	
ED-CE 7.2	Salary deductions are only permitted as allowed by national laws, as fixed by a Collective Bargaining Agreement, or where the employee has given voluntary written consent.	0		
ED-CE 7.3	Where the factory provides workers with housing or other benefits or services, these benefits and services are free or provided at a reasonable cost.	0		"Reasonable cost" means that they do not exceed the actual costs incurred by the employer.
<b>Standard ED-CE 8: The factory shall ensure that workers' wages and benefits are detailed clearly and regularly in writing for them for each pay period. The factory shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered either in cash or check form, in a manner convenient to workers.</b>				
ED-CE 8.1	The factory has written and clearly communicated procedures that indicate the following: <ul style="list-style-type: none"> <li>• when and how workers will be paid;</li> <li>• type of any salary deductions and how they're calculated, e.g. for services or benefits;</li> </ul>	0		Some of these elements are also required in a Human Resource Policy under EM-MS 4.1. This requirement may be covered as part of the Human Resource policy or as a separate document.  Vacation and holiday leave are not the same. Holidays are days where the factory suspends its operations in commemoration of a special event. Vacation time is a worker's voluntary time spent away from work activity.





No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>working hours and schedule, including breaks;</li> <li>rights to vacation, sick, maternity, and holiday leave; and,</li> <li>grievance procedures for wage related complaints.</li> </ul>			
ED-CE 8.2	The factory has a written policy on benefits, leaves, and deductions that are compliant with the laws on social benefits or as established in a Collective Bargaining Agreement, whichever is more stringent.	0		
ED-CE 8.3	Payment is made in legal tender.	0	M	The intent of this criterion is that payment is made in cash or cash equivalent directly to the worker. Cash equivalent is defined as check, direct deposit, or similar. The worker shall receive payment directly, i.e. not through a spouse or third-party entity.
ED-CE 8.4	Workers are always paid on time, at least monthly and based on an established schedule.	0	M	
ED-CE 8.5	Any underpayment of wages is reimbursed, with interest.	0	M	When determining a fair interest rate, it is recommended to take the average monthly interest rate for a savings account from a recognized bank.
ED-CE 8.6	All workers are provided all the benefits to which they are legally entitled. Benefits are provided upon hire, or within the time period prescribed in an applicable Collective Bargaining Agreement or by law.	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 8.7	All legally mandated bonuses are paid in full and in a timely manner.	0		
ED-CE 8.8	Time cards record all hours worked, including overtime hours.	0		<p>TR-BR 2.1 requires that the factory maintains verifiable, accurate, and complete documentation of all employment-related practices and records for each worker. The intent of ED-CE 8.8 is that the factory has a system in place that accurately tracks all employment-related practices and records.</p> <p>An accurate monitoring system will allow the factory to produce verifiable and complete documentation and help to measure compliance with the Factory Standard.</p>
ED-CE 8.9	Local regulations on paid and unpaid sick leave, holiday leave, annual leave and casual leave are followed.	0	M	
<b>Standard ED-CE 9: All overtime shall be reimbursed at a premium rate as defined by national law. In countries where a premium rate for overtime is not regulated by law or a Collective Bargaining Agreement, workers shall be compensated for overtime at a premium rate or equal to prevailing industry standards, whichever is more favorable to workers' interests.</b>				
ED-CE 9.1	All workers are paid the legal overtime rate. If no rate is specified, overtime shall be paid at least one and a half times the hourly rate; the weekly rest day and public holidays shall be compensated at least twice the hourly rate.	0		
ED-CE 9.2	If overtime is partly or entirely compensated by the allocation of time-off work, the premium factor must be applied to the time compensation.	1		<p>For example, four hours worked at an applicable 200% premium (twice the hourly rate) may be compensated by an equivalent of four hours wage at regular rate plus four hours of time off paid at a regular rate, or may be compensated by eight hours of time off paid at the regular rate.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 10: The factory shall not use labor-only contracting arrangements, consecutive short-term contracts, and/or false apprenticeship schemes to avoid fulfilling its obligations to workers under applicable laws pertaining to labor and social security legislation and regulations.</b>				
ED-CE 10.1	The use of short-term employment status and apprenticeship schemes for the purpose of avoiding legal or social security obligations is prohibited.	0	M	
ED-CE 10.2	Employment practices/statuses that effectively lower an employee's pay below the legal minimum wage, are not permitted, except where the law explicitly permits it.	0	M	Where these practices are permitted by law, they are only used for the intended purpose and not to avoid paying regular permanent workers' wages.
ED-CE 10.3	The factory does not keep workers at a non-permanent status beyond the legal limits.	0	M	
ED-CE 10.4	The factory has implemented a system for promoting workers from fixed-term contracts to permanent status.	3		<p>The intent of this criterion is to create and implement a system that goes beyond the legal requirements referred to in ED-CE 10.3.</p> <p>The system must be fair, transparent, and implemented consistently.</p> <p>The intent is that workers hired as trainees understand the criteria of evaluation and the requirements for promotion to regular status, and are given the opportunity to improve their performance before a hiring decision is made.</p> <p>A fixed-term contract worker is hired for a specific duration of longer than nine months as agreed and specified in the employment contract. Fixed-term contract workers receive all benefits of permanent workers but their employment may be terminated or renewed at the end of the contract.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 10.5	Trainees and temporary workers are hired following a clear and transparent procedure.	1		<p>The intent of this criterion is to inform and protect temporary workers and trainees, who are often in a vulnerable position because they are:</p> <ul style="list-style-type: none"> <li>• Lacking a formal employer-worker relationship;</li> <li>• Provided no or very few legal protections;</li> <li>• Prone to being terminated and rehired at the end of a contract, or to receiving a contract renewal without being granted seniority or job security; and,</li> <li>• Typically not represented by trade unions or other workers organizations.</li> </ul> <p>A trainee is a worker hired under a probationary term or apprenticeship scheme to undergo training for a specific job. A status of trainee may or may not include benefits or piece rate (minimum wage shall be met) and shall be no longer than 3 months, during which ongoing training and transparent evaluation of skills with hiring decision will occur.</p> <p>A temporary worker is hired for pre-determined and agreed limited periods of no longer than 9 months related to fluctuations in demand for labor at different times of the year. Benefits may be provided but are not always the same as benefits of permanent workers or those on fixed term contracts.</p>
ED-CE 10.6	The factory has implemented a system for evaluating and promoting trainees to regular status after three months, or earlier as per law.	1		<p>Regular status' include temporary, fixed-term contracts and permanent status'. The trainee or apprenticeship status length must be limited to three months.</p> <p>The intent is that workers hired as trainees understand the criteria of evaluation and the requirements for promotion to regular status, and are given the opportunity to improve their performance before a hiring decision is made.</p>
ED-CE 10.7	The factory has implemented a system for evaluating and promoting temporary workers to a fixed-term contract or permanent status within nine months of hiring, or earlier as per law.	3		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ED-CE 11: All workers are aware of their rights and duties, responsibilities, salaries, and work schedules.</b>				
ED-CE 11.1	<p>All employees are provided with a pay slip each pay period that contains the following information:</p> <ul style="list-style-type: none"> <li>• name of factory;</li> <li>• employee's name and ID;</li> <li>• hiring date;</li> <li>• pay day and pay period;</li> <li>• regular rate/base wage;</li> <li>• regular hours worked;</li> <li>• overtime hours worked;</li> <li>• regular wages;</li> <li>• overtime wages;</li> <li>• benefits, including leave balances;</li> <li>• bonuses;</li> <li>• gross earnings;</li> <li>• itemized deductions; and,</li> <li>• net wage.</li> </ul>	0		
ED-CE 11.2	If workers' hours are used to calculate wages, the factory maintains a working time clock where workers can check in and out formally upon arrival and departure.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 11.3	The factory orients all workers, including piece rate workers, on how their wages are calculated and reorients them again when there are changes in the wage structure. The formula for calculation of piece rate includes price per piece, based on an established piece rate per product model/style.	1		
ED-CE 11.4	Workers understand how their wages are calculated.	1		
ED-CE 11.5	Workers are aware of the benefits to which they are entitled.	1		Awareness of benefits includes legally required as well as company provided benefits.
<b>Standard ED-CE 12: All permanent workers must have a legally binding written contract of employment with a job description, signed by worker and employer.</b>				
ED-CE 12.1	All workers have written contracts with clear employment conditions.	0		At a minimum, the contract includes the base wage and overtime rates, as well as the schedule of wage payments and is written in a language the worker understands.
ED-CE 12.2	The factory requires the staff in charge of hiring to explain the employment agreement to all newly hired workers, including the provisions that state their right to voluntarily resign and to refuse to work overtime. This is done before workers are asked to sign the employment agreement.	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
ED-CE 12.3	Each worker is provided with a copy of their employment agreement and the employee handbook or Human Resource policies, with provisions made for illiterate workers to understand the terms.	0		It is acceptable to have an employee handbook on display and accessible to workers at all times in a public space, e.g. the cafeteria or other place of frequent gathering.
ED-CE 12.4	The factory keeps and maintains a register of all terminated contracts with details on circumstances/reasons for termination for at least three years.	1		
<b>Standard ED-CE 13: The premium rate for overtime shall be agreed upon in writing and in advance.</b>				
ED-CE 13.1	The rate for overtime is agreed to in writing before any overtime hours are worked.	0		This criterion includes any legally required or higher negotiated compensation rates for overtime. Note that the overtime rate shall also be included in the employment contract under ED-CE 12.1.
<b>Standard ED-CE 14: Annual leave, not including sick and casual leave, shall include at least two weeks of paid leave per year.</b>				
ED-CE 14.1	Management provides workers with vacation time that meets or exceeds national or local law.	0		Where there is no law, ED-CE 14.2 requires management to provide full-time permanent employees with a minimum of two work weeks of paid time off.
ED-CE 14.2	Permanent workers receive at least two regular workweeks of paid time off.	1		Where a standard workweek is six days, two calendar weeks is 12 days. Where a standard work week is five days the worker receives ten days off.
<b>Standard ED-CE 15: Local, migrant, seasonal, and permanent workers receive equivalent wage and overtime provisions for equal work performed.</b>				
ED-CE 15.1	Local, migrant, seasonal, and permanent workers receive equivalent wage and overtime provisions for equal work performed.	0	M	This criterion is related to criteria about acceptable pay differentials based on a Performance Management System (SR-ND 1.5 and SR-ND-1.6). There are also other criteria focused on equal pay for young workers (SR-PC 3.7) and women (SR-WR 1.1).







## SECTION 3: Social Responsibility (SR); SA8000 Standard

### SUB-SECTION 3.1: Protection of Children and Young Persons; SA8000: Child Labor (PC)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-PC 1: The factory shall not engage in or support the use of child labor.</b>				
SR-PC 1.1	<p>The minimum age for direct or indirect employment is the highest of:</p> <ul style="list-style-type: none"> <li>the legal working age;</li> <li>the legal age of completion of compulsory schooling; or,</li> <li>age 15.</li> </ul>	0	M	This criterion is based on ILO Convention 138, Article 2. The intent is that the worst forms of child labor, as outlined in ILO Convention 182, are prohibited.
SR-PC 1.2	Children cannot be brought to the workplace.	0		
<b>Standard SR-PC 2: The factory shall establish, document, maintain, and effectively communicate to workers and other interested parties, policies and written procedures for remediation of children found to be working in situations which fit the definition of child labor, and shall provide adequate financial and other support to enable such children to attend and remain in school until no longer a child.</b>				
SR-PC 2.1	<p>The factory has a written policy on child labor that includes:</p> <ul style="list-style-type: none"> <li>A description of the hiring procedures;</li> <li>A commitment to not engage or support the employment of children below the legal working age, the legal age of completion of compulsory schooling, or age 15, whichever is higher;</li> <li>Age verification procedures during the hiring process, including</li> </ul>	0		With regards to “reporting procedures”, in some countries the law requires that companies inform the government when child labor is found. If local laws require child labor to be reported, the factory must follow the legal reporting procedures.



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<p>required age verification documents;</p> <ul style="list-style-type: none"> <li>Reporting procedures for when child labor is found; and,</li> <li>Remediation procedures in the event that child labor is found.</li> </ul>			
SR-PC 2.2	Factory procedures for verifying workers' ages are effective.	0		
SR-PC 2.3	The factory provides an orientation program for all managers, supervisors, and workers on the factory's policies and procedures on child labor.	1		
SR-PC 2.4	An HR unit/person is assigned for recruitment, selection, and hiring. This person or unit is trained in interview and other age verification techniques.	0		
SR-PC 2.5	<p>Where child labor has occurred, the factory ensures that solutions are developed so that:</p> <ul style="list-style-type: none"> <li>Child labor does not recur; and,</li> <li>The removal of the child does not create other problems for the child or family.</li> </ul>	1		<p>The intent of remediation procedures, as required in this criterion, 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.</p> <p>A functioning remediation process includes:</p> <ul style="list-style-type: none"> <li>Removing the child from all work immediately;</li> <li>Ensuring the child is in a safe place;</li> <li>Settling remaining compensation;</li> <li>Providing free physical examination;</li> <li>Consulting with their family about how to pay for the child to continue schooling and provide an incentive for them to continue in school;</li> </ul>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				<ul style="list-style-type: none"> <li>Looking for employment opportunities for the adults in the family, where applicable; and,</li> <li>Revising hiring procedures.</li> </ul> <p>Note that these remediation procedures shall be described in the factory's policy on child labor, as required under SR-PC 2.1.</p>
<b>Standard SR-PC 3: 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 8 hours a day. Young workers may not work during night hours.</b>				
SR-PC 3.1	Night work is prohibited for workers aged 15-18.	0	M	
SR-PC 3.2	A staff person is assigned to supervise young workers.	0		<p>A young worker is defined as an individual over the age of legal employment but below the age of 18 (or below the age of legal adulthood, if that is above 18).</p> <p>The staff person could be the HR Manager or a supervisor who monitors the overall wellbeing of young workers.</p>
SR-PC 3.3	Young workers do not carry out work that, by its nature or the circumstances under which it is carried out, is likely to jeopardize their education.	0		The intent of this criterion is that young workers are provided with a work schedule that does not interfere with schooling.
SR-PC 3.4	<p>The factory has a written policy on young workers that at a minimum includes:</p> <ul style="list-style-type: none"> <li>types of work;</li> <li>work restrictions; and,</li> <li>schedules of work.</li> </ul>	0		<p>This policy can be an element under the policy for child labor required under SR-PC 2.1.</p> <p>Examples of work restrictions include: Young workers do not handle chemicals, work at night, work with dangerous equipment, or work more than 40 hours per week. The physical demands of the job, such as carrying heavy loads, must be appropriate for the young worker's physical development.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				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 8 hours a day.
SR-PC 3.5	The written employment contract of young workers clearly indicates the restriction in work hours and work assignments that adhere to international standards and local laws on restrictions of work.	1		
SR-PC 3.6	<p>The factory maintains records of young workers that include:</p> <ul style="list-style-type: none"> <li>• name;</li> <li>• date of birth;</li> <li>• date of hire;</li> <li>• address;</li> <li>• type of activity performed;</li> <li>• work schedule;</li> <li>• wage; and,</li> <li>• and name of direct supervisor.</li> </ul>	1		As a best practice, the employer obtains and maintains records of parental or legal guardian permission for young workers to be employed, and the guardian's contact information.
SR-PC 3.7	The factory should always apply the principle of equal pay and equal opportunity for work of equal value regardless of the worker's age.	0	M	
SR-PC 3.8	Young workers receive training on wages and employment conditions.	0		<p>Training can be provided by the HR Manager. It does not have to be provided by a third party.</p> <p>Types of topics that could be covered in training include compensation, working hours, and safety measures required for young workers.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-PC 4: The factory shall not expose children or young workers to any situations – in or outside of the workplace – that are hazardous or unsafe to their physical and mental health and development.</b>				
SR-PC 4.1	Young workers are employed in strict accordance with the law (e.g. hours, wages, physical exams, registration, type of work).	0		
SR-PC 4.2	Young workers do not carry out work that, by its nature or the circumstances under which it is carried out, is likely to jeopardize their health, safety, or emotional, and/or physical development.	0	M	<p>This requires, for example, that young workers do not handle chemicals, work at night, work with dangerous equipment, or work more than 40 hours per week. The physical demands of the job, such as carrying heavy loads, must be appropriate to the young worker's physical development.</p> <p>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 8 hours a day.</p>

### SUB-SECTION 3.2: Freedom From Forced Labor and Human Trafficking; SA8000: Forced and Compulsory Labor (FL)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-FL 1: The factory shall not engage in or support the use of forced or compulsory labor as defined in ILO Convention 29. Workers shall not be required to pay deposits or lodge identification papers with the factory upon commencing employment.</b>				
SR-FL 1.1	There is no kind of forced labor, including bonded labor, human trafficking, contract substitution, indentured labor, slave labor, prison labor, or any restrictions on freedom of movement.	0	M	<p>Per ILO Convention 29, forced or compulsory labor means all work or service that is extracted from any person under the menace of any penalty and for which the said person has not offered him or herself voluntarily.</p> <p>The intent of this criterion includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>There are no restrictions on a worker's freedom of movement from the workplace or employer-provided housing;</li> </ul>



No.	Compliance Criterion	Year	Major	Intent and Clarification
				<ul style="list-style-type: none"> <li>Workers are not subjected to any form of mental or physical coercion to force them to remain employed;</li> <li>Workers are free to leave the employer;</li> <li>The employer may not retain salary, benefits, property, documents, or control worker bank accounts as a means to force workers to remain;</li> <li>The employer does not make false promises about terms and types of work;</li> <li>The manager and employer do not threaten to denounce workers to the authorities, unless legally justifiable;</li> <li>If workers have taken out loans from the employer, workers must be allowed to pay them back via means other than work, if they so wish;</li> <li>Workers are not required to store identity papers or important travel documents with the employer as a condition of employment; and,</li> <li>The employer may not require workers to pay deposits or bonds in order to force workers to remain.</li> </ul> <p>If forced labor is found, or signs are found that point to the possible existence of forced labor, the individual's safety must be ensured and they must be connected with social services. The Certificate Holder must work with Fair Trade USA on remediation and corrective actions to be taken.</p>
SR-FL 1.2	<p>The factory has a written policy that upholds workers' rights to voluntary employment and prohibits the following practices of forced labor:</p> <ul style="list-style-type: none"> <li>debt-bondage;</li> <li>indentured labor;</li> <li>prison labor;</li> <li>slave labor; and,</li> <li>human trafficking.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-FL 2: Neither the factory nor any entity supplying labor to the factory shall withhold any part of any worker's salary, benefits, property, or documents in order to force workers to continue working for the factory.</b>				
SR-FL 2.1	The factory does not keep original personal documents of workers.	0	M	The factory may retain copies of original documents, for example copies of passports and visas.
<b>Standard SR-FL 3: Workers shall have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice to their employer.</b>				
SR-FL 3.1	<p>There are no restrictions on a worker's freedom of movement from the workplace or employer-provided housing beyond what is reasonable given legitimate concerns for personal safety and consideration for the security of other workers. This includes that:</p> <ul style="list-style-type: none"> <li>No exit doors are locked while workers are inside the factory or worker housing; and,</li> <li>Workers are provided with unrestricted access to toilet facilities and drinking water.</li> </ul>	0	M	<p>Restriction of movement is considered an element of forced, bonded, or compulsory labor.</p> <p>A worker has the right to leave the workplace premises after completing their workday and can move freely from employer-provided housing.</p>
SR-FL 3.2	The factory has a written policy that states freedom of movement is not restricted unreasonably, given legitimate concerns for workers' safety.	0		See guidance for SR-FL 3.1. The policy must be communicated to all workers.
SR-FL 3.3	Procedures are in place that allow workers to leave the factory during work hours.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-FL 3.4	Workers are free to terminate their employment after reasonable notice.	0	M	Unless the law dictates a timeframe or the employer and the worker agreed on a timeline (that is aligned with the law) in the employment contract, workers are free to terminate their employment at any time.
SR-FL 3.5	Employment is not conditional on employment of a family member. Family members have the right to work elsewhere.	0	M	
<b>Standard SR-FL 4: Neither the factory nor any entity supplying labor to the factory shall engage in or support trafficking in human beings.</b>				
SR-FL 4.1	Employers pay all recruitment and hiring fees. Workers do not pay any hiring fees, post any bonds, or lodge any identity papers for their employment.	0	M	This includes workers hired via a third-party recruiter/labor broker. If the employer discovers that a third-party labor recruiter is charging fees or requiring a bond to be posted, the employer must ensure that the recruiter ceases this practice, or stops using that recruiter, and shall complete any other corrective actions required. Under this circumstance, the Certificate Holder and employer must keep records of any communication to the recruiter.
SR-FL 4.2	The factory does not hire any workers through a labor broker who holds the contract with or is responsible for paying workers' salaries and benefits.	1		As per ED-CE 6.1, all workers must receive wages directly from the factory.  When a factory hires and pays workers through an independent labor broker/middleman who holds the contracts with workers or is responsible for paying workers' salaries and benefits, it significantly decreases the ability of the factory to ensure that the workers' wages, contracts, and benefits meet the requirements of this Factory Standard. It is the intent of the Factory Standard that a factory has direct control of and can provide documentation related to workers' wages and other employment statistics impacting workers to demonstrate compliance with this Factory Standard.





No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-FL 4.3	<p>If the factory hires foreign migrant workers, it maintains records of all contract workers that include the following information:</p> <ul style="list-style-type: none"> <li>• name of the contract worker;</li> <li>• country or place of origin;</li> <li>• date of hire;</li> <li>• length of contract; and,</li> <li>• recruitment agency details (where applicable).</li> </ul>	0		
SR-FL 4.4	<p>The factory ensures that the labor broker or recruitment agency contracted to provide the factory with foreign migrant workers is compliant with laws protecting worker welfare in both the home country (where workers originate) and the country of employment (where the factory is located).</p>	0		
SR-FL 4.5	<p>The factory's agreement with labor brokers has provisions that include the following:</p> <ul style="list-style-type: none"> <li>• The factory pays wages directly to workers;</li> <li>• The burden of the cost of repatriation will be covered by the factory; and,</li> <li>• Interest rates on any loans between the labor broker and the worker do</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
	not create a financial burden that results in conditions of forced labor.			

### SUB-SECTION 3.3: Occupational Health and Safety; SA8000: Health and Safety (OH)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-OH 1: The factory shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential accidents and injury to workers' health arising out of, associated with, or occurring in the course of work, by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the workplace environment, and bearing in mind the prevailing knowledge of the industry and of any specific hazards.</b>				
SR-OH 1.1	Factory buildings and grounds are maintained to be safe.	0	M	This requirement addresses any critical or immediate risks of injury or loss of life related to factory buildings and grounds. The factory is responsible for ensuring a safe environment to its workers at all times, including but not limited to providing structural safety, maintenance of installations, fire safety, or electrical safety.
SR-OH 1.2	Fire extinguishers are: <ul style="list-style-type: none"> <li>• appropriate to the potential fire risks in their respective areas;</li> <li>• within 75 feet (23 meters) of every worker;</li> <li>• fully charged;</li> <li>• visible and accessible in a dedicated location;</li> <li>• clearly marked;</li> <li>• has written instructions for use in a language workers understands;</li> <li>• have up to date maintenance tags (inspected by factory once a month); and,</li> </ul>	0	M	"Accessible" means the fire extinguishers are installed at a height compliant with local regulations and can be freely accessed.  If allowed by local regulations, the workers who is required to service the fire extinguishers once a year can be an internal staff person.



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>serviced by qualified workers once a year (or as per regulation, whichever is stricter).</li> </ul>			
SR-OH 1.3	<p>Emergency exits meet the following requirements:</p> <ul style="list-style-type: none"> <li>Factory floors with up to 500 workers have at least two exits that provide 22 inches/.55 meters of exit width;</li> <li>Factory floors with more than 500 workers have at least three exits that provide 22 inches/.55 meters of exit width;</li> <li>Exits are accessible from all parts of the floor, with sufficient distance between each exit;</li> <li>Exits are on opposite sides of the floor;</li> <li>Each work station is within 200 feet of an exit;</li> <li>Exits are unobstructed at all times;</li> <li>Exits are unlocked when workers are present and have latches that do not require special operation;</li> <li>Exits doors swing out, not in;</li> <li>Exits lead to a safe location outside the building; and,</li> <li>Exit signs must be properly illuminated by a reliable light source.</li> </ul>	0	M	<p>The intent of this criterion is that emergency exit routes are maintained, marked, and accessible, and workers know how to use them.</p> <p>“Accessible from all parts of the floor refers to local regulations on allowed distances between exits. Allowed distances may be determined based on minimum or maximum distance between exits for a determined area or by the number of workers on the floor.</p> <p>When vertical sliding doors are installed and cannot be replaced by swing-out/ push-bar doors, they are tested and maintained at least annually to ensure they operate effectively at all times, and a locking mechanism is in place to ensure doors are locked in open position during working hours.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.4	<p>Emergency exit routes and aisles meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Aisles between workstations are wide enough for easy escape (approx. 44 inches/112 cm);</li> <li>• Aisles are kept clear of equipment and materials at all times;</li> <li>• Evacuation routes are marked by lines and arrows;</li> <li>• Updated maps of emergency exit routes are posted prominently throughout the factory; and,</li> <li>• "You are here" marking on each map corresponds with the map's actual location.</li> </ul>	0	M	
SR-OH 1.5	Working emergency lights backed-up by batteries are installed on stairwells and in other key locations to illuminate exit routes.	0		Exit signs must be properly illuminated by a reliable light source at all times.
SR-OH 1.6	The factory is equipped with functioning fire/evacuation alarms that reach all workers within the factory. These alarms can be set off from various locations throughout the factory.	0	M	<p>The intent is that all workers are notified in case of an emergency, regardless of the task they perform within the factory. This means, for example, that in areas where ear protective equipment is used, the factory is equipped with visual alarms such as flashing red lights.</p> <p>It is recommended that new workers receive an initial training, and all workers are given at least annual trainings in evacuation procedures pertinent to their working areas.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.7	Safety instructions and procedures including accident prevention and response are readily available for workers at their workplace in a language they understand.	1		
SR-OH 1.8	High-risk machinery with the potential to cause major injury or to result in fatality must have adequate safeguards and safety devices.	0	M	
SR-OH 1.9	<p>All machines have necessary:</p> <ul style="list-style-type: none"> <li>• needle guards for sewing machines;</li> <li>• needle guards for over lock machines;</li> <li>• eye guards for lock stitch buttoning machines</li> <li>• two-handed operation (pressing, stamping machines);</li> <li>• emergency power cut-off;</li> <li>• insulated cables (steam iron);</li> <li>• grounding/earthing (three-prong plugs);</li> <li>• electric fan blade covers; and,</li> <li>• safety covers for moving parts.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.10	Wiring and electrical panel boxes are in safe condition, and electrical cables and wires are safely placed. Electrical equipment, wiring, and outlets are placed, grounded, and inspected for overloading and leakage by a professional on a regular basis.	0		Electrical equipment used in a very hot, very cold, or humid environment should be tested more frequently than equipment that is less likely to become damaged or unsafe. The frequency of inspections should be determined according to the manufacturers' instructions.
SR-OH 1.11	<p>Safety risks associated with elevators are minimized. This means that:</p> <ul style="list-style-type: none"> <li>• Elevator shaft doors are closed when elevator is not in use;</li> <li>• The load capacity is clearly displayed inside or at the entrances of elevator doors;</li> <li>• A warning sign advising against the use of the elevator in case of a fire is posted on or near elevator doors; and,</li> <li>• A valid maintenance certificate is posted in the elevator.</li> </ul>	0		The maintenance certificate posted in the elevator can be a photocopy if the factory keeps all original records in the office.
SR-OH 1.12	<p>Safety risks associated with boilers are minimized. This means that:</p> <ul style="list-style-type: none"> <li>• The boiler is in a safe location that does not pose a danger to workers;</li> <li>• The boiler is maintained by a certified service provider; and,</li> <li>• There are "no smoking" signs posted in these areas.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.13	<p>Explosion hazards are minimized through the following measures:</p> <ul style="list-style-type: none"> <li>• Explosive materials are locked away from unauthorized workers;</li> <li>• Liquid propane gas tanks/cylinders are stored safely (i.e. outdoors, posted with warning including “no-smoking” signs, away from exits);</li> <li>• Acetylene tanks are stored safely away from flammable chemicals and sources of heat; and,</li> <li>• Explosion-proof lights and switches in rubberized, air-tight housing, are installed in chemical storage areas or warehouses containing flammable materials.</li> </ul>	0		
SR-OH 1.14	<p>The factory has the following updated maintenance/inspections records on file:</p> <ul style="list-style-type: none"> <li>• electrical systems;</li> <li>• emergency lights;</li> <li>• emergency alarm;</li> <li>• records of inspection and repairs of machines, equipment &amp; wiring;</li> <li>• records of periodic test to ensure water is safe (e.g. water testing records); and,</li> <li>• air quality monitoring (e.g. via tests) for areas where toxic or hazardous chemicals are used.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.15	<p>The factory has valid permits for all equipment used in its operations, including at a minimum the following:</p> <ul style="list-style-type: none"> <li>• elevators;</li> <li>• boilers;</li> <li>• generators;</li> <li>• air pressure tanks;</li> <li>• liquid petroleum gas tanks;</li> <li>• pressure systems; and</li> <li>• compressed air receivers.</li> </ul>	0		
SR-OH 1.16	Noise levels do not regularly exceed 85 decibels.	0		
SR-OH 1.17	Temperatures of work areas are maintained such that heat or cold does not interfere with workers' productivity or their health.	0		In hot climates or workplaces, when the temperature exceeds 30 degrees Celsius (86 degrees Fahrenheit), it is best practice to give short breaks more frequently to help mitigate the risk of heat stress.
SR-OH 1.18	Lighting is adequate for workers to perform their tasks.	0		
SR-OH 1.19	<p>Work areas are adequately ventilated, such that:</p> <ul style="list-style-type: none"> <li>• Fumes are not more than faintly noticeable;</li> <li>• Dust/particulate is not more than moderately visible; and,</li> <li>• Fresh air is drawn into the area and circulated.</li> </ul>	0		





No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 1.20	Hazardous work is not assigned to persons below 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.	0	M	<p>The intent of this criterion is that workers are not required to perform any work that poses risk to their health.</p> <p>Hazardous work that creates risk can include handling or significant exposure to toxic chemicals, working in high heat, operating heavy or dangerous machinery or tools, night work, lifting heavy objects, and working at dangerous heights.</p>
<b>Standard SR-OH 2: The factory shall appoint a senior management representative to be responsible for ensuring a safe and healthy workplace environment for all workers, and for implementing the health and safety elements of the Factory Standard.</b>				
SR-OH 2.1	The factory has appointed a Health & Safety Officer or other senior management representative to oversee the operationalization of an efficient health and safety management system. The responsibilities for the Health & Safety Officer are clear and documented.	1		
SR-OH 2.2	The Health & Safety Officer or appointed senior management representative establishes and implements protocols and policies, provides training and education, ensures proper documentation, and conducts regular monitoring.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 2.3	An annual work plan, approved by management, is prepared and implemented by the Health & Safety Officer.	3		The annual work plan describes all the programs for providing trainings to workers related to occupational health and safety as well as overall worker health needs. The Health and Safety Officer should analyze accident records to detect trends and identify recurring risks. As a best practice, the plan also includes measures that reduce accident and injury rates, as well as an assessment of worker health needs according to gender.
<b>Standard SR-OH 3: The factory shall provide to workers on a regular basis effective health and safety instructions, including on-site instruction and, where needed, job-specific instructions. Such instructions shall be repeated for new and reassigned workers and in cases where accidents have occurred.</b>				
SR-OH 3.1	Factory-wide fire drills (and other locally appropriate disaster training) are conducted at least twice per year.	0	M	
SR-OH 3.2	At least 20% of the workforce is provided hands-on training on the use of fire extinguishers.	0		As a best practice, workers who are trained in fire extinguisher use are working at different departments and sites throughout the factory floor.
SR-OH 3.3	<p>A training program is in place for workers to improve capabilities and awareness of occupational health and safety and relevant health protection. Annually, workers (including new and reassigned workers) are provided training during working hours. The Health &amp; Safety training includes:</p> <ul style="list-style-type: none"> <li>• Orientation on the use of fire extinguishers;</li> <li>• Emergency response plan, including evacuation procedures;</li> </ul>	0	M	



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>• How to use Personal Protective Equipment (PPE) provided;</li> <li>• Hazards of failing to use the PPE; and,</li> <li>• Safety training on the use of machinery/equipment.</li> </ul>			
SR-OH 3.4	Regular training for workers engaged in any potentially hazardous work is provided. Workers who handle, store, or dispose of chemicals used in production are provided adequate training.	0		<p>Hazardous work can include handling or significant exposure to chemicals, working in high heat, operating heavy or dangerous machinery or tools, night work, lifting heavy objects, and working at dangerous heights.</p> <p>At least once per year, workers engaged in potentially hazardous work are trained in workplace risks and how to avoid them.</p> <p>Training shall be appropriate to the type of work and risks, and could include, for example:</p> <ul style="list-style-type: none"> <li>• How to store chemicals safely and handle and dispose of their empty containers safely;</li> <li>• How to understand the product label and other safety instructions for use made available by the manufacturer;</li> <li>• How to handle accidents and spills when mixing, loading, and applying chemicals;</li> <li>• Signs and symptoms of chemical poisoning;</li> <li>• How to use the eye wash station;</li> <li>• How to recognize signs of dehydration and heat stress; and,</li> <li>• How to prevent repetitive strain injuries.</li> </ul>



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-OH 4: The factory shall establish systems to detect, avoid, or respond to potential threats to the health and safety of workers. The factory shall maintain written records of all accidents that occur in the workplace and in factory-controlled residences and property.</b>				
SR-OH 4.1	The factory has a comprehensive written Occupational Health and Safety Policy.	1		<p>The Occupational Health &amp; Safety Policy intends to identify and minimize workers' occupational risks, including accident, injury, and work-related illness rates. In order to achieve this objective, the factory will need to develop associated procedures and dedicate sufficient workers and resources to implement the policy. It is best practice to consider applicable national laws in addition to the requirements of the Factory Standard when developing the policy.</p> <p>This criterion and SR-OH 5.2 both revolve around appropriate occupational health and safety policies. The requirements under this criterion and SR-OH 5.2 can be addressed in either a single policy that addresses both issues, or in two separate policies.</p>
SR-OH 4.2	<p>The factory has a written and up-to-date Fire Safety Plan which includes:</p> <ul style="list-style-type: none"> <li>• Lists of major workplace fire hazards and their proper handling and storage procedures;</li> <li>• Potential ignition sources and their control procedures;</li> <li>• Type of fire protection equipment, or systems which can control a fire involving different ignition sources; and,</li> <li>• Procedures for maintenance of all fire safety equipment.</li> </ul>	1		
SR-OH 4.3	The factory has a written and up-to-date Emergency Preparedness Plan which includes:	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>Procedures for emergencies, including weather-related natural disasters;</li> <li>Type of evacuation and exit route assignments;</li> <li>Procedures for reporting emergencies;</li> <li>Procedures for employees who remain to operate critical plant operations before they evacuate;</li> <li>Designation of assembly location and procedures to account for all employees after evacuation;</li> <li>Alarm system for employees, with documented maintenance records;</li> <li>Procedures to be followed by employees performing rescue or medical duties; and,</li> <li>Floor plan that clearly identifies all exits and exit routes.</li> </ul>			
SR-OH 4.4	<p>The factory has written and established safety procedures for the use of equipment and machines. The procedures include:</p> <ul style="list-style-type: none"> <li>inventory of machines;</li> <li>procedures for the safe use of machines; and,</li> <li>procedures for maintenance.</li> </ul>	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 4.5	<p>The factory maintains written reports of all injuries for a minimum of two years. The reports include:</p> <ul style="list-style-type: none"> <li>• name of worker;</li> <li>• worker's department;</li> <li>• time, date, and location of the accident;</li> <li>• description of circumstances (including which machinery/equipment if any involved);</li> <li>• description of injury; and,</li> <li>• description of treatment.</li> </ul>	1		Factories should have a recording system in place, even if no injuries have occurred.
<b>Standard SR-OH 5: The factory shall provide, at its expense, appropriate Personal Protective Equipment (PPE) to workers. In the event of a work-related injury the factory shall provide first aid and assist the worker in obtaining follow-up medical treatment.</b>				
SR-OH 5.1	Workers receive appropriate, necessary, and functional PPE free of charge.	0	M	It is recommended to consult the SDS/MSDS and operations manuals of equipment to determine the appropriate PPE.
SR-OH 5.2	<p>The factory has a written Medical and First Aid policy which includes:</p> <ul style="list-style-type: none"> <li>• Description of medical care options available to employees;</li> <li>• How to access medical care;</li> <li>• Confirmation that emergency medical care is always available;</li> <li>• Incident investigation procedures;</li> <li>• First aid kit maintenance procedure including chain of responsibility to ensure that kits</li> </ul>	0		Compliance Criterion SR-OH 4.1 and this criterion both revolve around appropriate occupational health and safety policies. The requirements under SR-OH 4.1 and this criterion can be addressed in either a single policy that addresses both issues, or in two separate policies.



No.	Compliance Criterion	Year	Major	Intent and Clarification
	<p>are regularly checked, correctly stocked and re-stocked as needed;</p> <ul style="list-style-type: none"> <li>• First aid training;</li> <li>• Procedures for transporting injured workers to the hospital; and,</li> <li>• Procedures to notify family members in case of injury.</li> </ul>			
SR-OH 5.3	In the absence of a full-time medical professional, 1% of the workforce is formally trained in first aid (with certificates available on file).	1		This criterion is only applicable if there is not a trained medical professional on staff at any time.
SR-OH 5.4	<p>There is one first aid kit for every 100 employees. At a minimum, first aid kits contain the following:</p> <ul style="list-style-type: none"> <li>• bandages;</li> <li>• sterile gauze/cotton balls;</li> <li>• adhesive tape/plasters;</li> <li>• disinfecting/antiseptic agent;</li> <li>• antibacterial ointment;</li> <li>• sterile/surgical gloves; and,</li> <li>• medical scissors and tweezers.</li> </ul>	0		<p>First aid supplies must include materials needed to meet all reasonably, foreseeable first aid situations.</p> <p>Expiration dates must be verified regularly to ensure functioning materials are stored in all kits.</p> <p>Oral medication, such as pills, should not be provided in first aid kits.</p> <p>As a best practice, factory management should assign to a specific person the responsibility of choosing the types and amounts of first aid supplies and maintaining these supplies. This could be the Health and Safety Officer, or another individual who works in coordination with the Health and Safety Officer. The supplies must be stored in an area where they are readily available for emergency access.</p>
SR-OH 5.5	First aid kits are visible (or clearly indicated by a sign) and easily accessible.	0		As a best practice, first aid kits are not locked and freely accessible to workers at all times. In cases where first aid kits are locked, clear information of the person with the key (such as name, picture and phone number) is posted for workers to know who to contact when they need to access the content of the first aid kit. The contact must be on-site and available at all times.



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 5.6	<p>The factory has a written policy on PPE. The policy includes:</p> <ul style="list-style-type: none"> <li>• Description of relevant work areas with production hazards requiring PPE;</li> <li>• Types of PPE;</li> <li>• Type and frequency of training provided to workers in those areas;</li> <li>• How PPE is distributed;</li> <li>• Protocols to purchase, check, accept and discard all PPE; and,</li> <li>• Protocols for appropriate medical examinations and fittings for employees to ensure safe and proper use of respirators (where applicable).</li> </ul>	0		
SR-OH 5.7	<p>All work areas that require PPE have signs indicating equipment to be worn. All workers who need PPE are using it, including:</p> <ul style="list-style-type: none"> <li>• Eye Protection: where there is persistent glare, flying debris or dust, or splashing of primers, cleaners or other chemicals;</li> <li>• Ear plugs: where the noise level measurement (time-weighted average of an eight-hour period) is above 85 dB (A)85 or where the machine utilized makes a loud sharp sound;</li> </ul>	0		





No.	Compliance Criterion	Year	Major	Intent and Clarification
	<ul style="list-style-type: none"> <li>• Chemical resistant gloves: when handling or applying chemicals such as glues, solvents, adhesives or finishes;</li> <li>• Chain-mail gloves: when working with cutting instruments;</li> <li>• Masks for particulates: where dust levels exceed comfortable limits or are required per MSDS/SDS;</li> <li>• Masks for vapors: where fume levels exceed legal limits, or are required per MSDS/SDS;</li> <li>• Appropriate footwear: when working on wet surfaces, heavy loads or sharp objects; and,</li> <li>• Reinforced shoes or boots: when operating or moving heavy equipment.</li> </ul>			
<b>Standard SR-OH 6: The factory shall undertake to assess all the risks to new and expectant mothers arising out of their work activity and to ensure that all reasonable steps are taken to remove or reduce any risks to their health and safety.</b>				
SR-OH 6.1	Pregnant and nursing women are not engaged in work that creates risk to their health or the health of the child.	0	M	<p>The factory shall modify tasks of new mothers (a woman who has given birth to or adopted a child within the past six months), expectant mothers (a woman who is pregnant) and nursing mothers (a woman who is breastfeeding her child) as needed to minimize risks.</p> <p>Hazardous work that creates risk to a woman's health or the health of the child can include handling or significant exposure to pesticides, working in high heat, operating heavy or dangerous machinery or tools, night work, lifting heavy objects, and working at dangerous heights.</p> <p>Pregnant or nursing women are also protected under SR-OH 1.20.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 6.2	Pregnant women are provided appropriate seating to avoid long periods of standing.	1	M	
SR-OH 6.3	The factory has a written risk analysis for new and expectant mothers. The factory complies with all national maternity laws when assessing all employment and workplace risks to new and expectant mothers.	1		Laws on working conditions of pregnant workers shall be met at all times, however a written risk analysis is required by Year 1.
SR-OH 6.4	The factory effectively communicates the results of this risk analysis to its workers.	1		
<b>Standard SR-OH 7: The factory shall provide, for use by all workers, access to clean toilet facilities, access to potable water, and, where applicable, sanitary facilities for food storage.</b>				
SR-OH 7.1	There is at least one toilet per 25 employees of each gender.	0	M	For factories of up to 100 workers, at least one toilet per 25 employees of each gender is required.  For factories with more than 100 workers, a ratio of one toilet for every 50 workers of each gender is required.
SR-OH 7.2	Toilets have proper ventilation, adequate privacy, are clean and functional, and stocked with hand soap. Toilets are equipped with running water for washing hands.	0		



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 7.3	Potable drinking water is accessible and free of charge to all workers during work time.	0	M	<p>Boiling, filtering, or chlorinating the water may be necessary to ensure that water is potable. "Potable drinking water" means water which complies with legal requirements or the following World Health Organization parameters, whichever is stricter:</p> <ul style="list-style-type: none"> <li>• fecal Coliforms: zero;</li> <li>• chlorine residue or residue from other treatment disinfectants: 0.2 to 0.5 mg/L;</li> <li>• nitrates: 10 mg/L as nitrates;</li> <li>• pH: 6.5 to 8.5;</li> <li>• sodium: 20 mg/L;</li> <li>• sulphates: 250 mg/L; and,</li> <li>• turbidity: less than or equal to 5 NTU.</li> </ul>
SR-OH 7.4	Drinking water containers are kept clean and adequately protected to prevent contamination.	0		
SR-OH 7.5	Potable water is clearly labelled as such.	0		
SR-OH 7.6	Canteen, kitchen conditions, and food handling practices are sanitary.	0		Sanitary conditions for this criterion apply to all designated eating areas and kitchens made available to workers on factory premises and in factory housing, where provided.
SR-OH 7.7	Records of all required government health inspections and certifications are maintained for kitchens and canteens on factory premises, where applicable, as well as factory housing, where provided.	0		As a best practice, records are kept on file for at least 5 years, unless specified by law.



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-OH 8: The factory shall ensure that any dormitory facilities provided for workers are clean, safe, and meet the basic needs of the workers.</b>				
SR-OH 8.1	Where housing is provided, the quality of the housing is in accordance with national laws. The dormitory is clean, secure/safe, adequately lit, ventilated, heated, and cooled. Each resident has her/his own bed.	0	M	<p>Where there are no laws, a minimum standard of housing includes that:</p> <ul style="list-style-type: none"> <li>• There is protection against insects and vermin (e.g. screens on the windows, no slits in the walls.);</li> <li>• Shade outside of housing in hot areas (e.g., trees, eaves, etc.) is available;</li> <li>• Basic furniture for storing personal belongings that closes and locks is provided for all workers;</li> <li>• There is at least 90 centimeters between each bed;</li> <li>• The vertical space in between bunk beds is greater than or equal to 120 centimeters;</li> <li>• There is at least one bathroom/shower installation for every ten workers per room, or at least one for every two families in case of houses; and,</li> <li>• In the absence of a kitchen service (kitchen and dining hall provided by the employer), there must be at least one cooking installation for every ten workers in rooms or for every two families.</li> </ul> <p>These requirements are in line with ILO Guidance on Workers' Housing Recommendation No. 115.</p>
SR-OH 8.2	<p>Workers in dormitories have access to:</p> <ul style="list-style-type: none"> <li>• Adequate and convenient water supply;</li> <li>• Showers that provide adequate privacy;</li> <li>• Safe drinking water;</li> <li>• Kitchen; and,</li> <li>• Clean, functional toilets with proper ventilation and air circulation,</li> </ul>	0		<p>In the absence of a canteen and kitchen provided by the employer, there must be installations outside the sleeping areas for preparing and eating food and for washing kitchen utensils. It is recommended that there be at least one cooking installation for every ten workers or two families living on-site.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
	adequate privacy, are lit at night, and stocked with hand soap.			
SR-OH 8.3	<p>Workers living in dormitories are trained on how to use fire extinguishers. Fire extinguishers are:</p> <ul style="list-style-type: none"> <li>• maintained regularly;</li> <li>• within 75 feet (23 meters) away from each bed;</li> <li>• fully charged;</li> <li>• visible;</li> <li>• clearly marked; and,</li> <li>• protected from natural elements.</li> </ul>	0		
SR-OH 8.4	<p>In dormitories, emergency evacuation routes conform to the following:</p> <ul style="list-style-type: none"> <li>• There are two exits sufficiently distant from each other;</li> <li>• Emergency exit doors swing out;</li> <li>• Exits lead to a safe location outside of the building;</li> <li>• Exits are well-lit with emergency lighting with backup power installed, in sufficient locations to illuminate exit routes; and,</li> <li>• Exit signs are visible from 100 feet (30 meters) away.</li> </ul>	0		
SR-OH 8.5	Dormitory exit doors are unlocked at all times.	0	M	



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-OH 8.6	There are clear and established responsibilities and constraints on security guards assigned to factory grounds and factory-controlled dormitories.	0		Facilities should preserve the dignity of workers. As a best practice, female guards are assigned to female dorms and search activities.
SR-OH 8.7	No other restrictions exist beyond those necessary for safety.	0		
<b>Standard SR-OH 9: All workers shall have the right to remove themselves from imminent, serious danger without seeking permission from the factory.</b>				
SR-OH 9.1	Workers have the right to remove themselves from imminent, serious danger without seeking permission from management.	0	M	
<b>Standard SR-OH 10: Workers must have access to appropriate, secondary healthcare.</b>				
SR-OH 10.1	The factory ensures access to appropriate, secondary healthcare and medical facilities, including transportation in case of emergency.	0		The intent of the criterion is that the factory ensures that workers are provided with and do not pay for acute medical care for any workplace injuries and illnesses. This includes workers in worker housing, where provided.
<b>Standard SR-OH 11: Necessary and appropriate work clothes must be provided free of charge.</b>				
SR-OH 11.1	Necessary and appropriate work clothes are provided free of charge.	0		



## SUB-SECTION 3.4: Freedom of Association; SA8000: Freedom of Association and the Right to Collective Bargaining (FA)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-FA 1: All workers shall have the right to form, join, and organize trade unions of their choice and to bargain collectively on their behalf with the factory. The factory shall respect this right, and shall effectively inform workers that they are free to join an organization of their choosing and that their doing so will not result in any negative consequences to them, or retaliation, from the factory. The factory shall not, in any way, interfere with the establishment, functioning, or administration of workers' organizations or collective bargaining.</b>				
SR-FA 1.1	The factory has a written policy that states its commitment to respect workers' rights to freedom of association and the right to collective bargaining.	0		
SR-FA 1.2	Factory managers do not cooperate with organizations that rely on state powers to prevent workers from exercising their right to freedom of association.	0		
SR-FA 1.3	Management allows trade unions or other worker organizations, even those not yet present at the factory, to share information with the workforce at an agreed time and place without interference.	0	M	
SR-FA 1.4	With no negative consequences to workers, management allows freely elected representatives to meet and have access to all the workers in the workplace and for workers to hold meetings and organize themselves during working hours.	0	M	



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-FA 1.5	The factory conducts an orientation program and training for all managers and supervisors on the factory's policy on Freedom of Association, with emphasis on union non-discrimination.	1		
SR-FA 1.6	Applicable where there is an active workers' organization: meetings between senior management and workers' organization representatives are held at least every 4 months.	1		It is best practice that workers and senior management have an established schedule for meetings.
SR-FA 1.7	Applicable where there is an active workers' organization: a schedule of regular meetings among worker representatives is in place and approved by management.	0		The Fair Trade Committee is not considered a workers' organization.
SR-FA 1.8	Results of workers' organization meetings are documented and shared with workers by their representatives.	1		This criterion requires the results of the meetings to be documented and shared for both the meetings between senior management and worker's organization (SR-FA 1.6) as well as among worker representatives (SR-FA 1.7).
SR-FA 1.9	Where there is an active workers' organization, the factory coordinates with union and/or workers' representatives regarding factory policies and decisions that have a direct effect on workers.	1		





No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-FA 2: In situations where the right to freedom of association and collective bargaining are restricted under law, the factory shall allow workers to freely elect their own representatives.</b>				
SR-FA 2.1	In situations where the right to freedom of association and collective bargaining are restricted by law, management allows workers to freely elect their own representatives without influence.	0	M	
<b>Standard SR-FA 3: The factory shall ensure that representatives of workers and any workers engaged in organizing workers are not subjected to discrimination, harassment, intimidation, or retaliation for being members of a union or participating in trade union activities. Representatives have access to their members in the workplace.</b>				
SR-FA 3.1	All workers have the right to form, join, and organize trade union(s) or worker organizations of their choice and to bargain collectively on their behalf with factory management.	0	M	The Certificate Holder cannot interfere in any way with the establishment, functioning, or administration of a workers' organization or collective bargaining.
SR-FA 3.2	Union representatives have access to their members in the workplace.	0	M	The factory cannot impose unreasonable terms or conditions for access to workers.
SR-FA 3.3	A worker's involvement or affiliation with a union will not be a condition for hiring, or the basis for promotion, demotion, transfer, disciplinary action, and/or termination.	0	M	The factory must ensure that union members, representatives of workers, and any workers engaged in organizing workers are not subjected to discrimination, harassment, intimidation, or retaliation for being members of a union, representatives of workers, or engaged in organizing workers.



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-FA 3.4	The factory has a clear and established process for reporting anti-union discrimination, harassment, and abuse complaints that identifies who to report to, when to report, what form the report should take, and how the results will be communicated to the worker.	0		
SR-FA 3.5	The factory keeps records for all cases of dismissals of union or worker organization members.	0		This criterion refers to dismissals from the factory, not from a union or worker's committee. Also see Criterion ED-CE 12.4 for record keeping requirements of all terminated contracts.
<b>Standard SR-FA 4: Workers must be provided with information on their rights and worker's organizations from an independent source within a year of certification. The factory must grant access to labor rights experts and representatives of NGOs and trade unions to conduct the program of worker training. Training must be paid for by management.</b>				
SR-FA 4.1	Management ensures that all workers are provided with information from an independent source on their rights to freedom of association and on all available options to freely associate.	1		<p>The intent of this criterion is that within a year of certification, workers receive and understand information from an independent source (such as a trade union, a government officer, an academic specializing in labor, an independent labor rights NGO, etc. free of management interference or control) related to the right to freedom of association.</p> <p>If there is already a union or workers' committee, council, or other form of organization in place before the Certificate Holder applies for Fair Trade certification, compliance with this criterion will be based on whether workers were previously provided with information on freedom of association and, whether the current workforce understands the options available to them.</p>



## SUB-SECTION 3.5: Non-Discrimination; SA8000: Discrimination (ND)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-ND 1: The factory shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that could give rise to discrimination.</b>				
SR-ND 1.1	There is no discrimination in recruitment, promotion, access to training, remuneration, allocation of work, termination of employment, retirement or other activities.	0	M	<p>The intent of this criterion is to prohibit discrimination in employment and occupation, as outlined in ILO Convention 111.</p> <p>Discrimination is defined as distinction, exclusion or preference on the basis of race, ethnicity, color, gender, sexual orientation, disability, marital status, family obligations, age, religion, political opinion, pregnancy, hepatitis or HIV/AIDS status, membership status in a trade union or other workers' organization, national extraction, or social origin.</p> <p>This criterion includes that there is no discrimination in allocation of benefits or amounts charged for benefits, including housing.</p> <p>This criterion also includes that workers may not be tested for hepatitis, HIV/AIDS, pregnancy, or virginity during recruitment.</p>
SR-ND 1.2	The factory has a written policy that forbids discrimination in hiring and promotion/advancement.	0		
SR-ND 1.3	The factory has a clear and established recruitment method that does not unfairly exclude particular individuals or groups.	3		Examples of recruitment methods include advertisements, postings, or walk-in applicants.
SR-ND 1.4	The factory has selection criteria in writing for each group of workers that are based on clear job descriptions and required competencies and use objective selection tools and criteria for all types of workers.	3		Examples of objective selection tools and criteria include skill tests or interview guides.



No.	Compliance Criterion	Year	Major	Intent and Clarification
SR-ND 1.5	The factory has a Performance Management System that provides for the evaluation of workers' performance as basis for promotion, determination of value of the job with regard to pay, merit increases, and access to training and job security.	3		
SR-ND 1.6	Pay differentials are permitted when they are based on seniority, merit, quantity, or quality of production and they must be demonstrated through the Performance Management System.	0		The intent of this criterion is that workers receive equivalent wages for work of equal value, based on a clear system that allows for appropriate pay differentials while ensuring that pay differentials are justified and not based on factors such as the gender or ethnicity of the worker.
SR-ND 1.7	In correcting a pay differential, no worker's pay may be reduced. Instead, the pay of the lower paid worker must be increased.	1		In scenarios where workers previously received differing wages for work of equal value, and the pay differential is not supported by the Performance Management System, the pay must be corrected so that the pay of the lower paid worker is raised to the level of the higher paid worker.
SR-ND 1.8	Workers are trained and aware of a clear and established process for reporting discrimination that at a minimum includes: <ul style="list-style-type: none"> <li>• who to report to;</li> <li>• when to report; and,</li> <li>• the format the report should be made in.</li> </ul>	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-ND 2: The factory shall not interfere with the exercise of workers' rights to observe tenets or practices, or to meet needs relating to race, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, union membership, political opinions, or any other condition that could give rise to discrimination.</b>				
SR-ND 2.1	Management does not interfere with workers' rights to observe tenets or practices, or to meet needs relating to race, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, union membership, political opinions, or any other condition that could give rise to discrimination.	0		Other examples that could give rise to discrimination include personal choices with regards to physical appearance, clothing, headwear, worshipping practices, language, disability devices or activities outside of the workplace.
<b>Standard SR-ND 3: The factory shall not allow any behavior that is threatening, abusive, exploitative, or sexually coercive, including gestures, language, and physical contact, in the workplace and, where applicable, in residences and other facilities provided by the factory for use by workers.</b>				
SR-ND 3.1	The factory ensures that it offers workers a non-threatening work environment.	0	M	The factory must ensure that the workplace is free from any behavior that is threatening, abusive, exploitative or sexually coercive, including gestures, language and physical contact. This applies in the workplace as well as in all residences and property provided by the factory, regardless of whether the factory owns, leases, or contracts the residences or property from a service provider.
<b>Standard SR-ND 4: The factory shall not subject workers to pregnancy or virginity tests under any circumstances.</b>				
SR-ND 4.1	No female applicants are required to take a pregnancy or virginity test or are asked about their pregnancy or virginity status: <ul style="list-style-type: none"> <li>When applying for a job; and,</li> <li>At any time during their employment.</li> </ul>	0	M	



## SUB-SECTION 3.6: Women's Rights (WR)

Given the context of women working in factories, especially apparel production facilities, Fair Trade USA believes it is important to place additional focus on social responsibility and empowerment of women. While some of these criteria are covered under general non-discrimination and social responsibility requirements, they are reiterated here for emphasis.

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-WR 1: Equal remuneration is provided for female workers.</b>				
SR-WR 1.1	Employers shall not pay unequal wages to men and women who perform jobs that require equal skill, effort, and responsibility, and that are performed under similar working conditions within the same establishment.	0	M	Pay differentials between workers must be supported by the Performance Management System under SR-ND 1.5.
<b>Standard SR-WR 2: Pregnancy tests are not allowed for hiring, firing, or promotion practices.</b>				
SR-WR 2.1	No female applicants are required to take a pregnancy or virginity test or are asked about their pregnancy or virginity status: <ul style="list-style-type: none"> <li>When applying for a job; and,</li> <li>At any time during their employment.</li> </ul>	0	M	This criterion is the same as SR-ND 4.1. Auditors are not required to re-check.
<b>Standard SR-WR 3: Maternity leave shall not be shorter than eight weeks on full pay, not including annual leave. After returning to work, breastfeeding breaks during work time must be granted.</b>				
SR-WR 3.1	Maternity leave shall not be shorter than eight weeks of full pay, not including annual leave.	1		
SR-WR 3.2	After returning to work, breastfeeding breaks during work time must be granted.	1		



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard SR-WR 4: Wage deductions or dismissals of workers on maternity leave are prohibited. Upon their return, workers will have the same positions as prior to their leave, with the same or equivalent pay and benefits.</b>				
SR-WR 4.1	There is no deduction of wages or dismissal of workers on maternity leave.	0	M	
SR-WR 4.2	Workers returning from maternity leave are given their former job back at the same rate of pay and benefits.	0	M	
<b>Standard SR-WR 5: There is no pressure on workers to use contraception.</b>				
SR-WR 5.1	There are no direct or indirect pressures on workers to use contraception.	0	M	
<b>Standard SR-WR 6: Management provides appropriate services and accommodation to pregnant workers and ensures they are given work which does not risk the health of the women or children they are carrying.</b>				
SR-WR 6.1	Pregnant and nursing women are not engaged in work that creates risk to their health or the health of their child.	0	M	This criterion is the same as SR-OH 6.1. Auditors are not required to re-check.
<b>Standard SR-WR 7: Management implements a policy that outlines necessary qualifications for staff and worker positions. The needs of disadvantaged/minority groups, including women, are targeted with training and other programs.</b>				
SR-WR 7.1	Management implements a policy to ensure that disadvantaged/minority groups, including women, are targeted with training and capacity building programs.	1		Content of these trainings and programs should be designed to help workers access job promotion opportunities and other benefits such as quality or performance bonuses.



## SECTION 4: Environmental Responsibility and Management (ERM)

### SUB-SECTION 4.1: Monitoring Systems (MS)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ERM-MS 1: Facilities have an environmental commitment and put forth efforts to protect and restore the natural environment. At a minimum, all local legal requirements are adhered to. There is a continuous effort to improve environmental performance along a defined path towards cleaner production.</b>				
ERM-MS 1.1	The factory has a written Environmental Policy in place which states the factory's commitment to identifying and addressing environmental risks.	0	M	The intent of this criterion is that the factory has documented their commitment to identify and address environmental risks of their operations. As a best practice, the Policy should be updated over time to incorporate changes to the factory's systems, to monitor environmental performance, and their plans for reducing risks and environmental impacts over time (see ERM-MS 2 and ERM-MS 3).
ERM-MS 1.2	The factory holds all legally required permits and licenses for its manufacturing processes.	0	M	The intent of this criterion is that the factory, at a minimum, follows the local law in its attempt to protect and restore the natural environment. Permits and licenses vary by geographic region and manufacturing process. Examples include wastewater or toxic emission permits.
<b>Standard ERM-MS 2: Facilities must develop a management system demonstrating environmental commitment, with a timeline and plan for its implementation.</b>				
ERM-MS 2.1	The factory has an environmental management system (EMS) in place to monitor and improve its environmental performance. The EMS specifies all areas of environmental commitment, including high-level timelines and plans for addressing each area.	1		See ERM-MS 3 for examples of areas/themes to focus on in the EMS, but also consider any other key issues related to your production.  In this criterion, the areas included in the EMS may be addressed at a high level. Each area will need to be developed through detailed plans in ERM-MS 3.1





No.	Compliance Criterion	Year	Major	Intent and Clarification
ERM-MS 2.2	The factory has a list of accredited suppliers from whom the factory sources potentially dangerous synthetics and chemicals.	1		Please see <a href="#">Annex 7</a> of the Factory Standard for the Restricted Materials List in Fair Trade Certified factories. Note that this List is a list of restricted materials only, and it is not an inclusive list of all potentially dangerous synthetics and chemicals.
<b>Standard ERM-MS 3: Facilities must develop and implement a plan, with measurable progress, aimed at: increasing efficiency and thereby minimizing pollution and waste; reducing the use of natural resources including raw materials, energy and water; and properly managing waste and any environmental problems associated with disposal of wastes.</b>				
ERM-MS 3.1	The factory has a plan aimed at increasing efficiency and thereby minimizing pollution and waste; reduction in use of natural resources including raw materials, energy and water; proper waste management and any environmental problems associated with disposal of wastes.	3		Themes listed in this criterion must feed back into the larger environmental management system required under ERM-MS 2.1.  This criterion can integrate ERM-WM 1.1 which requires a plan to reduce waste by Year 1.

## SUB-SECTION 4.2: Hazardous Materials (HM)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ERM-HM 1: All chemicals are stored, used, and disposed of in such a way as to minimize potential risk and exposure to workers, the environment, and the products being manufactured.</b>				
ERM-HM 1.1	The factory has a written policy on chemical storage, dispensing, and handling. The policy includes: <ul style="list-style-type: none"> <li>• Inventory of all hazardous materials used in production processes;</li> <li>• Quantities stored;</li> </ul>	0		



	<ul style="list-style-type: none"> <li>• Procedures for storage, handling and disposal;</li> <li>• Type and frequency of training to all employees who handle chemicals;</li> <li>• Plan for the progressive elimination of hazardous and toxic chemicals and materials;</li> <li>• Written procedures and instructions to ensure that manufacturing processes involving the use of chemicals are undertaken in a safe manner;</li> <li>• A job rotation scheme for workers handling chemicals, depending on exposure; and,</li> <li>• A proper chemical spill plan, including procedures on collecting and disposing of spillages.</li> </ul>			
ERM-HM 1.2	<p>The use of chemicals in workstations meets the following requirements:</p> <ul style="list-style-type: none"> <li>• Chemicals kept at work stations are safely stored and clearly labeled in a language workers understand;</li> <li>• Areas where chemicals are used are posted with safety and warning signs;</li> <li>• The dispensing and mixing of chemicals is undertaken in a separate, well-ventilated room or area;</li> <li>• There are posted signs that require workers to wash hands after handling, storing or disposing of chemicals in bathrooms, kitchens and production areas; and,</li> </ul>	0		



	<ul style="list-style-type: none"> <li>Spilled chemicals are collected in a separate container. The content of the container is disposed of in line with the factory's regulations and national law, and is not discharged into open water streams or sewers.</li> </ul>			
ERM-HM 1.3	<p>The storage of chemicals meets the following requirements:</p> <ul style="list-style-type: none"> <li>The bulk storage of chemicals is in a separate storage area. Only small containers with contents for daily usage are kept at the workspace/ production line;</li> <li>Chemicals are in secure containers and labeled in a language that workers understand;</li> <li>Chemical storage area has adequate ventilation;</li> <li>Instructions for chemical handling are posted in the storage area;</li> <li>Safety Data Sheets (SDS/MSDS) are posted or readily available;</li> <li>Safety Data Sheets (SDS/MSDS) are written in a language that workers understand; and,</li> <li>Spilled chemicals are collected in separate containers. The contents of the containers are disposed of in line with the factory's regulations and national law, and are not discharged into open water streams or sewers.</li> </ul>	0		



ERM-HM 1.4	Workers handling any potentially hazardous chemicals are regularly given free medical examinations by a physician of their choice (according to risks and levels of exposure) and are informed of the results privately.	0		<p>Where allowed under law, the employer may select the physician, but the worker may request a different physician.</p> <p>If not specified otherwise by law, “regularly” means at a minimum annually. It can be monthly, quarterly, or semi-annually based on local regulation, industry practices or level of exposure to hazardous chemicals.</p>
ERM-HM 1.5	Management reviews physician's recommendations resulting from the examination. A remediation plan is put into place if problems are detected.	0		<p>The intent of this criterion is that management reviews results from physicians retaining workers' confidentiality to the extent reasonable.</p> <p>Remediation plans shall include rotation of job tasks or other measures needed to ensure the health of workers. Workers must be offered another lower-risk job at equivalent pay and benefits if they are no longer able to be safely exposed to specific chemicals. There can be no discrimination or punishment against workers based on the results of the medical examination.</p>
<b>Standard ERM-HM 2: Facilities must eliminate toxic and hazardous substances from products and operations. They will abide by the Restricted Materials List in Annex 7.</b>				
ERM-HM 2.1	The factory has eliminated from Fair Trade Certified products and their facility any chemicals on the American Apparel and Footwear Association (AAFA) Restricted Substances list.	1		<p>The AAFA Restricted Substance list is available at:  <a href="https://www.aafaglobal.org/AAFA/Solutions_Pages/Restricted_Substance_List.aspx?WebsiteKey=49c45f4d-69b3-4c66-823a-6d285960fed2">https://www.aafaglobal.org/AAFA/Solutions_Pages/Restricted_Substance_List.aspx?WebsiteKey=49c45f4d-69b3-4c66-823a-6d285960fed2</a></p>
ERM-HM 2.2	If the factory is using any of the chemicals on the European Union's REACH Candidate or Authorisation Lists of Substances of Very High Concern, then the factory has and is implementing a plan to phase out the use of that chemical by the third year of certification.	1		<p>These lists are available at: <a href="http://echa.europa.eu/web/guest/candidate-list-table">http://echa.europa.eu/web/guest/candidate-list-table</a> and <a href="https://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list">https://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list</a></p> <p>REACH stands for Registration, Evaluation, Authorisation and restriction of Chemicals.</p> <p>The Candidate List shows substances of very high concern for which the European Chemicals Agency is considering to impose a requirement for authorization for some or all uses.</p>



				<p>The Authorisation List, also known as Annex XIV, shows chemicals that are banned except with authorization from the European Commission.</p> <p>The Year 3 audit will verify the full implementation plan to phase out the use of chemicals.</p>
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### SUB-SECTION 4.3: Waste Management (WM)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard ERM-WM 1: All waste is disposed of properly, including chemical, solid sewage, and liquid wastes.</b>				
ERM-WM 1.1	A waste management plan for the proper disposal of waste is developed and implemented in order to minimize associated pollution and health risks.	1		This criterion is related to ERM-MS 3.1 which requires a larger environmental plan by Year 3.
ERM-WM 1.2	Chemical and hazardous waste that is to be disposed of is picked up by an authorized hazardous waste transporter and taken to an authorized waste disposal and recovery site.	0		
ERM-WM 1.3	Wastewater is not discharged directly into the natural environment, including water bodies, without prior appropriate treatment.	0	M	<p>The intent of this criterion is that all wastewater must go through some sort of treatment before being discharged. Wastewater includes any water that has been adversely affected in quality by production, processing, or packaging activities. This includes, but is not limited to, water contaminated by human waste, chemical container or equipment rinse water, and water from dying, washing, spray painting, screen printing, etc.</p> <p>The risks associated with wastewater discharges vary depending on what processes the water was used for, what chemicals may be in the wastewater, and where and how that water is discharged. In developing their environmental monitoring system required under ERM-MS 2, the factory should take the risks of their specific operations into account.</p>



No.	Compliance Criterion	Year	Major	Intent and Clarification
ERM-WM 1.4	The wastewater treatment system is well maintained.	1		ERM-WM 1.3 requires a wastewater treatment system to be in place. "Well maintained" means that, at a minimum, the manufacturer's instructions are followed. The wastewater treatment system can be a part of the waste management plan required under ERM-WM 1.1 or it can be a stand-alone system.
ERM-WM 1.5	All waste storage areas are properly maintained, covered, paved, and protected from the weather and from any fire risk.	0		"Properly maintained" includes that waste is segregated by type, regularly collected/not over-flowing, and that hazardous and non-hazardous waste are stored properly. It is recommended that hazardous waste is stored at least 200 meters from water bodies. Hazardous waste includes empty chemical containers and other items contaminated with hazardous chemicals.



## SECTION 5: Trade Requirements (TR)

### SUB-SECTION 5.1: Basic Requirements (BR)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard TR-BR 1: The factory facilitates both announced and/or unannounced Fair Trade audits carried out by Fair Trade USA-approved Conformity Assessment Bodies and reports to Fair Trade USA on its Fair Trade transactions (according to the frequency determined by Fair Trade USA: quarterly, bi-annually or monthly).</b>				
TR-BR 1.1	Audits are allowed to proceed unobstructed and all information necessary to complete the audit is made available to the auditors.	0	M	This criterion applies to all audits, whether announced, semi-announced, or unannounced. Auditors must be permitted access to any site that is included in the scope of the Certificate, as well as its related records, management, and workers in a timely manner.
TR-BR 1.2	Management does not interfere in the conduct of Fair Trade USA's audits, including the selection of documents, workers chosen by auditors for interviews, and/or by coaching workers.	0	M	
TR-BR 1.3	Management is transparent with Fair Trade USA and its auditors.	0	M	Accurate records must be shared and factory management must be honest and transparent in discussing compliance with auditors and Fair Trade.
TR-BR 1.4	Management and responsible staff are ready and open to being interviewed, and documentation is provided for review upon request, hence making the audit efficient.	0		The intent of this criterion is to ensure an efficient audit. Auditors follow a set plan that relies on the cooperation of the factory. Excessive delays may prevent auditors from completing the assessment.
TR-BR 1.5	Senior management is present, at a minimum, during the opening and closing meetings.	0		As a best practice, the Fair Trade Officer, HR Manager, and some worker representatives from the Fair Trade Committee are invited to observe the opening and closing meetings of Fair Trade USA audits.



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard TR-BR 2: The factory maintains a single set of verifiable, accurate, and complete documentation of all employment-related practices and records (including those for wages paid and hours worked) for each worker, for a period of at least three years.</b>				
TR-BR 2.1	The factory must maintain verifiable, accurate, and complete documentation of all employment-related practices and records for each worker.	0		<p>The intent of this criterion is that the factory has a system in place that accurately tracks all employment-related practices and records.</p> <p>An accurate monitoring system will allow the factory to produce verifiable and complete documentation and help to measure compliance with the Factory Standard.</p>
TR-BR 2.2	The factory stores records for a period of at least three years.	3		
TR-BR 2.3	<p>At a minimum, payroll registers contain:</p> <ul style="list-style-type: none"> <li>• pay period;</li> <li>• employee name;</li> <li>• employee ID;</li> <li>• hiring date;</li> <li>• wage category;</li> <li>• regular and overtime rates (including how piece rate is calculated);</li> <li>• regular hours worked;</li> <li>• overtime hours worked;</li> <li>• regular and overtime wages;</li> <li>• benefits;</li> <li>• bonuses;</li> <li>• salary deductions, e.g. for services or benefits;</li> <li>• gross earnings; and,</li> <li>• net earnings.</li> </ul>	0		





No.	Compliance Criterion	Year	Major	Intent and Clarification
TR-BR 2.4	The factory maintains individual records of all changes in workers' employment status, including changes in wages and benefits and the date when the change took effect.	1		

## SUB-SECTION 5.2: Supply Chain Traceability (ST)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard TR-ST 1: The facility has knowledge of its subcontractors who will be handling Fair Trade Certified products as well as any Fair Trade material suppliers, if applicable, and discloses the information to Fair Trade USA before production begins. This includes packing facilities, dye houses, embroiderers, accessory and embellishment facilities, homeworkers, subcontractors, forests, and farms. Any changes in a factory's supply chain for the sourcing and manufacturing of Fair Trade Certified products must be reported to Fair Trade USA in a timely manner.</b>				
TR-ST 1.1	The Certificate Holder submits a list of all entities involved in the Fair Trade Certified product supply chain, including name, location, key contact person and contact details for each. The Certificate Holder informs Fair Trade USA of any changes to the supplier and subcontractor list.	0		<p>"Entity" refers to all subcontractors who will be handling Fair Trade Certified product as well as all material suppliers of Fair Trade Certified product.</p> <p>As per Fair Trade USA's glossary, a subcontractor is an individual or company that is neither managed nor subject to a controlling interest by the Certificate Holder which does not take legal ownership of the Fair Trade Certified product but provides services to process, pack, or transform the product. Examples of subcontractors include but are not limited to: washing facilities, dye houses, embroiderers, accessory and embellishment facilities, and homeworkers.</p>



## SUB-SECTION 5.3: Subcontracting (SC)

No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard TR-SC 1: The factory is responsible for ensuring that its subcontractors and homeworkers handling Fair Trade Certified product are in accordance with ILO Core Conventions and legal minimum wages and benefits. Subcontractors may be subject to third-party inspections to verify compliance.</b>				
TR-SC 1.1	The factory has an established supplier and subcontractor as well as a homeworker engagement policy that encourages its business partners to uphold the factory's social compliance policies. The factory has subcontractor/supplier selection criteria and procedures that incorporate ethical, social, and environmental compliance standards.	0		As a best practice, the factory maintains records of all homeworkers', suppliers' and subcontractors' acknowledgement of this policy.
TR-SC 1.2	The factory has written contracts with all subcontractors and homeworkers that take possession of the Fair Trade Certified product, requiring them to comply with: <ul style="list-style-type: none"> <li>• The ILO Core Conventions;</li> <li>• Meeting the factory's social compliance policies required under TR-SC 1.1; and,</li> <li>• Authorizing Fair Trade USA and/or its approved auditors to conduct on-site audits of each subcontractor.</li> </ul>	1		
TR-SC 1.3	For workers employed at subcontracted facilities and/or homeworkers, the written contract states that they receive at least: <ul style="list-style-type: none"> <li>• the legal minimum wage; and,</li> <li>• all legally mandated benefits.</li> </ul>	1	M	



No.	Compliance Criterion	Year	Major	Intent and Clarification
<b>Standard TR-SC 2: Records must be maintained and regularly updated with the name of each subcontracted unit, including homeworkers, the name of the person in charge, the location and the number of work contracts given.</b>				
TR-SC 2.1	Records must be maintained with the name of each subcontractor or homeworker, name of the person in charge, the location, and the details of orders given.	1		<p>Well maintained records provide traceability of the outsourced product outside of the factory.</p> <p>With the example of a pillow that leaves the factory to be embroidered:</p> <ul style="list-style-type: none"> <li>the “name of the person in charge” is the person at the factory who assigns the embroidery to a homeworker or subcontractor;</li> <li>“location” is where the homeworker or subcontractor is located; and,</li> <li>“details of order” is the homeworker or subcontractor’s name, the type of product the homeworkers or subcontractor is assigned to work on (a pillow to be embroidered in this case), and the number of pillows the homeworker/subcontractor received.</li> </ul>
<b>Standard TR-SC 3: In case of repeated serious violations, the subcontractor will no longer be authorized to handle Fair Trade Certified product.</b>				
TR-SC 3.1	In case of repeated and serious violations by a subcontractor, the relationship with the subcontractor is terminated.	1	M	Serious violations include but are not limited to child labor, forced labor, harassment, abuse, bribery or underpayment for work completed.



## ANNEX 1: Composition and Eligibility to Serve on the Fair Trade Committee (FTC)

Collective and individual empowerment are fundamental to building healthy businesses and healthy communities, and as such are core tenets of the Fair Trade program. One way that a standard can drive collective empowerment is through establishing groups that foster communication and collaboration on important issues such as health and safety, community investments, or working conditions. To that end, the Factory Standard for Apparel and Home Goods requires the formation of a FTC.

### The Role of the FTC

The FTC is the body that consists of democratically-elected worker representatives and non-voting factory management representatives who are appointed to serve as observers. The FTC is responsible for managing, investing, and spending the Fair Trade Premium on behalf of the Premium Participants, and informing workers about the Factory Standard and Premium availability.

### FTC Eligibility

All workers in a production facility are eligible for nomination and able to participate in the election of the FTC. In Fair Trade USA's *Glossary*, "worker" is defined as, "The general term designating personnel working in certified organizations, regardless of whether they are temporary or permanent, or work full-time or part-time. It excludes middle and senior management, and normally only includes workers who are eligible to join unions." Junior managers or production line managers earning similar pay rates and undertaking similar tasks to production line workers are included in this definition of "worker" and are eligible to be on the FTC. The composition of the FTC should reflect the composition of the workforce (for more detail on this please see "FTC Representation").

### FTC Representation

The intent of the Factory Standard is that minority groups, such as women, migrant workers, workers from different production areas within a factory (e.g. cutting, sewing, or quality control), temporary or seasonal workers, unionized workers, etc., are represented on the FTC. The Factory Standard requires proportional representation if possible. In other words, if 50% of the workers are women, 50% of the worker representatives on the FTC should also be women. Where proportional representation is not possible, efforts should be made to include at least one representative from each minority group.

If there are many types of workers in a factory (e.g., various kinds of production line workers, sewers, packing/processing, quality control, cafeteria, etc.), the factory may look for ways to group similar types of workers together to keep the FTC from becoming too large and to facilitate communication flows. More attention should be paid to ensure there is equal representation by social, culture, gender, temporary/permanent status, and economic status than by which section of the factory they work in.



When planning the FTC election, management and workers should identify which groups of workers exist within the workforce and therefore need to be represented on the FTC, and how everyone will best be able to participate in the election. It is useful to list or map the groups that should be represented along with the number of members of each of those groups before the election begins so that the workers can visualize how the composition of the workforce should determine the number of nominees from each group. A union or worker organization should be considered as a special population when mapping out the labor force, and employees of the factory that belong to that union or worker organization should be encouraged to become candidates.

The number of representatives required on the FTC will depend on the total number of workers and the number of different groups of workers that need to be represented on the FTC. This depends on the specific workforce, but it is best practice for this to be agreed upon before the FTC election takes place.

### **FTC Election Process**

Management and workers agree on an election process including how, when, and where the election will take place. This can be done in a large gathering or in a smaller group, for example by department. Either the factory management or the workers may choose to invite external support to assist with the election process. The agreed-upon election process must be documented. The election process should enable workers to vote freely for the representatives of their choosing without threat or fear of discrimination. Workers should understand who they can nominate and which work areas and groups need to be represented on the FTC. Nominated individuals may decide on their own not to become candidates to become FTC representatives, but those who do become candidates should understand and accept the responsibility.

As a best practice, individuals within the FTC should be elected to specific functions such as Chairperson, Treasurer, and Secretary. These office-bearers can be elected from within the FTC or by the Premium Participants as a part of electing the FTC as a whole. Activities such as meetings, trainings, information/feedback sessions, and project management should be organized by the office-bearers.

### **Role of Management**

The FTC is elected democratically and independently of management influence. Management participates in the FTC through non-voting representatives and assists and supports the workers in the management of the Premium. Management representatives who serve as observers do not have voting rights on Premium project decisions but they are allowed to block FTC decisions where the decisions are clearly illegal or go against the Factory Standard.

### **The Difference Between FTCs and Unions**

It is important that workers and management understand that the FTC and a union or worker organization play different roles and have different functions. It should be made clear that the FTC's role is primarily to administer the Premium and is not meant to displace or duplicate a worker



organization or union that addresses labor issues. Good communication between the FTC and union or worker organization can help avoid misunderstandings and allow for planning of complementary projects.

In almost all cases, the FTC is still a new, democratically elected body, even if representative bodies elected by the entire workforce already exist. The only case where a pre-existing representative body can serve as the FTC is if it meets the equal representation requirements of the Factory Standard and the Premium Participants have democratically chosen this representative body to also serve as their FTC.

Where a new FTC is set up, individuals who serve on a pre-existing representative body are eligible to be candidates for the FTC.

### **Length of Time a Worker Representative Can Serve on the FTC**

Fair Trade USA does not require a minimum or maximum time a worker representative can serve on the FTC. If there are term limits and term lengths, then they should be described in the Constitution of the FTC. Best practice is to have formal term lengths (for instance 1-3 years) and to limit the number of terms to give all workers the opportunity to bring new ideas and thoughts to the FTC. A term length for a minimum of 2 years gives the workers a good amount of time to sufficiently learn their roles and responsibilities, and implement them accordingly.

To strengthen the FTC, to increase worker participation in the Fair Trade projects, and to give new potential candidates the opportunity to prepare for the next election, the FTC should make an effort to regularly inform Premium Participants about how the FTC operates.

### **Premium Distribution Where Multiple FTCs Exist**

Under some Certificates, multiple FTCs will be elected. For example, if there are two factories under the same Certificate they may elect a single FTC, representing workers at both factories or a separate FTC at each factory. Where more than one FTC exists, Premium must be divided among them. For the initial certification, the Certificate Holder must propose the distribution of Premium among multiple FTCs. This distribution must be approved by all FTCs.

Distribution of Premium among multiple FTCs must be done in a manner that is equitable for all Premium Participants, including:

- a. It is most straightforward and equitable to distribute Premium among different groups/FTCs according to the number of Premium Participants in each group;
- b. It may be desirable to distribute according to other factors, for instance the product value or volume delivered by a group, or time spent on Fair Trade product;
- c. Premium may be distributed among multiple FTCs according to sales volume. This would allow groups who deliver all of their product to the Certificate Holder to benefit more than groups who deliver very little product; and,



- d. Distributing according to time spent working on Fair Trade product is possible when different types of groups are included in the same Certificate, for instance a labor-intensive production facility and a packing facility. The Certificate Holder could calculate roughly how many person-days were spent working on Fair Trade product by each individual, and then weigh each sub-group according to its proportion of the total number of person-days worked on Fair Trade product.

The distribution of Premium among multiple FTCs may be changed year to year to account for changes in FTC membership. Any new distributions must be agreed to by all FTCs.



## ANNEX 2. The Constitution

The first elected FTC is required to develop a written Constitution that is shared with workers at the meeting of all Premium Participants. This meeting is called the General Assembly (GA) and it is the meeting where Premium Participants agree on the Constitution.

Criteria EM-PTA 2.2 and 2.3 relate to the development and approval of the Constitution. The Constitution defines the governance, roles, and responsibilities of the FTC, including:

- a. The identification of the Premium Participants as the supreme decision-making body of the FTC (see EM-PTA 2.4);
- b. The voting procedures for electing the FTC and approving the Fair Trade Premium Plan, including the frequency of elections, delegate systems (where applicable), procedures for electing a new member of the FTC if one resigns, and how minor vs. major changes in the Fair Trade Premium Plan are approved; and,
- c. Rules for ongoing project funding or distribution of the remaining Premium to Premium Participants in the event of dissolution of the FTC due to the loss of Certification; and,
- d. Rules for emergency and discretionary spending.

If there are multiple FTCs under one Certificate, each one shall have its own Constitution, which includes the rules for Premium distribution among FTCs in addition to the components listed above.

If there are multiple FTCs and a significant change in workforce composition or Certificate scope occurs, the rules for Premium distribution must be re-assessed within one year of the significant change to ensure that they are still equitable, and re-approved by a majority of Premium Participants. Significant changes include, but are not limited to: more than 10% turnover of the workforce or new membership, a new production line involving new workers, or new sites of different sizes or geographies. Note this does not include turnover of individual workers, unless a change in individual Premium Participants results in a change in the workforce structure or distribution of Premium Participants.

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





### ANNEX 3: The Fair Trade Premium Bank Account

The Fair Trade Premium bank account must be established by the time of the first Fair Trade sale, or at the very latest, before the first Premium dollars are transferred by the buyer. At the time of the Year 0 audit, operations seeking certification must either have the account open or be able to demonstrate that relevant paperwork has been submitted and the process of opening the bank account is actively underway. Alternatively, the factory has evaluated the options and chosen the bank and type of account they will open once Premium is transferred and agreed on the names of the FTC members who will be joint signatories. The names of the FTC members who will be joint signatories should be included in the paperwork being processed.

It is best practice for the name of the bank account to identify it as an account for the Fair Trade Premium.

It is best practice for the FTC to own their own bank account to hold Premium funds. However, this is not always possible where there are local legal or taxation restrictions that prevent the FTC from opening its own bank account or prevent a locally-registered FTC from sending or receiving funds from abroad.

Where the FTC does not hold their own bank account it is recommended that the FTC appoint a Trustee to open a bank account on behalf of the FTC. The role of the Trustee is to be a joint signatory on the account and as such have a signed agreement with the FTC to spend the Premium according to the Fair Trade Premium Plan. It must be clear from the signed agreement that the true owners of the Fair Trade Premium are the Premium Participants. The Trustee could be, for instance, the Certificate Holder, a factory, an NGO, a bank, or a credit union. A Trustee shall not be a third party who is part of the labor supply chain, such as a labor broker or recruiter.

Regardless of who holds the account, worker and management representatives from the FTC must be signatories under EM-PTA 3.2. It must always be clear that the account holds only Premium funds and that the Premium Participants are the true owners of the Premium.

If there are multiple FTCs, there do not need to be multiple bank accounts at Year 0, i.e. each FTC does not need to have its own bank account although it is recommended. However, if each FTC does not have its own bank account, the Certificate Holder should be able to demonstrate that it has an effective process in place which enables it to track records and administer the Premium to the existing bank account(s) and to each FTC appropriately and transparently. It is critical that each FTC understands how much money will be received, and when, and how the amount was calculated. If there is a joint bank account for multiple FTCs, the relevant FTCs can determine how the joint signatory is chosen, as long as the process is clear and transparent to all members on all FTCs, and they are all aware of it.



## ANNEX 4: Fair Trade Premium Expenditure Guidelines

This Annex explains recommended guidelines for expenditure of the Fair Trade Premium. The intent of Premium expenditure is to improve the livelihoods of Premium Participants by addressing needs of workers, their families, and communities with projects and expenditures informed by the results of the Needs Assessment.

As required in EM-PTA 7.6, Premium spending shall be approved by the Premium Participants.

Premium may not be used to cover factory audit/certification fees, either for Fair Trade USA audits or any other standard scheme. As per EM-PTA 7.5, the Fair Trade Premium is not used to cover the running costs of the Certificate Holder or the cost of compliance with the requirements of the Factory Standard.

While the Premium may not be used to cover the running cost of the Certificate Holder (see EM-PTA 7.5), the Premium may be used to hire an administrative support person to assist the FTC where they have ongoing Premium projects that require significant day-to-day management. This decision is made by Premium Participants, not factory management. Where applicable, the scope of work, hours, and rate of the administrative support person must be clearly recorded. The work contract must ensure that they report directly to the FTC, and not to the Certificate Holder or other employer, for the work done supporting the FTC and Premium projects.

Up to 20% of the Fair Trade Premium received in the previous 12 months may be spent on on-site investments that remain the property of the factory owner/Certificate Holder, under the following conditions:

- a. The investments go beyond what is required in the Factory Standard and under applicable law;
- b. The investment may only be in housing, laundry facilities, gardens, recreational/learning facilities, or other facilities used primarily by and benefiting workers;
- c. The FTC must be registered as a legal body under the rules described in EM-PTA 4.1;
- d. The Certificate Holder or employer must match (at a minimum) the amount invested from the Premium; and,
- e. There is a written contract between the FTC and the Certificate Holder/owner that requires the Certificate Holder/owner to return the amount invested (adjusted for depreciation or appreciation of the asset) to the FTC in the event of a sale of the factory or decertification;

There is no limit on Premium use for investments that remain the property of factory workers.

The Premium may be used for Premium management expenses, including bank fees, wire transfer fees, taxes, and financial audits. As a best practice, fees to set up or maintain the Premium bank account are paid by the Certificate Holder if there is no Premium yet available.



If the Premium is used to cover the financial audit required in Criterion EM-PTA 8.4, Premium funds may be used to cover the audit costs of the FTC bank account only. While it may be beneficial to bundle the FTC bank account into the Certificate Holder's broader financial audit, the portion that is charged to the FTC must be for the work to audit the FTC account only, and this calculation must be clear and transparent.

As long as cash or in-kind goods payout to Premium Participants is an effective way to address particular needs identified in the Needs Assessment, it is allowed. However, it is recommended that no more than 50% of the Premium received in the previous 12 months be paid out in cash or in-kind goods for the following reasons:

- a. Implementing Premium projects is an empowering opportunity for workers;
- b. Workers get the experience of collaborating with each other, as well as with management and building valuable skills;
- c. Workers get the opportunity to enhance the livelihoods of themselves and their communities by pooling their Premium funds for projects that benefit the entire community (i.e. building a school or hiring a teacher in remote locations, setting up a health clinic, or purchasing laundry equipment to keep themselves and the environment healthy);
- d. The impact of Premium projects can be measured over time, whereas the impact of cash payouts is difficult to trace; and,
- e. Receiving Premium as cash payouts may have tax implications for workers in some countries.

Where Premium is distributed as a cash payout, it is not to be used as a wage replacement or to take the place of any wages or bonuses paid by the factory.

When using the Premium to purchase goods or services from a third party, including the provision of trainings that go beyond the requirements in the Factory Standard, this entity should be neutral to the Certificate Holder, have no personal interest in the operation, and have no influence over the actors in the labor supply chain. It is also best practice to ask for more than one cost estimate/quote from competing vendors, and to document the different quotes.



## ANNEX 5: Needs Assessment

The Needs Assessment may be carried out in a variety of ways including surveys, interviews, or meetings with Premium Participants. The Needs Assessment must include a diverse and representative sample of Premium Participants.

The Needs Assessment should include, at a minimum, an evaluation of the following areas:

- a. access to education and childcare;
- b. food security;
- c. health services (e.g., access to or affordability of health care);
- d. housing;
- e. health and sanitation (e.g., drinking water access and quality; latrines; or community health concerns such as high levels of HIV infection, diabetes, infant mortality, maternal death rate); and,
- f. transportation.

Additional recommended themes include:

- a. community infrastructure (e.g., roads, bridges, or community buildings);
- b. community services (e.g., access to trainings or other support for livelihoods improvements);
- c. gender equity, including participation by women in income generating activities and factory decision-making, and other women's empowerment issues; and,
- d. provision of trainings.

It is recommended that a summary of the Needs Assessment results also be shared with all Premium Participants.



## ANNEX 6: Fair Trade Premium

The Fair Trade Premium is a minimum of 1% and maximum of 10% of the Free-on-Board (FOB) value of the order, depending on the wage level assessed in the factory. If the wages assessed meet the living wage benchmark, the Fair Trade Premium is 1%. If the wages assessed are closer to the living wage benchmark than to the minimum wage, the Fair Trade Premium is 5%. If the wages assessed are closer to the minimum wage than to the living wage, the Fair Trade Premium is 10%. Please contact Fair Trade USA for your Premium rate.



## ANNEX 7: Restricted Materials List

The following substances may not be used in the manufacture of Fair Trade products:

1. Substances on the American Apparel and Footwear Association's Restricted Substances List, available at: [https://www.aafaglobal.org/AAFA/Solutions\\_Pages/Restricted\\_Substance\\_List](https://www.aafaglobal.org/AAFA/Solutions_Pages/Restricted_Substance_List).
2. In addition, if the factory is using any of the chemicals on the European Union's REACH List of Substances of Very High Concern (available at: <http://echa.europa.eu/web/guest/candidate-list-table>), then the factory has produced and is implementing a plan to phase out the use of that chemical by the third year of certification.

