



# Policy on Emergency Premium Use for COVID-19 Response

Fair Trade USA

Version 1.1.0

## Introduction

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As the world mobilizes to stop the spread of the COVID-19 pandemic, livelihoods are being affected and people are searching for ways to support themselves and their families. Governments around the world are implementing various measures, ranging from social distancing and closing non-essential businesses, to strict shelter-in-place requirements and curfews. Producers and workers in our communities have been affected in various ways as well. Production activities and supply chains have been interrupted in some countries, while others struggle to maintain operations while keeping themselves and their workers safe. In this time of global crisis, Fair Trade USA's top priority must be our partners' health and safety. This document outlines how Fair Trade USA (FTUSA) is mobilizing the Fair Trade Program and Fair Trade Premium to support our partners, including all workers, farmers, and fishermen in our Certified supply chains, as well as their communities.

Additional accommodations or program modifications in response to COVID-19 impacts will be addressed in separate documents. These may include, but are not limited to, the timeline of other Fair Trade Standard requirements, such as conducting trainings or holding the General Assembly, and audit expectations.

## Purpose

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This document is intended to outline requirements on the use of Premium plans and expenditures in response to the emergency caused by COVID-19.

Fair Trade USA reserves the right to review and modify this policy as needed in the face of this evolving crisis.

## Scope and Applicability

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The processes and guidance outlined in this policy are only applicable to Certificate Holders (CH) who are unable to hold a General Assembly meeting of the majority of Premium Participants as a result of the COVID-19 pandemic. This may be due to government health and safety requirements or recommendations that prohibit the congregation of large groups. If the Certificate Holder may safely hold a General Assembly, then Premium use and expenditures must undergo approval by the majority of Premium Participants, per normal Standards requirements.

All Certificate Holders certified under Fair Trade USA's Agricultural Production Standard (APS), Capture Fisheries Standard (CFS), and Factory Standard (FS) for Apparel and Home Goods are eligible for the accommodations provided by this policy.



## Eligibility

The process and Premium use accommodations outlined in this policy may be employed by CHs for the duration of the emergency, which is as long as they are unable to hold a General Assembly of the Premium Participants due to government health and safety requirements or recommendations which prohibit large gatherings. Once government health and safety requirements or recommendations for the area in which the CH is operating allow for a meeting of the Premium Participants, the regular process for development and approval of Premium Projects must be resumed as soon as possible.

FTUSA will evaluate the need for additional modifications to the Premium spending process in response to the emergency, and will update this Policy with additional guidance as necessary.

In the event of any evidence of exploitation or misuse of these accommodations (for example, a CH unilaterally spending Premium on something unrelated to the emergency and/or needs of the community), the Conformity Assessment Body (CAB) and/or FTUSA has the right to immediately suspend the CH.

## Affected Criteria

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This policy temporarily replaces requirements in the following Compliance Criteria for each standard:

- APS
  - Needs Assessment: 1.2.1.a
  - Premium Plan approval: 1.2.2.e
  - Premium use expenditure rules: 1.2.2.c, 1.2.2.d, Annex C
- CFS
  - Needs Assessment: ECD-DM 1.1
  - Premium Plan approval: ECD-DM 3.1
  - Premium use expenditure rules: ECD-DM 2.2
- FS
  - Needs Assessment: EM-PTA 7.4, Annex 5;
  - Premium Plan approval: EM-PTA 7.6, EM-PTA 7.7, EM-PTA 7.8, EM-PTA 6.1;
  - Premium use expenditure rules: EM-PTA 7.5, Annex 4;

## 1. Emergency Premium Use Approval Process

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Because community needs may have changed in response to the COVID-19 crisis, any existing Needs Assessment may not be relevant for guiding emergency Premium spending to address workers' and their community's acute needs. Conducting a completely new Needs Assessment may also be infeasible and could limit a rapid and dynamic response to the crisis. Convening a majority of Premium Participants for a General Assembly to approve a new Premium Plan may also be impossible, as such a large gathering of individuals may be prohibited or considered unsafe.

To allow for the emergency use of Premium to support Premium Participants and their communities in response to COVID-19, an alternate Premium Plan development and approval process is defined below.



## 1.1. Emergency Needs Identification

### Conducting the Emergency Needs Identification

1.1.1. An Emergency Needs Identification (ENI) of the Premium Participants must be conducted and results documented. The CH and Fair Trade Committee (FTC) must work together to create the ENI. The ENI does not require extensive data collection or the use of primary data – news sources, government recommendations, or informal conversations with additional Premium Participants can be used to identify new needs and priorities as a result of the COVID-19 outbreak.

1.1.2. In cases where the CH and FTC are unable to meet in person, emails, group phone calls, or other remote engagement technology with documented meeting/discussion minutes will be accepted by FTUSA, so long as the FTC is involved and approves the final ENI results.

1.1.3. Where possible, results of the ENI should be posted or shared in a place or places accessible by Premium Participants, for example in a shared physical location or digitally via a technology platform.

### Required Information and Methodology

1.1.4. The objective of the ENI is to identify the emergency needs created by COVID-19 of Premium Participants and their families and communities and to consider how these relate to larger trends and the long term needs previously identified and documented in any existing Needs Assessment.

1.1.5. To achieve this, the ENI must integrate information from the most recently completed Needs Assessment (if one exists) with information about known local needs due to the impact of COVID-19.

1.1.6. The identification of emergency needs for the ENI does not require extensive data collection such as would occur through the normal Needs Assessment process. However, it is recommended to include a sampling of direct interviews where possible, which may be conducted by phone, video, or other remote technology. Other sources may include local news sources, government assessments and recommendations, or informal conversations with additional non-FTC Premium Participants.

## 1.2. Emergency Premium Plan and Approval

### Emergency Premium Plan Development

1.2.1. The CH and FTC must work together to draft an Emergency Premium Plan (EPP), which describes how Premium will be used to support Premium Participants and their communities. At a minimum, the EPP must include a prioritized list of projects. Each project must include a summary of objectives, timeline and duration, budget, and required actions.

1.2.2. For projects with a timeline dependent upon the duration of the emergency, the FTC should define a regular check-in interval to re-confirm continuation of the project(s). For example, if the FTC agrees on cash pay outs delivered every two weeks to all Premium Participants, the FTC could hold monthly check-ins to confirm cash pay outs are still a necessary and effective use of remaining Premium.

1.2.3. The EPP must be based on the results of the ENI, and all projects must directly address the emergency needs of Premium Participants and their communities. The CH cannot be a primary beneficiary of any project.

1.2.4. For EPPs that include cash pay outs or the distribution of goods in kind, all Premium Participants must benefit equally, unless a clear differentiation in needs is documented.



1.2.5. If deemed necessary by the FTC and the CH, previously approved Premium projects can be temporarily suspended for the duration of the emergency. This suspension must be documented in the EPP. In addition, if funds for a suspended project will be re-allocated, this must be clearly outlined in the EPP.

1.2.6. The EPP can include contingency plans based on possible future scenarios. For example, immediate needs and potential projects might include hygiene education and supplies for Premium Participants. If the crisis worsens and production operations are forced to close and/or the CH is forced to reduce hours, cash pay outs for those whose income is affected may be pre-approved. The intent is to allow the FTC to discuss and pre-approve projects that might not be needed until later.

### **Emergency Premium Plan Approval**

1.2.7. If possible, Premium Participants should be invited to submit comments on the EPP prior to approval of the plan by the FTC, for example posting the plan and soliciting comments via a technology or social media platform such as WhatsApp, WeChat, etc.

1.2.8. The plan must be approved by the FTC. Where possible, the final approved EPP should be posted or shared in a place or places accessible by a majority of Premium Participants, for example in a shared physical location or digitally via a technology platform.

1.2.9. Once the ENI and EPP have been finalized and approved by the FTC, they must be submitted to Fair Trade USA through their Account Manager.

### **Review of the Premium Plan following the Emergency**

1.2.10. The CH is required to meet with the FTC at the conclusion of the emergency to re-evaluate any suspended or previously planned Premium Projects and update the Premium Plan.

1.2.11. The FTC is required to document any changes in the previously approved Fair Trade Premium Plan.

1.2.12. Once a GA of Premium Participants is possible, the FTC must present an account of Premium spent as part of the EPP and changes in the original Premium Plan to the Premium Participants so that projects can be re-evaluated and new projects can be approved.

## **1.3. Cases where the FTC cannot meet in person with the CH**

1.3.1. If the FTC is unable to meet in person with representatives from the CH, due either to closure of normal business operations or government health and safety restrictions or recommendations, then the CH must document why this is not possible and use other methods to engage with the full FTC in a collaborative way. Alternative methods to engage with the FTC could include:

- Remote meeting of all FTC members through video conference or telephone conference.
- Group chat, for example through WhatsApp or WeChat.
- Group email

1.3.2. If the CH cannot engage with the full FTC in a collaborative way, then the CH must document why this is not possible and use other methods to engage with individual members of the FTC. Alternative methods to engage with individual FTC members could include:

- Direct phone calls to FTC members
- Text message with FTC members
- Individual email



1.3.3. If the CH cannot engage with a majority of the FTC or a FTC does not yet exist, and thus cannot get approval of the EPP, they must contact their Fair Trade USA Account Manager to discuss how Premium could be used to support workers in response to the COVID-19 emergency. See Section 3. Premium Spending Decision Tree for a summary on deciding how to implement emergency Premium expenditures.

## 2. Premium Use

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Fair Trade USA's producers and workers are currently experiencing a diverse range of impacts from COVID-19. In order to ensure adequate flexibility for Premium Participants to respond to their acute and evolving needs in response to this crisis, the following Flexible Premium Expenditure rules will apply in place of the regular Premium Expenditure Rules outlined in the APS, CFS, and FS.

### 2.1. Flexible Premium Expenditure

2.1.1. Where an ENI has been completed and an EPP has been developed in conjunction with and approved by the FTC, Premium may be used to fund any project to any amount, including up to 100% as cash pay outs or in-kind goods, as long as it directly addresses the emergency needs of the Premium Participants as outlined in the ENI.

2.1.2. Premium cannot be spent on projects for which the CH is the primary beneficiary, even if related to COVID-19 impacts.

2.1.3. Premium cannot be spent on on-site investments that remain the property of the owner or manager of Mid-sized or Large Farms or Facilities (APS), or any processing or manufacturing facilities (CFS, FS).

2.1.4. Premium may not be spent on legal or compliance requirements that are the responsibility of the CH or employer.

### 2.2. Tracking of Premium Expenditures

2.2.1. All discussions and decisions required by this policy must be recorded as documented evidence. This includes justification for use of this policy and rationale for the method of engagement with the FTC.

2.2.1.1. Documented evidence for an ENI and EPP and the FTC consultation and approval process, may take the form of phone/video call logs, text messages, minutes of meeting, emails, photos of video/ text communications, etc.

2.2.1.2. All Premium expenditures will be audited according to regular assurance processes during the CH's next audit. This includes, as applicable, review of purchase records, Premium transfer to Premium Participants, and any other Premium expenditure.

## 3. Changes in Emergency Needs

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### 3.1. Updating the ENI and EPP

3.1.1. As the pandemic continues, needs in response to COVID-19 will also likely evolve. If there is any indication that these needs have changed, the CH and FTC may update the ENI and EPP as needed.

3.1.2. The CH must follow the process outlined in Section 1.1 to update the original ENI or create a new ENI.



3.1.3. If the updated/new ENI reveals a change in needs, the CH must follow the steps in 1.2 to 1.3 to develop and approve a new or updated EPP based on the ENI.

3.1.4. There is no limitation on the number of times the ENI and EPP may be updated, as long as the required processes are followed and documented.

## 4. Previously Approved Premium Projects

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### 4.1. Continuing Projects from a Previously Approved Plan

4.1.1. Any projects that were part of a Premium Plan previously approved by the full General Assembly that were suspended in response to the COVID emergency may be continued at the discretion of the CH and FTC.

4.1.2. The CH must discuss with the FTC to verify if emergency needs have been sufficiently addressed such that funding of previously approved projects may recommence. Approval to continue previously approved projects must follow the approval and documentation requirements outlined in section 1.2 and 1.3.

### 4.2. Continuing Recurring Projects

4.2.1. Any projects that are regularly recurring but were not able to be re-approved for the latest Premium Plan cycle due to the COVID emergency, may be continued at the discretion of the CH and FTC.

4.2.2. Recurring projects must have been approved as part of the last Premium Plan approved by the full General Assembly.

4.2.3. The CH must discuss with the FTC to verify if emergency needs have been sufficiently addressed such that funding of recurring projects may recommence. Approval to continue recurring projects must follow the approval and documentation requirements outlined in section 1.2 and 1.3.



## 5. Premium Spending Decision Tree

