



Fair Trade USA

Trade Standard: Apparel and Home Goods

Version 1.1.0¹

May 2017

www.FairTradeUSA.org

© 2013 Fair Trade USA. All rights reserved.

¹ This Standard is based on the Fair Trade USA Obligations of Buyers for the Pilot Project in Fair Trade Certified Apparel and Linens, and replaces that document.

Contents

- Introduction 2
 - Scope of Certification and Labeling Options..... 3
 - Fair Trade Premiums..... 3
- 1.0 Long-Term and Stable Relationship 4
 - 1.1 Importer/Brand Holder Commitment to Fair Trade Production 4
 - 1.2 Purchasing Practices 4
- 2.0 Trading Requirements..... 4
 - 2.1 Basic Requirements for Fair Trade Certified Purchases..... 4
 - 2.2 Contracts with Factories 5
 - 2.3 Contracts with Fair Trade Certified Producers..... 5
 - 2.4 Retro-Certification 5

Introduction

Fair Trade USA seeks to improve labor conditions in the production of apparel and home goods by engaging: 1) manufacturing facilities, 2) consumers, and 3) the buyers and companies that source and sell these products. The premise of our work in this industry is similar to that of our impactful work in the agriculture sector. Traditional sourcing practices can be very disadvantageous to laborers producing the product. By setting standards, establishing a rigorous certification system, and engaging the end consumer, Fair Trade provides a unique opportunity to change the nature of the sourcing relationships, add value throughout the supply chain and provide more benefits to workers.

The model for Fair Trade Certified apparel and home good products features the following:

- ❖ Factories commit to uphold internationally recognized labor standards and to provide greater benefits to workers. These factories are held accountable through audits and grievance processes.
- ❖ Buyers commit to pay a Fair Trade premium that directly benefits workers, sourcing plans that include longer-term business relationships, and prices that help factories consistently uphold labor standards and provide lasting benefits to workers.
- ❖ Consumers should be able to easily identify products that meet these standards. Evidence shows that they are willing to pay more for Fair Trade Certified products—pushing more money back into the value chain.
- ❖ Worker empowerment and development is at the core of Fair Trade certification. The primary focus on achieving this is through the rights of freedom of association and income that meets workers' basic needs. The Fair Trade standard seeks to go above and beyond the norm in the industry on these and other issues consistent with the Fair Trade philosophy.
- ❖ Producers of raw materials, such as cotton, may be eligible for certification under our agricultural standards including the Farm Workers Standard or Independent Smallholders Standard.
- ❖ In apparel, the scope of factory certification is limited to the cut-make-trim portion²

The Fair Trade Apparel and Home Goods standards, consisting of a standard for factories and a standard for buyers, is intended to increase incomes and empower factory workers that produce Fair Trade Certified products.

² For a full list of Fair Trade terms, please see the FTUSA Glossary of Terms at https://fairtradeusa.org/sites/default/files/wysiwyg/filemanager/APS_Updates_Feb_2017/STD_POL_Glossary_EN_1.0.0.pdf.

Scope of Certification and Labeling Options

1. Option 1 – Fair Trade Factory Certification

Factories are inspected and must comply with Fair Trade USA Factory Standard for Apparel and Home Goods, and must be certified at the time of production. The Fair Trade USA Standard for Factories is based on ILO (International Labor Organization) core labor standards, the SA-8000 Standard, and best practice codes of other multi-stakeholder initiatives, and was developed through extensive stakeholder consultation. Fair Trade USA designates approved auditors and monitoring methodology, and makes the certification decision on findings.

2. Option 2 – Fair Trade Certified Materials

Buyers have the option to purchase Fair Trade materials, which at the time of publication of this standard are limited to Fair Trade Certified cotton. Cotton must be sourced from producers certified by or registered with Fair Trade USA and purchased according to Fair Trade standards. Contact Fair Trade USA for a list of Fair Trade registered cotton producers.

3. Option 3 – Fair Trade Certified Factory and Material

All certifiable materials and manufacturing processes are Fair Trade Certified. This includes the raw material (for instance, cotton) and manufacturing. The product may contain trims that are not Fair Trade Certified.

Fair Trade Premiums

Intent: A Fair Trade Premium is designed to help workers create a better life for themselves. Workers choose democratically how Fair Trade Premium funds are allocated – as a cash bonus, as an investment in community needs, or a combination of the two. Premiums may apply to the producers of the material, workers in the factory, or both:

A) IF YOU ARE PURCHASING FAIR TRADE CERTIFIED COTTON:

Fair Trade cotton minimum prices and social premium must be paid. This ensures that farmers producing the cotton that goes into the product are paid a fair price and are working under fair conditions. The prices and premiums for Fair Trade cotton can be found at:

<http://www.fairtradeusa.org/certification/standards>. The premium is paid to producers by their first buyer. Cotton can also be certified after the producers have sold it on through a procedure known as ‘retro-certification’, also outlined below.

B) IF YOU ARE SOURCING FROM A FAIR TRADE CERTIFIED FACTORY:

Fair Trade premiums must be paid to workers. They earn this Fair Trade Premium in addition to their regular wages, and in addition to any social programs required by law, this standard, or provided by the facility. The Fair Trade Premium is paid by the importer/Brand Holder into a separate Fair Trade Premium bank account. The level of the Fair Trade Premium depends on the wage level assessed in the factory and how close it is to a living wage benchmark, calculated using a market basket methodology. Wage assessments are conducted by independent third-party organizations in the country of manufacture. In factories where workers are paid higher

wages, lower premiums are required. The complete requirements are outlined in the Trade Standard section.

As described in the Factory Standard, in factories, workers decide democratically how Fair Trade Premium funds are allocated. They may be distributed to all production workers as a cash bonus, pooled in a collective fund for social investment, or a combination of the two. Where the Premium is distributed as a cash bonus, the bonus will be divided equally amongst all workers who are employed at the time of Fair Trade production, regardless of their position or whether they worked on the actual Fair Trade product.

Where the Premium is used for collective investments, they are decided upon by the Fair Trade Committee described below. Examples of collective investments include but are not limited to: health initiatives, micro-enterprise loans, day care, literacy and life skills, housing funds, educational initiatives, and schools. Where migrant populations exist, investments that meet their needs can be considered, such as legal aid, education on legal rights, travel assistance and/or a clinic to meet preventative health needs.

A Fair Trade Committee manages the Fair Trade Premium account. Workers comprise a majority of members on the Fair Trade Committee and shall be elected independently of management influence. The Fair Trade Committee is responsible for jointly managing, investing and spending the Fair Trade Premium to achieve improvements in the workers' lives. The full requirements and responsibilities of the Fair Trade Committee are described in the Fair Trade Standard for Factories, and the Committee's composition and activities are audited as part of the audit of the facility.

1.0 Long-Term and Stable Relationship

1.1 Importer/Brand Holder Commitment to Fair Trade Production

Buyers must set and communicate targets for Fair Trade sales and provide marketing and merchandising support to help enable the products' success. If product sales are successful, buyers should commit to continuing to work with the existing suppliers and to repeat and/or increase Fair Trade orders, consistent with demand for the product.

1.2 Purchasing Practices

Buyers and suppliers must make best efforts to work together to implement purchasing practices that will enable the supplier to meet the Standard, acknowledging the fact that (1) non-compliance in factories is often shared between factory management and buyer behavior and (2) that inaccurate forecasting, last-minute product changes and short lead times can negatively impact working conditions.

2.0 Trading Requirements

2.1 Basic Requirements for Fair Trade Certified Purchases

- i. Importers and Brand Holders must sign the Fair Trade USA Certification and License Agreement.

- ii. All entities taking ownership of Fair Trade Certified product, in any form, and/or handling the Fair Trade price and premium must be certified or registered with Fair Trade USA. Operators who are certified with FLO-CERT must also be registered with Fair Trade USA.
- iii. Contracts and transactional documentation for Fair Trade Certified products must indicate the Producer Organization's Fair Trade ID (if applicable), Factory Fair Trade ID and Exporter's Fair Trade ID (if applicable) on. Fair Trade IDs are provided on the Fair Trade register available in the Fair Trade USA Partner Portal, or may be requested from Fair Trade USA.
- iv. Importers and Brand Holders cannot enter into new contracts with Factories that have been decertified or have chosen not to continue their Fair Trade certification.

2.2 Contracts with Factories

Importers and Brand Holders must abide by the following rules when entering into contracts with Fair Trade Certified Factories:

- i. Importers and Brand Holders are responsible for paying the Fair Trade Premium to the Fair Trade Committee at the factory. Documentation of this transaction must be kept available and provided upon request for up to two years after the transaction date. The Premium is a minimum of 1% and maximum of 10% of Free/Freight On Board (FOB), depending on the wage level assessed in the factory. Though the premium is calculated from the FOB price on the invoice, it is paid post-invoice and directly to the Fair Trade Premium account. If the wages assessed meet the living wage benchmark, the Fair Trade Premium is set at 1%. If the wages assessed are closer to the living wage benchmark than to the minimum wage, the Fair Trade Premium is set at 5%. If the wages assessed are closer to the minimum wage than to the living wage, the Fair Trade Premium is set at 10%.
- ii. Contracts must include the text "Fair Trade USA Apparel and Home Goods Standards apply" or the relevant country translation, and state that product will be certified by Fair Trade USA.
- iii. For Fair Trade Certified Materials, the Producer Organizations (and Exporters, where applicable) must be identified by name and Fair Trade ID.

2.3 Contracts with Fair Trade Certified Producers

Buyers must adhere to the Fair Trade USA Trade Standard (for agricultural products) when entering into contracts with Fair Trade Certified Producers, such as cotton. The Trade Standard is available at: <http://www.fairtradeusa.org/certification/standards>

2.4 Retro-Certification

Fair Trade purchases of product to be sold with the Fair Trade label must be declared as Fair Trade at the time of purchase. In certain circumstances, Fair Trade USA partners may apply to retro-certify their eligible product, i.e. to declare product as Fair Trade Certified after the time of purchase. Fair Trade USA reserves the right to deny applications for retro-certification.