



Requirements for Legal Entities Under the Fair Trade USA Producer Standards

Fair Trade USA®

Version 1.0.0

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A. Introduction

Fair Trade USA's Producer Standards (hereon referred to as 'Standards') define the organization of farmers, fishers, and workers into a system which enables democratic decision making, particularly around the Fair Trade Premium. The Standards define systems which are designed to recognize Premium Participants within scope of the Certificate as the main beneficiaries of the program and has protections in place to guarantee this through implementation of binding legal mechanisms.

As part of the empowerment requirements, each Standard requires any Fair Trade Committee establish a legal entity under certain conditions. The intent of forming a legal entity is to safeguard against corruption and ensure that the fixed communal assets owned by the Premium Participants, including the Premium itself, are protected even if the production entity becomes decertified.

B. Purpose

In recognition that the establishment of a legal entity can take many forms based on the context and region of a particular group, this document serves to outline specific binding requirements pertaining to the establishment, structure, and function of a legal entity under FTUSA Standards.

C. Scope and Applicability

This document is applicable to any Certificate under which a legal entity has been established to represent the Premium Participants and Fair Trade Committee, whether created in response to triggering requirements in the Standards (monetary threshold reached or fixed communal asset acquired) or voluntarily. The relevant criteria that outline conditions for the establishment of a legal entity to represent the Premium Participants are as follows:

- Agricultural Production Standard (APS), version 1.2.0: 1.2.4.c;
- Capture Fisheries Standard (CFS), version 2.0.0: 1.4.4.c, 1.4.4.d; and
- Factory Standard for Apparel and Home Goods (FS), version 1.4.0: EM-PTA 4.1, EM-PTA 4.2.

This document outlines legal entity structures that are allowed, and defines how requirements under several criteria are affected by the structure of the legal entity, including the Fair Trade Committee (FTC) Constitution, the General Assembly of Premium Participants, and the FTC bank account for the Fair Trade Premium. The requirements differ based on the conditions under which the legal entity has been



established. If any of the requirements defined in these criteria are not met in relation to legal entity structure, a non-compliance shall be issued for APS 1.2.4.c, CFS 1.4.4.d, or FS EM-PTA 4.1 or 4.2.

The following table lists the relevant criteria in each FTUSA Standard that may be affected:

Requirement	APS	CFS	FS
Fair Trade Committee Constitution	1.1.2.f	1.3.1.f	EM-PTA 2.2, EM-PTA 2.4
General Assembly	1.1.3.a	1.3.2.a, 1.3.2.b	EM-PTA 7.1
Fair Trade Committee Bank Account	1.2.4.b	1.4.4.b	EM-PTA 3.1

It is key to ensure that the Premium Participants are well defined, including any optional groups included as Premium Participants, before establishing a legal entity. Please review the guidance document on identifying Premium Participants for the relevant Standard to verify correct identification of Premium Participants.

D. How to Read this Document

Sections 1 through 4 of this document each represent a different allowed legal entity structure. At the beginning of each section, the scenario is briefly described. Scan each section and the scenario description in each to find the legal entity structure that matches your case. Within each section, there are specific requirements pertaining to the Fair Trade Committee Constitution, the General Assembly, and the Fair Trade Committee Bank Account that must be followed in each scenario. Please refer back to the table in Section C (above) of this document to find the relevant compliance criteria that are affected in each FTUSA Standard.

E. Other Relevant Documents

- Fair Trade USA Capture Fisheries Standard
- Guidance for Identifying Premium Participants Under the Agricultural Production Standard
- Guidance for Identifying Premium Participants Under the Capture Fisheries Standard
- Guidance for Identifying Premium Participants Under the Factory Standard

1. Structure Option 1: The legal entity is comprised of all¹ Premium Participants

Description

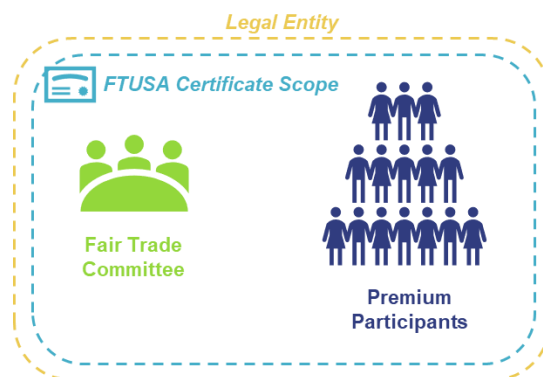
Under this scenario the legal entity established under a Standard, or a pre-established legal entity, comprises *all Premium Participants* and is managed by the FTC. This means there are no members

¹ Premium Participant members may change year over year, and the legal entity membership shall be updated annually to account for such changes, however this refers to all Premium Participants at the time of registering the legal entity.



included in the legal entity that are not Premium Participants and there are no Premium Participants that are not included*. This is the ideal form the legal entity could take, and it is encouraged to arrange a legal entity this way where possible.

*Note that in many supply chains, there is frequent Premium Participant turnover and/or temporary workers, which inherently means the individuals that are part of the legal entity must be regularly updated. This list must be updated annually in advance of the General Assembly to ensure the composition of the legal entity reflects the current workforce.



1.1. The Fair Trade Committee Constitution

1.1.1. The FTC Constitution is used as the constitution for the legal entity.

1.1.2. For existing legal entities, the constitution of the legal entity or associated governance documents must be updated to contain all components required in the FTC Constitution.

1.2. General Assembly

1.2.1. The General Assembly of Premium Participants is equivalent to a general assembly of the legal entity. All Premium Participants may join any general assembly.

1.2.2. The governance of the General Assembly is described in the legal entity constitution.

1.3. Fair Trade Committee Bank Account

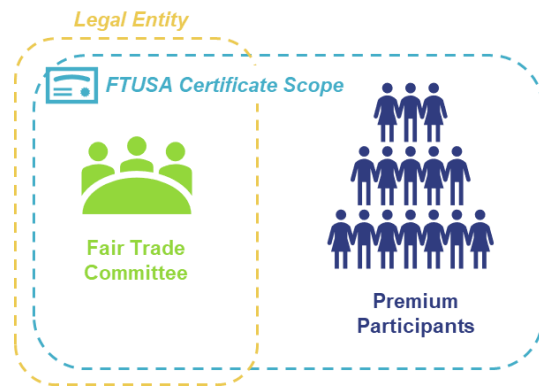
1.3.1. The bank account is owned and managed by the legal entity.

2. Structure Option 2: The legal entity is comprised of only the Fair Trade Committee members

Description

In this scenario, the legal entity is made up only of the FTC members, and is managed by the FTC. Establishing a legal entity that contains all Premium Participants can be difficult in certain contexts, for example in some legal contexts that limit allowed benefits to members. The legal entity must be managed by the FTC, however no Premium Participants other than the FTC are formally part of the legal entity. Although this approach is not encouraged, there may be situations where this approach is necessary.





2.1. The Fair Trade Committee Constitution

2.1.1. The FTC Constitution is used as the constitution for the legal entity.

2.1.2. For existing legal entities, the constitution of the legal entity or associated governance documents must be updated to contain all components required in the FTC Constitution.

2.1.3. The FTC Constitution always specifies that the Premium Participants are identified as the true owners and decision-makers of Premium, and the legal entity managed by the FTC is responsible for receiving and owning the Fair Trade Premium and/or any assets purchased by the FTC on behalf of the Premium Participants. In this scenario, this part of the FTC Constitution must clarify that decisions made by the legal entity are on behalf of the full group of Premium Participants.

2.1.3.1. Note that in situations where parties external to the legal entity cannot be decision-makers of the legal entity, that there is a separate governing document specifying that decision-making authority lies with the Premium Participants.

2.1.4. The FTC Constitution clearly defines transition of management of the legal entity to newly elected FTC members when their term is up. There is documentation that shows steps have been taken to transfer over responsibilities no more than one month following FTC election.

2.2. General Assembly

2.2.1. The General Assembly of the Premium Participants must convene separately from any meetings of the legal entity. Meetings of the legal entity are equivalent to meetings of the FTC, and must follow rules for FTC meetings, such as keeping minutes and sharing with the Premium Participants.

2.2.2. The governance of the General Assembly of Premium Participants is described in the legal entity constitution.

2.3. Fair Trade Committee Bank Account

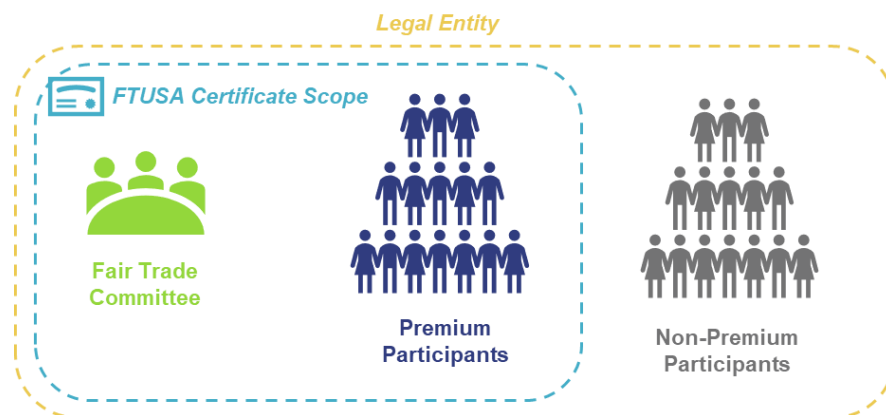
2.3.1. The bank account is owned and managed by the legal entity.



3. Structure Option 3: The legal entity includes all Premium Participants and other non-Premium Participant members

Description

In this scenario, a legal entity already exists including all Premium Participants and a group of non-Fair Trade members. The legal entity is managed by a group other than the FTC². The legal entity can still be the legal owner of the Premium and any purchased assets, but these assets must be managed by the FTC on behalf of the Premium Participants that comprise a sub-group within the legal entity. For example, an existing fishing cooperative is formally registered as a legal entity prior to FTUSA certification and only a subset of the fishers in the existing cooperative are within the Fair Trade Certificate scope. In this scenario, there is no expectation that a new, separate legal entity of only the subgroup of existing legal entity members that are part of the Fair Trade USA program needs to be created. However, the requirements in this section outline responsibilities that must be clarified within the existing legal entity in order to meet FTUSA Standard expectations, which ensure that the sub-group that is in scope of the FTUSA Certificate which are identified as Premium Participants are the only decision-makers and targeted beneficiaries of Premium.



3.1. The Fair Trade Committee Constitution

3.1.1. The Fair Trade Committee Constitution containing all aspects outlined in FTUSA's Standards must be separate from that of the legal entity rules. This separate Constitution or other written governance document must outline the membership, roles, and intent of the sub-group of the legal entity. It must contain all aspects outlined in FTC Constitution requirements in the relevant FTUSA Standard, state that the sub-group are the owners of the Fair Trade Premium and any assets purchased with the Premium, that the FTC manages the sub-group, and that the Premium Participants have decision-making authority.

3.1.2. In addition to the aspects in defined in the relevant FTUSA Standard required in the FTC Constitution, the Constitution must clearly identify who are considered Premium Participants.

² In most cases where a legal entity exists that includes non-Premium Participants, for example a large cooperative where only some members are Fair Trade Certified, it is likely that the FTC will be different from the Coop Board due to election and representativity requirements of the FTC.



3.2. General Assembly

3.2.1. The General Assembly of Premium Participants must convene separately from any general assembly of the legal entity. Note that this can take the form of a sub-assembly of the Premium Participants that takes place around the same time as a general assembly of an existing legal entity, however controls must be in place to ensure that only Premium Participants participate, and a majority of Premium Participants can be present.

3.2.2. The rules for General Assembly of Premium Participants are clearly defined in the FTC Constitution.

3.3. Fair Trade Committee Bank Account

3.3.1. A bank account for the Premium must be created that is separate from the bank account of the legal entity, so that Premium funds are stored separately from overarching funds of the legal entity. The legal entity will still be the owner of the bank account, however access to the Premium account must be limited to the FTC members, and the FTC manages all aspects of this account.

4. Structure Option 4: The legal entity is comprised of most of the Premium Participants but not all.

Description

In this scenario, there may be an established legal entity in place that has defined members that do not include all Premium Participants. The legal entity is managed by a group other than the FTC, as the FTC will contain representatives from Premium Participants that are not part of the legal entity as well. The legal entity can still be the legal owner of the Premium and any purchased assets, but these assets must be managed by the FTC on behalf of the entire group of Premium Participants, including those that are not part of the legal entity. This may be the case for a cooperative who has included optional workers as Premium Participants who are not farmers, but they are not eligible to join the cooperative formally.



4.1. The Fair Trade Committee Constitution

4.1.1. The Fair Trade Committee Constitution containing all aspects outlined in FTUSA's Standards must be separate from that of the legal entity rules. This separate Constitution or other written governance document must outline the membership, roles, and intent of the of the legal entity, which extends to those



Premium Participants outside of the legal entity. It must contain all aspects outlined in FTC Constitution requirements in the relevant FTUSA Standard and state that the Premium Participants that are outside of the legal entity are recognized equally as owners of the Fair Trade Premium along with Premium Participants who are part of the legal entity. This also means that any assets purchased with the Premium can be managed by the FTC and/or legal entity, however, all the Premium Participants, including those inside and outside of the legal entity, have decision-making authority.

4.1.2. In addition to the aspects in defined in the relevant FTUSA Standard required in the FTC Constitution, the Constitution must clearly identify who are considered Premium Participants.

4.2. General Assembly

4.2.1. The General Assembly of Premium Participants must convene separately from any general assembly of the legal entity. This means that the legal entity may have meetings on matters separate from the Fair Trade USA program and Premium, however all meetings pertaining to Premium spending and the Fair Trade USA program must be extended to any Premium Participants that are not part of the formal legal entity.

4.2.2. The rules for General Assembly of Premium Participants are clearly defined in the FTC Constitution.

4.3. Fair Trade Committee Bank Account

4.3.1. A bank account for the Premium must be created that is separate from the bank account of the legal entity, so that Premium funds are stored separately from overarching funds of the legal entity. The legal entity will still be the owner of the bank account, however access to the Premium account must be limited to the FTC members, and the FTC manages all aspects of this account.

