



# Guidance on the Requirements of the Trade Standard for Multi-Scope Entities also Certified to the Capture Fisheries Standard

Fair Trade USA

Version 1.0.0

## Introduction

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Typically, an entity holding a valid Fair Trade USA® certificate is either a Certificate Holder (certified to one of Fair Trade USA's producer standards) or a Licensee (certified to Fair Trade USA's Trade Standard). However, some entities must be structured and/or operate such that they take on both roles, acting as both a Certificate Holder and a Licensee. This occurs when, a Certificate Holder is also designated as the Fair Trade Price Payer and/or the Fair Trade Premium Payer to the Fair Trade Committee(s) within the scope of its producer certificate; this is common in vertically integrated supply chains. Fair Trade USA refers to these dual-certified entities as Multi-Scope Entities.

Normally, Licensees are responsible for complying with all applicable Compliance Criteria (CC) of the Trade Standard. However, Fair Trade USA's producer standards contain CC that, in terms of intent, fully address certain Trade Standard CC. Other producer standard CC address certain Trade Standard CC only partially, while some Trade Standard CC are not addressed by the applicable producer standard.

These overlaps affect Fair Trade USA's expectations as to which Trade Standard CC are applicable to a Multi-Scope Entity and included in the scope of a Trade audit. Fair Trade USA expects Multi-Scope Entities to comply with:

- all applicable requirements of the producer standard in question, and;
- all applicable Trade Standard requirements which are not fully addressed by (i.e. partially or wholly additional to) the producer standard in question.

## Purpose

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This guidance document identifies the CC in the Trade Standard that will be included, either in part or in whole, in the scope of a joint audit with the Capture Fisheries Standard. Since Multi-Scope Entities are expected to comply with the identified CC, they should use this guidance document in conjunction with the Trade Standard to gain an understanding of the requirements and to prepare and/or adjust their systems, processes, procedures, and documentation accordingly. Similarly, auditors should use this guidance in order to prepare an accurate scope of joint CH/Licensee audit.

## Scope

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This guidance applies to any Certificate Holder that has been identified as a Multi-Scope Entity by Fair Trade USA, and extends only to the entities, activities, and products included within the scope of the producer certificate\*. It also applies to auditors who are tasked with auditing Multi-Scope Entities against the Trade Standard.

*\*Note: This guidance does not extend to cases where a Certificate Holder procures Fair Trade Certified™ product from a second, wholly separate Certificate Holder, i.e. is a Fair Trade Price Payer/Conveyor and/or Premium Payer/Conveyor to the second CH. In those cases, the first Certificate Holder must be audited against the full requirements of the Trade Standard to be a Licensed trader.*

## References

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In order to fully implement this guidance, Multi-Scope Entities shall reference the following documents:

- a) Fair Trade USA Trade Standard
- b) Price and Premium Database
- c) Captured Fisheries Standard

## List of Applicable Trade Standard Compliance Criteria for Multi-Scope Entities Certified to the Captured Fisheries Standard

No.	Compliance Criterion	Guidance and Clarification for Multi-Scope Entities
1.1.1.a	A certification and licensing agreement is signed with Fair Trade USA.	The agreement shall be updated as needed to be current and accurate.
1.1.3.b	There is a written agreement with all separately managed entities under the Trade Certificate indicating they understand and agree to comply with their responsibilities under the Trade Standard and to facilitate Fair Trade audits.	<p>This Trade Standard CC links to CFS CC STR-CH 1.8, which requires all locations that handle Fair Trade Certified product to agree to ensure compliance and facilitate audits. This Trade Standard CC specifies that an actual agreement must be in place with any sites which are not directly managed by the Licensee. This can be a separate agreement or language in an existing agreement.</p> <p>It is best practice to share a copy of the Trade Standard as part of this agreement to ensure that the separately-managed entity understands their responsibilities and the requirements against which they will be audited.</p>
1.1.3.c	There is a written agreement with all subcontractors requiring them to comply with relevant compliance criteria related to traceability (Trade Standard Module 3). Agreements must also authorize Fair Trade USA or approved Conformity Assessment Bodies to conduct on-site audits of each entity.	This CC links to CFS CC STR-CH 1.1 and 1.8. This Trade Standard CC would apply in cases where there is a subcontractor employed to handle activities that are covered by the Trade Standard.
1.5.1.a	There is no indication of violation of applicable environmental laws.	<p>This CC would apply in cases where processing of Fair Trade Certified material takes place under the auspices of the Trade Standard, not where processing is covered by the CFS.</p> <p>This includes only using pesticides or other hazardous chemicals that are approved for use in the country.</p> <p>If any stakeholder notices a major violation of environmental laws and makes an allegation to Fair Trade USA or approved Conformity Assessment Bodies or auditors observe any major</p>

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		unacceptable environmental practice, this will trigger Fair Trade USA to conduct a deeper investigation into the issue.
1.5.1.b	Pesticides listed on Fair Trade USA's Red List of Prohibited Pesticides are not used on Fair Trade Certified product.	This applies to any pesticide used by parties included in the scope of the Trade Certificate while handling Fair Trade Certified product, such as for product fumigation. It does not apply to the use of prohibited substances on non-Fair Trade Certified crops or for other uses in the facility, such as rat traps.
2.2.1.a	The correct amount of Fair Trade Premium is paid on all purchases to relevant producers[...] No deductions are ever made to the Premium amount owed.	<p>This CC links to CFS CC ECD-FTP 2.1.</p> <p>In cases where there is no purchase, as is often the case within Multi-Scope Entities, the Fair Trade Premium is calculated and paid on the volume of product sold as Fair Trade Certified.</p> <p>In the case of MSE's, "relevant producers" means Fair Trade Committee (FTC).</p> <p>Premium rates are defined in the Fair Trade USA <i>Price and Premium Database</i>.</p> <p>Premium must be paid in addition to the product price. The Fair Trade Premium Payer shall never make any deductions to the Premium amount owed. This includes bank fees or other transaction costs, which must be covered by the Premium Payer (but does not include applicable taxes nor bank fees charged to the Premium recipient).</p> <p>All calculations for Fair Trade Premium shall be fair, transparent, and shared with the FTC (see 2.3.1.c). If a new or updated Premium is set by Fair Trade USA, all purchase agreements and contracts signed after the effective date must reflect the new Premium. Existing agreements are honored for the Premium amount originally agreed upon.</p>
2.2.1.c	Where Premium is set as a percentage of product price, the calculation and payment of Premium are based on the original negotiated product price.	<p>This CC links to CFS CC ECD-FTP 2.1 and 2.3.</p> <p>If any deductions are subsequently made to product price (e.g. for quality or delivery claims, or a discount for on-time payment), they cannot affect the Premium calculation. If product is rejected entirely due to a quality claim, no Premium is owed on that product.</p>
2.2.2.a	Payments of Fair Trade Premium are made as soon as possible and no later than 30 days after the date of the product invoice.	<p>This CC differs from CFS CC ECD-FTP 2.2, which addresses payment timelines for where there is a Premium Payer other than the producer Certificate Holder, and that Premium Payer remits payment to an intermediary bank account.</p> <p>If no product invoice is issued, for example in most MSE's, then Premium must be paid no later than 30 days after the product has been sold on by the Premium Payer.</p>

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		<p>See 2.2.2.d for requirements related to alternative Premium payment timelines.</p> <p>Fair Trade Premium Payers which receive frequent shipments of Fair Trade Certified product may make aggregated monthly Premium payments as per 2.2.2.c.</p>
2.2.2.c	<p>Where payments of Fair Trade Premium are made monthly (per calendar month);</p> <ul style="list-style-type: none"> <li>• This is mutually agreed to in writing; and,</li> <li>• Payment of Premium is made no later than 15 days after the end of the respective month.</li> </ul>	<p>This CC allows for an alternative payment timeline to 2.2.2.a, where the fishermen/Fishing Association makes multiple (more than two) deliveries of Fair Trade Certified product per calendar month.</p> <p>This must be recorded as part of the Fair Trade Agreement with the Fair Trade Premium Payer. Each payment of Premium must include clear accounting of the amount of Fair Trade Certified product sold over the course of the month as well as Premium owed.</p>
2.2.2.d	<p>The Fair Trade Premium Payer and producer may mutually agree upon a different payment schedule. Alternative Premium payment timelines are mutually beneficial and should be in the best interest of the producer. Payments of all Premium are made at least quarterly.</p>	<p>This CC allows for an alternative payment timeline to CC 2.2.2.a.</p> <p>In the case of MSE's, "relevant producers" means FTC.</p> <p>This must be recorded as part of the Fair Trade Agreement. This must include a justification for the alternative timeline. The alternative timeline should not negatively interfere with the implementation and ongoing funding of Premium projects.</p> <p>Premium payments are made at least quarterly. Quarterly payments must be made no later than 30 days after the end of each quarter. Each payment of Premium must include clear accounting of the amount of Fair Trade Certified product delivered over the applicable timeframe, as well as Premium owed.</p>
2.2.2.f	<p>Premium payments are documented, traceable, and made in the correct currency.</p>	<p>This CC is in addition to the requirements of CFS Objective ECD-FTP 2. Documentation of Fair Trade Premium payments must be linked to specific transactions of Fair Trade Certified product and include reference to the related product invoice(s) or order where there is no invoice. Premium payments must always be distinguishable from other payments.</p> <p>Acceptable forms of traceable payments include, for example, a bank transfer or letter of credit. Where checks are the standard form of payment, they may be used as long as they are paid to the FTC bank account rather than to an individual. The form of payment, currency set, and if necessary, the source of the exchange rate to be used, must be defined and agreed to in advance by both parties in the Fair Trade Agreement, as required in 2.3.1.b.</p>

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		Note that communication and calculation of Premium owed is required in all Fair Trade Agreements (see 2.3.1.c).
2.3.1.a	There is a signed written agreement (the Fair Trade Agreement) with each supplying Fair Trade producer[...] defining the structure of the Fair Trade program and roles and responsibilities.	<p>In the case of MSE's, "Fair Trade producer" means FTC.</p> <p>An agreement must be made with each FTC within the Certificate, and include the elements specified in Trade Standard CC's 2.3.1.a, 2.3.1.b, 2.3.1.c, and 2.3.3.b, related to Premium payment so that the FTC will know when they will be receiving Premium from the CH, the calculation of the Premium (including the source and determination of any exchange rates that might come into play), how the Premium will be paid, and to establish the effective date and duration of the agreement.</p> <p>The intent is to ensure that the roles and responsibilities for payment of Fair Trade Premium are understood and agreed upon by all relevant parties, and that this is recorded in a written document. The Fair Trade Agreement can be incorporated into existing agreements and can take the form of an MOU, contract, master purchase agreement, or other written document signed by both parties. The Agreement must be in a language that the producer can understand. It must be signed prior to the purchase of Fair Trade Certified product.</p> <p>The buyer is responsible for drawing up the Agreement unless another arrangement is agreed upon.</p>
2.3.1.b	<p>The Fair Trade Agreement defines:</p> <ul style="list-style-type: none"> <li>• The party responsible for payment of[...] Premium;</li> <li>• Payment terms for[...] Premium; and,</li> <li>• The date and duration of the agreement.</li> </ul>	<p>Payment terms must include:</p> <ul style="list-style-type: none"> <li>• A specification of the transparent and traceable form of payment that will be used (see 2.2.2.f);</li> <li>• Payment timelines, in compliance with Fair Trade program requirements as defined in and 2.2.1.a, 2.2.1.c, 2.2.2.a, 2.2.2.c, 2.2.2.d, and 2.2.2.f (above); and,</li> <li>• Indication of the bank account to which Premium will be paid. Note, that where a FTC has not yet established a bank account for payment of the Premium, payments may be held by the producer Certificate Holder until the FTC bank account is established.</li> </ul> <p>The Agreement duration must, at a minimum, cover one full trading season. The Agreement must be reviewed and updated as needed, such as when a Premium rate change is issued by Fair Trade USA, or if the bank account to which Premium will be paid changes.</p>

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2.3.1.c	The Fair Trade Agreement includes a description of the process for calculation of the[...] Fair Trade Premium, including the source and determination of the exchange rate to be used, if applicable.	<p>Premium calculations must comply with requirements outlined in 2.2.1.a and 2.2.1.c (above)</p> <p><b>Premium</b> calculations must include:</p> <ul style="list-style-type: none"> <li>• Premium rate as defined in Fair Trade USA's <i>Price and Premium Database</i>; and</li> <li>• Conversion rate calculations.</li> </ul> <p>Where Premium is defined in a different currency set than what is to be paid, the Agreement must include reference to a third-party source for the exchange rate and how the date of the exchange rate used will be set.</p>
2.4.3.b	<p>At a minimum, the pre-financing agreement includes:</p> <ul style="list-style-type: none"> <li>• Pre-finance amount;</li> <li>• Reference to the related purchase agreement;</li> <li>• Start date and duration of the pre-finance;</li> <li>• Payment terms;</li> <li>• Rates of interest, if any;</li> <li>• Any other applicable charges; and,</li> <li>• Consequences in case of quality problems and/or non-delivery of product.</li> </ul>	<p>This CC augments CFS CC TR-CA 4.1</p> <p>The timing of pre-finance must be sufficient to support the intended use of the financing funds by the producer. For example, if an advance payment is required to purchase production inputs, the timing of the pre-finance must align with when the inputs are needed.</p> <p>Where several shipments or payments are planned, the spread of the pre-finance must be fixed in the agreement.</p>
2.4.3.c	Pre-finance payments never affect the Fair Trade Premium amount owed.	This CC augments CFS CC TR-CA 4.1.
3.1.1.c	The traceability system and records allow a sale of Fair Trade Certified	This CC links to CFS CC TR-PT 1.1. This is intended as an indicator of the effectiveness of the traceability system.

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	product to be traced back to a Fair Trade purchase.	In addition to purchase and sales documentation required in Objective 3.1.2, and records of product transformation required in Objective 3.1.3, records of storage and movement of Fair Trade Certified product within or between sites or facilities, including subcontractors, may be necessary to trace back all sales of Fair Trade Certified product.
3.1.1.d	The traceability system and records allow a purchase of Fair Trade Certified product to be traced forward to point of sale or loss.	This is intended as a test of the effectiveness of the traceability system.  In addition to purchase and sales documentation required in Objective 3.1.2, and records of product transformation required in Objective 3.1.3, records of sales of Fair Trade Certified product sold on non-Fair Trade terms or sold into other fair trade supply chains, and losses due to quality rejects, spoilage etc., may be necessary to track all Fair Trade Certified product forward.
3.1.2.b	All purchase and sales documentation related to Fair Trade Certified product identify[...]The Fair Trade Certified product characteristics when bought and sold.	This CC links to CFS CC TR-PT 2.5 and 2.6  Product characteristics include a basic description of the product form (e.g. green coffee, frozen fish steak), and must always include other certification claims, such as 'organic', and must always include the species name and country of origin. Best practice is to include the scientific name of the species where possible.
3.1.3.b	When mixing and selling products containing both Fair Trade Certified and non-certified ingredients, sellers clearly indicate to the buyer in writing which ingredients are Fair Trade Certified and the percentage of total Fair Trade Certified content of the product.	This CC would only apply in cases where Fair Trade Certified seafood product is being mixed with or used as an ingredient in another product, where the other components are not Fair Trade Certified.  The intent of this requirement is to ensure that traders have the information they need to comply with the requirements for labeling and minimum percentage of Fair Trade Certified content in finished products, as outlined in the <i>Fair Trade Certified Seal &amp; Language Use Guide</i> .  Note that under the <i>Multiple Ingredient Product Policy</i> , Fair Trade Certified and non-Fair Trade Certified product of the same ingredient may never be mixed.