



Summary and Response to Feedback

Factory Production Standard 2.0.0

Version 1.0.0

August 2022

Fair Trade USA™



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1. Introduction

Fair Trade USA™ (FTUSA) is the leading third-party certifier of fair trade products in the United States. We enable consumers to make a difference with their dollar. We help people and the planet work in tandem, so both are healthy and sustained. We provide producers the tools to thrive as international businesspeople. Instead of creating dependency on aid, we use a market-based approach that gives farmers fair prices, workers safe conditions, and entire communities' resources for fair, healthy and sustainable lives. We seek to inspire the rise of the conscious consumer and eliminate exploitation. Learn more at FairTradeCertified.org.

The Factory Standard for Apparel and Home Goods was first published in 2014, developed from a pilot program launched in 2010 called the Pilot CMT Facilities Standard. Since then, the Factory Standard has undergone several minor revisions where we focused on format and clarification of existing language. However, it became clear that a substantial update was needed to ensure that the standard remains fit for purpose in the different geographies and industries we work in. The standard has been re-named the Factory Production Standard (FPS) to better represent this diversity.

In early 2021, FTUSA began a major revision process to update our Factory Standard for Apparel and Home Goods. The primary goal was to innovate the existing standard to improve our value proposition for all those involved, while ensuring the standard delivers on Fair Trade USA's organizational strategy for increased impact and rapid growth. The Draft FPS 2.0.0 was subsequently developed based off a review of learnings from the implementation of our Factory Standard for more than five years, impact surveys on the ground, desk research, and interviews with 24 external stakeholders including factories, brands, academics, and social and labor rights NGOs.

Between October 2021 and January 2022, the Draft FPS 2.0.0 was open for public consultation and was reviewed by stakeholders representing auditing bodies, peer certification schemes, factories and factory workers, brands, and FTUSA staff. Feedback was collected through surveys,¹ presentations,² one-on-one interviews, and ten internal working groups discussions with FTUSA staff from headquarters and the field.

This document contains a summary of the consolidated feedback received from across these groups as well as the changes proposed for inclusion in the finalized FPS 2.0.0.

The document begins with detailed insights regarding the public consultation process methodology and participation rates. This overview is followed by a summary and response to higher level feedback and comments that are more general in nature. The remainder of the document discusses key themes from each module of the standard. Note that we received many detailed comments not captured in these key themes, and we have made many small edits not reflected in this summary to create an even more effective and clear standard.

¹ Including Public Comment Forms and the Worker Engagement Survey.

² Including one with brand partners (Brand Summit) and two with FTUSA factories.

2. Background

The 2021-2022 public consultation period for the Draft FPS 2.0.0 included four phases of data solicitation and consolidation.

1. Launch activities sought to raise awareness and encourage participation in the public consultation. Three webinars engaged six brands (through the Brand Summit) and 18 total companies, including factories (through two factory webinars), in an overview of proposed changes to the FPS and methods of submitting feedback. These details were further reiterated through three mass email sends to industry and non-industry contacts during October and November 2021. The launch announcement was also shared via ISEAL and the AAFA Social Responsibility Committee newsletter.

All information associated with the public consultation was made available on the [FTUSA website](#).

2. The Public Comment form was made available in online and offline formats from October 25th – January 23rd, 2021. During that period, 36 total comment forms were received. Six of these were submitted with either blank or incomplete information. When combined with webinar participants, a total of 26 factories and eight brands were reached. The duration of the public consultation was extended to allow for more brand participation; however, FTUSA did not receive additional inputs after the original deadline.

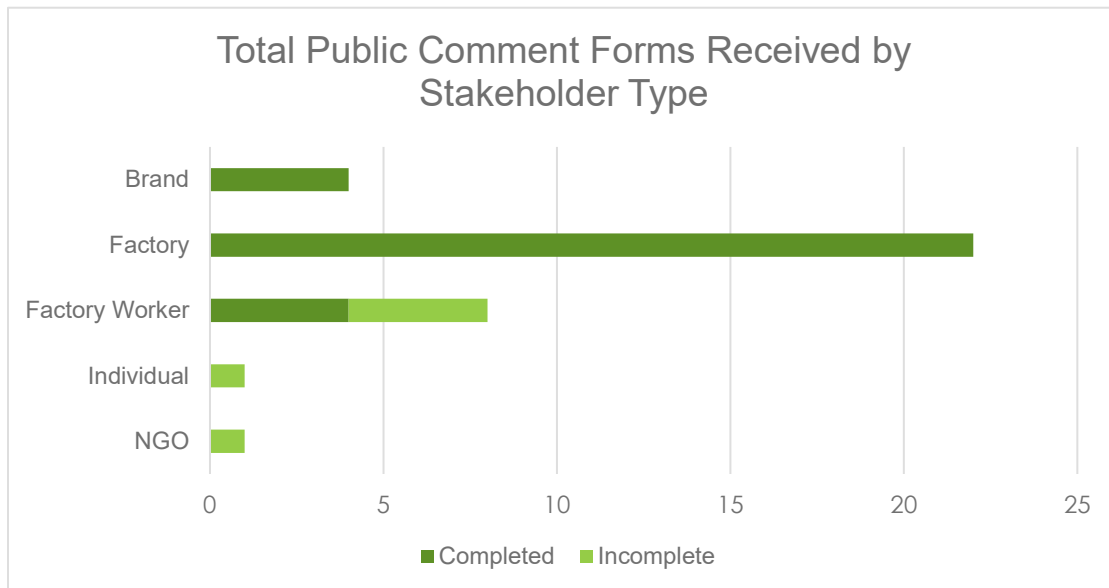


Figure 1. Total Public Comment Forms Received and Completed by Stakeholder Type

3. The Worker Engagement Survey launched in mid-November and remained open until January 3rd, 2022. Participation was incentivized through the distribution of small participation prizes for all respondents as well as raffles for a limited number of medium- and large-sized prizes. This survey ultimately reached 13+ factories with 3,421 workers submitting completed survey forms.

One challenge of the Worker Engagement Survey included the quality of open-ended question responses. Responses to some question were often identical to each other, which raised questions regarding their integrity.

Stakeholder Type

Note: As defined by FTUSA

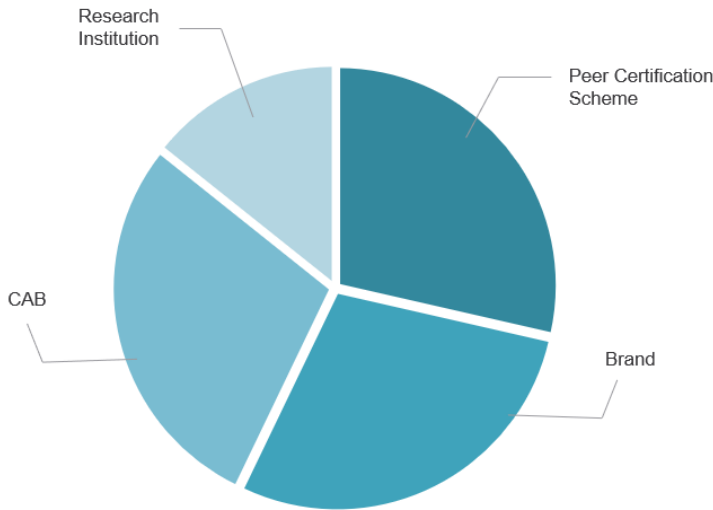


Figure 2. Individual consultation participants by stakeholder type, pre-consultation and public comment period.

4. Individual consultations were also ran informal, one-on-interviews or extended email consultations. Seven consultations were completed with members of auditing bodies, research institutions, brands, and peer certification schemes by the end of February 2022.

Following the conclusion of the public consultation period, FTUSA undertook a systematic analysis of all feedback received. In addition to identifying clarifications and edits to the standard language and structure, this analysis involved identification of key issues that required further internal discussion and research to arrive at the approach for the final version.

Approval

The Fair Trade USA Standards Committee approved the final content and approach to key issues of the final FPS 2.0.0. The FTUSA staff conducted six meetings with the Standards Committee over the course of the revision, to discuss key issues, stakeholder consultation strategies, feedback received, and brainstorm final responses to key issues. The final standard was approved on May 23, 2022.

The FPS 2.0.0 then was presented to the FTUSA Executive team to review adherence to the standard revision process, and confirm the final standard aligned with organizational strategy and goals.

3. HIGH-LEVEL FEEDBACK FOR FAIR TRADE USA

The tone of stakeholder feedback was largely positive and included concrete suggestions for ways to improve the content and overall impact of the FPS 2.0.0. In addition to topic-specific comments addressed throughout this document, brands and factories reiterated that training would be critical to ensure that factories and auditors understand and implement the updated standard.

Workers preferred to receive information on workplace policies and procedures through either in-person trainings or posters in the workplace (see Figure 3), which validated the importance of training. Factories also noted the importance of ensuring materials are translated into relevant local languages given that many factory workers may not be able to fluently read or speak English.

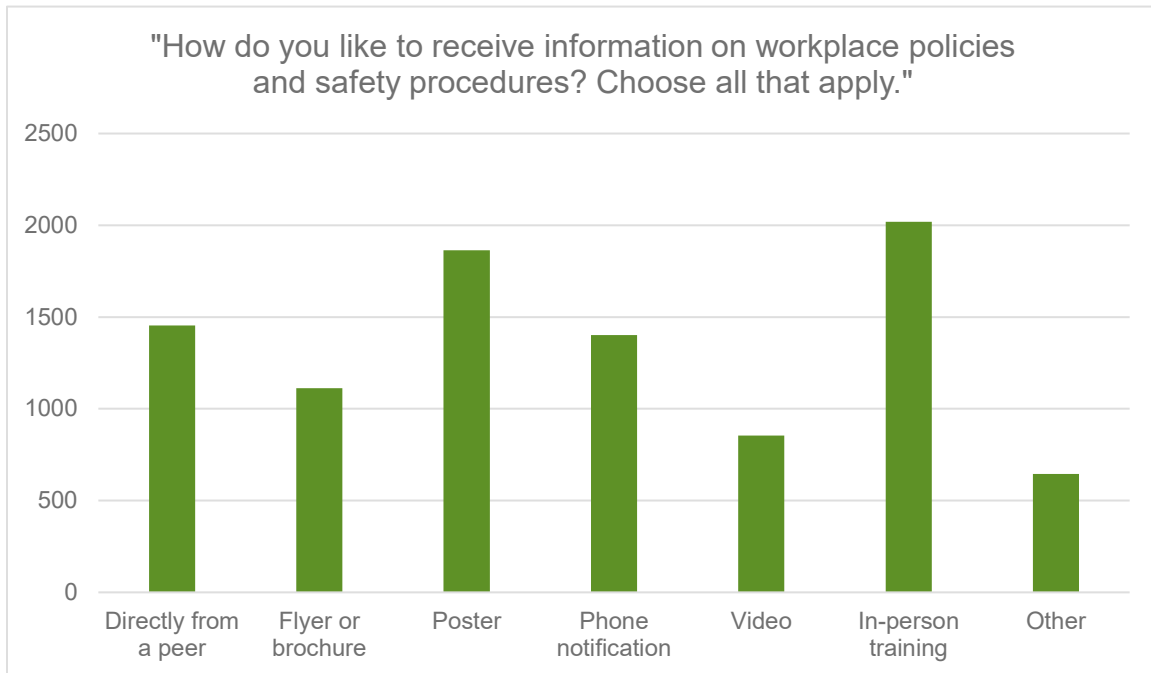


Figure 3. Findings from the Worker Engagement Survey (2021).

Responses to “Other” most frequently mentioned mobile applications.

Concerns regarding the complexity and density of the standard were further raised across numerous stakeholder groups, including brands, factories, and peer certification schemes. Action has subsequently been taken to simplify requirements, delay timelines, and create more straightforward scoring and compliance models where possible. Adaptations have also been comprehensively benchmarked against peer certifiers to validate consistency with industry norms and ease factory onboarding.

3.1. Scoping

Eighty-eight percent of stakeholders who submitted a public comment form agreed with the scoping changes proposed by FTUSA. Participating factory workers felt that these changes would assist in bringing greater benefits to both the factories and Premium Participants as well as promote creation of more quality products.

Multi-level/shared buildings were discussed with auditing bodies and representatives from other certification programs. In two cases, peer certification schemes reported that they approached shared buildings by assessing structural safety issues impacting the building overall, while applying a limited set of criteria (e.g., occupational health and safety issues, shared emergency routes, etc.) to areas outside the

certificate scope. One certifier further required that independent businesses located on other floors prove that they are neither producing, supplying, nor assembling “substantial” components of the product in question in order to be excluded from certificate scope.

Fair Trade USA response: A new policy on shared buildings has been created to provide guidance for Certificate Holders operating in buildings that are shared by more than one business. This includes specific requirements for common areas that are not owned by a Certificate Holder but are frequented by workers within the scope of a Fair Trade Certificate.

Homeworkers and subcontractors

were also considered during scoping discussions, especially with certification schemes and auditors. One certification scheme outright prohibited use of homeworkers, while a second attempted to gather information about homeworkers within their supply chains as much as possible. Both, though, expressed that garnering visibility into homeworking conditions was a significant challenge, which they desired to address especially given pandemic-related labor shortages. As seen in Figure 4, research further illustrated the varied approaches taken by certification schemes in relation to subcontractors and homeworkers.

Requirement	Standard(s)
Risk of subcontractor/homeworker non-compliance is assessed	Fair Trade International Textile Standard SA8000
Reasonable efforts are made by the CH to ensure identified risks are addressed	Fair Trade International Textile Standard SA8000
A monitoring and evaluation system to track subcontractor/homeworker compliance is in place	Fair Trade International Textile Standard Responsible Business Alliance SA8000 SLCP

Figure 4. Comparison of subcontractor/homeworker requirements among factory standards

Fair Trade USA response: No changes were made to requirements regarding subcontractors and homeworkers. As a result, the finalized standard maintains the Draft FPS 2.0.0’s intent that Certificate Holders must accurately report the use of subcontractors and homeworkers, and are responsible for assuring compliance with responsibilities for non-required sites as detailed in the standard.

3.2. Scoring

Ninety-six percent of factories and factory workers who responded to the question, “What do you think of this continuous improvement model and the increased flexibility it allows?”, agreed with the changes proposed to the Draft FPS 2.0.0. Factories noted that by providing avenues for factories to become Fair Trade Certified™ more quickly, that more workers would be able to benefit from the program. One factory thought that this approach would also encourage new factories to become Fair Trade Certified.

Despite positive feedback, other stakeholder groups were concerned with the practicality and clarity of the proposed continuous improvement approach.

While one brand applauded the scoring model’s systemic outlook, the proposed labeling of Critical (C-Y#), Progress (P-#), and Continuous Improvement (CI-#) criteria was noted by another as confusing. Brand representatives also expressed difficulty understanding what the C-Y0 timeline designation meant in relation to the audit and CAP closure process.



The volume of requirements (particularly Critical criteria) was raised by certifiers and brands as a potential barrier to implementation. A peer certifier shared that the overall content covered in the FPS was very good, but they questioned whether factories would be able to effectively address all of the requirements given time and resourcing constraints. Two brands stated that too many criteria were either labeled as Critical (and should be Progress or Continuous Improvement) or should be delayed from C-Y0; however, one brand shared that the Risk Assessment could potentially be leveraged to better prepare factories for the Initial Audit, which may address some of the practical implementation concerns.

The above considerations reflected a larger concern about the efficacy of the Continuous Improvement Approach: namely, that the scoring system and program structure does not provide enough incentive for factories to achieve Continuous Improvement criteria. The proposed badge system, for example, was described as not providing enough of an advantage for factories to take on the extra burden of going “above and beyond” required criteria.

Fair Trade USA response: Fair Trade USA has instituted three innovations to the scoring system and Continuous Improvement Approach.

First, criteria labels have been changed to Year (formerly ‘Critical’), Progress (P), and Best Practice (formerly ‘Continuous Improvement’). Progress and Best Practice criteria have been further simplified by eliminating the concept of points. Thus, these criteria now appear in the FPS using the following formats: Y#, P, and BP.

With the elimination of points, P criteria must no longer be achieved at prescribed intervals. Instead, factories have until Year 6 to demonstrate that all P requirements have been achieved. To encourage earlier attainment of P requirements, these requirements will be systematically audited earlier in the compliance journey, and results will be made transparent to buyers and overall performance comparisons to other factories will be shared with the CH to monitor and encourage ongoing progress.

The final scoring model innovation includes the introduction of a non-compliance (NC) rating system, which will preserve the concept of ‘Major’ and ‘Minor’ ratings within the FTUSA certification process. While ‘Major’ and ‘Minor’ criteria were formerly embedded in the standard, this new approach will designate levels of non-compliance for key criterion and concepts based on severity. In addition to Major and Minor NCs, a select number of criteria will also have ‘Priority’ ratings. Priority issues include those currently encompassed in FTUSA’s Zero Tolerance Policy as well as additional criteria related to imminent health and safety risks and core components of the FTUSA program. The list of Priority issues will be enumerated in a forthcoming policy.

Linked to the severity of each non-compliance, the NC rating system will further result in distinct timelines for resolving identified NCs:

- Priority: Indicates a critical violation of topics related to premium ownership and transparency, human rights, employment conditions, health and safety, audit transparency and integrity, and scoping. For new applicants, priority findings must be closed prior to certification; for existing CH’s priority NCs result in immediate suspension and withdrawal of the certificate if not resolved.*
- Major: Indicates a serious issue that has impact on workers and/or the environment. A corrective action plan to address the issue must be developed and the NC must be resolved within 6 months.*
- Minor: Indicates an NC where impact to workers or the environment is minimal. Minor NCs must be closed by the next audit.*

3.3. Structure

Nearly all participants approved of the new structure, stating that it was clear, easy to follow, and simple to remember. Two brands suggested that working hours may not be a suitable topic for Module 4 however, and recommended separating related criterion into a standalone module.

Fair Trade USA response: Due to near consensus regarding the proposed structure for the FPS 2.0.0, no Module-level structural changes were made.

The sub-module on working hours has been relocated to Module 3 to reinforce its connection to conditions of employment, including wages and benefits.

4. MODULE 1 – Empowerment

Most respondents³ agreed that the changes made to Module 1 were positive. As detailed below, additional comments covered issues related to Premium management, establishing the Fair Trade Committee (FTC) as a legal entity, and other topics related to the FTC.

Findings from the Worker Engagement Survey showed that ~70% of respondents reported knowing about the concept of Premium.⁴ Though a smaller pool of workers responded to the question, “Did you know there are multiple steps to approve a Premium Plan?”, 96% of those participants responded, “Yes.”⁵

4.1. Legal Entity

Feedback on the establishment of a legal entity was mixed among brands, factories, and factory workers. Two factories preferred elimination of the legal entity requirement given legal challenges. This was especially raised among participants from China who universally commented that establishing a legal entity would not be possible. Two representatives from a China-based factory, though, supported the establishment of a legal entity to protect Premium funds.

Brands and factories suggested alternatives, including leveraging applicable Collective Bargaining Agreements (CBAs), working with local governments to ease the legal recognition process, or accepting legal bond papers as solutions to the challenges raised.

Fair Trade USA response: FTUSA feels that the legal entity is an important requirement that brings multiple benefits to worker empowerment and Premium management. The new requirement in Criterion 1.2.4.c that a legal entity must be established when USD 150,000 is received was kept, but reference to Premium being ‘spent’ was eliminated. Clarification was added that factories would be compliant with the criterion if they demonstrated that steps had been taken to establish the legal entity. FTUSA staff will continue to research viable options for legal entity formation in diverse countries, and support factories in this process.

³ ~66% of respondents to the question, “Do you agree with these changes? Why or why not?” under the ‘Changes to FTC and Premium Management’ section responded, “Agree.”

⁴ 3334 workers submitted responses to the question, “Do you know what Premium is?”

⁵ 2280 workers responded to the question.

4.2. Premium Management

Nearly all stakeholders agreed with the proposed changes to Premium management and felt that stipulations to protect Premium would improve management and appropriate expenditure of accrued funds. Only in one case did a factory feel that the changes would be too strict.

There was some confusion on Premium distribution requirements. Two factories expressed concern over the requirement in Module 6 that Premium be transferred within 30 days, thinking this meant that Premium had to always be made monthly, which they thought would be too cumbersome to implement. In terms of reporting, though, one factory worker preferred monthly reporting on Premium receipt and distribution.

A brand and factory shared concerns about the feasibility of the requirement that the FTC manage the accounting system, citing that it seemed unreasonable to expect the FTC to fully maintain the accounting system within six years. Given the specialized skills required, a brand noted that this requirement may prevent diversity in the FTC applicant pool, and FTC turnover could present an ongoing challenge.

Fair Trade USA response: Criterion 1.2.4.g on the FTC's role in maintaining the Premium accounting system was updated to require that, by Y6, the FTC take "an active role" in managing the accounting system. This change allows for the FTC to be involved in Premium accounting without having to be solely responsible for the system in case of logistical or training barriers. The CC further clarifies that, prior to Y6, the FTC "must always have full access to the accounting system and full transparency into deposits, expenses, budget, and expenditure of the Premium."

4.3. Worker Empowerment Trainings

Two factories were hesitant about the scope and scale of worker training requirements, fearing that the criteria implied factories would need to train all workers. Instead, these factories suggested that worker participation in trainings either be voluntary or that minimum percentage participants should be specified.

*Fair Trade USA response: Requirements regarding worker trainings clarify that all workers must be **offered** the opportunity to participate in training if they wish, but factories must strive to make these trainings accessible and accommodating to workers needs and schedules. Training topics should be tailored to meet the needs and realities of the workforce, meaning that the complexity of trainings may vary depending upon workers' proficiency in the skills covered. These training were also separate into two separate CC, one focusing on financial literacy and one on 'development of relevant skills', so that factories can have more targeted training programs.*

5. MODULE 2 – Fundamental Rights at Work

Feedback focused on clarifying existing requirements, including those related to forced labor, discrimination, harassment, and freedom of association. A retailer and brands also flagged mandatory overtime as a related issue, as it relates to the issue of forced labor, however these comments have been considered under section 7.1 on working hours.

5.1. Forced, Bonded, and Compulsory Labor

Some concerns were raised regarding 2.1.1.c, "Workers are free to terminate their employment after reasonable notice." A brand suggested making the criterion timeline more flexible in cases where it had been agreed to in a CBA.

Fair Trade USA response: An explicit reference to both law and an applicable CBA was incorporated into the criterion 2.1.1.c on termination of contracts. This change reinforces

protections for workers by requiring termination timelines to be fairly negotiated and agreed upon by workers and their representatives without risking conflict with relevant legal requirements.

6. MODULE 3 – Conditions of Employment for Workers

Nearly 220 comments were raised on Module 3, making it the most commented-upon Module in the FPS. In addition to the key topics raised below, feedback regarding worker contracts, childcare facilities, disciplinary actions, and more were addressed.

One factory and one retailer flagged that citing “employment contracts” would not be appropriate in all contexts, given that some countries do not require them by law. In lieu of this, it was suggested that this requirement be moved later than Y0. For workplace disciplinary actions, a retailer shared that the Intent and Clarification sections for 3.2.2.d⁶ and 3.2.2.e⁷ on salary deductions may be contradictory.

Fair Trade USA response: Language regarding “employment contracts” has been altered to “employment agreements,” with the goal of acknowledging alternative methods for recording binding conditions of employment (e.g., Employee Handbooks, Codes of Conduct, etc.). These agreements were changed to a Y1 requirement to allow some progressive improvement.

The contents of 3.2.2.d and 3.2.2.e on salary deductions were clarified to accentuate the difference in legally required (e.g., taxes, payments to social security or insurance) versus voluntary deductions (e.g., payments for factory-provided food, housing, etc.).

Requirements on working hours have also been incorporated into Module 3. Subsequently, sub-modules have been adjusted accordingly:

- *Sub-Module 3.1: Employment Agreements and Conditions are Clear*
- *Sub-Module 3.2: Workers are Recruited Ethically*
- *Sub-Module 3.3: Workers Work Reasonable Hours*
- *Sub-Module 3.4: Workers Receive Fair Wages*
- *Sub-Module 3.5: Workers Receive Fair Benefits and Have Access to Basic Needs and Services*

6.1. Living Wage

In response to the question, “What kind of requirements or strategies would support progress toward a living wage for factory workers, while recognizing the shared responsibility between brands, factory management, and workers?”, 38% mentioned increases in worker salaries and benefits. Another 17% suggested allowing more working time, including raising overtime limits. Three factories shared that they faced restrictions with raising wages above current levels or legal minimums due to market realities (e.g., to keep pricing competitive and/or recover from economic consequences from the COVID-19 pandemic).

Two factories and one brand stated that more support would be needed from brands for solutions on addressing a living wage gap. Two brands further recommended aligning living wage requirements with the

⁶ “Salary deductions are only permitted as allowed by applicable laws, as fixed by an applicable Collective Bargaining Agreement, or where the worker has given written consent in an agreement outlining repayment parameters.”

⁷ “Salary deductions are not used as a disciplinary measure.”

Anker methodology. Five comments from brands and factories recommended other means of identifying relevant living wages, such as local laws, the food basket survey, and local government surveys on wages. One factory reinforced that the NA would be a useful tool in understanding the needs of workers and their families.

Fair Trade USA response: The requirement to conduct a living wage gap analysis has been maintained as a P criterion in the FPS 2.0.0. Additional clarification has been added to the standard, and a new guidance documents on conducting the gap analysis, including approved benchmarks, has been created. The Intent and Clarification has also been updated to require that workers or their representatives be consulted in determining the value of in-kind benefits and bonuses included in the analysis.

Two new BP criteria have been added to the standard on developing a Living Wage Improvement Plan and paying a verified living wage.⁸ Additional guidance and support tools will be developed to support factories that choose to pursue these requirements.

6.2. Recruitment

Changes to recruitment requirements were well-received, with over 70% of respondents agreeing with related updates to the standard. Representatives from factories, brands, and one peer certification scheme echoed that workers should not be charged recruitment fees at any time, and that ILO guidelines should be adhered to in the FPS. This could include creating a written “No Fee” policy and/or ensuring that no worker – regardless of migration status – would be required to pay recruitment fees. A brand and retailer also suggested inclusion of repayment guidance to reimburse workers who had been subject to fees at any point in the recruitment process.

Fair Trade USA response: Criteria regarding recruitment fees have been updated to expressly prohibit “all recruitment and hiring fees and associated costs” regardless of migration status, and this is now effective at Y0 (rather than progressive over time). The ILO’s principles on fair recruitment are now referenced in the standard. Reference to a “No Fee” policy has been included in Module 7 under 7.1.4.a on Human Resources (HR) policies and procedures.

Potential repayment guidance is also included in Module 7 under the criterion requiring development of remediation strategies on key issues, including recruitment fees.

As noted by a retailer, some of the recruitment protections that were framed towards migrant workers would be applicable to the entire workforce. Thus, they suggested expanding some recruitment requirements to be broadly applicable while calling out additional protections relevant to migrant workers.

Fair Trade USA response: Criterion ensuring that third-party recruiters are registered and in good standing has been expanded to apply to all workers, rather than restricted to recruiters that focus on migrant populations; however, the standard has maintained its requirement that employers have policies and practices in place to ensure that third-party recruiters comply with the FPS when hiring migrant workers, and that recruited migrant workers must receive an employment agreement prior to migration.

The sub-module related to recruitment has also been reframed from “Migrant Workers are Recruited Ethically” to “Workers are Recruited Ethically.”

⁸ CCs 3.4.1.j and 3.4.1.i, respectively.

6.3. Benefits

An analysis of public comment form responses showed that paid maternity leave (16%), paid sick leave (15%), and worker’s compensation (15%) were the most common benefits provided to factory workers. This showed variation from worker responses to the Worker Engagement Survey, which showed annual leave (18%), health insurance (16%), and sick leave (16%) as being the most common benefits provided to workers.⁹ Workers reported wanting workplaces to provide access to childcare (22%), dental insurance (16%), and pensions (14%).

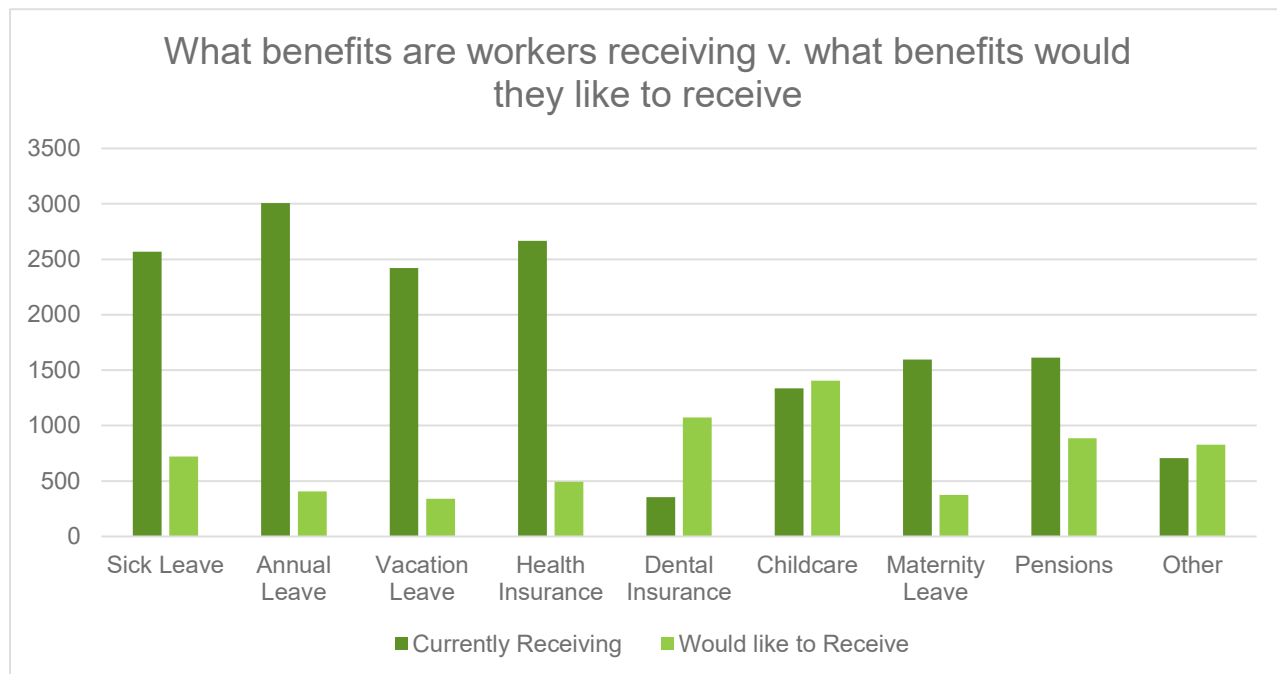


Figure 5. Findings from Worker Engagement Survey (2021)

*What benefits are you provided by your employer? “Other”: Common responses included festival leave, marriage leave, and bereavement leave.

What benefits would you like to have that you are currently not receiving? “Other”: Example responses included company trips for workers, payments to support school tuition, rent, and vehicle costs.

When asked, “What are some of the challenges that hold you back from providing more or different benefits to workers?”, 44% of factory respondents pointed to financial constraints as a barrier. Thirty-three percent also indicated national laws or factory regulations as a limitation, especially for factories that were part of a larger parent company which standardizes benefits across all of its affiliates.

Fair Trade USA response: A comprehensive review of national laws on maternity leave and sick leave was undertaken. In addition to a desk review focused on countries with FTUSA factory presence, consultation with a US-based paid leave researcher was also conducted. This research informed a series of updates intended to better align the standard with national laws and international standards.

Sick leave: The BP requirement on sick leave has been changed from three days to two regular workweeks of fully paid leave. This criterion is designed to encourage progress among factories

⁹ Unlike the Public Comment Form, the Worker Engagement Survey did not provide ‘Worker’s Compensation’ as a separate option.



operating in countries where sick leave is either not mandated by law or where legal protections for sick leave fall below international standards.

Maternity leave: A review of countries participating in the factory program found that most countries where FT factories are located provide more than six weeks of paid maternity leave. As a result, the Y0 requirement for countries without job-protected paid maternity leave has been increased to at least six weeks job-protected leave, with the recommendation that workers taking maternity leave be compensated at two-thirds pay. Based on recommendations from the ILO, the BP criterion has been updated to provide for 14 weeks maternity leave at two-thirds pay – an increase from the previous requirement of eight weeks – with a recommendation to provide workers on maternity leave with full pay.

Parental leave: Where applicable, reference to maternity leave has been updated to reference 'parental leave' with the clarification that both maternity and paternity leave are included under this concept. This included expanding protections against discrimination for any parent availing of legally protected caregiver leave.

Breastfeeding breaks: Based on UNICEF guidelines, language regarding breastfeeding has been altered to provide "adequate" breastfeeding breaks. This is further defined in the Intent and Clarification as meaning a length of time that is determined by the nursing parent rather than the employer. This P requirement does not require that breastfeeding breaks be paid. An additional BP criterion has been included which encourage provision of paid, adequate breastfeeding breaks.

Rest days: Criterion on weekly rest days has been updated to allow for contexts where more than one rest day is provided per work week (the criterion formerly only specified protections for one weekly rest day).

Housing was another topic that was mentioned repeatedly by brands. Common concerns focused on understanding what restrictions would be considered 'reasonable' for protecting worker safety, what minimum provisions should be included in worker housing, and specific guidelines for topics such as aisle width and bunk height.

Fair Trade USA response: Criteria on housing requirements have been separated into one Y0 requirement on baseline requirements for structural safety and provisions as defined by law local, one Y1 requirement that sets additional minimum expectations where local law is absent, and a BP requirement aligned with guidance set by the ILO. References to specific measurements have been eliminated for both Y0 and Y1 criteria.

Criteria on worker housing has also been updated to apply to housing provided by the 'employer' rather than 'factory' to account for cases where housing is provided by labor contractors.

6.4. Disciplinary Process

Internal stakeholders advocated for increased opportunities to make multifaceted processes, such as the disciplinary process, more progressive. These requests also pointed to the desire to facilitate onboarding for factories and provide opportunities for factories at different stages of growth to be able to develop throughout their Fair Trade journey.

Fair Trade USA response: The timeline for definition and implementation of the disciplinary and termination process have shifted to reduce the number of Y0 requirements. Previous criteria on written rules and procedures as well as supervisor training were incorporated into the broader criteria around policies, procedures and training required as part of the IMS. A new Progress

requirement was added on implementation of a system “based on progressive disciplinary action.”

A new BP criterion focused on creating standardized, written disciplinary actions for human rights violations and sexual harassment has also been incorporated.

7. MODULE 4 – Working Hours and Occupational Health and Safety

Over 80 individual comments were received on topics related to working hours and occupational health and safety (OHS). Thirty percent of these were in direct response to the public consultation question, “Do you agree with these changes [to the working hours Continuous Improvement Plan]? Why or why not?” Approximately 47% of comments received for Module 4 were related to specific OHS issues, including protections for workers against workplace hazards, emergency preparedness and alert systems, and maintenance of clean and safe sanitary facilities and canteens.

7.1. Working Hours

Overtime was raised by multiple groups of stakeholders throughout the public consultation process. As described in section 6.1 on living wage, overtime was often viewed by workers and factories as a necessity to achieve adequate income. As three factories noted, if overtime is too restrictive, workers’ wages would be insufficient, which may prompt them to leave for factories with more flexible overtime policies.

Peak seasons posed a potential recurring challenge to maintaining rest day requirements. A FTUSA Field Team member affirmed that factories in China frequently struggle to provide one rest day per week. Another China-based factory proposed leniency in allowing for 7 – 8 consecutive workdays to be permitted during peak and holiday seasons, provided that missed rest days be guaranteed at a future time.

A brand echoed that overtime is influenced not only by factories but also buyer behaviors; thus, they recommended putting less emphasis on overtime and more on setting an upper threshold for total hours worked per week. Some stakeholders proposed 72 hours per week and/or 12 hours per day as upper limits to consider integrating into the FPS. This concept, though, was challenged by four factories, who felt that this approach would be too restrictive.

Fair Trade USA response: As part of the new NC rating system, guidance was developed to provide a nuanced and progressive approach to achieving compliance with criteria related to working hours, including rest days and overtime. This system considers both the scale and intensity of NCs to determine the proper response and time needed to reduce working hours to an acceptable limit in alignment with the law and the FPS.

Limits on total daily working hours has been changed from 14 to 12 to align with common industry practice; however, the NC rating system would again provide tailored approaches to address NCs based upon scale and severity.

While public comments on the Continuous Improvement Plan (CIP) were mostly positive, FTUSA felt that this new NC rating system will be more effective at managing progressive improvement in working hours, and the CIP is not needed in addition. Reference to the CIP has been removed from the working hours CC.

7.2. Workplace Health and Safety

A retailer and peer certification scheme suggested taking a more conceptual approach to framing OHS requirements in the standard and reserving detailed guidance in separate documents. According to these stakeholders, doing so would enable the standard to remain flexible in the face of production variability and provide for easier revision should new issues or industries arise. Additional comments focused on ensuring that requirements, including those on health and safety, follow a progressive approach to facilitate improvement over time.

Fair Trade USA response: Module 4 has been restructured to mirror the organization of Module 7. Criteria related to policies and procedures now appear first in the Module, followed by requirements related to implementation, training, and evaluation.

A high-level reframing of the approach to hazard minimization was also conducted to make requirements relevant to diverse production processes and product categories. For example, 10 CCs have been eliminated under the Objective, "Hazards associated with factory buildings, machinery, and equipment are minimized." Criteria now discuss requirements for building structural integrity, infrastructure maintenance, and minimization of workplace harms and hazards. Criteria regarding machinery and associated safeguards have been consolidated, and an additional criterion on specialized production processes has been added.

Other notable additions to Module 4 include two new criteria focused on mechanism(s) for workers to report OHS incidents (Y0) and a procedure for investigating and correcting incidents after they occur (P). A new criterion, "Workers know how to respond in case of emergency," was also incorporated to ensure that all workers have basic knowledge of how to respond should an emergency occur.

Finally, in an effort to advance a continuous improvement approach and better align expectations in the FPS with other standards, the timeline for 15 CCs has been delayed.

8. MODULE 5 – Environmental Responsibility and Management

Approximately 60% of comments on Module 5 expressed agreement with proposed changes. On chemicals, a brand noted that more documentation would be required to assess inventory, including CAS numbers. A certifier voiced that, given the nuances of chemical management, ensuring that auditors have the expertise to properly assess compliance with the standard on a product-by-product basis is invaluable.

Fair Trade USA response: Criterion requiring the factory to possess a list of hazardous chemicals and substances has been updated to require that the list include CAS numbers to facilitate cross-checking against Safety Data Sheets (SDS) as well as cite how the substance is used in the production process.

9. MODULE 6 – Transparency and Traceability

Six comments were submitted on Module 6 – the majority of which focused on slight clarification and language changes. As an example, one factory requested clarification about the requirement that all Premium must be distinguishable from the product price (6.1.2.a).

Fair Trade USA response: Language in 6.1.2.a was adjusted to clarify that factories may take a generalized approach to documenting the distinction between Premium and product price (e.g., factories may show that they have manually calculated Premium if this is not included as a separate line item on buyer purchase orders). Doing so allows for factories to be compliant with the criterion while remaining flexible to buyer operational practices.

10. MODULE 7 – Internal Management System

Over 120 comments were submitted on contents in Module 7 of the Draft FPS 2.0.0. These included concerns on implementation time and resources for the IMS, SET, and grievance mechanisms. For example, ~22% of all comments related to the SET and ~28% of all comments related to the IMS mentioned concerns regarding implementation time and logistics. These comments were primarily raised by factories and factory workers. For both topics, factories and factory workers recognized that cooperation between management and workers would be needed to facilitate implementation of these processes as well as compliance with the FPS.

10.1. Internal Management System

Noting the complexity of implementation, over a dozen stakeholder comments recommended reassessing the IMS timeline. Multiple factories expressed the need for a more flexible CAP closure and auditing process to allow room for trial and error. Respondents, including brands and factories, further requested simplification of the IMS requirements. Potential solutions included reducing requirements to improve comprehension of the IMS and allow more factories to become Fair Trade Certified more quickly.

Fair Trade USA response: The timeline under Module 7 has been adjusted to provide for progressive implementation of the IMS. Eleven CCs – the majority of which are related to written documents such as policies, procedures, and the IMS Manual as well as the internal inspection process – have been delayed from Y0 to Y1. Three CCs related to training were also adjusted so that: workers must be made aware of the FTUSA Complaints Procedure by Y1; workers must be trained on labor rights and principles by an independent third-party by year six at the latest (P); and, independent training on anti-harassment and abuse is an optional, BP requirement. Based upon feedback from FTUSA staff, the timeline for requirements related to HR policies and the risk assessment remain unchanged.

The timeline for development and implementation of the IMS has been updated accordingly.

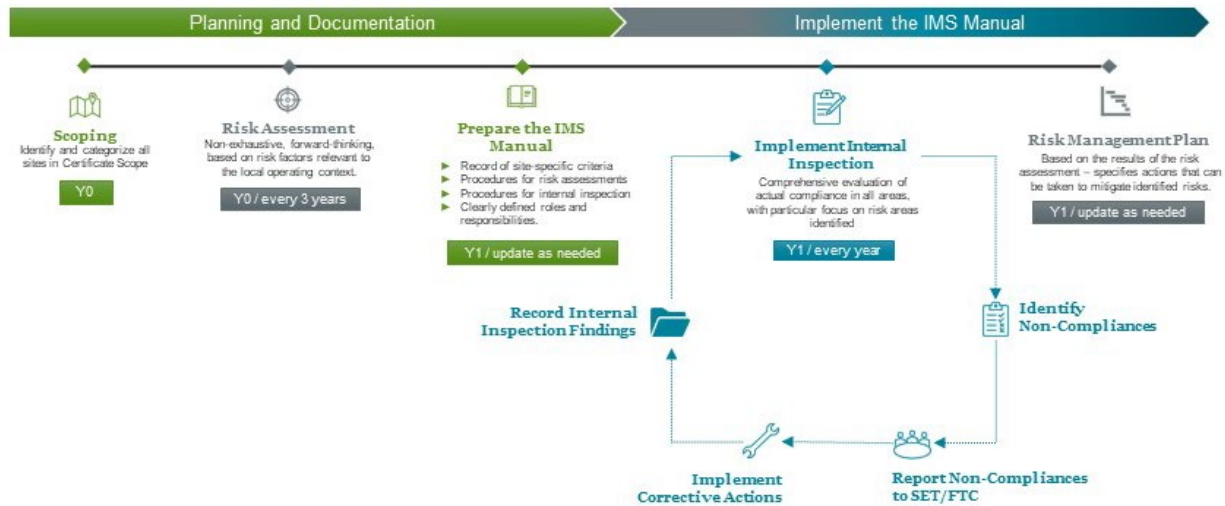


Figure 6. Updated IMS timeline

10.2. Social Engagement Team (SET)

The public comment form asked respondents to consider the benefits and challenges of implementing joint worker-management committees like the SET. The three most common topics that stakeholders felt could be covered by a joint worker-management committee included: ensuring the existence of grievance mechanisms; improving access to and communication with workers regarding grievance processes and procedures; and promoting accessibility of mechanisms for workers to report complaints and communicate feedback to management. Other topics that could be covered by a worker-management committee are included below in order of most to least mentioned topics, with tied topics included on the same line:

1. Identification of NCs
2. Resolution of NCs; general compliance with the FPS; implementation of FPS; worker voice
3. Premium projects; involving the workers management at taking any major decision; soliciting feedback on how to improve operations; worker rights/benefits; wage fairness

One factory raised multiple concerns that the work of the SET would be duplicative of the existing FTC and OHS Committees or local union and that requiring an additional committee would lead to conflict between groups. Other logistical considerations mentioned by stakeholders included implementation times, training requirements, and how SET processes and procedures would be defined.

The Worker Engagement Survey asked workers, "Would you like to participate in a committee/group with other workers to help improve the workplace?" 72% of participants responded, "Yes," 20% responded "No," and 7% responded, "I'm not sure."¹⁰ Those who responded "No" were asked why they would not be interested in participating. Though ~24% stated that they would not have time to participate, over 60% clarified that they were satisfied with the working conditions at the factory and, thus, did not see a need to take part in a committee focused on workplace improvements.

¹⁰ 3291 out of 3421 respondents completed this question.

Fair Trade USA response: A review of factories in the FTUSA program found that the majority are located in countries where joint worker-management committees are mandated by law; however, in recognizing that some of the duties of the SET may expand beyond the intended scope of these committees, FTUSA has delayed requirements to form the SET to Y3, and made SET participation in the risk assessment and overall support with FPS compliance Progress requirements. The duties under the SET's purview will not be changed from those outlined in the Draft FPS 2.0.0, and the allowance for pre-existing worker-management committees to count towards SET compliance has been maintained. Additionally, FTUSA has confirmed that it will provide support to factories to enable effective implementation of these additional tasks as well as formation of new worker-management committees where they do not currently exist.

10.3. Grievance Mechanisms and Remediation

The Worker Engagement Survey provided insights into how workers prefer to raise complaints and suggestions in the workplace. As shown in the chart below, workers preferred talking directly with management, talking to a worker representative, or leveraging a worker helpline to lodge complaints. To 'Other,' workers most frequently cited workplace phone apps as a preferred method of communication between workers and management.

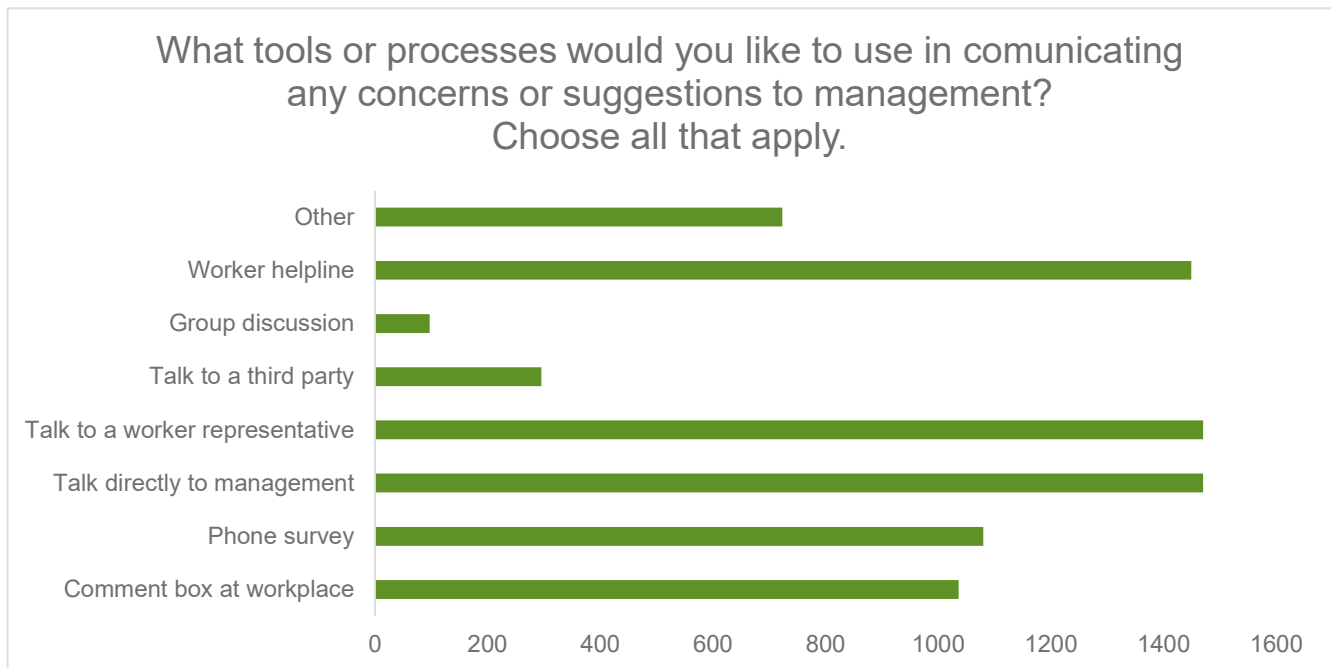


Figure 7. Findings from Worker Engagement Survey (2021).

Internal discussions regarding grievance and remediation criteria highlighted the importance of balancing immediate worker protections with allowing flexibility for factories to develop robust grievance mechanisms over time. These conversations called for an assessment of grievance mechanism components that should be required by Y0 and how the effectiveness of the grievance mechanism(s) could be evaluated.

Fair Trade USA response: To ensure auditability of grievance mechanism components, many of the requirements formerly bucketed under 7.5.1.a were separated into individual CCs. Many of these components remained as Y0 requirements (e.g., documentation of grievance policies and procedures, communication of grievance policies and procedures to workers, record-keeping of grievances and resolutions, etc.). Two CCs that provided protection for workers against retaliation



for discussing workplace grievance or using grievance mechanisms were combined into a single Y0 criterion. Others, such as grievance status monitoring mechanisms, the appeals procedure, and availability of more than one grievance mechanism were delayed, allowing for progressive development of robust grievance processes.

The FPS currently stipulates that the grievance mechanism is available to all workers. Given the potential for factory operations to impact surrounding communities, a new BP has also been included that provides recognition for CHs that allow members of the surrounding community to submit grievances via factories grievance mechanisms if harms occur.

A new objective was also introduced on guaranteeing access to timely and appropriate remedy for those who have been impacted by violations of employer policies/procedures, the law, or the FPS. This objective contains a Y0 requirement on access to remedy and a Y1 requirement to define strategies for approaching violations related to child labor, forced labor, and wages (e.g., charging of recruitment fees, miscalculation of wages, etc.). Criterion 2.2.1.b on remediation of child labor was eliminated in favor of this generalized approach to remedy.