



# Factory Production Standard

Fair Trade USA™

Version 2.0.1

Publish Date: August 22, 2022

Updated: December 20, 2022

Effective Date: January 1, 2023

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## Note on Translations

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# INTRODUCTION

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## Fair Trade USA's Mission and Vision

Fair Trade empowers workers, farmers, and fishers to fight poverty in ways that improve lives and protect the environment. Rather than creating dependency on aid, it harnesses the power of markets to help producers, businesses, and consumers alike to invest in a better future.

Fair Trade USA, a nonprofit organization, is the leading certifier of Fair Trade Certified™ products in North America. Fair Trade USA and partnering Conformity Assessment Bodies audit and certify supply chains to help ensure that workers, farmers, and fishermen are paid fair prices and wages, work in safe conditions, protect the environment, and earn community development funds to improve their lives.

## Fair Trade USA's Theory of Change

Fair Trade USA views workers, factory management, businesses, and consumers as an ecosystem of partners. Each of these key stakeholder groups needs the others to realize their goals. Fair Trade USA believes that:

- **Workers and factory management** will have more sustainable livelihoods if the economic model of trade enables access to markets and good working conditions, if workers and factory management have the skills and resources to manage their businesses and to produce in environmentally responsible ways, and if workers and factory management develop and successfully implement organizational models for enterprise and community development.
- **Businesses** will strengthen themselves by enabling sustainable livelihoods for producers in their supply chains. Companies that source in socially and environmentally responsible ways, verified by independent third-party Conformity Assessment Bodies, will create shared value and be rewarded by their consumers, employees and other stakeholders.
- **Consumers** want to feel good about their purchases. They will buy sustainable products when they are available in the right places, from the right brands, at the right quality and price, and when the products' sustainability attributes are credible and verified by independent third-party Conformity Assessment Bodies.

In order to enable these outcomes, Fair Trade USA invests directly and with our partners in the following core activities:

- Develop and implement standards
- Enable producer services which build competitiveness
- Certify producers and supply chain partners
- Engage businesses and consumers to cultivate demand
- Define, measure, and communicate impact



## About this Document

The Fair Trade USA Factory Production Standard (FPS) serves workers in facilities that produce a variety of products, such as apparel, footwear, and home goods. The objective of the FPS is to increase empowerment, including leadership, economic development, and organization of workers employed in these facilities, and to ensure fair working conditions and environmentally responsible production methods. The FPS is based on the following four focal impact areas:

- a) **Worker Engagement:** Workers are able to represent themselves effectively in their negotiations with management for improved working conditions as well as partner with factory management to increase engagement of all workers. Grievance procedures and joint teams are in place to provide worker-management communication channels.
- b) **Economic Development:** Workers earn a Fair Trade Premium – paid by buyers and managed by the Fair Trade Committee – which workers decide collectively how to spend on identified needs of the workers and their communities.
- c) **Social Responsibility:** Factories commit to protect fundamental human rights, uphold internationally recognized labor standards, and to provide greater benefits to workers. Conditions of employment are in line with or exceed sector regulations, the regional average, and official minimums. Health and safety measures are established to minimize work-related accidents and illnesses.
- d) **Environmental Responsibility:** Factories put forth efforts to mitigate harmful environmental impacts from production, especially as it pertains to management of waste and hazardous chemicals. Other environmental issues covered include energy usage, water, and air emissions.

Fair Trade USA brings consumers, factories, and brands together to support a transformation to sustainable supply chains. Traditional sourcing practices can be disadvantageous to workers producing the product. By setting standards, establishing a rigorous certification system, and engaging the end consumer, Fair Trade USA provides a unique opportunity to change the nature of the sourcing relationships, add value throughout the supply chain, and provide more benefits to workers.

## History of this Standard

The Factory Production Standard replaces Fair Trade USA's prior standard on factory production, called the Factory Standard for Apparel and Home Goods. The FPS was developed through a rigorous and transparent review and revision process, which began in 2021. The foundation of the FPS is based on extensive collaboration and consultation with a diverse array of stakeholders, including factory management, workers, labor experts, NGOs and fair trade buyers and brands.

Fair Trade USA started to research the feasibility of certifying apparel factories in 2006, producing a feasibility study that consulted over 60 organizations globally and highlighted the key issues for fair trade certification in the category. From 2007 to 2009, Fair Trade USA reviewed other existing standards and consulted with NGOs, trade unions, brands, retailers, suppliers, and artisan workshops to draft the first CMT Facilities Standard. In March 2010, the first version of the Pilot CMT Facilities Standard was published, and pilots were initiated. In 2014, the CMT Facilities Standard was renamed to Factory Standard for Apparel and Home Goods to increase the scope of applicable products. The content was not changed in any substantive way from the CMT Facilities Standard, Apparel & Linens Version 1.0, which the Factory Standard for Apparel and Home Goods replaced.

Our [Standards Development and Revision Procedure](#), available on our website, outlines the process we use to write and revise all our standards. This process follows the [ISEAL Code of Good Practice](#)<sup>1</sup> for Setting Social and Environmental Standards.

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<sup>1</sup> <https://www.isealalliance.org/>



Per ISEAL practices, major reviews of our standards occur at least every five years. The next major review of the FPS is scheduled to begin, at latest, in 2027.

## Scope and Eligibility

The FPS applies to manufacturing systems worldwide that produce and sell manufactured commodities that are certified to Fair Trade USA standards. The FPS Certificate is held by the Certificate Holder, on behalf of one or multiple sites in its supply chain. The scope of a Certificate can range from a single site (e.g. a cut-make-trim factory) to multiple sites owned and controlled by one party (e.g. multiple production units performing substantial production processes on the same product). The full details of which entities, sites, and activities must be included in the scope of the Certificate are explained in a separate Fair Trade USA document called [Requirements for Certificate Scope Under the FPS](#), and further detailed in the [Guidance for Determining Scope Under the FPS](#).

All sites<sup>2</sup> performing final substantial production processes of Fair Trade Certified product, which are owned and operated by the Certificate Holder, must be included in the scope of the Certificate. The entire building(s) in which fair trade production occurs and/or common areas (e.g., canteens, living areas, dormitories) where fair trade production workers might be present must always be included in the scope, even if fair trade production only occurs on one floor.

Vendors that handle sales of the Fair Trade Certified product and are linked to the Certificate Holder through common ownership (e.g., owned by the Certificate Holder or a shared parent company) or a verifiable contractual relationship wherein the Certificate Holder directly manages vendor activities may be included in the scope of the Certificate as sites subject to vendor requirements.

Other buildings managed by the Certificate Holder or other legal entities included in the scope of the Certificate where Fair Trade Certified product is only stored (e.g., warehouses) or transported do not need to be included in the scope of the Certificate. In addition, any handling of fair trade product that is subcontracted off-site<sup>3</sup> does not need to be included in the scope of the Certificate.

For any site where Fair Trade Certified product is stored, transported, or handled that is not included in the scope of the Certificate, including subcontractors, they must:

- a) Follow requirements to ensure that Fair Trade Certified product is clearly and accurately identifiable, in accordance with requirements in Sub-module 6.1 of the FPS;
- b) Not violate Fair Trade USA's Policy on Priority Issues; and
- c) Allow Fair Trade USA and/or an approved CAB to enter the site(s) to perform control activities against these requirements.

The Certificate Holder must have a contract with the legal entity that manages the non-included site, or for sites owned by the Certificate Holder or factory the Certificate Holder or factory must have a declaration of compliance, which requires them to comply with the commitments listed above.

For any site in the scope of the Certificate, all on-site regular work and workers in the production chain are included in the scope of the Certificate. This applies equally to permanent and temporary workers, workers employed directly, and those employed through a labor contractor.

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<sup>2</sup> The physical location(s) where activities related to the Fair Trade Certified product occur, including production and sales of product. A site is made up of a natural grouping of one or more buildings where production of Fair Trade Certified products takes place, with a common workforce which might work at different places on different tasks, or where workers might cross paths during the day, even if they do not work together. It includes, for instance, buildings within the same compound with a common entrance.

<sup>3</sup> This refers to any subcontractor (individual or company) that is not managed by the Certificate Holder nor subject to a controlling interest by the Certificate Holder (either through ownership or family relationships) and which does not take legal ownership of the Fair Trade product but provides services to process, pack, or transform the product off-site.



## Compliance with Local and National Laws

All Fair Trade Certified factories and Certificate Holders are expected to comply with all local and national laws and regulations. The requirements in the FPS may be stricter, less strict, or equivalent to applicable laws. In the case that an applicable law or regulation is stricter than the FPS requirements, the law will prevail. In the case that the FPS requirement is stricter, the requirements of the FPS will prevail. The intent is that where laws and the FPS requirements overlap, the one that offers the strongest protections for workers and communities prevails.

Given the broad range of jurisdictions in which Fair Trade USA operates, as well as the complexity and changing nature of laws and regulations, there is no reference to country-specific legal requirements in the FPS. Ultimately, it is the responsibility of the Certificate Holder to ensure compliance with the law. In any case where there is concern that a requirement conflicts with an applicable law, the Certificate Holder or applicant should contact Fair Trade USA.

## Using the Factory Production Standard

### Structure

The FPS is organized into seven **modules** addressing different aspects of production and facility management. The requirements under each module apply either to the Certificate Holder and factory (Modules 1, 6, and 7), to all individual sites (Modules 2-5), to the group of workers who decide on the use of the Fair Trade Premium (Module 1), or to sites acting as vendors (Module 6). An overview of each module is provided below.

#### *Module 1: Empowerment*

Collective and individual empowerment are fundamental to building healthy businesses and healthy communities. As such, they are core tenets of the fair trade system. One of the unique attributes of the fair trade model is the Fair Trade Premium, which is an extra sum paid to workers on top of the product price and wage. Together as Fair Trade Premium Participants, workers decide how the Fair Trade Premium will be used to meet their individual and collective needs as well as the needs of their communities and the environment. This module describes the requirements for Premium Participants to elect a Fair Trade Committee, identify the needs of beneficiaries of the Premium, and decide how the Fair Trade Premium is spent to address these needs.

#### *Module 2: Fundamental Rights at Work*

The requirements in this module are informed by the International Labor Organization (ILO) Core Conventions, addressing forced, bonded, and compulsory labor; child labor and the protection of young workers; freedom of association; and discrimination. The requirements outline the fundamental rights that form the basis for ensuring the well-being of workers and managing human rights risks faced by companies and buyers in their supply chains. Securing these rights facilitates individual and collective empowerment by establishing the ability to act on choices, promoting a healthy worker-management relationship, and ensuring the opportunity for future generations to appropriately contribute to their families' livelihoods.

#### *Module 3: Conditions of Employment for Workers*

Clear employment conditions and fair working hours, wages, and benefits directly contribute to income sustainability of workers. This module ensures clear and transparent agreements, along with ensuring workers have access to services and benefits like vacation, sick leave, health benefits, maternity leave, and more. These benefits can directly improve the well-being of all workers.





#### *Module 4: Occupational Health & Safety*

The individual well-being of workers is directly impacted by working conditions, including occupational health and safety. This module promotes safe and hygienic workplaces that enable workers to be healthy and productive.

#### *Module 5: Environmental Responsibility and Management*

Responsible management and good production practices can reduce negative environmental impacts. Supporting factories in implementing better production practices has myriad benefits, including minimizing adverse environmental impacts on both natural ecosystems and neighboring communities. Requirements in this section help factories protect waterways, reduce waste, reduce greenhouse gas (GHG) emissions, conserve water, minimize the use of harmful chemicals, and ensure proper waste management.

#### *Module 6: Traceability & Transparency*

This module describes the requirements for traceability and for relationships between the Certificate Holder and/or vendors and other entities included in the Certificate or handling Fair Trade Certified product. This module ensures that the practices related to the purchase, movement, production, and sale of Fair Trade Certified products are clearly defined. This includes requirements on document traceability of Fair Trade Certified products. The requirements in this module also promote clear contracts and transparency between the Certificate Holder and/or vendors and other entities included in the Certificate to ensure the terms of trade are clear. It also outlines auditing, reporting, and transparency requirements for the Certificate Holder in relation to Fair Trade USA and the Conformity Assessment Body.

#### *Module 7: Internal Management System*

A functioning management system within a company and group is necessary to support the implementation of the FPS and the empowerment of workers. This module details the requirements of the Internal Management System (IMS) that the Certificate Holder must have in place to assist with the implementation and monitoring of the FPS. The IMS focuses on identifying risks of non-compliance with the FPS, monitoring the risks identified, and taking measures to address non-compliances on sites included in the Certificate. Planning, implementation, and record keeping are fundamental to the success of the IMS.

Each **module** is split into **sub-modules** by theme. Within each **sub-module**, there are multiple principle-based **objectives**, each of which has one or more associated requirements specified in **compliance criteria**.

**Compliance criteria** define the requirements that must be met for certification, meaning that they are binding, either at a specific point in time (Year criteria), by the sixth year of certification (Progress criteria), or as a continuous improvement practice (Best Practice criteria). All entities, sites, and activities included in the scope of the Certificate will be audited according to these requirements.

The final column of the tables in the FPS, labeled **Intent and Clarification**, includes further explanation of the requirements. Information in the Intent and Clarification column is divided into **clarifications**, which are binding, and **recommendations**, which are best practice. The recommendations also include examples and suggestions for how to achieve compliance with the requirements. The terms 'shall,' 'must,' and 'required,' indicate a binding requirement, which must be met to be certified. The terms 'should,' 'may,' or 'best practice' indicate that the item is optional.



No.	Compliance Criterion	Timeline	Intent and Clarification
<i>Compliance Criterion Number</i>	<i>Defines specific requirements of the standard, against which conformance will be assessed during the audit</i>	<i>Specifies type of Criteria and either point in time by which the requirements must be met</i>	<i>Further explanation of the requirements as well as guidance on best practices and recommendations for implementation</i>

### Types of Compliance Criteria

The Fair Trade USA FPS takes a continuous improvement approach to development. Entry criteria, or Year 0 requirements, are assessed during the initial certification audit and represent minimum requirements regarding social empowerment, economic development, and environmental responsibility. Other Year criteria are fulfilled after initial certification in the first, third, or sixth year of audits as detailed in the *Timeline* column. Progress criteria represent continuous improvement practices that build towards increased social empowerment and economic development, as well as improved practices in environmental stewardship. Best Practice criteria define higher levels of performance to encourage factories to implement best practices in social responsibility.

Some compliance criteria have a qualifying statement at the beginning of the sub-module that clarifies its scope and timing of applicability. For example, some Year criteria cannot be fully implemented until the time of the first fair trade sale or the first Premium expenditure. In these cases, the requirements must be met as soon as they become applicable, which may be some time between the Year 0 and the Year 3 audits. Conformity Assessment Bodies may conduct follow-up audits or request supporting documentation before the next full audit to ensure the compliance criteria have been met.

Compliance criteria and their associated Intent and Clarification define the binding requirements that must be met for certification. Each compliance criterion is classified as one of the following:

- 1) **Y# = Year.** Year criteria describe requirements that must be met by a specified timeframe to receive or maintain a FPS Certificate. The majority of Year criteria are Y0 (Year Zero), meaning that they are assessed at the initial certification. All remaining Year criteria must be achieved within a specified timeframe, by one, three, or six years of certification. Some Year criteria in Module 1 must be met in a specified order in addition to a specified timeframe, either before or after other related criteria have been implemented.
- 2) **P = Progress.** Progress criteria describe continuous improvement requirements. Individual Progress criteria may be achieved at any time prior to Y6; however, all Progress criteria must be met by year six of certification.
- 3) **BP = Best Practice.** Best Practice criteria are optional and are not required for Certification (immediately or in the future). However, factories are encouraged to aspire to meet these goals over time, and factories are recognized by Fair Trade USA, brands and buyers for their performance.

The criterion type (either Year, Progress, or Best Practice) is indicated in the Timeline column. The Certificate Holder is responsible for ensuring compliance with the FPS by all entities included in the scope of the Certificate.

### Applicability

Where the term “worker” is used in compliance criteria, the requirement applies to all workers included in the scope of the Certificate, regardless of whether they are temporary or permanent, work full-time or part-time, or are hired directly or indirectly via a labor contractor. Some criteria refer specifically to permanent workers, temporary workers, trainees, fixed-term contract workers, young workers, workers employed through a labor contractor, or migrant workers, and are applicable only to the specified type of worker.



Some compliance criteria define responsibilities for employers. The term “employer” is used to refer to any entity that controls and directs workers under an express or implied contract and is responsible for paying those workers’ wages. This includes labor contractors. The term “site manager” is used to refer to the party responsible for the day-to-day management of a specific site or factory. Note that the Certificate Holder is always ultimately accountable for ensuring compliance by all sites and entities in the scope of the Certificate.

## Other Important Documents

In addition to this document, it is recommended that factories and Certificate Holders be familiar with the following additional documents, which are available on [Fair Trade USA’s website](#):

- a) [Requirements for Certificate Scope under the Factory Production Standard](#): This document explains in detail which entities, sites, and activities must be included in the scope of a Certificate and the audit, as well as which facilities must comply with a smaller list of requirements for subcontractors.
- b) [Guidance for Determining Scope Under the Factory Production Standard](#): Provides additional details and guidance on what entities, sites and activities must be included in the scope of a Certificate and audit.
- c) [Requirements for Shared Buildings Under the Factory Production Standard](#): This Policy explains how FPS requirements apply to shared buildings, and defines additional requirements and expectations for these set ups.
- d) [Living Wage Benchmarks for Employers](#): This Guidance document lists the living wage benchmarks reports which are approved for use by employers to comply with Fair Trade USA living wage requirements.
- e) [Living Wage Gap Analysis](#): This document provides additional rules and guidance on how employers are expected to complete a gap analysis between an approved living wage value and comparable remuneration received by workers.
- f) [Priority Issues Policy](#): This Policy defines the criteria violations that are considered a *Priority* finding, a violation of a Producer Standard that fundamentally undermines basic worker rights or safety and the core tenants of the fair trade movement. Such findings must be addressed immediately and in advance of certification.
- g) [Policy on Freedom of Association in Legally Restrictive Geographies](#): This policy outlines Fair Trade USA’s approach to freedom of association in regions and countries where freedom of association is restricted by the government and/or where the government manages or controls the trade union(s), and to specify key interpretations and requirements related to Fair Trade USA’s compliance criteria that must be applied in order to support worker empowerment.
- h) [Fair Trade USA Glossary](#): The Fair Trade USA Glossary includes definitions of terms used in this and other key fair trade standards and certification documents.
- i) [Fair Trade USA Quality Manual](#): The Quality Manual describes Fair Trade USA’s structure, mode of operation, Mission, Vision and Values, Quality Policy, and Quality Management System (QMS).
- j) [Trade Standard](#): Supply chain partners that buy and sell Fair Trade Certified products from Certificate Holders must be certified to Fair Trade USA’s Trade Standard.
- k) [Program Assurance Manual](#): Additional information on the certification process, including the application process; certification fees; auditing process; and a procedure for complaints, appeals and disputes.
- l) [Fair Trade USA Impact Management System](#): This describes Fair Trade USA’s approach to defining, measuring, and communicating the impact of our model. It includes the organization’s Theory of Change and the indicators, processes, and technologies used to monitor and report on progress over time.



- m) [Complaints Procedure](#): This procedure outlines the process by which interested parties may submit concerns to Fair Trade USA relating to its activities, or the activities of a Conformity Assessment Body or a Certificate Holder, applicant, or licensee currently certified or registered by Fair Trade USA.

## Additional Information on Fair Trade USA's Standards and Certification Process

To submit comments on this standard, please contact Fair Trade USA's Standards team: [standards@fairtradeusa.org](mailto:standards@fairtradeusa.org).

If you have any questions about the auditing process, scope of the Certificate, or other certification questions, please contact Fair Trade USA's Certification team: [factorycertification@fairtradeusa.org](mailto:factorycertification@fairtradeusa.org)



## MODULE 1: Empowerment

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“Empowerment is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets,” (World Bank Group. Empowerment. 2011).

Collective and individual empowerment are fundamental to building healthy businesses and healthy communities. As such, they are core tenets of the fair trade system. One way that a standard can drive collective empowerment is through establishing groups that foster communication and collaboration on important issues such as health and safety, community investments, or working conditions. To that end, the Factory Production Standard requires the formation of a Fair Trade Committee, an Occupational Health and Safety Committee, and a Social Engagement Team (or equivalent worker committee). This module focuses on the Fair Trade Committee.

The Fair Trade Committee’s main responsibility is to manage the use of the Fair Trade Premium, which is one of the unique aspects of the fair trade model. The Fair Trade Premium is an extra sum paid to workers and producers above the cost of the Fair Trade Certified product. It is paid per volume of product sold on fair trade terms and varies by product, quality, and/or region of production. The amount of Fair Trade Premium to be paid per product can be found on our website: [www.FairTradeCertified.org](http://www.FairTradeCertified.org).

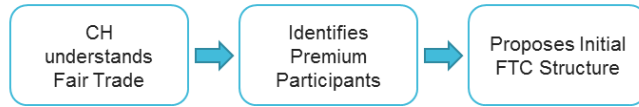
In fair trade, workers decide together how the Fair Trade Premium will be used to meet their individual and collective needs, as well as the needs of their communities and environment. They elect a Fair Trade Committee that is responsible for managing, investing, and spending the Fair Trade Premium on behalf of the workers and their communities, and tracking and informing them about Premium projects and Premium accounting. This module describes the requirements for identifying the needs of beneficiaries of the Premium, the joint decision-making process, and how the Fair Trade Premium may and may not be used.

### An Overview of Module 1

Module 1 consists of three sub-modules. The first two sub-modules describe the requirements for forming the Fair Trade Committee, conducting a Needs Assessment of the Premium Participants, and developing a Fair Trade Premium Plan for how Premium will be spent. These sub-modules are applicable to the factory and the Fair Trade Premium Participants. The diagram below outlines the steps in this process.

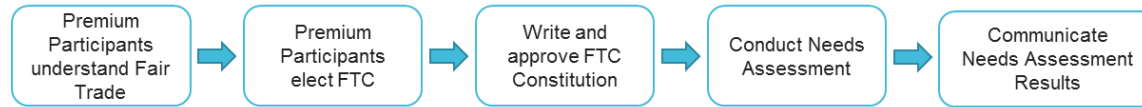


**Step 1:** The Certificate Holder identifies Fair Trade Premium Participants and proposes an initial Fair Trade Committee (FTC) structure



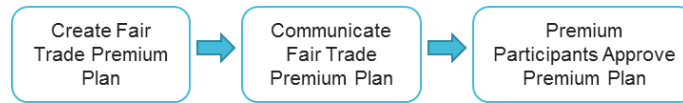
Before Year Zero (Initial) Audit

**Step 2:** The FTC is formally constituted and the first Needs Assessment is done



Before Fair Trade Premium is spent, or Year One at the latest

**Step 3:** The FTC develops a Fair Trade Premium Plan based on the Needs Assessment and gains approval on the Fair Trade Premium Plan from the Fair Trade Premium Participants



Before Fair Trade Premium is spent or by Year Three at the latest

**Step 4:** Spend Premium based on the projects in the Fair Trade Premium Plan

**Ongoing:** Update the Needs Assessment, Premium Plan, and FTC governance as needed

The third sub-module describes the requirements for ensuring that enabling conditions are present for the empowerment of workers, both individually and collectively.

All criteria in the first two sub-modules are Year criteria; some of them are applicable by Year Zero, but many are applicable in later years. The third sub-module is made up of Best Practice criteria.



**SUB-MODULE 1.1: Premium Participants are Represented in a Fair Trade Committee to Manage the Use of the Fair Trade Premium.**

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 1.1.1: The factory and Fair Trade Premium Participants understand the Fair Trade USA program.</b>			
1.1.1.a	The factory and management understand the intent, purpose, and requirements of the Fair Trade Committee, Needs Assessment, and Fair Trade Premium Plan.	Y0	<b>Clarification:</b> The individuals responsible for the implementation of Module 1, as identified in 7.1.1.a, must understand the intent, purpose, and requirements of the module.
1.1.1.b	The scope of the Premium Participants is clearly defined and understood by the factory, management, and workers. All workers in the scope of the Certificate must be included in the scope of Premium Participants.	Y0	<p><b>Clarification:</b> All workers performing regular work in the production chain at sites included in scope of the Certificate must be included as Premium Participants. There can be no discrimination in participation in the fair trade program based on any characteristics, including the length of employment or type of employment agreement.</p> <p>All workers must be informed about their inclusion as a Premium Participant in a manner appropriate to workers' language(s) and literacy.</p> <p>Any time a new site is added to the Certificate, the groups of people to be included as Premium Participants from that site must be determined and added to the scope of Premium Participants.</p>
1.1.1.c	Fair Trade Premium Participants have been trained on the functioning of the Fair Trade Committee, the intent of the Needs Assessment, and the development of the Fair Trade Premium Plan.	Before FTC is elected (1.1.2.c) or Y1 at the latest	<p><b>Clarification:</b> The intent of this criterion is to encourage understanding about fair trade within the entire factory. When all parties understand the mission and concept of fair trade and the intended outcome of the implementation of the Factory Production Standard, the benefits to the factory and workers tend to be greater.</p> <p>Training for all Premium Participants must occur before the Fair Trade Committee is elected and at least every three years thereafter.</p> <p><b>Recommendations:</b> Training on the fair trade program should be incorporated into onboarding materials for all new workers.</p> <p>The factory may group trainings of workers once a significant number of new individuals are added to the Fair Trade Premium Participants. <i>Significant number</i> is defined as a 10% increase in new Premium Participants since the previous year.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 1.1.2: Fair Trade Premium Participants are represented in a democratically elected Fair Trade Committee.</b>			
1.1.2.a	The factory has designed an initial structure and election procedure for the Fair Trade Committee that ensures the proportional representation of diverse groups within the Fair Trade Premium Participants on the Fair Trade Committee.	Y0	<p><b>Clarification:</b> The intent is that the composition of the Fair Trade Committee (FTC) reflects the composition of the group of Premium Participants, so that all Premium Participants feel represented on the FTC. <i>Diverse groups</i> shall be identified as appropriate to the composition of the Premium Participants (the workforce analysis required in 3.1.3.b and the Certificate Scope can help with this). Groups may include women, migrant workers, temporary workers, union members, etc.</p> <p>The role of the factory is to ensure proportional representation by designing an appropriate structure and election procedure, not to identify individuals to serve on the FTC. Workers must be able to understand who they can nominate as well as which work areas and groups need to be represented on the FTC.</p> <p>When more than one FTC is created per group of Premium Participants, each Premium Participant is represented in exactly one FTC. Premium must be equitably distributed among multiple FTCs. It is most straightforward to distribute Premium among different groups according to the number of Premium Participants in each group. It may be desirable to distribute according to other factors, such as time spent on Fair Trade Certified product. This distribution must be proposed by the factory and approved by the Premium Participants.</p> <p>Note that this criterion is applicable only for the initial certification. Once the process for election of the FTC has started, under 1.1.2.b, the Premium Participants will be responsible for modifying the proposed structure and governance of the FTC(s).</p> <p>Delegate systems may be used for electing the FTC if they offer equal representation of all Premium Participants. The intent of the delegate system is to represent all the Premium Participants' interests in a streamlined and implementable manner; for example, in very large factories where it is not possible for all workers to meet at once. Premium Participants must democratically elect their delegates themselves. Where delegate voting systems are used, the structure and election procedures are clearly defined and documented in the FTC Constitution.</p> <p>Delegate voting systems may also be used for FTC structure approval, General Assembly attendance and decision-making, Premium Plan approval, and Premium spending updates.</p>
1.1.2.b	The majority of Premium Participants have agreed on the proportionally representative structure of the Fair Trade	Before FTC is elected	<p><b>Clarification:</b> The Premium Participants may make changes to the original proposal by the factory presented in 1.1.2.a as long as the structure still follows the requirements in 1.1.2.a, including that it remains proportionally</p>





No.	Compliance Criteria	Timeline	Intent and Clarification
	Committee and election procedure, and understand how they are represented in the Fair Trade Committee.	(1.1.2.c) or Y1 at the latest	<p>representative. When there is a significant change in the composition of Premium Participants, then the Fair Trade Committee (FTC) structure should be proactively adjusted so that it continues to be proportionally representative.</p> <p>If there are multiple FTCs, the Premium Participants must also approve the distribution of Premium between groups.</p> <p>The approval from the majority of all Premium Participants and understanding may be attained at a General Assembly meeting where a majority of Premium Participants are in attendance. A description of how diverse groups were identified, considered in the FTC structure and election procedure, and are currently represented in the FTC shall be made available to all Premium Participants. This description must be included in the written Constitution required in 1.1.2.f.</p> <p>A representative structure means that historically underrepresented groups, such as but not limited to, women, temporary migrant workers, etc., are represented in the structure of the FTC.</p>
1.1.2.c	Premium Participants elect the members of the Fair Trade Committee through a democratic process with equal voting rights. The election process is documented.	After 1.1.2.b and before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> Only Premium Participants may be eligible for a position on the Fair Trade Committee (FTC). A democratic process with equal voting rights requires that each Premium Participant gets one vote, no matter what type of employment agreement they have, how long they have worked in the factory, etc. All Premium Participants have equal access to the voting process.</p> <p>If multiple FTCs are set up, the Premium Participants shall be divided into electoral groups so that they vote for the relevant FTC.</p> <p>Delegate voting systems are allowed if they offer equal representation to all Premium Participants.</p>
1.1.2.d	A Fair Trade Officer has been appointed by the factory as a non-voting observer to the Fair Trade Committee.	After 1.1.2.b and before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> The intent of this criterion is for the factory to provide technical support to the Fair Trade Committee (FTC) in developing the Fair Trade Premium Plan, the annual progress report, and in making democratic and transparent decisions. Through the appointing of a Fair Trade Officer, the factory is directly involved in the FTC meetings but shall not attempt to influence the decision-making of the FTC (see 1.1.2.e).</p> <p>The Fair Trade Officer shall not vote in FTC decisions but will block any Premium project that would result in a non-conformity with the Fair Trade Premium Expenditure Rules laid out in Annex A. Any such block must be documented in the meeting minutes of the FTC. The Fair Trade Officer must not vote to block Premium projects for any other reason than a violation of the Premium Expenditure Rules.</p> <p>Where there is more than one FTC, each FTC must have a Fair Trade Officer appointed by the factory. The same Fair Trade Officer may serve on multiple FTCs.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>The FTC may invite more than one observer from the factory (i.e., if the factory wishes to send more than one observer to the FTC meetings, this must be approved by the FTC). The FTC may also choose to invite additional observers to attend meetings of the FTC, such as other workers with distinct skills or areas of expertise, or representatives of local civil society organizations. Such additional observers would be non-voting but could participate in discussions or provide administrative support to the FTC or specific Premium projects, for example.</p> <p>The factory may nominate an independent third party, such as a consultant or representative from a local civil society organization, to serve as their observer as long as that individual has a verifiable agreement to act on behalf of the factory.</p> <p><b>Recommendations:</b> It is recommended that the individual responsible for supporting implementation of Module 1, as identified in 7.1.1.a, be the observer to the FTC.</p>
1.1.2.e	The factory does not interfere with the independent decision-making of the Fair Trade Committee. This commitment is declared in writing and shared with the Fair Trade Committee.	After 1.1.2.c and before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> This includes that the Fair Trade Officer, employers, or site managers who are not themselves Premium Participants do not interfere with the independent decision-making of the Fair Trade Committee (FTC). As long as decisions or activities of the FTC do not affect regular operations or compliance with the Factory Production Standard, the factory may not interfere.</p>
1.1.2.f	The Premium Participants have approved, and the Fair Trade Committee is following, a written Constitution defining the governance, roles, and responsibilities of the Fair Trade Committee.	After 1.1.2.c and before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> The Constitution shall, at a minimum, include:</p> <ul style="list-style-type: none"> <li>• The identification of the Premium Participants as the supreme decision-making body of the Fair Trade Committee (FTC);</li> <li>• The identification of the Premium Participants as the collective beneficiaries of Premium;</li> <li>• A commitment to manage and spend Premium earned in accordance with the Premium Expenditure Rules, and clearly track all Premium transactions in the accounting system (see 1.2.4.f);</li> <li>• The voting procedures for electing the FTC and approving the Fair Trade Premium Plan, including the frequency of elections, delegate systems, the definition of a quorum, and how minor vs. major changes in the Fair Trade Premium Plan are approved;</li> <li>• A process for Premium Participants to raise suggestions or comments on the Premium Plan;</li> <li>• Rules for ongoing project funding or distribution of the remaining Premium to Premium Participants in the event of dissolution of the FTC;</li> <li>• Rules for emergency spending, including decision making rules and any spending limitations;</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<ul style="list-style-type: none"> <li>Rules for discretionary spending and incidental expenses (unforeseen and minor costs necessary to support functioning of the FTC or Premium projects); and</li> <li>A description of how diverse groups within the Fair Trade Premium Participants are identified, considered in the FTC structure and election procedure, and how they are currently represented in the FTC (see 1.1.2.b).</li> </ul> <p>If there are multiple FTCs, each one shall have its own Constitution, which includes the rules for Premium distribution among FTCs.</p> <p>If there are multiple FTCs and a significant change in workforce composition or Certificate scope occurs, within one year the rules for Premium distribution must be re-assessed to ensure that they are still equitable and re-approved by a majority of Premium Participants. <i>Significant change</i> includes, but is not limited to, a greater than 10% increase in the number of workers (such as the addition of a new production line or new sites with new workers). This does not include turnover of individuals unless it results in a change in the composition or distribution of Premium Participants within and/or across the multiple FTCs.</p> <p><b>Recommendations:</b> The process for Premium Participants to raise suggestions on the Premium Plan may be implemented at the General Assembly.</p> <p>It is best practice to set term limits for FTC members to ensure participation by a diverse group of people.</p>
<b>Objective 1.1.3: The Fair Trade Committee meets regularly and communicates with Premium Participants.</b>			
1.1.3.a	The Fair Trade Committee establishes rules for General Assembly meetings.	Y1	<p><b>Clarification:</b> The rules include, at a minimum:</p> <ul style="list-style-type: none"> <li>Procedures to call the General Assembly meeting and determine quorum; and</li> <li>Procedures to inform Premium Participants in advance of when General Assembly meetings will take place. Methods to inform Premium Participants shall take into consideration the languages and literacy of the Premium Participants.</li> </ul>
1.1.3.b	The Premium Participants meet annually for a General Assembly to discuss and decide on Fair Trade Committee activities and governance.	Before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> All major decisions of the Fair Trade Committee (FTC) must be discussed and approved at a General Assembly meeting according to a free, fair, and transparent voting procedure.</p> <p>Delegate systems may be used in lieu of direct attendance if they offer adequate representation to all Premium Participants. The majority of Premium Participants shall participate in the General Assembly and vote on fair trade matters, either directly or through a delegate. Workers must be compensated for their time spent at the General Assembly.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>If the proposed structure of the FTC involves separating Premium Participants into groups each with its own FTC, each group may hold a separate General Assembly or choose to hold them jointly.</p> <p>If there is no balance in the Fair Trade Premium account and no funds were spent in the previous year, the annual General Assembly may be postponed or skipped.</p> <p><b>Recommendations:</b> Although delegate systems may be used, it is recommended that all Premium Participants join the initial General Assembly meeting in person.</p> <p>Even when there is no balance in the Fair Trade Premium account or no funds were recently spent, it is recommended to always hold the General Assembly as it is an important opportunity for sharing information, training on general fair trade matters, and planning for future Premium spending.</p>
1.1.3.c	Minutes are kept of the General Assembly meeting, and any decisions made are documented.	Y1	<p><b>Clarification:</b> The minutes must clearly record all decisions made and contain a list of all participants at General Assembly meetings. They must clearly record the meeting place, date, and time.</p> <p>The minutes shall be signed by the Fair Trade Committee leadership.</p> <p>The decisions must be posted in a public place accessible to and used by Premium Participants, for example, in the cafeteria or other common area.</p> <p><b>Recommendations:</b> Minutes may be hand-written.</p>
1.1.3.d	The Fair Trade Committee meets at least once per quarter.	Before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> If there is a minimal balance in the Fair Trade Premium account and no funds were spent in the previous year, this meeting frequency may be temporarily reduced. The Fair Trade Committee (FTC) may define what constitutes a <i>minimal</i> balance in their current Fair Trade Premium Plan. For example, if the FTC has already developed a Premium Plan but does not yet have enough Premium saved to begin any projects, it does not have to meet.</p> <p>When projects must be actively managed, it is likely that the FTC will need to meet more frequently than once per quarter, for instance once per month.</p> <p>The employer must allow any workers on the FTC to participate in all meetings and must make reasonable efforts to adjust work schedules to accommodate time needed for their participation.</p> <p>Committee members must be compensated for their time spent at FTC meetings.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p><b>Recommendations:</b> Even in cases where there is a minimal balance in the Fair Trade Premium account, it is recommended that the FTC continues to meet at least quarterly, where feasible, to encourage regular dialogue and collaboration among FTC members and the factory on Premium planning, training, and other fair trade matters.</p>
1.1.3.e	The Fair Trade Committee keeps and signs minutes of its meetings and shares them with Premium Participants.	Y1	<p><b>Clarification:</b> The minutes of the Fair Trade Committee meetings must clearly record the meeting place, date, and time as well as meeting participants and all decisions made.</p> <p>Methods for sharing meeting minutes with Premium Participants shall take into consideration the languages and literacy of the Premium Participants.</p> <p><b>Recommendations:</b> Sharing with Premium Participants may be done by posting in a public place accessible to and used by Premium Participants.</p>
1.1.3.f	The Fair Trade Committee communicates information on Fair Trade USA sales, Premium, and Premium expenditures to the Premium Participants at least annually.	Y1	<p><b>Clarification:</b> Methods for informing Premium Participants shall take into consideration the languages and literacy of the Premium Participants.</p> <p>This requires that the factory shares information about Fair Trade Certified sales and Premium income with the Fair Trade Committee (FTC).</p> <p><b>Recommendations:</b> To aid in planning, the factory and FTC should share the estimated Premium income for the following year based on Fair Trade Certified sales forecasts.</p>
<b>Objective 1.1.4: The Fair Trade Committee is trained and empowered to fulfill their duties regarding the use and management of the Fair Trade Premium.</b>			
1.1.4.a	Fair Trade Committee members understand the role and responsibilities of the Fair Trade Committee.	Before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> The intent of this criterion is that Fair Trade Committee (FTC) members have a clear understanding of what the FTC is, how it functions, and what its responsibilities are.</p> <p>The full Factory Production Standard must be made available to the members of the FTC.</p> <p><b>Recommendations:</b> This may be accomplished through a training done by the factory, which is repeated for any new FTC members.</p>
1.1.4.b	Fair Trade Committee members are trained in the administrative and organizational skills needed to fulfill their duties.	Y1	<p><b>Clarification:</b> The trainings may be done by the factory or a third party. If a third party is hired, then Fair Trade Premium may be used.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>The Fair Trade Committee (FTC) shall receive training at least once per year so that its members have the skills they need to manage the Premium. Trainings may vary in topic depending on the Premium projects and tenure of the FTC members.</p> <p>At a minimum, this includes training on the management of the Premium accounting system (see 1.2.4.f) once it is functioning. New FTC members must be trained on the accounting system shortly after they join.</p> <p><b>Recommendations:</b> Administrative and organizational capacity trainings should be adapted to the educational level, cultural context, and needs of the participants. Basic trainings could include budgeting and using basic math and record-keeping to track Premium earned and spent. More advanced training could be on advanced accounting, project management, meeting facilitation, consensus-building, communication technologies, conflict resolution, or other skills relevant to Premium management and project implementation.</p>
1.1.4.c	Fair Trade Committee members have been trained in how to conduct the Needs Assessment required in Objective 1.2.1.	Y3	<p><b>Clarification:</b> This training can be done by the factory or a third party. If a third party is hired, then Fair Trade Premium may be used to pay for the training. This training is necessary to prepare the Fair Trade Committee to take an active role in the management of the Needs Assessment process as required in 1.2.1.c.</p>
1.1.4.d	The factory provides resources necessary to hold Fair Trade Committee meetings, and the Fair Trade Committee has access to administration and communication tools.	Before Premium is spent, or Y1 at the latest	<p><b>Clarification:</b> This includes, but is not limited to, providing office or meeting space, appropriate work schedule adjustments to allow time to meet, compensation for participants' time, and supplies such as paper, pens, pencils, or computer resources where appropriate, etc.</p> <p>Communication tools which must be accessible to the Fair Trade Committee (FTC) include telephone and email.</p> <p><b>Recommendations:</b> It is recommended that the FTC has its own independent email account where infrastructure allows.</p> <p>The factory and the employer should allow workers on the FTC to carry out project-related tasks between meetings during working hours and consistently make time available for FTC activities, even during busy times of year.</p>



SUB-MODULE 1.2: Fair Trade Premium is Spent According to the Needs of the Workers and the Community.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 1.2.1: There is a written Needs Assessment which identifies the social, economic, and environmental development needs of the workers and their communities.</b>			
1.2.1.a	There is a written Needs Assessment identifying the social, economic, and environmental development needs of the Fair Trade Premium Participants, their families, and their communities. The results of the Needs Assessment are shared with the Fair Trade Committee.	Before Premium is spent, or by Y1 at the latest	<p><b>Clarification:</b> The factory is accountable for the Needs Assessment being completed. The intent of this requirement is that the needs of all Fair Trade Premium Participants, their families, and communities are well understood and can be effectively considered when prioritizing uses of the Fair Trade Premium.</p> <p>The first Needs Assessment must be financed or undertaken directly by the factory.</p> <p>The Needs Assessment may be carried out in a variety of ways, including surveys, interviews, or meetings with Premium Participants and relevant external stakeholders. The Needs Assessment must include a diverse and representative sample of Premium Participants, such that the composition of the sample of Premium Participants that provide input for the Needs Assessment closely matches the composition of the population of Premium Participants as a whole (see 1.1.2.a for further considerations regarding diverse groups).</p> <p>The Needs Assessment shall include an evaluation of the following areas at minimum:</p> <ul style="list-style-type: none"> <li>• Access to education and childcare;</li> <li>• Food security;</li> <li>• Health services (for example, access to or affordability of health care);</li> <li>• Housing; and</li> <li>• Health and sanitation (for example, drinking water access and quality; latrines; or community health concerns such as high levels of HIV infection, diabetes, infant mortality, maternal mortality, etc.).</li> </ul> <p>The results of the Needs Assessment must be analyzed in a disaggregated manner, focusing on gender and workforce demographics. A summary of the Needs Assessment results shall be made available to Premium Participants.</p> <p><b>Recommendations:</b> Additional recommended themes include:</p> <ul style="list-style-type: none"> <li>• Security;</li> <li>• Community infrastructure (e.g., roads, bridges, or community buildings);</li> <li>• Community services (e.g., access to trainings or other support for livelihoods improvements);</li> <li>• Community environmental health;</li> <li>• Financial stability; and</li> </ul>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<ul style="list-style-type: none"> <li>• Provision of trainings.</li> </ul> <p>For migrant workers, the Needs Assessment may consider needs at both country of employment and origin, where relevant.</p> <p>It is best practice, but not required, for the Fair Trade Committee (FTC) to be involved in planning and undertaking the Needs Assessment in the first year. Note that in 1.2.1.c, by Year 6 the FTC will need to take an active role in updating the Needs Assessment.</p>
1.2.1.b	The Needs Assessment is updated by the third year of certification and at least every three years after that point, and/or when there is a significant change in Premium Participants.	As soon as a significant number of new Premium Participants are added, or by Y3 at the latest	<p><b>Clarification:</b> The intent of this requirement is to ensure the Needs Assessment remains relevant and continues to represent the needs of all Premium Participants, even when there is a significant change.</p> <p>Where there has been significant change in Premium Participants, only a partial update to the Needs Assessment may be necessary. <i>Significant change</i> is defined as a more than 10% increase in Premium Participants since the previous Needs Assessment, including an expansion in workforce and/or operations (such as the addition of a new production line or new sites). Significant change may also include the turnover of individuals that results in a change in the workforce structure or distribution of Premium Participants, such that demographic distributions change by 5% or more (i.e., there may be greater than 10% turnover in individual workers, but if this does not result in significant demographic shifts within the workforce, the Needs Assessment does not need to be updated).</p> <p>Note that where there is significant change related to new Premium Participants or an expansion in workforce and/or operations, only sampling from the new group needs to be done to update the Needs Assessment. It is not necessary to re-do the entire assessment.</p> <p>If a significant change in Premium Participants does not occur, this criterion is not applicable until Year 3. If a partial update to the Needs Assessment has been done, a full update must still be completed every three years.</p> <p>Updates to the Needs Assessment may be financed by Fair Trade Premium if they are undertaken by the Fair Trade Committee (FTC) or by a third party managed by the FTC.</p> <p><b>Recommendations:</b> It is best practice to conduct an annual review of the Needs Assessment, at which time the Needs Assessment may be updated to reflect any social, economic, or environmental changes that may impact the workforce. For example, occurrences of natural disasters, significant economic downturns, political upheaval, and other forms of force majeure.</p>





No.	Compliance Criteria	Timeline	Intent and Clarification
1.2.1.c	The Fair Trade Committee takes an active role in updating the Needs Assessment.	Y6	<b>Recommendations:</b> An <i>active role</i> may mean that the Fair Trade Committee leads the assessment or manages a specialist to conduct the assessment.
<b>Objective 1.2.2: There is a Fair Trade Premium Plan, which explains how the Fair Trade Premium will be spent based on the Needs Assessment. This plan is approved by the Premium Participants.</b>			
1.2.2.a	The Fair Trade Committee, in consultation with the Premium Participants, has developed a Fair Trade Premium Plan which describes how Fair Trade Premium will be used.	Before Premium is spent, or by Y3 at the latest	<p><b>Clarification:</b> At minimum, the Fair Trade Premium Plan includes a list of recommended projects and investments based on the needs identified in the Needs Assessment and Premium income projections. The Plan must also include a list of any other expenses for which Premium will be used (e.g., Premium management expenses, training costs, etc.). See 1.2.2.c and Annex A for details on allowed expenditures of Premium.</p> <p>The Premium Plan may include larger investment projects which require saving Premium throughout multiple years. These savings may be considered an activity of a project, or the project itself, and must be reflected in the Premium Plan.</p> <p>For each project, the Premium Plan shall list and detail project objectives, outcomes, respective timeline, budget, and required actions, as well as individuals' roles and responsibilities in the project. Individuals outside the Fair Trade Committee (FTC) may be assigned roles to support project implementation (i.e., other workers with necessary skills or connections, or representatives from local civil society organizations). Objectives and outcomes of the required actions must be measurable, and measurement criteria shall be defined.</p> <p>The FTC must consult with other Premium Participants to generate project ideas.</p> <p>If there is more than one FTC, each FTC must develop its own Fair Trade Premium Plan.</p>
1.2.2.b	All individuals included in the scope of the Needs Assessment have access to and can benefit from at least one Premium project.	Y6	<p><b>Clarification:</b> This means considering the needs of distinct groups included in the scope of the Needs Assessment and ensuring all individuals can access the benefits of at least one Premium project.</p> <p><b>Recommendations:</b> It is best practice to carry out customized projects for distinct groups according to their unique needs.</p> <p>For example, Premium projects focused on benefiting migrants while they are at the workplace should aim to have an immediate short-term impact since the population may vary from year to year. Alternatively, a project can focus on meeting the needs of migrants' home communities.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
1.2.2.c	The Fair Trade Premium Plan is in accordance with the Fair Trade Premium Expenditure Rules and the results of the Needs Assessment.	Before Premium is spent, or by Y3 at the latest	<p><b>Clarification:</b> This criterion becomes applicable as soon as the first Premium Plan is developed.</p> <p>In all cases, Premium expenditures must be linked to a need identified in the Needs Assessment and be approved by the Premium Participants, unless approved for emergency and discretionary spending as outlined in the Fair Trade Committee Constitution. The intent of Premium expenditure is that it improves the livelihoods of Premium Participants, as guided by the results of the Needs Assessment.</p> <p>The complete Premium Expenditure Rules are outlined in Annex A.</p>
1.2.2.d	The majority of the Premium Participants have approved the Fair Trade Premium Plan.	Before Premium is spent, or by Y3 at the latest	<p><b>Clarification:</b> Approval from the majority of all Premium Participants shall be attained at a General Assembly of Premium Participants, where either the majority of Premium Participants attends directly or where the majority of Premium Participants are represented through their elected delegates.</p> <p>The Premium Participants must understand how the proposed Premium Plan addresses the needs identified in the Needs Assessment.</p>
1.2.2.e	An evaluation of the outcomes and implementation of the previous Fair Trade Premium Plan is conducted. The results of this evaluation are shared with the Premium Participants.	One year after the first Fair Trade Premium Plan is developed, or by Y4 at the latest	<p><b>Clarification:</b> The intent of this criterion is to promote a process by which the Fair Trade Committee continuously reflects on and improves the effectiveness of the planning tactics and methods they use to guide and carry out Premium spending. It is also to inform Premium Participants when a Fair Trade Premium Plan was not carried out as originally intended or was not successful in reaching its objectives, including addressing the needs identified in the Needs Assessment.</p> <p>The evaluation shall report on:</p> <ul style="list-style-type: none"> <li>• The status of each action proposed in the Fair Trade Premium Plan, and, if not carried out, an explanation of why not;</li> <li>• When the actions were carried out;</li> <li>• At what cost;</li> <li>• Whether the objective was achieved or if further action is needed;</li> <li>• If the objective was not achieved, an evaluation of the cause; and</li> <li>• Whether the needs addressed by Premium Projects (as linked to those identified in the Needs Assessment) still reflect the needs of the workforce.</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
			The results of this evaluation must be shared with Premium Participants prior to approving the next Premium Plan (1.2.2.f). This may be done at the General Assembly or through written information made available to all workers.
1.2.2.f	The Fair Trade Premium Plan is updated by the Fair Trade Committee and approved by the Premium Participants on an annual basis. This update takes into account results from the previous Premium Plan’s outcomes and implementation evaluation required in 1.2.2.e, and any updates to the Needs Assessment as required in 1.2.1.b.	One year after the first Fair Trade Premium Plan is developed, or by Y4 at the latest	<p><b>Clarification:</b> To spend Fair Trade Premium, the Fair Trade Premium Plan must be updated annually. The intent is that Premium is not spent according to a Fair Trade Premium Plan that is more than one year old. The first update required depends on the year of certification when the first Fair Trade Premium Plan was developed.</p> <p>Methods for sharing with Premium Participants shall take into consideration languages and literacy of the Premium Participants.</p>
<b>Objective 1.2.3: The Fair Trade Premium is used according to the Fair Trade Premium Plan and Fair Trade Committee Constitution.</b>			
1.2.3.a	Premium is spent only on projects included in the approved Premium Plan or emergency/discretionary expenses approved in the Fair Trade Committee Constitution.	As soon as Premium is spent	<p><b>Clarification:</b> This criterion becomes applicable as soon as Premium is spent.</p> <p>There shall be no evidence of misuse in the management of the Premium.</p> <p>Emergency and discretionary expenditures not included in the Fair Trade Premium Plan may be made as long as they are in accordance with the Fair Trade Committee Constitution.</p>
1.2.3.b	The Fair Trade Committee is responsible for managing Premium spending and implementation of Fair Trade Premium projects.	As soon as Premium is spent	<p><b>Clarification:</b> The Fair Trade Committee (FTC) shall manage implementation of projects in the Fair Trade Premium Plan. Once the Premium Plan is approved by the Premium Participants, the FTC may make decisions within the approved projects without having to return to the Premium Participants.</p> <p>Where necessary, the FTC shall attempt to make decisions by consensus. Emergency, discretionary, and incidental expenditures can be made by the FTC in accordance with the rules outlined in the FTC Constitution.</p> <p>The Fair Trade Officer may provide support to the FTC in project management and implementation but should, over time, attempt to transfer as much of this responsibility as possible to the FTC members.</p> <p>The FTC may recruit additional individuals from the Premium Participants to support implementation of projects. This allows for broader worker empowerment through direct participation in project implementation and can help increase the capacity of the FTC where time or skillsets are a limitation.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 1.2.4: Structures and safeguards are in place to ensure Premium is spent appropriately.</b>			
1.2.4.a	Premium use and accounting are transparent with Premium Participants.	As soon as Premium is received	<p><b>Clarification:</b> This is a shared responsibility between the factory and the Fair Trade Committee (FTC), once elected. Premium Participants must be aware of Premium earned and able to identify which projects were implemented using the Fair Trade Premium.</p> <p>Premium Participants shall receive information about Premium use and accounting directly, via posting in a public place, or via delegates at the General Assembly. Additionally, FTC records, accounts, and documentation must be made available to Premium Participants upon request. Once the formal accounting system in 1.2.4.f is in place, information recorded in the system shall be regularly shared with Premium Participants.</p> <p>Methods for informing Premium Participants shall take into consideration the languages and literacy of the Premium Participants.</p>
1.2.4.b	Each Fair Trade Committee has a bank account to hold Premium funds that has at least one signatory from the factory and at least one signatory from the Fair Trade Committee.	Before Premium is spent or by Y1 at the latest	<p><b>Clarification:</b> Signatures from both a representative from the factory and a representative from the Fair Trade Committee (FTC) must be required to withdraw Premium funds. The FTC and factory must acknowledge and document that the Premium Participants are the true owners of the Premium funds.</p> <p>Where the FTC has established a legal entity (1.2.4.c), the bank account shall be owned by the legal entity.</p> <p>By Year 1, the bank account must either be open, or it must be demonstrated that steps have been taken to start the process and make progress to open the account. For example, relevant paperwork has been submitted and the process of opening the bank account is actively underway, or the FTC has evaluated the options, chosen the bank and type of account they will open once Premium is transferred, and have agreed upon which individuals will be joint account signatories.</p> <p>Allowances may be made if the FTC is unable to open its own bank account. In such cases, the FTC must appoint a Trustee to open a bank account on behalf of the FTC. The Trustee shall be a joint signatory on the account, and the Trustee must have a signed agreement with the FTC to spend Premium according to the Premium Plan and approval process. The signed agreement must indicate that the true owners of the Fair Trade Premium are the Premium Participants. The Trustee could be, for instance, the factory, an NGO, a bank, or a credit union. A Trustee may not be a third party who is part of the labor supply chain, such as a labor contractor or recruiter. Any third parties involved in managing or distributing Premium funds must comply with the Trustee requirements above, as well as support compliance with 1.2.4.f with regards to the accounting system.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>Where there are strict restrictions limiting the ability of the bank account to have joint signatories from both the factory and the Premium Participants, there must instead be a joint approval process for withdrawal from this account with at least one signatory from the factory and at least one signatory from the FTC. In these circumstances, this joint approval process must be an integral part of the accounting system defined in 1.2.4.f and must be documented in the FTC Constitution (1.1.2.f).</p> <p>Note that if the FTC bank account is unable to send or receive funds from abroad, Premium payments may be received by the factory and then conveyed to the FTC bank account (see 6.2.3.a).</p>
1.2.4.c	Each Fair Trade Committee establishes a legal entity to represent the Premium Participants before fixed communal assets are acquired with Premium or when more than USD 150,000 is received by a Fair Trade Committee in one year.	As soon as Premium is received	<p><b>Clarification:</b> Forming a separate legal entity is a safeguard against corruption and ensures that the fixed communal assets owned by the Premium Participants, including the Premium, are protected even if the Certificate Holder becomes decertified.</p> <p>1.2.4.d below contains requirements for the legal entity and its structure. The legal entity must be managed by the Fair Trade Committee (FTC) and shall represent all Premium Participants as the true owners of the Fair Trade Premium and joint owners of any fixed communal assets (including on-site investments which remain the property of the factory) acquired with the Fair Trade Premium, even if not all Premium Participants are formal members.</p> <p>Once the Certificate Holder knows they will reach the USD 150,000 threshold of Premium received (including by signing purchase agreement with fair trade buyers), within one calendar year the legal entity must either be established, or it must be demonstrated that steps have been taken to start the process and make progress to establish the legal entity. For example, relevant paperwork has been submitted and the process of establishing the legal entity is actively underway, and efforts continue to move the process forward.</p> <p><b>Recommendations:</b> Once a legal entity is established, if Premium payments by the Premium Payer are not being paid directly to the FTC bank account it is recommended that payment arrangements be changed to do so. Premium payments directly to the bank account of an established legal entity can often avoid many tax deductions.</p>
1.2.4.d	Where there is an established legal entity to represent the Premium Participants, the structure of the legal entity clearly safeguards the Premium Participants as the primary beneficiaries of Premium and as the ultimate decision-makers.	As soon as Premium is received	<p><b>Clarification:</b> This criterion is applicable whenever there is a legal entity established, regardless of whether the conditions in 1.2.4.c are met.</p> <p>The policy document <a href="#">Requirements for Legal Entities</a> defines legal entity structures that are allowed and, depending on the conditions under which the legal entity is established, outlines the expectations of the legal entity as it pertains to the Fair Trade Committee (FTC) Constitution (1.1.2.f), the rules for General Assembly (1.1.3.a), and the FTC bank account (1.2.4.b). Requirements in this policy must be followed.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
1.2.4.e	A third-party audit of Fair Trade Committee bank account(s) and Premium funds is undertaken by a professional financial auditor for any Fair Trade Committee that receives or spends more than USD 75,000 in one year.	Y1	<p><b>Clarification:</b> The focus of the third-party audit of Fair Trade Committee (FTC) bank account(s) and Premium funds shall be on ensuring that the correct amount of Premium is being dispersed and transferred to the FTC bank account, spending is being recorded accurately, and expenditures follow the Fair Trade Premium Plan. Premium may be used to cover the costs of the financial audit of the FTC bank account. If the audit is part of a broader financial audit, the Premium must not be used to cover the entire cost of the audit, only an incremental part of the cost.</p> <p>This audit is done by a third-party financial auditor and is separate from the Fair Trade USA Factory Production Standard audit.</p> <p>Where there are multiple FTCs, only those that exceed USD 75,000 must undergo the financial audit.</p>
1.2.4.f	The Fair Trade Committee(s) and the factory develop an accounting system that accurately tracks Premium earned and Premium expenses incurred in a transparent manner, and facilitates budgeting of the Fair Trade Premium Plan.	After FTC is elected and before Premium is spent or by Y1 at the latest	<p><b>Clarification:</b> The intent is that the Fair Trade Premium can be tracked and that the Fair Trade Committee (FTC) has visibility into all transactions in the FTC bank account, including all deposits of Premium and all outgoing expenditures of Premium. This supports in validating that all withdrawals from the FTC bank account have been jointly approved by the FTC and factory (1.2.4.b). The FTC and factory must work together to develop the accounting system and must mutually agree on how it will function.</p> <p>The factory and the FTC must be able to demonstrate that Premium is used in line with applicable rules. The factory may contract a third party to help establish the accounting system as long as the third party is vetted by the FTC and has appropriate experience.</p>
1.2.4.g	The Fair Trade Committee takes an active role in managing the accounting system.	Y6	<p><b>Clarification:</b> Once the accounting system is in place (see 1.2.4.f), the Fair Trade Committee (FTC) must have full access to it and must always have full transparency into deposits, expenses, budget, and expenditure of the Premium. By Year 6, the FTC must also take an active role in maintaining the accounting system, in line with requirements laid out in 1.2.4.f.</p>



## SUB-MODULE 1.3: Workers are Empowered to Improve their Lives.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 1.3.1: Workers have the information they need to improve their livelihoods through improved skills and financial literacy.</b>			
1.3.1.a	Workers are offered trainings or support services to continue to improve their understanding of financial literacy and improve household livelihoods.	BP	<p><b>Clarification:</b> The intent of this criterion is that all workers are offered a training or have access to a support program, with the goal of raising or broadening skills to support personal financial literacy and household livelihoods. The factory shall strive to make these trainings or support programs accessible and accommodating to Premium Participants' needs and schedules, so that they are useful to attendees and easy to take part in.</p> <p>A training on financial literacy must be provided, and should be adapted to the educational level, cultural context, and needs of the participants. <i>Financial literacy</i> means having the knowledge, skills, and confidence necessary to manage one's personal finances well. It helps workers manage resources, and set and chart progress towards goals, enabling them to make proactive instead of reactive decisions about their life and spending.</p> <p>Ongoing compliance with this criterion requires that trainings be offered at least once every three years.</p> <p><b>Recommendations:</b> Basic training on financial literacy could include understanding and using basic math and record-keeping to track income, spending, and personal savings. Additional topics could include guidance on financial planning and budgeting as well as raising awareness of formal financial services.</p> <p>Support services could include improving accessibility to formal financial services.</p> <p>Trainings may be conducted by the factory or a third party. If a third party is hired to do a training, then Fair Trade Premium may be used if approved by the Premium Participants. It is also best practice to include household and family members in financial literacy trainings.</p>
1.3.1.b	Workers are offered professional skill development training and career pathways.	BP	<p><b>Clarification:</b> The intent of relevant skills development is to support workers' professional advancement within the workplace or beyond. Relevant skills can vary depending on the socio-economic context, type of production the factory is engaged in, and geographic location of the Premium Participants. A relevant skill may be related to language and writing, production line management, or more technical production activities.</p> <p>Ongoing compliance with this criterion requires that trainings be offered annually.</p> <p><b>Recommendations:</b> Workers should be consulted to understand their interests in and needs for skill development.</p> <p>Trainings can be conducted by the factory or a third party. If a third party is hired to do a training, then Fair Trade Premium may be used if approved by the Premium Participants.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
1.3.1.c	Management implements a policy to ensure that historically underrepresented groups, including women, have access to tailored training and capacity building programs.	BP	<b>Recommendations:</b> The content of these trainings and programs should be designed to help workers access job promotion opportunities and other benefits such as quality or performance bonuses.





## MODULE 2: Fundamental Rights at Work

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The requirements in Module 2 outline the fundamental rights that form the basis for ensuring the wellbeing of workers and managing human rights risks faced by companies and buyers in their supply chains. Although many of the fundamental rights highlighted in this module are separately addressed through national and local regulations, their inclusion here underscores the universality of these inalienable rights and offer risk reduction strategies through additional verification. Safeguarding these rights facilitates individual and collective empowerment by establishing the ability to act on choices, promoting a healthy worker-management relationship including the ability to negotiate, and ensuring the opportunity for future generations to appropriately contribute to their family's livelihood. Other sections of the Factory Production Standard (FPS) build on these fundamental rights to further empower workers to improve working conditions and invest in their individual, group, and community livelihoods.

The requirements in this module are informed by the principles and rights outlined in the following ILO Core Conventions:

- Forced Labour Convention, 1930 (No. 29) and the Abolition of Forced Labour Convention, 1957 (No. 105), related to prohibition of forced or bonded labor;
- Minimum Age Convention, 1973 (No. 138), related to ensuring that children below a minimum age are not employed;
- Worst Forms of Child Labor Convention, 1999 (No. 182), related to protecting children from hazardous work and exploitation;
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); and
- Equal Remuneration Convention, 1951 (No. 100) and Discrimination in Respect of Employment and Occupation, 1958 (No. 111).

Further activities to support and enforce these requirements are outlined in Module 7 as part of the Internal Management System. These include carrying out a risk assessment, written policies and procedures, training of management, supervisors, and workers on these rights, grievance reporting mechanisms, and requirements for remediation when violations are found.

The criteria in this module are applicable to all workers, regardless of whether they are temporary or permanent, or are hired directly or indirectly via a labor contractor, unless otherwise specified in the criterion. The term *employer* is used to refer to any entity that controls and directs workers under an express or implied contract and is responsible for paying those workers' wages. This includes labor contractors.



SUB-MODULE 2.1: There Is No Forced, Bonded, or Compulsory Labor.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 2.1.1: All workers provide work or services under no threat of penalty and are not hired under bond, debt, or other obligation.</b>			
2.1.1.a	All workers provide work or services voluntarily. This includes that there is no kind of forced labor, bonded labor, human trafficking, contract substitution, indentured labor, slave labor, prison labor, deception in recruitment and hiring, fraudulent visa practices, or any restrictions on freedom of movement.	Y0	<p><b>Clarification:</b> Per ILO Convention 29 and 105, forced or compulsory labor means all work or service that is exacted from any person under the menace of any penalty and for which the said person has not offered him or herself voluntarily.</p> <p>The intent of this requirement is to ensure that employers are taking necessary steps to control the risk of forced labor, and that no forced labor is happening. The intent of this criterion includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• There is no coercion in recruitment and hiring;</li> <li>• Individuals are not isolated, threatened and/or physically harmed;</li> <li>• Individuals are not subjected to any form of mental or physical coercion to force them to remain employed;</li> <li>• Individuals are free to leave the employer;</li> <li>• The employer does not retain salary, benefits, property, original documents, or control individuals' bank accounts as a means to force individuals to remain;</li> <li>• The employer does not make false promises about terms and types of work;</li> <li>• The manager and employer do not threaten to denounce individuals or their families to the authorities, unless legally justifiable;</li> <li>• If individuals have taken out loans from the employer, these loans are subject to reasonable terms which means the interest rate and conditions attached to the offer are agreed upon in advance. Interest rates charged are not higher than the cost of borrowing (including administrative costs). Individuals are allowed to pay loans back via means other than work if they so wish. Familial inheritance of any debt accrued by a worker is limited to that which is allowable by law;</li> <li>• Individuals are not required to store original identity papers or important travel documents with the employer as a condition of employment;</li> <li>• Individuals are not recruited into armed conflict, sex work, prostitution, pornography, and/or illicit activities such as the production and trafficking of drugs;</li> <li>• Individuals' employment (including initial hiring) is not conditional on the employment of his or her family member(s). Family members are not required to work; and</li> <li>• The employer does not require individuals to pay deposits or bonds in order to force workers to remain.</li> </ul>



No.	Compliance Criteria	Timeline	Intent and Clarification
2.1.1.b	There are no restrictions on a worker's freedom of movement from the workplace or employer-provided housing beyond what is reasonable given legitimate concerns for personal safety and consideration for the security of other workers.	Y0	<p><b>Clarification:</b> Restriction of movement is considered an element of forced, bonded, or compulsory labor. Workers must be able to leave the workplace premises after completing their workday and must be able to move freely from employer-provided housing (see 3.5.3.e).</p> <p>This also includes that:</p> <ul style="list-style-type: none"> <li>• Exits may only be locked for security reasons, and means must be in place to allow workers free egress at all times;</li> <li>• Workers have free choice in housing and transportation where options are available;</li> <li>• Workers are provided with unrestricted access to toilet facilities and drinking water; and</li> <li>• Any individual worker cannot be under any form of constant surveillance (i.e., tracking of an individual's movements within the premises at all times).</li> </ul>
2.1.1.c	Workers are free to terminate their employment after reasonable notice.	Y0	<p><b>Clarification:</b> Employers may require a minimum number of days advanced notice for either party to terminate employment. Such timelines must be compliant with the law and any applicable Collective Bargaining Agreements and clearly stated in employment agreements. All wages earned must be paid to workers regardless.</p>

## SUB-MODULE 2.2: Children and Young Workers are Protected.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 2.2.1: Factories and employers do not support or engage in the use of child labor.</b>			
2.2.1.a	<p>The minimum age for direct or indirect employment is the highest of:</p> <ul style="list-style-type: none"> <li>• The legal working age;</li> <li>• The legal age of completion of compulsory schooling; or,</li> <li>• Age 15.</li> </ul> <p>The employer verifies workers' ages before hiring.</p>	Y0	<p><b>Clarification:</b> <i>Employed</i> is defined as working for payment of any kind. This includes self-employment. This criterion also prohibits children from being brought to workplace areas.</p> <p>Individuals under the age for compulsory schooling may participate in non-hazardous, light, part-time work outside of school hours or as part of an educational or training program or apprenticeship so long as it is permitted by law. Such individuals are considered <i>young workers</i>.</p> <p>This criterion is based on principles and rights outlined in ILO Convention 138, Article 2, and is intended to ensure that work does not interfere with children's development, schooling, or their ability to benefit from it, and that it is not harmful to their physical and mental development. The intent includes that all forms of child labor are prohibited, including the worst forms of child labor as defined in ILO Convention 182 (see also 2.1.1.a on forced and bonded labor). Note that this criterion is applicable to the hiring and employment of young workers.</p>
<b>Objective 2.2.2: Young workers are protected.</b>			
2.2.2.a	Young workers are employed in strict accordance with the law.	Y0	<p><b>Clarification:</b> This includes applicable laws on working hours, wages, physical exams, registration, type of work, etc.</p>
2.2.2.b	Young workers do not carry out work that, by its nature or the circumstances under which it is carried out, is likely to jeopardize their health, safety, morals, education, or emotional and/or physical development.	Y0	<p><b>Clarification:</b> Young workers are those individuals under the age of 18, or below the age of legal adulthood as defined by national law, if higher.</p> <p>Work restrictions for young workers to fulfill these requirements include but are not limited to: young workers do not handle chemicals, work at night, work at dangerous heights, work with dangerous equipment, and do not work more than 40 hours per week. The physical demands of the job, such as carrying heavy loads, must be appropriate for the young worker's physical development. All employment conditions and protective restrictions for young workers must be compliant with local law.</p> <p>Young workers shall be provided a work schedule that does not interfere with schooling.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<b>Recommendation:</b> Young workers' written employment contracts should clearly state that their work assignments only include those that adhere to international standards and local laws on restrictions of work.
2.2.2.c	Records are kept of young workers to verify compliance with minimum age requirements at hire and employment conditions.	Y1	<b>Clarification:</b> Records must include any legally required government permits or parental or legal guardian permission for young workers to be employed.

### SUB-MODULE 2.3: There is No Discrimination or Abuse.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 2.3.1: There is no discrimination against workers.</b>			
2.3.1.a	Workers are not subject to discrimination in recruitment, promotion, access to training, remuneration, allocation of work, termination of employment, retirement, or other activities.	Y0	<p><b>Clarification:</b> This criterion is applicable for employed individuals. The intent of this criterion is to prohibit discrimination in employment and occupation, as outlined in ILO Convention 111.</p> <p>Discrimination is defined as distinction, exclusion, or preference on the basis of race, ethnicity, color, gender, sexual orientation, disability, marital status, family obligations, age, religion, political opinion, pregnancy, health status, membership status in a trade union or other workers' organization, national extraction, or social origin.</p> <p>Workers may not be tested for any disease or illness, such as HIV/AIDS, that does not have an immediate effect on a person's fitness and is not contagious.</p> <p>During recruitment, no questions regarding these protected categories can be asked or included in the job description, other than as necessary for legal purposes.</p> <p>Literacy/numeracy testing is only allowed in cases where these skills are required for the specific position and may not be used to discriminate against certain groups of workers.</p> <p>This criterion also includes that there is no discrimination in allocation of benefits, for utilizing the benefits provided, or in amounts charged for benefits, including housing.</p> <p><b>Recommendations:</b> Compliance can be demonstrated, for example, by women having a similar promotion rate as men or similar employment rates of women in all departments in the organization (e.g., not limited to</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			relatively lower wage positions), and/or women having similar pay rates as men (see 2.3.1.b).
2.3.1.b	All workers receive equivalent wages for work of equal value.	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure there is no wage discrimination based on gender, as outlined in ILO Convention 100, or employment status of the worker (i.e., temporary, migrant, permanent, employed through a labor contractor, etc.).</p> <p>Wages include overtime pay and other in-kind compensation.</p> <p>Pay differentials are permitted when they are based on seniority, merit, quantity, or quality of production. Differences must be demonstrated, such as through a Performance Management System (see 3.1.2.f)</p> <p>In remediating a pay differential (see 3.4.2.b), no worker's pay shall be reduced. Instead, the pay of the lower paid worker must be increased.</p>
2.3.1.c	No female applicants are required to take a pregnancy or virginity test or asked about their pregnancy or virginity status when applying for a job or while employed. No workers are forced to take contraception.	Y0	<p><b>Clarification:</b> There must be no direct or indirect pressures on workers to use contraception.</p>
2.3.1.d	Management does not interfere with workers' rights to observe tenets or practices, or to meet needs relating to race, national or social origin, religion, disability, language, gender, sexual orientation, family responsibilities, political opinions, or any other condition that could give rise to discrimination. Reasonable accommodation is made for these practices and needs.	Y1	<p><b>Clarification:</b> For example, in cases where uniforms or other specific clothing is required, reasonable accommodations shall be made for religious practice and disability.</p>
<b>Objective 2.3.2: Workers are not subject to corporal punishment, mental or physical coercion, verbal abuse, or any other form of harassment.</b>			
2.3.2.a	Factories, employers, factory personnel, and Premium Participants do not engage in, support, or tolerate the use of corporal punishment, mental or physical coercion, verbal abuse, or any other form of harassment including sexual harassment.	Y0	<p><b>Clarification:</b> This applies in the workplace as well as in all housing and property provided by the factory, regardless of whether the factory owns, leases, or contracts the housing or property from a service provider. These rules apply to all factory management and personnel, including contractors hired to provide services such as security guards.</p> <p>All security practices shall be gender appropriate and nonintrusive, such that they protect the dignity of</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>workers (see 3.5.3.d-e).</p> <p>Sexual harassment includes all unwelcome physical, verbal, or non-verbal conduct of a sexual nature.</p> <p>See Objective 3.1.2 for more on disciplinary procedures.</p> <p><b>Recommendations:</b> It is best practice for any incidents of harassment or abuse to be recorded and for a monitoring system to be in place. This may be part of the grievance mechanism described in Objective 7.5.1 - 7.5.3.</p>
2.3.2.b	The role and responsibilities of security guards are appropriate. Security guards may not be used to enforce workplace discipline.	Y0	<p><b>Clarification:</b> Security guards are responsible for workplace security only, and their role and activities must be in line with legal requirements. Under no circumstance can they be used to intimidate workers or unreasonably restrict workers' freedom of movement.</p> <p>See 3.5.3.d for more.</p>



## SUB-MODULE 2.4: Freedom of Association and the Right to Collective Bargaining are Respected.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 2.4.1: All workers are allowed to establish or join an independent worker organization of their own choosing, which is free from interference of the employer, and have the right to collective bargaining.</b>			
2.4.1.a	The employer does not interfere with the rights of freedom of association and collective bargaining.	Y0	<p><b>Clarification:</b> The intent of this criterion includes that:</p> <ul style="list-style-type: none"> <li>• Employers do not discourage or interfere with workers attempting to form or join a union;</li> <li>• Representatives of worker organizations have free access to workers, within reasonable limits (e.g., scheduling visits to a worksite);</li> <li>• Workers have the right to choose their representatives to take part in any negotiations without external interference;</li> <li>• Worker organizations have the right to affiliate with national and international worker organizations;</li> <li>• The employer does not obstruct workers' rights to collectively negotiate wages and working conditions;</li> <li>• Management representatives or their allies do not interfere with or attempt to control activities, meetings, assemblies, or demonstrations of workers, including strikes or walkouts;</li> <li>• Management does not favor one worker organization over another; and</li> <li>• The existence of other worker elected Committees or teams is not used to undermine the right to freedom of association or the position of worker organizations.</li> </ul> <p>This criterion covers any type or form of trade union, worker committee, or worker organization.</p>
2.4.1.b	The employer allows workers to hold meetings and organize themselves during working time without interference, within reasonable limits.	Y0	<p><b>Clarification:</b> The time and place for these meetings must be agreed upon in advance. The factory and other employers are not required to allow these meetings if either party has not been informed beforehand. Wage deductions or required payments shall not be imposed or levied against workers who participate in organization activities or related meetings.</p> <p>Workers must be free to choose whether or not to participate in these meetings. The meetings can be requested by the workers. External union officials can request the meetings if the union is involved in a Collective Bargaining Agreement within the relevant industry or at the national level.</p>
2.4.1.c	Worker representatives from trade unions or other worker organizations are provided with resources (including time and meeting space) upon request to carry out their functions.	Y0	<p><b>Clarification:</b> This criterion is applicable where there is a trade union or other worker organization in place at the factory.</p>





No.	Compliance Criteria	Timeline	Intent and Clarification
2.4.1.d	Senior management agrees to meet with workers' organization representatives and to negotiate in good faith.	Y1	<p><b>Clarification:</b> This criterion is applicable where there is a trade union or other worker organization in place at the factory.</p> <p>Senior management must engage with workers' organizations in good faith – i.e., engage in genuine and constructive negotiations and make every effort to reach an agreement. The schedule of meetings is determined by the workers' organization representatives.</p> <p><b>Recommendation:</b> It is best practice that workers and senior management have an established schedule for meetings.</p>
2.4.1.e	In situations where the right to freedom of association and collective bargaining are restricted by law, management allows workers to freely elect their own representatives without influence.	Y0	<p><b>Clarification:</b> Employers shall not cooperate with organizations that rely on state powers to prevent workers from exercising their right to freedom of association.</p> <p>See Fair Trade USA's <i>Policy on Freedom of Association in Legally Restrictive Geographies</i> for additional criteria interpretation in countries where freedom of association is prohibited or restricted by law.</p>
<b>Objective 2.4.2: Individuals do not suffer repercussions due to organizing.</b>			
2.4.2.a	The employer does not discriminate or retaliate against trade union members and/or workers who have attempted to form or join a trade union or other worker organization, or who have participated in union activities.	Y0	<p><b>Clarification:</b> Management does not punish, threaten, intimidate, harass, or bribe trade union members or worker representatives. Union activities includes participation in labor strikes, walkouts, etc.</p> <p><i>Discriminate</i> means that workers are treated differently or suffer negative repercussions. Some actions that could indicate discrimination against workers who form, or try to form, a workers' organization are closing production, denying access, longer working hours, making transport difficult, or termination.</p> <p>This is based on the rights and principles outlined in ILO Convention 135.</p>

## MODULE 3: Conditions of Employment for Workers

The individual well-being of workers is directly impacted by working conditions, including working hours and access to basic needs and services. Clear employment terms as well as fair wages, working hours, and benefits contribute to the income sustainability of workers. Requirements in this module also help factories attract and retain good workers through responsible employment practices.

The criteria in this module are applicable to all workers, regardless of whether they are temporary or permanent, or are hired directly or indirectly via a labor contractor, unless otherwise specified in the criterion.

### SUB-MODULE 3.1: Employment Agreements and Conditions are Clear.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 3.1.1: Employers have clearly communicated employment conditions to all workers.</b>			
3.1.1.a	Workers are aware of their responsibilities, salaries/wages, payment schedules, rights to benefits, and work schedules. Employment conditions have been verbally agreed upon prior to signing the written employment agreement and beginning work.	Y0	<p><b>Clarification:</b> The factory communicates the employment agreement (see 3.1.1.b) to all newly hired workers in a language that the worker understands.</p> <p>At a minimum, workers must be informed and aware of:</p> <ul style="list-style-type: none"> <li>• Wages, overtime wages, piece rate (including how piece rate is calculated), and/or production bonuses;</li> <li>• Right to refuse overtime;</li> <li>• Right to voluntarily resign;</li> <li>• When and how they will be paid;</li> <li>• Amount of any salary deductions (e.g., for services or benefits);</li> <li>• Working hours and schedule, including breaks;</li> <li>• Nature of the work to be performed;</li> <li>• Name and address of the employer;</li> <li>• Rights to benefits, including vacation, sick, parental, and holiday leave;</li> <li>• Quality, quantity, and costs of food to be provided, if applicable;</li> <li>• Quality and cost of housing to be provided, if applicable; and</li> <li>• The individual’s right to a different job at the same pay and benefits if they become unable to perform certain tasks due to health issues (see 4.1.3.a).</li> </ul> <p>This includes awareness on an individual level even if wages have been negotiated collectively via an applicable Collective Bargaining Agreement.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p><b>Recommendations:</b> It is recommended to also include information on the factory’s anti-harassment policy and procedures, and commitment to non-discrimination (see 7.1.4.d).</p>
3.1.1.b	All workers have written employment agreements with clear employment conditions.	Y1	<p><b>Clarification:</b> Employment agreements must be legally binding and compliant with both legal requirements as well as the Factory Production Standard. They may be negotiated and signed collectively in cases where workers are formally organized, such as through an applicable Collective Bargaining Agreement.</p> <p>All workers shall receive a copy of the employment agreement and/or have access to the signed original, as well as any associated documents defining rights and responsibilities such as the employee handbook or Human Resource policies (see 7.1.4.a). It is acceptable to have an employee handbook on display in a public space that is accessible to workers at all times, e.g., the cafeteria or other place of frequent gathering. When there are updates or changes to the employment agreement, workers are informed of these changes and receive an updated copy.</p> <p>At a minimum, the employment agreement must be in a language the individual understands and must explain:</p> <ul style="list-style-type: none"> <li>• Wages, overtime wages, piece rate (including how piece rate is calculated), and/or production bonuses;</li> <li>• Right to refuse overtime;</li> <li>• Right to voluntarily resign;</li> <li>• When and how they will be paid;</li> <li>• Amount of any salary deductions (e.g., for services or benefits);</li> <li>• Working hours and schedule, including breaks;</li> <li>• Nature of the work to be performed;</li> <li>• Name and address of the employer;</li> <li>• Rights to benefits, including vacation, sick, parental, and holiday leave;</li> <li>• Quality, quantity, and costs of food to be provided, if applicable;</li> <li>• Quality and cost of housing to be provided, if applicable; and</li> <li>• The individual’s right to a different job at the same pay and benefits if they become unable to perform certain tasks due to health issues (see 4.1.3.a).</li> </ul> <p>Employment agreements with workers who were formerly temporary or contracted must be dated from their first day of employment and not from the first day of permanent employment.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p><b>Recommendations:</b> It is recommended to also include the name and contact information for any insurance carriers provided through the employer, as well as information on the employer’s anti-harassment policy and procedures, and commitment to non-discrimination (see 7.1.4.d).</p> <p>For illiterate workers, it is best practice for the employment agreement to be read aloud and for the worker to sign the employment agreement in the presence of a third party.</p>
3.1.1.c	Workers’ consent to any and all agreements and documentation, whether verbal or written, is given voluntarily and with full knowledge of the content.	Y0	<p><b>Clarification:</b> <i>Documentation</i> includes any forms, contracts, agreements, etc. necessary for hiring, employment, or resignation.</p> <p>Employers respect and uphold the principles of free, full, and informed consent. As such, workers are never pressured, compelled, threatened, or coerced to provide verbal or written consent. Requiring workers to sign blank or incomplete documents, confessions, resignation letters, declarations/releases/waivers as a condition of receiving severance pay or legal benefits, etc. is prohibited.</p>
3.1.1.d	Workers receive documentation (e.g., a pay slip) with each wage payment that provides a clear account of wages earned, allowances, bonuses, overtime payment, and all deductions in detail.	Y1	<p><b>Clarification:</b> The intent of this requirement is to ensure workers have a regular and reliable record of their wages and benefits.</p> <p>Pay slips must contain the following information:</p> <ul style="list-style-type: none"> <li>• Name of factory;</li> <li>• Employee’s name and ID;</li> <li>• Hiring date;</li> <li>• Pay day and pay period;</li> <li>• Regular rate/base wage;</li> <li>• Regular hours worked;</li> <li>• Overtime hours worked;</li> <li>• Regular wages;</li> <li>• Overtime wages;</li> <li>• Benefits, including leave balances;</li> <li>• Bonuses;</li> <li>• Gross earnings;</li> <li>• Itemized deductions; and</li> <li>• Net wage.</li> </ul>



No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 3.1.2: Hiring, promotion, disciplinary, and termination processes are clearly defined and transparent to workers.</b>			
3.1.2.a	The factory implements a fair and transparent discipline and termination process.	Y0	<p><b>Clarification:</b> The purpose of a disciplinary system is to enable employers to promote a high standard of personal conduct and performance, not to punish, humiliate, or intimidate. Both discipline and termination decisions shall not be influenced by worker identity, migration status, or contract type.</p> <p>Disciplinary practices must be in line with legal requirements, and may not include any abusive or inhuman treatment (see 2.3.2.a) nor wage deductions (see 3.4.2.d)</p>
3.1.2.b	<p>All disciplinary and termination notices are documented and filed. The contents of disciplinary notices include:</p> <ul style="list-style-type: none"> <li>• A summary of infraction (when it occurred, where, witnesses, employee's response);</li> <li>• Date disciplinary notice was issued;</li> <li>• Results of deliberation and corresponding disciplinary action;</li> <li>• Signature of management; and</li> <li>• Proof of employee's receipt of disciplinary notice.</li> </ul>	Y1	<p><b>Clarification:</b> Disciplinary and termination notices include but are not limited to written warnings, sanctions, and other supporting documents.</p> <p>Workers must receive a copy of the notice for them to clearly understand why the notice is being issued and enable them to respond to and/or appeal the decision.</p>
3.1.2.c	The factory keeps and maintains a register of all terminated employment agreements, which details the circumstances/reasons for termination, for at least three years.	Y1	<p><b>Clarification:</b> Workers who are members of a Fair Trade Committee, union, or worker organization must be noted.</p> <p>The factory should use these records to calculate their workforce's annual turnover rate.</p>
3.1.2.d	The factory shall define and implement a disciplinary system with clear rules and processes, based on progressive disciplinary action.	P	<p><b>Clarification:</b> Disciplinary rules are necessary for employers to maintain orderly operations. The primary objective of such measures should be to enable employers to promote a high standard of personnel conduct and performance, not to punish, humiliate, or intimidate.</p> <p>The discipline and termination system must include:</p> <ul style="list-style-type: none"> <li>• Statement of the code of behavior for all managers, supervisors and workers;</li> <li>• Communication of infractions or violations to the employee at fault;</li> <li>• Investigation procedures, including an opportunity for the worker to respond;</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<ul style="list-style-type: none"> <li>• Selection of an appropriate disciplinary action, based on progressive action (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving from verbal warnings to written warnings to suspension and finally termination);</li> <li>• Management review of actions;</li> <li>• System for appeal of unfavorably resolved complaints or disciplinary actions; and,</li> <li>• Process for workers to sign all written records of disciplinary action against them.</li> </ul>
3.1.2.e	The factory has standardized written disciplinary actions for violations of human rights.	BP	<b>Clarification:</b> This includes defined disciplinary actions for sexual harassment (see 2.3.2.a) and all topics covered in Module 2.
3.1.2.f	The factory has written criteria for each job category that are used to evaluate and select candidates for employment in that role. These criteria are based on clear job descriptions and the required competencies of the position and are used alongside other objective selection tools to evaluate all types of workers for employment.	BP	<p><b>Clarification:</b> The intent of clearly documented job descriptions and selection criteria is to have defined and objective measures for hiring, promotion, demotion, and job reassignment in order to limit discrimination as required in Sub-module 2.3. This includes temporary positions and trainees.</p> <p>Examples of objective selection tools and criteria include skill tests or interview guides.</p>
3.1.2.g	The factory has a documented performance review system that provides for the evaluation of workers' performance as the basis for promotion, base pay, merit increases, and access to training and job security.	BP	<p><b>Clarification:</b> The intent of a clearly documented performance review system is to have defined and objective measures for promotion in order to limit discrimination. This includes promotion of temporary, trainee, and fixed-term workers to permanent status.</p> <p>The review system must outline the review steps and process and must follow any local legal requirements.</p> <p>The performance review process must be communicated to the workforce and reviewed regularly.</p> <p>Employees are provided a copy of their review in writing and have an opportunity to provide feedback and agreement/disagreement.</p>
<b>Objective 3.1.3: The workforce structure of each site is understood, and permanent roles are created where possible.</b>			
3.1.3.a	Time-limited or short-term employment agreements always comply with the law, and the factory does not keep workers at a non-permanent status beyond the legal limits.	Y0	<b>Clarification:</b> The use of short-term employment status and apprenticeship schemes for the purpose of avoiding legal or social security obligations is prohibited.

No.	Compliance Criteria	Timeline	Intent and Clarification
3.1.3.b	There is a workforce analysis for each site which documents how many individuals are employed at each site in the scope of the Certificate, approximately what times of year they are employed, how they are hired (directly vs. indirectly), and whether they live locally or migrate within or across regions.	Y0	<p><b>Clarification:</b> The analysis must include information regarding gender, indigenous, and minority groups, and other workforce characteristics that are required in 1.1.2.a to ensure balanced representation in the Fair Trade Committee.</p> <p><b>Recommendations:</b> It is best practice to update this analysis annually and/or when there is a significant change in the workforce (greater than 10% turnover of employees).</p> <p>It is best practice for the employer to take action to diversify the workforce based on the results of the workforce analysis. This can include targeted recruitment and training programs to attract a more diverse workforce. The workforce analysis is also taken into consideration to increase diversification and inclusion at management and leadership levels.</p>
3.1.3.c	An assessment of each site's labor needs and indication of periods during which non-permanent workers will be needed is included in the analysis of the workforce. Staffing decisions are supported by the current assessment of needs, which is updated annually.	P	<p><b>Clarification:</b> The labor needs assessment must be incorporated into the workforce analysis required in 3.1.3.b and must follow the same guidelines.</p>
3.1.3.d	All positions that are of a regular and on-going nature are staffed with permanent workers. Time-limited employment agreements are used on a limited and justifiable basis.	P	<p><b>Clarification:</b> The use of time-limited employment agreements, short-term employment status, or apprenticeship schemes must not be used to avoid staffing of permanent workers or avoid legal or social security obligations to workers. Firing and re-hiring workers or changing labor contractors to avoid paying benefits or accruing seniority is not allowed.</p> <p>Time-limited employment agreements are only used during peak periods, in the case of special tasks, and under exceptional circumstances. This includes seasonal workers.</p> <p>Time-limited foreign migrant worker visas or workers with a restricted work permit status would be a justifiable basis for not having a permanent employment agreement, but benefits must still accrue over time.</p>
<b>Objective 3.1.4: Labor contractors are used on a limited, justifiable, and responsible basis and are not used to avoid legal obligations.</b>			
3.1.4.a	The site manager can identify which workers are hired through labor contractors and the rationale behind the use of labor contractors.	Y0	<p><b>Clarification:</b> This identification may be part of the workforce analysis required in 3.1.3.b and must follow the same guidelines.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>A labor contractor is a person, corporation, or agency who, for a fee, employs workers to perform work for or under the direction of a third party. It is responsible for paying those workers' wages, and may also recruit, supervise, or provide board, lodging, or transportation for those workers.</p> <p>Criteria within Objective 3.1.4 are applicable where labor contractors are used on a site in the scope of the Certificate.</p>
3.1.4.b	Where labor contractors are used, the contractor complies with applicable requirements of the Factory Production Standard on sites in the scope of the Certificate.	Y0	<p><b>Clarification:</b> The site manager and Certificate Holder are responsible for ensuring that all workers on sites in the scope of the Certificate are treated in accordance with the Factory Production Standard (FPS) (for instance regarding employment agreements, wages, working conditions, and health and safety), and they are aware of their right to participate in General Assembly meetings as Premium Participants, even if they are not directly employed. The site manager and factory are not responsible for ensuring compliance of labor contractors when the workers are on sites outside the scope of the Certificate.</p> <p>Labor contractors must not be used to avoid legal obligations or accrual of benefits or seniority to workers. This includes accrual of benefits and seniority for workers who are employed continuously on the site by different labor contractors.</p> <p>Permanent workers may be employed through a labor contractor if their rights and working conditions are equivalent to or exceed those outlined in the FPS, including legal requirements.</p> <p>Any labor contractor in the scope of the Certificate may be audited and must permit an audit to take place if requested. Employers must keep records of all labor contractors used.</p>
3.1.4.c	Where labor contractors are used, an agreement of responsibilities (for instance a contract or Memorandum of Understanding) is in place between the Certificate Holder and the labor contractor that specifies which Factory Production Standard requirements are to be managed and/or undertaken by which party.	Y1	<p><b>Clarification:</b> The intent of this requirement is that the labor contractor understands its responsibilities under the Factory Production Standard and agrees to comply with these responsibilities.</p>
3.1.4.d	All workers are directly employed or employed through a registered labor contractor in good standing.	P	<p><b>Clarification:</b> The intent of this criterion is that Fair Trade Certified sites are able to protect workers, preferably through direct influence and control over the conditions of employment. To achieve this, fair trade sites shall move to either direct employment or the use of registered labor contractors in good standing.</p> <p>The qualifications for registered labor contractors in good standing include:</p>





No.	Compliance Criteria	Timeline	Intent and Clarification
			<ul style="list-style-type: none"> <li>• Being a legal entity with legal rights and duties (such as a company, partnership, association, corporation, cooperative, firm, joint stock company, trust, or other organization);</li> <li>• Possessing a valid identification number provided by the federal government (of the country of employment), where applicable;</li> <li>• Being in good standing with regards to any certificates or eligibility requirements of the country of employment;</li> <li>• Having a direct employer relationship with respect to all workers in corresponding employment. This means the labor contractor pays workers directly and has the ability to hire, fire, supervise, or otherwise control and direct their work;</li> <li>• Maintaining clear documentation that accurately records:               <ul style="list-style-type: none"> <li>○ Deployment of workers (e.g., to which buildings or sites individuals are deployed);</li> <li>○ Compensation of individuals (e.g., paystubs with any deductions clearly listed); and</li> <li>○ Terms and conditions of employment of each worker.</li> </ul> </li> </ul> <p>If labor contractors are used, 3.1.4.b must be followed.</p> <p>Note that the use of labor contractors expands the scope of the audit and typically increases the cost of the audit.</p>

**SUB-MODULE 3.2: Workers Are Recruited Ethically.**

No.	Compliance Criteria	Timeline	Intent & Clarification
<b>Objective 3.2.1: Costs associated with recruitment and hiring of workers are covered by the employer.</b>			
3.2.1.a	Employers pay all recruitment and hiring fees and associated costs. Workers do not pay any hiring fees or post any bonds.	Y0	<p><b>Clarification:</b> Under this criterion, the levying of fees to pay for the opportunity to work is prohibited, regardless of the worker’s migration status. The intent of this criterion is that such fees do not lead to long-term indebtedness that would effectively lead to forced employment.</p> <p>As informed by ILO principles on fair recruitment, prohibited fees include, but are not limited to, costs associated with:</p> <ul style="list-style-type: none"> <li>• Relocation, including transport from origin to the workplace and home again at the end of the employment agreement (where applicable);</li> <li>• Visa and passport fees;</li> <li>• Medical exams;</li> </ul>



No.	Compliance Criteria	Timeline	Intent & Clarification
			<ul style="list-style-type: none"> <li>• Skills tests; and</li> <li>• Administrative recruitment expenses.</li> </ul> <p>This includes when workers are hired via a third-party labor recruiter. If the employer discovers that a third-party labor recruiter is charging fees or requiring a bond to be posted, the employer must ensure that the recruiter ceases this practice, or else stop using that recruiter and complete any other corrective actions required. The Certificate Holder and employer must keep records of any communication to the recruiter.</p> <p>Where applicable, workers are provided with or supported with obtaining the proper legal documentation/visas needed to legally enter and work in the country of employment.</p>
<b>Objective 3.2.2: Workers are recruited through fair and transparent processes.</b>			
3.2.2.a	When migrant workers are recruited from a different region or country, there is a prior written employment agreement between the employer and recruited migrant workers.	Y1	<p><b>Clarification:</b> When a migrant worker is recruited from a different region (within the same country) or country, there is a prior written employment agreement between the employer and recruited migrant worker that, in addition to the details provided in 3.1.1.b, specifies:</p> <ul style="list-style-type: none"> <li>• Duration of employment;</li> <li>• Trip logistics and safety;</li> <li>• Non-discrimination; and</li> <li>• Breach of agreement.</li> </ul> <p>Terms of repatriation should be established in case the recruited worker become ill or incapacitated before or after reaching the place of employment, be found to be medically unfit, or be denied employment after recruitment for a reason for which he/she is not responsible.</p>
3.2.2.b	If a third party is used to recruit migrant workers, the employer has a policy and practices in place to ensure that the entity contracted to recruit workers is compliant with the requirements in 3.1.1.a, 3.1.1.c, and 3.2.1.a.	Y1	<p><b>Clarification:</b> The entity contracted to recruit migrant workers is most often a labor broker or recruitment agency. This criterion applies to any recruitment activities occurring within or across national borders.</p> <p>If multiple levels of recruiters are used (for instance, the third-party recruiter works with independent recruiters at a village level), this criterion is applicable at all levels back to the first point of worker recruitment. This requires that the employer can identify all recruiters used in the labor supply chain and ensure that they comply with recruitment requirements.</p>

No.	Compliance Criteria	Timeline	Intent & Clarification
3.2.2.c	If a third party is used to recruit workers, the recruiter is a registered entity in good standing.	Y1	<p><b>Clarification:</b> Third-party labor recruiters must:</p> <ul style="list-style-type: none"> <li>• Be legal entities with legal rights and duties (such as a company, partnership, association, corporation, cooperative, firm, joint stock company, trust, or other organization);</li> <li>• Possess a valid identification number provided by the federal government (of the country of employment/recruitment), where applicable;</li> <li>• Be in good standing with regards to any certificates or eligibility requirements of the country of employment and/or recruitment; and</li> <li>• Be in compliance with any legal requirements for recruiters both in the country of origin and destination (i.e., country of employment).</li> </ul> <p><b>Recommendations:</b> Best practice is for the Certificate Holder or employer to check that the recruiter does not have any lawsuits or complaints against them, including under a different name.</p> <p>If the third party that recruits migrant workers also employs these migrant workers, Objective 3.1.4 must also be followed.</p>

### SUB-MODULE 3.3: Workers Work Reasonable Hours.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 3.3.1: The regular workweek is in line with the law, applicable Collective Bargaining Agreements, and international standards. Workers receive adequate rest periods.</b>			
3.3.1.a	Workers do not work longer than 48 regular hours per week, the level agreed to in an applicable Collective Bargaining Agreement, or the legal limit, whichever is less.	Y0	<p><b>Clarification:</b> Work time averaging is permitted to address fluctuations in regular working hours only when allowed by national law and an applicable Collective Bargaining Agreement. In these cases, hours may be averaged over a selected period of two or more weeks, thereby allowing for some weeks to total more than 48 regular hours and some weeks to total fewer than 48 regular hours, so long as the average across the selected period is still 48 regular hours per week.</p> <p>If production quotas are used, they are based on realistic and reasonable efficiency rates, such that they must allow the majority of workers to complete their work within an eight-hour workday.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			This excludes hours paid at an overtime rate (see Objective 3.3.2).
3.3.1.b	Employers maintain accurate and adequate time records, which include overtime, breaks, and leave time.	Y0	<b>Clarification:</b> Employers shall not maintain multiple time-keeping systems and/or records. All records must be authentic and accurate.
3.3.1.c	Timecards, or another recording system, records regular and overtime hours worked for each worker regardless of wage system.	Y0	<b>Recommendation:</b> Workers should personally record and/or validate time records to ensure that the working hours are accurate and that they understand the records.
3.3.1.d	Workers are consulted in setting production quotas.	BP	
3.3.1.e	Meal and rest breaks are stipulated and respected in compliance with legal requirements.	Y0	<b>Clarification:</b> The intent of this criterion is that workers can take rest time to protect their health without losing wages. In all cases, workers must be aware of their legal rights related to breaks.
3.3.1.f	Workers are given at least one paid 30-minute meal break for every five hours worked, and an additional 15 minutes of paid rest time for every four hours worked.	BP	<p><b>Clarification:</b> Breaks/rest time may either be planned and organized by management (i.e., all workers take a break at a designated time), or they may be informal (i.e., workers are able to rest at their own discretion for up to 30 paid minutes per eight-hour day). Workers must still be allowed to drink water and go to the restroom as needed outside formal break time. Where informal breaks are practiced, employers must be able to demonstrate that workers are aware of their right to take informal breaks and show how workers are encouraged to do so.</p> <p>The required paid rest time (15-minute breaks for every four hours of work) must be paid even if workers choose not to take those breaks, i.e., if piece-rate workers work through their break they must still be paid for the break time as an additional payment.</p> <p>For remuneration based on production quotas or piecework, compensation for rest time must be based on the average or typical income per piece of labor for the equivalent period (i.e., a rest break of 15 minutes should be paid as the typical piece rate earning for 15 minutes of work). Alternatively, a guaranteed hourly or daily wage (regardless of productivity) may be created and used to calculate compensation for rest time. In these circumstances, it is recommended to include payment for rest breaks as a separate line item on workers' pay slips to ensure it is calculated and paid accurately.</p> <p>In the case of hourly wage/salary workers, workers may be paid for the equivalent of 4 hours work time, during which workers actually work 3.75 hours plus take 15 minutes of formal or informal rest time, rather than through an additional payment.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>Paid breaks/rest are considered work hours that would be included in the sum of hours worked during the workweek and considered in determining if overtime was worked.</p> <p><b>Recommendations:</b> In hot climates or workplaces, when the temperature exceeds 27 degrees Celsius (80 Fahrenheit), it is best practice to give short breaks more frequently to help mitigate the risk of heat stress.</p> <p>For workers engaged in tasks that are at risk of creating repetitive strain injuries, as identified in the Hazard Assessment required in 4.2.4.a, it is recommended that workers are also encouraged to take frequent and short breaks throughout their shift to stretch and relax muscles.</p>
3.3.1.g	Workers receive at least 24 consecutive hours of rest following every six consecutive workdays.	Y0	<p><b>Clarification:</b> Allowances to this rule apply where both of the following conditions exist:</p> <ul style="list-style-type: none"> <li>• National law allows work time exceeding this limit; and</li> <li>• A freely negotiated, applicable Collective Bargaining Agreement is in place that allows weekly work time averaging, including adequate rest periods.</li> </ul> <p>When workers agree to give up rest days, this must be agreed to in writing, either individually or collectively, for instance through an applicable Collective Bargaining Agreement negotiated by a representative worker organization.</p> <p>Where an allowance to rest days is required due to exceptional circumstances caused by force majeure (e.g., severe weather conditions, a natural disaster, or an electrical outage), the justification for such exceptional circumstances must be recorded.</p> <p>Lost rest days are offered to workers at the earliest available time. Workers may choose whether or not to take those rest days. Replacement rest days must, at latest, be offered within three months, or the legal limit, whichever is less.</p> <p><b>Recommendations:</b> When workers give up rest days it is best practice to assign them lighter tasks to protect against fatigue and overexertion. The replacement rest day should be offered within the following week.</p>
<b>Objective 3.3.2: Overtime is voluntary and not excessive.</b>			
3.3.2.a	All overtime is voluntary.	Y0	<p><b>Clarification:</b> Workers may only agree to overtime in advance through an applicable Collective Bargaining Agreements negotiated by representative worker organizations.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>There are no repercussions or penalties against workers for refusing to work overtime. Workers are neither denied employment or advancement nor are they discriminated against for being unable or not willing to work overtime. Where production quotas are used, workers must not be required to work more than a regular workweek even if they do not make quota</p> <p>Exceptional circumstances regarding working hours have been communicated to and agreed to by workers. Documentation of this agreement shall be kept in an auditable format. This applies to all workers, including temporary and seasonal workers.</p> <p><b>Recommendations:</b> It is best practice to have a written procedure for overtime work that states that overtime is always voluntary, and to train supervisors and managers on how to request overtime hours from workers in a way that is not pressuring or inadvertently coercive.</p>
3.3.2.b	Workers do not work more than 12 consecutive hours in a 24-hour period.	Y0	<b>Clarification:</b> This includes regular and overtime hours. The intent of this requirement is to ensure minimum daily rest.
3.3.2.c	Total working hours do not exceed 60 hours per week or the legal limit, whichever is less.	Y0	<p><b>Clarification:</b> This includes regular and overtime hours. Where it is not defined by national or local law, any work performed after a 48-hour week, or an eight-hour day is considered overtime and must be paid at a premium rate per requirements in Objective 3.4.1. This means in most situations, overtime is limited to 12 hours a week, unless regular hours are limited to less than 48 hours by law.</p> <p>Overtime must comply with both weekly and daily legal limits.</p> <p>Allowances to working hours limits may be made in situations of force majeure, such as severe weather conditions, a natural disaster, or an electrical outage. The justification for such exceptional circumstances must be recorded.</p>

### SUB-MODULE 3.4: Workers Receive Fair Wages.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 3.4.1: Salaries and wages meet legal requirements and are increasing towards a living wage.</b>			
3.4.1.a	Salaries and wages are in line with or exceed legally mandated minimum wages for the job, similar occupations,	Y0	<b>Clarification:</b> This applies to all workers, including piece rate workers, apprentices, and vocational trainees.

No.	Compliance Criteria	Timeline	Intent and Clarification
	and applicable Collective Bargaining Agreements, whichever is highest.		<p>If local law allows for a lower minimum wage for apprentices/trainees, this lower minimum wage may only be applied for the first 30 days if that time is dedicated primarily to training and not to production or other essential tasks.</p> <p>For remuneration based on hours, accurate time records must be used to calculate wages (see 3.3.1.b).</p> <p>For remuneration based on production, quotas, or piece rate, the pay rate allows the worker to earn at least the sector applicable Collective Bargaining Agreements wage or official minimum wage (whichever is higher) during normal working hours, taking into account required breaks.</p> <p>Note that in-kind contributions such as housing or meals provided by the employer may be included in the calculation of wages only if these are listed as specific salary deductions and comply with the requirement in 3.4.2.d.</p>
3.4.1.b	Workers are compensated for all time worked, including required factory meetings, trainings, safety briefings, preparatory assemblies, etc.	Y0	<p><b>Clarification:</b> Any time spent in non-production activities, whether required by the factory or the Factory Production Standard, count as working hours. Workers must receive their typical wages for that time, and normal working hours and overtime limits apply.</p> <p><b>Recommendation:</b> Factories should coordinate production schedules and shifts to account for time needed for such events and trainings.</p>
3.4.1.c	All workers are paid the legal premium rate for overtime and work on holidays and rest days.	Y0	<p><b>Clarification:</b> If overtime is partly or entirely compensated by the allocation of time-off work, the premium factor must be applied to the time compensation. For example, four hours worked at an applicable 200% overtime rate (twice the hourly rate) may be compensated either by an equivalent of four hours wage at regular rate plus four hours of time off paid at a regular rate or may be compensated by eight hours of time off paid at the regular rate.</p>
3.4.1.d	If no overtime rate is specified by law, overtime is paid at the prevailing industry premium overtime rate or at one and a quarter times the hourly rate, whichever is higher.	P	<p><b>Clarification:</b> The ILO establishes the internationally recognized rate of pay for work beyond regular hours at no less than one and a quarter times the regular rate in ILO Convention 30.</p>
3.4.1.e	The overtime rate is at least one and a half times the hourly rate.	BP	<p><b>Clarification:</b> The intent of this criteria is to encourage progress improvement of overtime rates paid in contexts where the rate is not defined by law or lower than one and a half times the hourly rate.</p>
3.4.1.f	Work on weekly rest day(s) and public holidays is compensated at least twice the hourly rate.	BP	<p><b>Clarification:</b> The intent of this criteria is to encourage progress improvement of wages paid for work during weekly rest day(s) and public holidays in contexts where the rate is not defined by law or lower than twice the hourly rate.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
3.4.1.g	The employer demonstrates knowledge of the living wage in their region. A review of comparable remuneration (wages and benefits) against the living wage is conducted in consultation with workers or their representatives.	P	<p><b>Clarification:</b> A living wage is remuneration received for a standard work week by a worker in a particular employment location, which is sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events. Fair Trade USA defines a standard work week as 48 hours or as defined by law, whichever is less.</p> <p>The intent is that workers are adequately compensated for satisfactory performance of their work and do not have to work overtime to earn enough to cover basic living costs for themselves and their families. Information on the gap between total remuneration and the living wage can be used to support transparent conversations across the supply chain to identify barriers to living wage and shared responsibility, as well as develop strategies to improve wages and other benefits (including through Premium investment) to support a decent standard of living for all workers.</p> <p>Only benchmarks approved for use by Fair Trade USA shall be used to conduct the gap analysis. These are indicated in the guidance document, Living Wage Benchmarks for Employers.</p> <p>The comparison of the living wage to current wages must not include overtime hours. Some bonuses and in-kind benefits can be included. In-kind benefits must not represent more than 30% of total remuneration. Workers or their representatives must be consulted in determining the appropriate inclusion and valuation of in-kind benefits and bonuses. See the guidance document on Living Wage Gap Analysis for more details.</p> <p>The comparison must be updated at least every three years to account for inflation and changes in compensation structure.</p> <p>For employers in countries where an approved benchmark does not yet exist, the employer shall assess the current access of workers and their families to the most critical essential needs – i.e., food, water, housing, education, and health care – to understand any gaps. These five essential needs are also required components of the Needs Assessment, and it is recommended that employers adapt findings from this data. The assessment of access to essential needs must be updated at least every three years.</p> <p>Information on the living wage and assessed gap, or assessment of the five essential needs, shall be made available to all workers in languages the individuals understand. It may be provided through a brochure or posting in a public place where workers gather.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
3.4.1.h	If current wages, including in-kind contributions, are below the living wage, a Living Wage Improvement Plan has been developed to increase compensation over time to reach a living wage. This Plan is being implemented.	BP	<p><b>Clarification:</b> This requirement is applicable where the living wage gap assessment, or the assessment of the five essential needs in the absence of an approved benchmark, reveals a gap in wages or in needs. The Living Wage Improvement Plan must identify opportunities and timelines for increasing total remuneration in mutually beneficial ways. This could include plans for direct wage increases, as well as other means to increase wages and access to essential needs, such as enhancing benefits or direct provision of relevant goods and services.</p> <p>The Plan must include specific timelines and targets for remuneration enhancement. At minimum, it must include annual wage increases to cover inflation. Other timelines and increases may vary according to the employer's situation.</p> <p>Employers must show demonstrable progress against the Plan. The Plan must be updated on an annual basis to track improvement made, and to include explanations for any changes or failures to meet targets.</p> <p><b>Recommendations:</b> The Plan should be developed in consultation with worker representatives, brand partners, and other supply chain actors to support discussion of mutually beneficial ways to increase wages and access to essential needs.</p>
3.4.1.i	The employer is paying a verified living wage.	BP	<p><b>Clarification:</b> It is only possible to achieve this criterion where an approved living wage benchmark exists (i.e., the assessment of workers access to the most critical essential needs shall not be used). Employers must conduct the comparison of comparable remuneration (wages and benefits) against the living wage as required in 3.4.1.g. This comparison must show that all wages paid by the employer are above the living wage (including the lowest paid position). Employers must have documentation to support inclusion and valuation of all benefits included in the calculation of comparable remuneration.</p> <p>Employers must, at minimum, continue to increase wages annually to cover inflation. The comparison must continue to be updated at least every three years.</p>
<b>Objective 3.4.2: Salaries, wages, and earnings are paid directly, on time, and in legal tender.</b>			
3.4.2.a	Payment is made in cash or cash equivalent directly to the worker.	Y0	<p><b>Clarification:</b> Cash equivalent is defined as check, direct deposit, or similar. The worker shall receive payment directly, i.e., not through a spouse or third-party labor recruiter. Payments must be made in a manner that is convenient to workers (i.e., workers must not incur any cost to collect their pay).</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			In-kind payments are not allowed, except where they are legally permissible, agreed upon by both parties, and documented, including a definition of the value of the goods. In-kind payments include e.g., phone cards, food, and grocery cards restricted to certain vendors. Drugs must not be used for compensation or in-kind payments.
3.4.2.b	Workers are paid in full in a timely manner. Regular wages are paid at least monthly and follow an established schedule.	Y0	<p><b>Clarification:</b> This includes payment of bonuses. The frequency of wage payments must also comply with any applicable laws.</p> <p>Any underpayment of wages is reimbursed with interest. When determining a fair interest rate, it is recommended to take the average monthly interest rate for a savings account from a recognized bank.</p>
3.4.2.c	Payment is made via direct deposit or mobile transfer directly to the worker.	BP	<p><b>Clarification:</b> Electronic payment systems allow for greater transparency and traceability of wage payments.</p> <p>Where payment is made by direct deposit, the employer does not have withdrawal access to individuals' bank accounts. Direct deposits must be directly accessible by the individual being paid (e.g., payment must not be made to a spouse).</p>
3.4.2.d	Salary deductions are only permitted as allowed by applicable laws or as fixed by an applicable Collective Bargaining Agreement. Voluntary deductions are only made where the worker has given written consent. Salary deductions are not used as a disciplinary measure.	Y0	<p><b>Clarification:</b> Legally required deductions are properly administered, such that any withholdings from workers' wages are accurate and deposited or transmitted to the appropriate agency as required by law.</p> <p>A 'voluntary deduction' refers to any fee that is not required by law or an applicable Collective Bargaining Agreement. This may include deductions charged by the factory, union, or other organizations.</p> <p>Deductions must not be used to penalize workers for failing to reach production quotas or violating factory rules. Deductions for tardiness or time missed do not exceed the wage equivalent of actual time missed.</p>
3.4.2.e	Loans and wage advances made to workers comply with legal requirements and are clearly documented in a written agreement.	P	<p><b>Clarification:</b> If any wage advances or loans are provided, there shall be a clear written agreement with the worker receiving the loan, separate from the employment agreement, outlining repayment parameters and all terms and conditions. Workers must be able to verify the accuracy of payouts and re-payments.</p>
3.4.2.f	Where the employer provides workers with housing or other benefits or services, all workers have the right to refuse these benefits or services, and the benefits and services are free or provided at a reasonable cost.	Y0	<p><b>Clarification:</b> <i>Reasonable cost</i> means that they do not exceed the actual costs incurred by the employer. Employers must be able to demonstrate the accuracy or reasonableness of these charges.</p>

**Objective 3.4.3: Payments to workers during termination, retrenchment, and suspension are fair.**

No.	Compliance Criteria	Timeline	Intent and Clarification
3.4.3.a	Employers only suspend work in accordance with national laws, regulations, and procedures. Conditions of suspension are communicated in full to all workers.	Y1	<b>Clarification:</b> Workers shall be paid in full during periods of suspension and work stoppage unless national laws stipulate otherwise, workers and their representative organizations agree otherwise, or the relevant national authorities authorize an alternative arrangement.
3.4.3.b	Employers have in place a procedure for determining termination payouts, including methods for correct assessment of payouts for all modes of termination/retraining, considering national legal requirements.	P	
3.4.3.c	When employers are faced with major changes in production, program, organization, structure, or technology, and those changes are likely to result in temporary or permanent layoffs, employers consult with worker representatives or trade union representative as early as possible to develop alternatives to retrenchment or suspension.	BP	<b>Recommendation:</b> This plan should be clearly communicated and include channels for workers to ask questions and provide feedback.

### SUB-MODULE 3.5: Workers Receive Fair Benefits and Have Access to Basic Needs and Services.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 3.5.1: Vacation, sick, and parental leave meet or exceed legal minimums and applicable Collective Bargaining Agreements.</b>			
3.5.1.a	The employer provides all eligible workers with all legally mandated leave benefits, including public holidays, annual and vacation leave, sick leave, and parental leave that meet or exceed legal requirements and applicable Collective Bargaining Agreements.	Y0	<b>Clarification:</b> Workers must be paid according to legal requirements when taking leave.  <i>Parental leave refers to both maternity and paternity leave, where applicable under national or sub-national law.</i>



No.	Compliance Criteria	Timeline	Intent and Clarification
3.5.1.b	Employers do not impose any undue restrictions on workers' use of annual, vacation, sick, or parental leave.	Y0	<p><b>Clarification:</b> The time at which annual leave is taken must be determined by employers in consultation with workers, taking into account work requirements and the opportunities for rest and relaxation.</p> <p>Any workplace procedures regulating the timing of annual leave (e.g., requiring a minimum period of service before being allowed to use annual leave, or requiring written requests to be submitted a certain time before the annual leave) must be in line with national laws, regulations, and procedures. Workplace procedures regulating the timing of annual leave must be communicated in full to all workers.</p> <p>Any workplace procedures regulating sick leave (e.g., informing the employer as soon as possible, providing medical certificates, etc.) must be in line with national laws, regulations, and procedures, and must be communicated in full to all workers.</p>
3.5.1.c	Employers do not impose any sanctions on or discriminate against workers for requesting or taking any type of leave. This includes a prohibition against wage deduction or dismissal of workers on leave.	Y0	<p><b>Clarification:</b> This includes, for example, that workers returning from parental leave are given their former job back at the same rate of pay and benefits.</p>
3.5.1.d	Workers receive a minimum of two regular work weeks of sick leave on full pay annually.	BP	<p><b>Clarification:</b> Workers must always receive legally mandated sick leave (3.5.1.a). This requirement is a best practice where sick days are not legally required or are less than two regular work weeks.</p> <p>Sick leave can be pro-rated for part-time (less than 30 hours per week) and temporary workers, and employers may set up to a minimum employment time of 90 days in one calendar year for eligibility for this benefit, where this is allowed by law.</p> <p>Employers may set a requirement for a doctor's approval or recommendation to take a paid sick day, however this is only allowed in circumstances where an on-site or local doctor is readily available. Workers must be allowed to present the approval or recommendation once they have returned to work after taking the sick leave.</p> <p><b>Recommendations:</b> Workers may use sick days to care for a sick family member.</p>
3.5.1.e	Workers receive a minimum of two regular work weeks of vacation leave on full pay annually.	BP	<p><b>Clarification:</b> This is a continuous improvement requirement showing advancement of vacation leave provided.</p> <p>Where a standard workweek is six days, two calendar weeks is 12 days. Where a standard work week is five days the worker receives ten days off.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			Vacation leave can be pro-rated for part-time (less than 30 hours per week) and temporary workers, and employers may set up to a minimum employment time of 90 days in one calendar year for eligibility for this benefit, where this is allowed by law.
3.5.1.f	Where national, regional, or local law does not provide for protected maternity leave, workers receive at least six calendar weeks of job-protected maternity leave.	Y0	<p><b>Clarification:</b> Where not otherwise stipulated by law, maternity leave may be paid or unpaid. Maternity leave must not be deducted from any sick or other annual leave.</p> <p>Workers taking maternity leave must be guaranteed to return to the same or a higher position at the same or a higher pay rate at the end of the maternity leave. A worker's employment agreement shall not be terminated for availing of protected maternity leave, whether in whole or in part.</p> <p>Women can choose to start their maternity leave before the baby's expected birth.</p> <p><b>Recommendation:</b> The ILO recommends that workers on maternity leave receive at least two-thirds pay for the duration of their leave.</p>
3.5.1.g	Maternity leave is at least 14 calendar weeks on two-thirds pay, not including annual leave.	BP	<p><b>Clarification:</b> The intent of this criteria is to encourage progressive improvement of paid maternity leave in contexts where the duration or compensation of maternity leave is not defined by law or is lower than 14 weeks at two-thirds pay.</p> <p>This leave can be pro-rated for part-time and temporary workers, and employers may set a minimum employment time of up to 90 days in one calendar year for eligibility for this benefit. Maternity leave must not be deducted from any sick or other annual leave. The full duration of leave shall be paid at two-thirds of the workers' salary, as established in the ILO Maternity Protection Convention, 2000 (No. 183).</p> <p>Workers taking maternity leave are guaranteed to return to the same or a higher position at the same or a higher pay rate at the end of the maternity leave.</p> <p>Women can choose to start their maternity leave before the baby's expected birth.</p> <p><b>Recommendation:</b> It is best practice for maternity leave to be at full pay.</p>
3.5.1.h	Adequate breastfeeding breaks are granted for women who are nursing.	P	<p><b>Clarification:</b> Breastfeeding breaks may be paid or unpaid. In all cases, applicable laws regarding breastfeeding breaks must be followed. Per UNICEF guidelines, 'adequate' time for breastfeeding is determined by the nursing</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>parent rather than the employer. If a woman prefers, she may take breaks together at the end/beginning of the day to provide more flexibility or a shorter time away from home.</p> <p><b>Recommendation:</b> Best practice is to provide a clean, private, safe, and hygienic space with a locked door for expressing milk. Refrigerator space for storing expressed milk is also recommended.</p>
3.5.1.i	Paid, adequate breastfeeding breaks are available for women who are nursing.	BP	<p><b>Clarification:</b> The intent of this criterion is to encourage improvement and recognize progress for factories operating in contexts where paid breastfeeding breaks are not provided by law.</p> <p>Workers must receive their typical wages for the duration of the breastfeeding break. Normal working hours and overtime limits apply.</p>
<b>Objective 3.5.2: Workers are provided legal benefits, and are protected by health insurance, workers' compensation insurance, and a retirement pension.</b>			
3.5.2.a	All workers are provided all the benefits to which they are legally entitled. Benefits are provided upon hire, or within the time period prescribed in an applicable Collective Bargaining Agreement or by law.	Y0	<p><b>Clarification:</b> The intent of this criteria is to ensure workers receive any and all compensatory and social protection entitlements prescribed by law. This includes, but is not limited to, provisions related to medical insurance, social security or pension funds, etc.</p> <p>See 3.5.1.a for additional leave protections.</p>
3.5.2.b	Workers are provided with health insurance or access to preventative healthcare.	BP	<p><b>Clarification:</b> The intent is that all workers have access to preventative, primary, and secondary healthcare. Employers may set a minimum employment time of up to 90 days in one calendar year to be eligible for this benefit.</p> <p>Health insurance and care may be provided through a government social security or health care system with employer contributions where applicable. Where government systems do not cover at least 50% of the insurance costs, the employer contribution shall cover at least 50% of the total cost of insurance for the worker, or the percentage required by law, whichever is higher. If the employee is unwilling to pay the remaining amount and refuses coverage, the employer must keep documentation of the employee's decision.</p> <p>Where health insurance programs are not available for eligible workers, or where eligible individuals regularly decline to enroll in health insurance programs, this requirement may be filled by alternative methods of making preventative and long-term healthcare accessible to workers. This could include an on-site doctor or clinic, or by the employer paying at least half of the employee's health care costs. If employers provide an on-site clinic for urgent or primary care needs, this does not replace the need for workers to be covered for long-term or serious health issues.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p><b>Recommendations:</b> If services are being provided on-site, it is best practice to allow workers' family members access to these services. Premium could be used to assist in the provision of services to families of workers if approved in the Fair Trade Premium Plan.</p>
3.5.2.c	Workers are provided with dental insurance or access to dental care.	BP	<p><b>Clarification:</b> The intent is that all workers have access to preventative and emergency dental care. Employers may set a minimum employment time of up to 90 days in one calendar year to be eligible for this benefit.</p> <p>Dental insurance and care may be provided through a government social security or health care system with employer contributions where applicable. Where government systems do not cover at least 50% of the dental insurance costs, the employer contribution shall cover at least 50% of the total cost of insurance for the worker, or the percentage required by law, whichever is higher. If the employee is unwilling to pay the remaining amount and refuses coverage, the employer must keep documentation of the employee's decision.</p> <p>Where dental insurance programs are not available for eligible workers, or where eligible individuals regularly decline to enroll in dental insurance programs, this requirement may be filled by alternative methods of making dental care accessible to workers. This could include an on-site dentist or clinic, or by the employer paying at least half of the employee's dental care costs. If employers provide an on-site clinic for urgent or preventative care needs, this does not replace the need for workers to be covered for serious dental issues.</p> <p><b>Recommendations:</b> If services are being provided on-site, it is best practice to allow workers' family members access to these services. Premium could be used to assist in the provision of services to families of workers if approved in the Fair Trade Premium Plan.</p>
3.5.2.d	Workers are provided with workers' compensation insurance.	BP	<p><b>Clarification:</b> The intent of this criterion is that workers are protected in case of long-term partial or full disability, and/or the need for long-term medical care, resulting from workplace injuries and illnesses. The workers' compensation insurance shall include both medical treatment and wage replacement benefits.</p> <p>Insurance may be provided through a government program, a private system, or administered directly by the employer.</p> <p>Note that 4.2.2.b covers requirements for short-term care and wage recovery.</p>
3.5.2.e	Permanent workers are enrolled in and provided with pension or retirement funds.	BP	<p><b>Clarification:</b> In addition to workers being enrolled, the employer must also pay into the fund.</p> <p>Pension or retirement funds may be part of a governmental program or privately operated.</p>

**Objective 3.5.3: Adequate housing, sanitary facilities, and services are provided.**



No.	Compliance Criteria	Timeline	Intent and Clarification
3.5.3.a	Workers are not compelled to make use of stores or services operated by the employer.	Y0	
3.5.3.b	Where access to stores or services is limited or not possible due to location, the employer provides options for purchasing goods and services at fair and reasonable prices.	P	<p><b>Clarification:</b> This criterion is applicable where workers or workers and their families live on-site or in employer-provided housing and do not have easy access to stores or services (e.g., stores and services are far enough away that they are only accessible via motorized transportation, and private vehicles and/or public transportation are not readily available).</p> <p>This includes access to basic health, hygiene (including women’s hygiene products), housing, and food necessities. Individuals must have access to food that meets minimum nutritional standards. For information on regional minimum nutritional standards, see the Food and Agriculture Organization’s food-based dietary guidelines. If the employer directly offers goods and services, costs are fair and reasonable (not higher than normal market prices) in accordance with the principles and rights outlined in ILO convention 110; this may be confirmed by the auditor through worker interviews.</p> <p><b>Recommendations:</b> The employer provides, or helps organize, transportation to a town with multiple providers of basic goods and services.</p>
3.5.3.c	In employer-provided housing, childcare facilities, and schools, fire escapes, extinguishers, and exit routes are maintained, marked, and accessible, and residents/children know how to use them.	Y0	<p><b>Clarification:</b> Exit doors must not be locked or obstructed.</p> <p>Residents of employer-provided housing, children, and employees in childcare facilities or schools located on-site must also receive training in evacuations.</p> <p><b>Recommendation:</b> Children can be engaged in age-appropriate participatory activities to improve understanding of safety routes and procedures, including mapping of evacuation routes, and setting of safety plans.</p>
3.5.3.d	There are clear and established responsibilities and constraints on security guards assigned to factory grounds and employer-controlled dormitories.	Y0	<p><b>Clarification:</b> Rules shall preserve the dignity of workers.</p> <p><b>Recommendations:</b> As a best practice, female guards are assigned to female dorms and search activities.</p>
3.5.3.e	Housing rules do not impose any restrictions beyond those necessary for safety.	Y0	<p><b>Clarification:</b> ‘Housing rules’ refers to any guidelines, agreements, or policies that outline expectations for resident behavior or conduct in housing facilities. Reasonable housing rules may include those which provide for community</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>safety and well-being (for example, reasonable curfew hours, visitor log protocols, restrictions on use of stoves or flammable materials in dormitory rooms, etc.).</p> <p>Any rules that unduly restrict a workers' rights as outlined by law, international human rights standard, or the Factory Production Standard (see Module 2) are prohibited.</p>
3.5.3.f	<p>The employer ensures access to first aid equipment and trained staff, free of charge, for emergency first aid situations in employer-provided housing. Equipment and trained first-aid staff are available 24 hours a day, seven days a week.</p>	Y1	<p><b>Clarification:</b> Trained responders may be workers.</p> <p>The intent of this criterion is that, in the event of an emergency in worker housing, there is always someone available who knows how to contact outside emergency services, how to provide immediate first aid assistance while waiting for outside aid to arrive (and has access to the supplies to do so), and when and how to evacuate the premises.</p> <p>The type of first aid equipment and level of training must be commensurate with the workforce circumstances. For example, where public emergency response providers (i.e., emergency medical services, firefighters, police officers) are available within a short distance from worker housing, first aid equipment and trained staff could consist of a basic first aid kit and someone trained on emergency and evacuation procedures, how to use a basic first aid kit, and when and how to report emergencies. This information may be provided through a brochure or poster displayed in worker housing.</p> <p>Where public emergency response providers are not readily available or are very far away, first aid equipment and trained staff must be sufficient to provide immediate lifesaving care for critical individuals, including conducting basic noninvasive interventions to help save lives and reduce harm while waiting for outside assistance. Training must cover first aid response for children and infants, if applicable.</p> <p>Trained first aid staff may be workers located in employer-provided housing or a short distance away (e.g., the individual(s) trained in first aid for criterion 4.2.1.a may also be available for emergencies that arise in employer-provided housing), so long as at least one trained individual is available 24/7, and all workers know how and are able to contact first aid staff.</p>
3.5.3.g	<p>Employer-provided housing is structurally safe and affords workers a minimum level of decency, hygiene, and comfort as defined by local law.</p>	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure that employer-provided family homes and dormitory housing (i.e., housing consisting of multiple sleeping quarters that are shared by unrelated individuals) meet minimum legal requirements for structural integrity as well as health and safety. This applies to any employer-provided housing, whether offered free of charge or for a fee, or owned by the employer or not.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>Bathrooms, laundry rooms, dining/kitchen/cooking areas, and all other shared spaces must also be maintained to be safe and sanitary, per local regulations and guidelines. All areas comply with appropriate measures for fire safety and prevention as well as emergency response (e.g., exits routes are unobstructed and clearly marked).</p> <p><b>Recommendation:</b> Employer-provided housing should be separate from production buildings.</p>
3.5.3.h	In absence of local law or regulation, the employer takes action to ensure that employer-provided housing affords workers with reasonable levels of decency, hygiene, and comfort.	Y1	<p><b>Clarification:</b> At minimum, employer-provided housing must provide:</p> <ul style="list-style-type: none"> <li>• A separate bed for each worker;</li> <li>• Bunk beds with adequate headroom and sleeping space, where applicable;</li> <li>• Sufficient space between beds to allow for evacuation during emergencies and prevention of overcrowding;</li> <li>• Protection against insects and vermin;</li> <li>• Adequate lighting, both natural and artificial;</li> <li>• Adequate protection from heat, cold and damp;</li> <li>• Adequate ventilation to ensure sufficient movement of air in all conditions of weather and climate;</li> <li>• Gender-specific accommodations for sleeping and sanitary facilities;</li> <li>• Adequate supply of safe potable water;</li> <li>• A minimum degree of privacy;</li> <li>• Adequate sewage and garbage disposal systems;</li> <li>• Adequate clean sanitary and washing facilities;</li> <li>• In the absence of a kitchen service (kitchen and dining hall provided by the employer), adequate cooking and food preparation facilities;</li> <li>• Adequate furniture for each worker to store his or her belongings; and</li> <li>• Adequate laundry and cooking facilities.</li> </ul> <p>These requirements are in line with the principles and rights outlined in ILO Workers' Housing Recommendation No. 115.</p> <p>Employers shall make reasonable efforts to protect workers' personal safety in employer-provided housing. This includes, but is not limited to, provision of sufficient security to protect workers living in areas at risk of crime, violence, or unrest. Any security provided must comply with criteria 2.3.2.a and 2.3.2.b</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
3.5.3.i	Employer-provided housing provides for reasonable levels of decency, hygiene, and comfort in alignment with international best practices.	BP	<p><b>Clarification:</b> This criterion applies to any employer-provided housing, whether offered free of charge or for a fee, or owned by the employer or not.</p> <p>For employer-provided family homes and dormitory housing (housing consisting of multiple sleeping quarters that are shared by unrelated individuals), this includes that:</p> <ul style="list-style-type: none"> <li>• Sleeping rooms provide minimum floor area per person:               <ul style="list-style-type: none"> <li>○ No less than 7.5 square meters in rooms accommodating two persons;</li> <li>○ No less than 11.5 square meters in rooms accommodating three persons;</li> <li>○ No less than 14.5 square meters in rooms accommodating four persons; and</li> <li>○ No less than 3.6 square meters per person in rooms with more than four people.</li> </ul> </li> <li>• The minimum inside dimensions of a sleeping space are at least 198 centimeters by 80 centimeters;</li> <li>• The vertical space in between bunk beds is at least 80 centimeters, where applicable;</li> <li>• Bunks are not arranged in tiers of more than two;</li> <li>• There is a minimum of one toilet, one wash basin, and one tub or shower for every six persons. Such facilities;               <ul style="list-style-type: none"> <li>○ Have a door that closes and locks;</li> <li>○ Are appropriately stocked with soap and hygienic paper;</li> <li>○ Allow for adequate drainage and disposal of water and waste (e.g., waste bins are available and regularly emptied);</li> <li>○ Provide sufficient hot water to allow all workers to take hot showers at the end of the workday;</li> <li>○ Are suitably distributed so as to avoid overcrowding; and</li> <li>○ Are located a reasonable distance from sleeping areas.</li> </ul> </li> <li>• In the absence of a kitchen service (kitchen and dining hall provided by the employer), there must be at least one cooking installation for every ten workers in rooms or for every two families;</li> <li>• Shade outside of housing in hot areas (trees, eaves, etc.); and</li> <li>• Recreation facilities are available if not already provided by the community.</li> </ul> <p>These requirements are in line with the principles and rights outlined in ILO Guidance on Workers’ Housing Recommendation No. 115<sup>4</sup>.</p>
<p><b>Objective 3.5.4: Children of workers living on-site have access to childcare and education.</b></p>			

<sup>4</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/publication/wcms\\_116344.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_116344.pdf)



No.	Compliance Criteria	Timeline	Intent and Clarification
3.5.4.a	Where children of workers live on-site, access to primary education is facilitated by the employer.	P	<p><b>Clarification:</b> The intent of this criterion is to help ensure that workers whose children live with them in employer-provided housing located at the factory have access to schooling for their grade-school aged children. “Access” may mean providing affordable or free transportation if public transportation to schools is not available or is not safe for children to frequent; supporting the development of schools in the area via petitioning the government to construct one or directly supporting construction; staffing a school near the factory’s worker housing; subsidizing school fees (including uniform, book costs, and school supply costs); and/or other means of ensuring that children who live in the factory’s housing have access to primary education.</p> <p>In many regions, public education and associated public transportation are available and their presence fulfills the intent of this criterion.</p>
3.5.4.b	The employer offers appropriate support for children and parents in accessing quality, affordable childcare.	BP	<p><b>Clarification:</b> The intent of this criterion is to support working parents, regardless of whether children live with them in employer-provided housing, in the local community, or in the worker’s location of origin.</p> <p>Interventions and services should be informed by findings from the Needs Assessment, giving consideration to the cost, accessibility (e.g., facility location, language of instruction, hours of operation, capacity limitations, etc.), and quality of childcare and/or early childhood education (ECE). ‘Quality’ shall take into account the structure, process, and outcomes for each care environment, such as staff-child ratios, integration of care with learning, and play that furthers developmental progress, as well as overall benefits for child, family, and community. The Needs Assessment should further consider unique supports that may be needed for parents whose children live separately from them.</p> <p>Note that the Fair Trade Premium may be used to help address needs related to childcare and ECE where there is an identified need and if approved in the Fair Trade Premium Plan.</p> <p><b>Recommendation:</b> On-site care facilities should be separate from production buildings.</p>



## MODULE 4: Occupational Health and Safety

The individual well-being of workers is directly impacted by working conditions, including occupational health and safety. Requirements in this module contribute to a reduction in incident and illness rates. Unless otherwise specified, the criteria in this module are applicable to all workers under the scope of the Certificate, regardless of whether they are temporary or permanent, or hired directly or indirectly via a labor contractor.

### SUB-MODULE 4.1: Factories Take Action to Prevent and Mitigate Risk of Harms and Hazards to Workers.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 4.1.1: Policies and procedures are in place to understand and prevent risks to worker health and safety in the workplace.</b>			
4.1.1.a	The factory completes a risk analysis for new and expectant mothers.	Y0	<b>Clarification:</b> The factory complies with all national maternity laws when assessing all employment and workplace risks to new and expectant mothers.
4.1.1.b	There is a written Hazard Assessment that covers workers' occupational risks.	Y1	<b>Clarification:</b> The intent of the Hazard Assessment is to identify and assess workers' occupational risks, including accident, injury, and work-related illness rates. <b>Recommendations:</b> This assessment may be included in the Internal Management System required as part of Module 7.
4.1.1.c	The factory has a comprehensive written Occupational Health and Safety Policy and associated procedures.	P	<b>Clarification:</b> The intent of the Occupational Health and Safety Policy is to outline factory commitment to and processes for minimizing workers' occupational risks as identified in the Hazard Assessment (4.1.1.b).  Actions to be taken to minimize risks must be documented in relevant procedures, and appropriate resources and staff must be dedicated to implementation. Factories must consider applicable national laws when developing the policy.  <b>Recommendations:</b> Best practice is to use the hierarchy of controls when determining what actions to take to minimize specific hazards: <ul style="list-style-type: none"> <li>• The first step should be to try to eliminate the hazard;</li> <li>• If that is not possible, try to substitute the hazard with a safer option; and</li> <li>• If elimination and substitution are not possible, try to control the hazard using engineering (e.g., adding safety features to machinery or redesigning a task).</li> </ul>



No.	Compliance Criteria	Timeline	Intent and Clarification
			Administrative controls (e.g., trainings, policies, and procedures) and Personal Protective Equipment (see Objective 4.1.3) should only be used on their own as a last resort.
4.1.1.d	At each worksite, there is a trained individual responsible for implementing health and safety policies and procedures.	P	<p><b>Clarification:</b> This person brings occupational health and safety issues to the attention of the employer. The individual may have other responsibilities in the company. In this context, <i>trained</i> means that they are qualified and able to identify risks, they fully understand the health and safety procedures and policies, and they can effectively explain them to others. Any legal requirements relevant to health and safety personnel are followed.</p> <p>Management must give the individual sufficient authority, time, and resources to effectively implement these procedures.</p> <p><b>Recommendations:</b> It is recommended that this individual be a member of senior management.</p>
4.1.1.e	There is an Occupational Health and Safety Committee in place, which identifies health and safety concerns and ways to address them.	P	<p><b>Clarification:</b> The Occupational Health and Safety Committee serves to share information among workers and those responsible for health and safety to maintain continuous improvement towards a safe and healthy workplace. Worker involvement is essential to create a safe and healthy work environment as they are directly impacted by health and safety risks and practices. The Committee can be constituted at the group level (i.e., representing several sites). In some countries, this committee may already be required by law according to the size of the workplace. The Committee must be formed and function in line with any relevant legal requirements.</p> <p>The Committee must be involved in reviewing safety issues and hazards, tracking corrective actions, and considering opportunities for further improvement of safety conditions. The Committee must agree on the cadence of meetings, which must be at least quarterly.</p> <p>The Committee must keep minutes of meetings and document findings and recommendations.</p> <p><b>Recommendations:</b> Best practice is to have workers from different departments/functions represented in the Committee. The Committee should solicit information from the trained individuals responsible for implementing health and safety procedures in 4.1.1.d, and participate in the development of the Hazard Assessment, Occupational Health and Safety Policy, and associated procedures required in 4.1.1.c. The Committee should analyze accident records (4.2.1.b) to detect trends and identify recurring risks.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 4.1.2: Hazards associated with factory buildings, machinery, and equipment are minimized.</b>			
4.1.2.a	Factory buildings and grounds are maintained to be safe, clean, and hygienic at all times.	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure that buildings are built and maintained in a way that minimizes risks to worker safety and well-being in compliance with relevant laws and regulations. Employers must address any critical or immediate risks of injury or loss of life related to factory buildings and grounds. The factory is responsible for ensuring a safe environment for its workers at all times, including but not limited to, maintaining the physical and structural integrity of all buildings and installations. Hygienic conditions also include reasonable control of any pest populations.</p> <p>Per 7.1.2.b, the factory must have any legally required building safety certificates.</p>
4.1.2.b	Factory building systems and infrastructure are maintained to be safe and in working order.	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure that building infrastructure and systems are installed and maintained in a way that minimizes risks to worker safety and well-being in compliance with relevant laws and regulations. Infrastructure includes lighting, electrical, ventilation, plumbing, and heating and cooling systems, among others. For requirements regarding emergency detection and alarm systems, see Objective 4.3.1.</p> <p>Employers must address any critical or immediate risks of injury or loss of life related to infrastructure installed throughout factory buildings and grounds. The factory is responsible for ensuring a safe environment for its workers at all times.</p> <p>Per 7.1.2.b, the factory must have any legally required building safety certificates.</p>
4.1.2.c	Risks of harms and hazards are minimized in the workplace.	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure that facilities are maintained and operated in a way that minimizes risk to worker health, safety, or well-being in compliance with relevant laws and regulations. Responses to potential risks and hazards must be commensurate with the size, nature, and risks of the organization. At a minimum, adequate and appropriate action is taken to reduce risk of harm related (but not limited) to:</p> <ul style="list-style-type: none"> <li>• Low lighting;</li> <li>• High noise levels;</li> <li>• Maintenance of floors, stairs, workspaces, and walkways to prevent slips, trips, falls, etc.;</li> <li>• Maintenance of adequate air quality and ventilation, especially in spaces where chemicals are used; and</li> <li>• Fluctuations or extremes in temperature.</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
4.1.2.d	All machines and equipment are maintained to be in safe and working order. Safety hazards associated with machines and equipment are minimized.	Y0	<p><b>Clarification:</b> Any and all machinery and equipment directly or indirectly necessary to facilitate production and operations are regularly inspected and appropriately operated (as outlined by local regulation and/or manufacturer instruction, where applicable). The factory must verify that adequate and appropriate safeguards and safety devices are in place and in working order.</p> <p>Machinery and equipment must have safety instructions displayed or posted in the factory in workers' language(s).</p>
4.1.2.e	The factory has valid permits for all equipment used in its operations.	Y1	<p><b>Clarification:</b> This includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• Elevators;</li> <li>• Boilers;</li> <li>• Generators;</li> <li>• Air pressure tanks;</li> <li>• Liquid petroleum gas tanks;</li> <li>• Vacuum chambers;</li> <li>• Pressure systems;</li> <li>• Compressed air receivers; and</li> <li>• Conveyor belts.</li> </ul> <p>Where applicable, copies of safety and maintenance certificates (e.g., for elevators) must be publicly posted.</p>
4.1.2.f	Machines and equipment are only operated by authorized and trained workers.	Y1	<p><b>Clarification:</b> Workers must be trained at least annually on the proper use of the machines. This includes training on how to safely clean and maintain machinery.</p>
4.1.2.g	Risks associated with specialized production processes are minimized in the workplace.	P	<p><b>Clarification:</b> The intent of this criterion is to ensure that risks and hazards associated with specialized production processes are appropriately addressed to minimize risk to worker health, safety, or well-being in compliance with relevant laws and regulations as well as manufacturer instructions. These risks may not be relevant to every factory and may require additional time and resources to properly mitigate.</p> <p>Examples of risks associated with specialized production processes may include mitigating exposure to bloodborne pathogens and biohazards, highly combustible materials and substances, confined spaces, hot work, radiation, lasers, etc.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			Note, requirements regarding safe storage and usage of hazardous chemicals can be found under Objective 5.2.1.
4.1.2.h	Risk areas and potential hazards are clearly identified by warning signs.	P	<p><b>Clarification:</b> Signs are posted in relevant languages and explained in pictograms. Relevant languages include those understood by workers as well as family and community members if sites are accessible.</p> <p>Separate requirements on labeling of spaces where chemicals and hazardous materials are used and stored can be found in 5.2.1.a and 5.2.1.b.</p>
<b>Objective 4.1.3: Where hazards cannot be eliminated, workers are provided with the tools to protect their health, safety, and well-being.</b>			
4.1.3.a	Workers are not compelled to perform any work that poses a risk to their health. The employer must offer workers who become unable to perform certain tasks due to medical conditions an alternate job at the same pay and benefits.	Y0	<p><b>Clarification:</b> Hazardous work can include handling or significant exposure to hazardous chemicals, working in high heat, operating heavy or dangerous machinery or tools, night work, lifting heavy objects, long periods of standing, and working at dangerous heights. Free, full, and informed consent must be given (including through signing of an employment agreement that clearly outlines the nature and potential consequences of engaging in the hazardous in question) prior to commencing hazardous work.</p> <p>Relevant medical conditions include pregnancy or nursing; incapacitating mental conditions; chronic, hepatic, or renal disease; and respiratory diseases. Young workers are also protected under this criterion as well as the requirements in Objective 2.2.2. Employers must make reasonable accommodations for any such workers.</p> <p>The factory must comply with all national maternity laws when assessing employment and workplace risks to new and expectant mothers and assigning work tasks.</p>
4.1.3.b	Workers have the right to remove themselves from imminent, serious danger without seeking permission from management.	Y0	
4.1.3.c	Personal Protective Equipment is functional, regularly maintained, and provided to workers free of charge.	Y0	<p><b>Clarification:</b> The intent of this criterion is that Personal Protective Equipment (PPE) is always in good working order and readily available so that workers are protected.</p> <p>The PPE shall be comfortable enough, appropriate to the climate, and sized properly so that workers are able to use it.</p> <p><i>Regularly maintained</i> means that, at a minimum, the manufacturer's instructions are followed.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>Workers may not take PPE home. Workers can take uniforms or work clothes off the premises for cleaning purposes.</p> <p><b>Recommendations:</b> Best practice is for there to be a dedicated storage area on-site for PPE.</p>
4.1.3.d	Individuals use Personal Protective Equipment as appropriate to their tasks and have been trained on its proper use.	Y1	<p><b>Clarification:</b> This criterion is applicable to all individuals who require Personal Protective Equipment (PPE) regardless of whether they are a member of management or a worker. PPE is required for dangerous work including handling chemicals, exposure to extreme temperatures, working with sharp tools, or operating machinery. At a minimum, manufacturers' PPE recommendations shall be followed. PPE also includes gloves, helmets, and boots where these are necessary to protect workers.</p> <p>All work areas that require PPE must have signs indicating equipment to be worn.</p> <p>All individuals using PPE must be trained on its proper use and understand why and how to use it. This training shall be repeated at least once per year. It may be incorporated into the training on general workplace hazards and how to avoid them in 4.2.3.b, or it may be conducted as a separate training, for example when the PPE is first distributed.</p> <p><b>Recommendations:</b> It is best practice to provide workers with clothing that is worn during work that protects workers from exposure to cold temperatures.</p>
4.1.3.e	The employer provides all workers with any required working clothes, for instance uniforms or specialized clothing, free of charge. These working clothes are replaced regularly.	P	<p><b>Clarification:</b> This criterion is applicable where uniforms or specialized work clothes are required.</p> <p><b>Recommendation:</b> It is best practice for the employer to provide washing machines or service for workers to wash their uniforms at the processing facility.</p>
4.1.3.f	Workers handling any hazardous substances are regularly offered free medical examinations by a physician (according to risks and levels of exposure) and are informed of the results privately. Management reviews recommendations resulting from the examination and a remediation plan is put into place if problems are detected.	P	<p><b>Clarification:</b> Where allowed under law, the employer may select the physician, but the worker must be allowed to request a different physician.</p> <p>Remediation plans shall include rotation of job tasks or other measures needed to ensure the health of workers. Workers must be offered another lower-risk job at equivalent pay and benefits if they are no longer able to be safely exposed to specific hazardous chemicals. There can be no discrimination or punishment against workers based on the results of the medical examination.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
4.1.3.g	Workstations shall be designed and set-up in such a manner as to minimize bodily strains. Workers have training and tools they need to prevent strain injuries.	BP	<p><b>Clarification:</b> This includes seating and standing arrangements, and location and arrangement of tools such that they are within easy reach. This could include, but is not limited to, provision of chairs with padding and back rests, anti-fatigue mats, etc.</p> <p>Employers shall train workers in proper lifting techniques. Tools to help prevent strain injuries, such as lifting belts, shall be provided.</p> <p><b>Recommendation:</b> Conducting an ergonomic health study can assist in identifying necessary investments to improve workstation design.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 4.1.4: Workers have access to drinking water and sanitary facilities.</b>			
4.1.4.a	Potable drinking water is always accessible to all workers during their working period, and to any workers and their families that live in employer-provided housing.	Y0	<p><b>Clarification:</b> Boiling, filtering, or chlorinating the water may be necessary to ensure potability. <i>Potable drinking water</i> means water which complies with legal requirements or the following World Health Organization parameters, whichever is stricter:</p> <ul style="list-style-type: none"> <li>• Fecal Coliforms: Zero;</li> <li>• Chlorine residue or residue from other treatment disinfectants: maximum 5 mg/L;</li> <li>• Nitrates: 50 mg/L as nitrate ion;</li> <li>• pH: 6.5 to 8.5;</li> <li>• Sodium: 200 mg/L (there is no health-based guideline for this, the parameter is based on taste);</li> <li>• Sulfates: 250 mg/L (there is no health-based guideline for this, the parameter is based on taste);</li> <li>• Turbidity: Less than or equal to 5 NTU (there is no health-based guideline for this, the parameter is based on taste); and</li> <li>• Arsenic: 0.01 mg/L.</li> </ul> <p>Potable water must be clearly labelled as such.</p> <p>Any drinking water containers provided are kept clean and adequately protected to prevent contamination.</p>
4.1.4.b	Sanitary and hand-washing facilities are provided for and accessible to workers in compliance with local law.	Y0	<p><b>Clarification:</b> Sanitary and hand-washing facilities are built, provided, and maintained in compliance with applicable laws. This includes regulations dictating number of toilets provided, tap water quality, distance of sanitary facilities from workstations, and cadence of facility restocking and cleaning.</p> <p>Workers must be able to access sanitary and hand-washing facilities at any time during the workday. Clean, running water must be available in hand-washing facilities at all times. Toilets have proper ventilation, adequate privacy, and are functional.</p>
4.1.4.c	Sanitary and handwashing facilities are regularly cleaned and restocked.	Y1	<p><b>Clarification:</b> Toilets and handwashing facilities are regularly cleaned and restocked with necessary supplies, such as toilet paper, hand towels, and hand soap.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
4.1.4.d	An appropriate number of clean, gender-specific, sanitary facilities and accompanying hand-washing facilities are provided for workers.	P	<p><b>Clarification:</b> For factories of up to 100 workers, at least one toilet per 25 employees of each gender is required. For factories with more than 100 workers, a ratio of one toilet for every 50 workers of each gender is required.</p>
4.1.4.e	The factory provides free sanitary and feminine hygiene products to workers who menstruate.	BP	<p><b>Clarification:</b> Sanitary and feminine hygiene products may be kept in sanitary and/or accompanying handwashing facilities both in the production area and housing facilities. They are provided at no cost to workers. Sanitary and feminine hygiene products are regularly restocked.</p> <p><b>Recommendation:</b> The Needs Assessment or a worker survey can be used to assess the types of sanitary products preferred by menstruating workers.</p>
4.1.4.f	Canteen, kitchen conditions, and food handling practices are sanitary.	Y0	<p><b>Clarification:</b> Sanitary conditions for this criterion apply to all designated eating areas and kitchens made available to workers on factory premises and in factory housing, where provided.</p>
4.1.4.g	Kitchens and canteens have all required government health inspections and certifications.	Y1	<p><b>Clarification:</b> Factories must either possess or demonstrate effort towards obtaining all certifications and other legally required documentation necessary for operation of kitchens or canteens.</p> <p>By Year 1, inspections must have been completed. Any required certifications must either have been obtained or it must be demonstrated that steps have been taken to start the process and make progress toward receiving required documentation. For example, relevant paperwork and inspections have been submitted to relevant government officials, and the request is currently being processed.</p> <p><b>Recommendation:</b> Records of inspections and certifications should be kept on file for at least 5 years, unless specified by law.</p>

## SUB-MODULE 4.2: The Workplace is Prepared to Respond to Health and Safety Incidents.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 4.2.1: Policies and procedures are in place to promote effective health and safety incident detection, response, investigation, and reporting.</b>			
4.2.1.a	Workers understand how and are able to report occupational health and safety incidents as they occur. Reported incidents are responded to in an appropriate and timely manner.	Y0	<p><b>Clarification:</b> The factory has a mechanism that enables timely and adequate response to occupational health and safety incidents, including deaths, injuries, illnesses, near-miss accidents, etc. Workers are aware of and understand how to report occupational health and safety incidents when they occur. Responsible individuals (e.g., supervisors, management) understand how and can appropriately respond to incidents when they occur.</p> <p>All incidents are documented and reported in accordance with the law (see 4.2.1.b-c).</p> <p>Per 7.5.1.c, workers are not subject to retaliation, discrimination, or discipline for reporting health and safety incidents.</p>
4.2.1.b	There are records of all health and safety incidents and related responses.	Y1	<p><b>Clarification:</b> Health and safety incidents include fatalities, injuries, near-misses, and illnesses, as well as dangerous occurrences (i.e., collapse, explosions, fire, etc.). Records must be kept for all incidents occurring at the workplace as well as in all housing and common areas provided by the factory.</p> <p>The factory must maintain written records of all incidents for a minimum of two years. The records include:</p> <ul style="list-style-type: none"> <li>• Name of worker;</li> <li>• Worker's department;</li> <li>• Time, date, and location of the accident;</li> <li>• Description of circumstances (including which machinery/equipment if any involved);</li> <li>• Description of injury or illness; and</li> <li>• Description of treatment.</li> </ul> <p><b>Recommendations:</b> These records should be considered in the Hazard Assessment required in 4.1.1.b.</p>
4.2.1.c	Incident reports are summarized and reviewed annually, and submitted to relevant authorities where required, to provide notification/statistics on work-related fatalities, injuries, and illnesses.	Y1	<p><b>Clarification:</b> <i>Relevant authorities</i> refers to any governmental department that requires and/or tracks workplace accidents, injuries, fatalities, or work-related diseases.</p> <p>Incident reports must be shared with the Occupational Health and Safety Committee (see 4.1.1.e), where one exists. Management and personnel responsible for health and safety must always review these incident reports and consider opportunities for safety improvements.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
4.2.1.d	The factory has a procedure for investigating health and safety incidents and implementing appropriate corrective actions.	P	<p><b>Clarification:</b> The incident investigation procedure must include a process for conducting a root cause analysis following an incident (e.g., accident, near miss, etc.).</p> <p>Based on findings from the root cause analysis, the factory must take adequate action to control hazards that may not have been previously identified or subject to adequate control. <i>Adequate</i> means that the corrective action is commensurate with the scale and severity of the root cause(s) identified during the analysis.</p>
<b>Objective 4.2.2: Resources enable effective and timely response to health and safety incidents.</b>			
4.2.2.a	Adequate first aid supplies are available to workers in the case of workplace accidents.	Y0	<p><b>Clarification:</b> The level of first aid equipment must comply with applicable laws. Available first aid supplies shall include materials needed to meet all reasonably foreseeable emergency first aid situations, such as those identified in the Hazard Assessment required in 4.1.1.b. Supplies are visible (or clearly indicated by a sign) and easily accessible and must be accompanied by clear instructions for use.</p>
4.2.2.b	Workers are provided with acute medical care for all workplace injuries and illnesses, as well as lost wages during immediate recovery time.	Y0	<p><b>Clarification:</b> The intent of the criterion is that employers ensure workers are provided with, and do not pay for, acute medical care for any workplace injuries and illnesses, and do not lose wages during treatment. Treatment and immediate recovery time are defined as the time an injured or ill worker is under medical care immediately following an accident until they are considered stable by a qualified first aid provider or medical professional, and/or discharged from the medical facility.</p> <p>Covering costs of care and lost wages can be direct – for instance by providing transportation to a healthcare facility and paying for care and wages – or indirect, through the provision of medical, accident, and/or disability or workers’ compensation insurance that covers full costs of care and lost wages.</p> <p>Wages lost while a worker is in transit to and receiving medical attention immediately after an injury or illness must be paid in full, even if insurance does not fully reimburse the employer for this. Once the worker is discharged from a medical facility, or a medical professional or a qualified first aid provider deems the worker to be stable, they are considered to be in long-term medical care and recovery. Work missed due to work-related illnesses or injuries is not deducted from annual vacation leave.</p>
4.2.2.c	Trained personnel are available to workers in the case of workplace accidents.	Y1	<p><b>Clarification:</b> Personnel trained in first aid shall be available as required by law and in high-risk workplaces such as where sharp blades, dangerous tools, or heavy machinery are used. The number of trained personnel must be sufficient for the size, structure, and risk of the workplace. The level of this first aid training must be sufficient to provide immediate lifesaving care, including conducting basic noninvasive interventions to help save lives and reduce harm while waiting for outside assistance where necessary. Personnel know how to seek external medical aid in the case of an emergency.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
4.2.2.d	The factory provides access to showers, eyewash stations, and/or other proper cleansing materials where there is a risk of exposure to hazardous materials.	Y1	<b>Clarification:</b> Factories must review hazard statements and response guidelines in the Safety Data Sheet (see 5.2.2.b) for hazardous materials used on site. Provision of shower, eyewash stations, and/or proper cleansing materials must follow legal requirements if applicable.
<b>Objective 4.2.3: Individuals have the training and information they need to keep themselves safe.</b>			
4.2.3.a	Employers inform workers of the risks associated with any hazardous work, including higher risks associated with certain medical conditions.	Y0	<b>Clarification:</b> This must include sharing information on risks for new and expectant mothers, as well as any other relevant medical conditions that are at a high health risk for specific tasks (see 4.1.3.a) in a form that workers can easily understand.
4.2.3.b	At least once per year, workers engaged in potentially hazardous work are trained in workplace hazards and how to avoid them.	Y1	<p><b>Clarification:</b> The training can be done by the employer or a third party. If the training is done by a third party, it must be paid for by the factory. These trainings must be documented, and records must be kept on file for at least three years.</p> <p>Hazardous work includes working in high heat or extreme cold, operating machinery and vehicles, using potentially dangerous tools, tasks that might result in repetitive stress injuries, and working at heights.</p> <p>Trainings must include information about possible workplace hazards as well as how to and the importance of reporting workplace accidents and/or symptoms of repetitive strain injuries to the employer.</p> <p>For workers handling hazardous materials, training shall include:</p> <ul style="list-style-type: none"> <li>• How to understand the product label and other safety instructions for use made available by the manufacturer;</li> <li>• How to handle accidents and spills when mixing, loading, and using chemicals;</li> <li>• How to store and handle chemicals safely, and safely dispose of empty containers;</li> <li>• Signs and symptoms of chemical poisoning; and</li> <li>• How to reduce spills and address them when they occur (monitoring, control, and clean up).</li> </ul> <p>Additional requirements regarding safe storage and usage of hazardous chemicals can be found under Objective 5.2.1.</p>



## SUB-MODULE 4.3: The Workplace is Prepared to Respond to Emergencies.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 4.3.1: Workplace infrastructure enables effective emergency detection and response.</b>			
4.3.1.a	The indoor workplace is sufficiently equipped with functioning emergency detection and notification systems as required by law.	Y0	<p><b>Clarification:</b> Any specifications mandated by local legislation must be followed.</p> <p>Where carbon monoxide is used or stored, functioning carbon monoxide detectors with an audible alarm must be properly installed at the correct height.</p> <p>Alarms must have the ability to be set off from various locations throughout the factory. This includes visual alarms where ear protective equipment is used.</p> <p>Working emergency lights, fire alarms, and fire detection mechanisms must be backed up with batteries or a secondary power source.</p> <p><b>Recommendations:</b> Emergency lights should be installed in stairwells and other key locations to illuminate exit routes.</p> <p>Records of inspections and certifications should be kept on file for at least 5 years, unless specified by law.</p>
4.3.1.b	Firefighting equipment is maintained, clearly marked, visible, and accessible.	Y0	<p><b>Clarification:</b> Fire extinguishers, hydrants, hoses, and other legally required firefighting equipment are maintained according to manufacturers' instructions.</p> <p><i>Accessible</i> means that firefighting equipment is installed in a location and volume compliant with local regulations. Firefighting equipment must remain unobstructed, fully functional, and undergo regular inspections per local regulation or manufacturers' instructions, whichever is stricter.</p> <p><b>Recommendation:</b> Records of inspections and certifications should be kept on file for at least 5 years, unless specified by law</p>
4.3.1.c	Means of egress are installed and maintained in alignment with local law.	Y0	<p><b>Clarification:</b> <i>Means of egress</i> includes exit and evacuation routes, doors, aisles, stairwells, fire escapes, or any other infrastructure intended to enable efficient evacuation in cases of emergency.</p>
4.3.1.d	Means of egress are unobstructed, navigable, and easily identifiable.	Y1	<p><b>Clarification:</b> At a minimum, this means that aisles must be kept clear of equipment and materials at all times. Aisles must be sufficiently wide to enable easy escape.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			Emergency exit routes must: <ul style="list-style-type: none"> <li>• Be marked by lines and arrows;</li> <li>• Prominently featured on updated maps of emergency exits/evacuation routes throughout the facility in a language understood by workers; and,</li> <li>• Include “You Are Here” markings on each map to correspond to the map’s actual location.</li> </ul>
4.3.1.e	Means of egress are sufficient in number and capacity, identifiable, and designed to support evacuation of personnel.	P	<b>Clarification:</b> If not otherwise defined by law or the law is less strict, emergency exits meet the following requirements: <ul style="list-style-type: none"> <li>• Exit doors swing out, not in. Where vertical sliding doors are installed and cannot be replaced by swing-out/push-bar doors, they are tested and maintained at least annually to ensure they operate effectively at all times. A locking mechanism is in place to ensure that doors remain in open position during work hours;</li> <li>• For exits with latches that require special operation, at least one worker trained on how to operate the latch is present and located in physical proximity to each relevant exit;</li> <li>• Exits lead to a safe location outside the building;</li> <li>• Workplaces with up to 500 workers have at least two exits that provide 22 inches (0.55 meters) of exit width;</li> <li>• Workplaces with over 500 workers have at least three exits that provide 22 inches (0.55 meters) of exit width;</li> <li>• Exits are on opposite sides of the workplace floor;</li> <li>• Each workstation is within 200 feet (61 meters) of an exit; and</li> <li>• Exit signs are properly illuminated by a reliable light source.</li> </ul>
<b>Objective 4.3.2. Workers are prepared to respond in cases of emergency.</b>			
4.3.2.a	Workers know how to respond in case of emergency.	Y0	<b>Clarification:</b> All workers can identify the following items that are closest to their workstation: <ul style="list-style-type: none"> <li>• Firefighting equipment;</li> <li>• Emergency exit(s); and</li> <li>• Triggers for emergency alarm systems (e.g., fire alarm buttons or pull stations).</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
4.3.2.b	Factory-wide emergency drills are conducted at least annually or as required by law.	Y1	<p><b>Clarification:</b> Drills are intended to prepare workers to respond quickly and confidently in cases of emergency. At minimum, the factory must host annual fire drills and any other disaster response drills as required by law.</p> <p>Drills must be conducted during each shift when a majority of workers are present.</p> <p><b>Recommendation:</b> In cases where a factory shares the building with other businesses, it is recommended that all facilities within the building participate in fire drills.</p>
4.3.2.c	An appropriate number of workers receive hands-on training on the use of firefighting equipment.	P	<p><b>Clarification:</b> At least one worker trained in how to use a fire extinguisher is present and always located in physical proximity to a fire extinguisher. Any legal requirements for training must always be followed.</p> <p><b>Recommendation:</b> At least 20% of the workforce should receive hands-on training on the use of fire extinguishers.</p>
<b>Objective 4.3.3: Plans and procedures are in place to promote effective emergency prevention and response.</b>			
4.3.3.a	The factory has a written and up-to-date Fire Safety Plan.	P	<p><b>Clarification:</b> The Fire Safety Plan must include:</p> <ul style="list-style-type: none"> <li>• Lists of major workplace fire hazards and their proper handling and storage procedures;</li> <li>• Potential ignition sources and their control procedures;</li> <li>• Type of fire protection equipment or systems which can control a fire involving different ignition sources;</li> <li>• Procedures for maintenance of all fire safety equipment; and</li> <li>• Sites operating in a shared building must consider risks and procedures relevant to the structural and operational context.</li> </ul>
4.3.3.b	The factory has a written and up-to-date Emergency Preparedness Plan.	P	<p><b>Clarification:</b> The Emergency Preparedness Plan must include:</p> <ul style="list-style-type: none"> <li>• Procedures for emergencies, including weather-related natural disasters;</li> <li>• Type of evacuation and exit route assignments;</li> <li>• Procedures for reporting emergencies;</li> <li>• Procedures for employees who remain to operate critical plant operations before they evacuate;</li> <li>• Designation of assembly location and procedures to account for all employees after evacuation;</li> <li>• Alarm system for employees, with documented maintenance records;</li> <li>• Procedures to be followed by employees performing rescue or medical duties;</li> </ul>

<b>No.</b>	<b>Compliance Criteria</b>	<b>Timeline</b>	<b>Intent and Clarification</b>
			<ul style="list-style-type: none"><li>• Floor plan that clearly identifies all exits and exit routes; and</li><li>• Sites operating in a shared building must consider risks and procedures relevant to the structural and operational context.</li></ul>



## MODULE 5: Environmental Responsibility and Management

Responsible management and good production practices can reduce negative environmental impacts. Supporting factories in implementing better production practices has myriad benefits, including minimizing adverse environmental impacts on both natural ecosystems and neighboring communities. Requirements in this section help factories protect waterways, reduce waste, reduce greenhouse gas (GHG) emissions and air pollutants, conserve water, minimize the use of harmful chemicals, and ensure proper waste management.

### SUB-MODULE 5.1: Factories Implement Environmentally Responsible Practices and Management Systems.

No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.1.1: Factories comply with all legal requirements and there is a continuous effort to improve environmental performance along a defined path towards cleaner production.</b>			
5.1.1.a	The factory holds and complies with all legally required permits and licenses for its manufacturing processes.	Y1	<p><b>Clarification:</b> The intent of this criterion is that the factory, at a minimum, follows the local law in its attempt to protect and restore the natural environment.</p> <p>Permits and licenses may vary by geographic region and manufacturing process. Examples include wastewater or toxic emission permits.</p>
5.1.1.b	The factory has a written Environmental Policy in place which states the factory's commitment to identifying and addressing environmental risks and impacts.	P	<p><b>Clarification:</b> The intent of this criterion is that the factory has documented their commitment to identify and address relevant environmental risks and potential impacts of their operations.</p> <p><b>Recommendations:</b> As a best practice, the Policy should be updated over time to incorporate changes to the factory's systems, and to monitor environmental performance and plans for reducing risks and environmental impacts over time (see 5.1.1.c and 5.1.2).</p>
5.1.1.c	The factory has an Environmental Management System in place to monitor and improve its environmental performance. The Environmental Management System specifies all areas of environmental commitment and includes high-level timelines and plans for addressing each area.	BP	<p><b>Clarification:</b> For this criterion, the areas included in the Environmental Management System (EMS) may be addressed at a high level. Factories must consider any key issues specific to their production. See Objective 5.1.2 for additional examples of areas/themes to focus on in the EMS.</p>



No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.1.2: Factories develop and implement plans with measurable progress, aimed at increasing efficiency and minimizing environmental impacts.</b>			
5.1.2.a	The factory has developed and is implementing a plan to monitor and reduce the use of raw materials and decrease waste.	BP	<p><b>Clarification:</b> Achieved impacts must be measured and documented.</p> <p><b>Recommendation:</b> This plan can be implemented as part of the larger Environmental Management System outlined in 5.1.1.c.</p>
5.1.2.b	The factory has developed and is implementing a plan to monitor and reduce energy usage.	BP	<p><b>Clarification:</b> This may include transitioning to renewable energy sources. Achieved impacts must be measured and documented.</p> <p><b>Recommendation:</b> This plan can be implemented as part of the larger Environmental Management System outlined in 5.1.1.c.</p>
5.1.2.c	The factory has developed and is implementing a plan to monitor and reduce water usage.	BP	<p><b>Clarification:</b> This may include increasing reuse of water. Achieved impacts must be measured and documented.</p> <p><b>Recommendation:</b> This plan can be implemented as part of the larger environmental management system outlined in 5.1.1.c.</p>
5.1.2.d	The factory has developed and is implementing a plan to monitor and reduce air emissions.	BP	<p><b>Clarification:</b> This may include emissions of pollutants and/or greenhouse gases. Achieved impacts must be measured and documented.</p> <p><b>Recommendation:</b> This plan can be implemented as part of the larger environmental management system outlined in 5.1.1.c.</p>

## SUB-MODULE 5.2: Hazardous Materials

No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.2.1: All chemicals are used and stored in such a way as to minimize potential risk and exposure to workers, the environment, and the products being manufactured.</b>			
5.2.1.a	Chemicals and hazardous materials are used in a way that minimizes risk and human exposure.	Y0	<p><b>Clarification:</b> The use of chemicals in workstations must meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Usage methods and technologies comply with manufacturer’s instructions and designed to minimize risk;</li> <li>• Areas where chemicals are used are posted with safety and warning signs (see 4.1.2.f);</li> <li>• The dispensing and mixing of chemicals are undertaken in a separate, well-ventilated room or area;</li> <li>• There are posted signs that require workers to wash hands after handling, storing, or disposing of chemicals in bathrooms, kitchens, and production areas;</li> <li>• Spill kits are provided to enable sufficient response to potential spills;</li> <li>• Chemicals spilled are collected in a separate container. The contents of the container are disposed of in line with the factory's regulations and national law, and is not discharged into open water streams or sewers; and</li> <li>• All safety precautions outlined in Safety Data Sheets (SDS/MSDS) are followed.</li> </ul>
5.2.1.b	Chemicals and hazardous materials are stored in a safe manner.	Y0	<p><b>Clarification:</b> Chemical storage areas are appropriately designed, constructed, and located for the safe storage of chemicals and hazardous substances. All storage areas are aligned with relevant laws, regulations, and manufacturer’s instructions where relevant.</p>
5.2.1.c	Written procedures are in place for reporting and responding to chemical spills. These procedures are implemented.	P	<p><b>Clarification:</b> Procedures must consider methods for secondary containment, spill kits, and additional spill response – including sufficient training and designation of qualified response team(s) – required to manage potential spills.</p> <p><b>Recommendation:</b> A remediation strategy (see 7.5.3.b) should be established to enable rapid, coordinated responses to broader health and safety impacts on workers and local communities following chemical spills.</p>

No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.2.2: Facilities eliminate toxic and hazardous substances from products and operations.</b>			
5.2.2.a	The factory only uses chemicals and other hazardous materials that are legally approved for use in the country and are procured from licensed vendors.	Y0	<b>Clarification:</b> <i>Licensed vendors</i> refers to suppliers that are approved and/or have all legally required licenses to handle and transport hazardous substances.
5.2.2.b	The factory has a list of chemicals and hazardous substances used at all sites that are included in the Fair Trade Certificate.	Y0	<b>Clarification:</b> The list must have been made or updated at a minimum within the past three years, or as required by law. The list must indicate how the substance is used in the production process and whether it is on the European Union's REACH Candidate or Authorisation List of Substances of Very High Concern. Relevant CAS numbers must be included to facilitate cross-reference with Safety Data Sheets (SDS/MSDS).
5.2.2.c	The factory does not use any chemicals on the American Apparel and Footwear Association Restricted Substances list in the production of Fair Trade Certified product.	P	<b>Clarification:</b> Please see the <a href="#">American Apparel and Footwear Association Restricted Substance list</a> for more details. <sup>5</sup> <b>Recommendation:</b> It is best practice to remove these chemicals from the entire facility.
5.2.2.d	The factory does not use any of the chemicals on the European Union's REACH Candidate or Authorisation Lists of Substances of Very High Concern in the production of Fair Trade Certified product.	P	<b>Clarification:</b> This applies to use in Fair Trade Certified product. Please see the <a href="#">European Union's REACH Candidate</a> or <a href="#">Authorisation List of Substances of Very High Concern</a> for more details. <sup>6</sup> REACH stands for Registration, Evaluation, Authorisation, and Restriction of Chemicals. The Candidate List shows substances of very high concern for which the European Chemicals Agency is considering imposing an authorization requirement for some or all uses. The Authorisation List, also known as Annex XIV, shows chemicals that are banned unless given authorization from the European Commission for use. <b>Recommendation:</b> It is best practice to remove these chemicals from the entire facility.

<sup>5</sup> [https://www.aafaglobal.org/AAFA/Solutions\\_Pages/Restricted\\_Substance\\_List.aspx?WebsiteKey=49c45f4d-69b3-4c66-823a-6d285960fed2](https://www.aafaglobal.org/AAFA/Solutions_Pages/Restricted_Substance_List.aspx?WebsiteKey=49c45f4d-69b3-4c66-823a-6d285960fed2)

<sup>6</sup> <http://echa.europa.eu/web/guest/candidate-list-table>; <https://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list>



## SUB-MODULE 5.3: Waste Management

No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.3.1: All waste is stored and disposed of in a manner that protects human and ecosystem health.</b>			
5.3.1.a	Handling and disposal of waste are in line with applicable laws and regulations.	Y0	<b>Clarification:</b> Legal requirements and procedures for handling waste must be communicated to relevant workers (e.g., those affected and those who handle waste).
5.3.1.b	A waste management plan for the proper storage and disposal of waste is developed and implemented to minimize associated pollution and health risks.	P	<b>Clarification:</b> Waste management risks to human health and the natural environment are assessed, and the waste management plan is created to reduce or, when possible, eliminate those risks.
5.3.1.c	Waste is safely and appropriately stored and disposed.	P	<p><b>Clarification:</b> Sufficient disposal will depend upon the type of waste, national regulations, and manufacturer recommendations as well as whether waste is considered hazardous or non-hazardous.</p> <p>In general, all waste storage areas are properly maintained, covered, paved, isolated, and protected from the weather and from any fire risk. Storage areas must be properly labeled, and steps must be taken to prevent tampering, spills, combustion, contamination, etc.</p> <p>'Properly maintained' includes that waste is segregated by type, regularly collected/not over-flowing, and that hazardous and non-hazardous waste are stored properly. Time limitations for storage of each material must also be set and followed. Hazardous waste includes empty chemical containers and other items contaminated with hazardous chemicals.</p> <p><b>Recommendation:</b> Water, soil, and air quality testing may be used to validate the effectiveness of storage and disposal methodologies.</p>
5.3.1.d	Chemical and hazardous waste is removed by an authorized hazardous waste transporter and taken to an authorized waste disposal and recovery site.	P	



No.	Compliance Criterion	Timeline	Intent and Clarification
<b>Objective 5.3.2: Wastewater is discharged in a manner that protects human and ecosystem health.</b>			
5.3.2.a	Wastewater is not discharged directly into the natural environment, including water bodies, without prior appropriate treatment.	Y0	<p><b>Clarification:</b> The intent of this criterion is that all wastewater must go through sufficient treatment to ensure safe discharge into the environment. Wastewater includes any water that has been adversely affected in quality by production, processing, or packaging activities. This includes, but is not limited to, water contaminated by human waste, chemical container or equipment rinse water, and water from dyeing, washing, spray painting, screen printing, etc.</p> <p>The risks associated with wastewater discharges vary depending on what processes the water was used for, what chemicals may be in the wastewater, and where and how that water is discharged. The factory should take into account the specific wastewater associated risks of their operations when developing their Environmental Management System outlined under 5.1.1.c.</p>
5.3.2.b	Measures are in place to ensure that discharged wastewater does not pollute drinking water sources.	Y1	<p><b>Clarification:</b> The intent of this criterion is to specifically protect sources of drinking water as the highest priority. This criterion refers to wastewater that might indirectly reach or accidentally contaminate drinking water sources. The measures must include an emergency plan if an accident causes potential contamination to a drinking water source. As a part of the emergency plan, municipal officials and relevant water agencies must be notified immediately.</p>
5.3.2.c	Factories develop and implement a plan to monitor wastewater quality and, where necessary, implement an improvement plan to protect surrounding communities and waterways.	BP	<p><b>Clarification:</b> The intent of this criterion is that all wastewater is monitored, and improvements are put into place to meet safe water quality parameters to minimize risks to human health and the environment. In developing this plan, factories shall consider differing risk levels of wastewater based on where it is released, what chemicals may be present in it, etc. This plan may be developed by an independent third party.</p> <p>Wastewater quality targets shall use local law as reference. In the absence of legal guidance on any of the following indicators, the target levels are:</p> <ul style="list-style-type: none"> <li>• Dissolved Oxygen at or above eight mg/L, corresponding to a saturation percentage of 80% at 20°C;</li> <li>• PH between six and nine; and</li> <li>• Zero fecal coliforms.</li> </ul> <p>All indicators above shall be included in wastewater quality monitoring.</p>

## MODULE 6: Transparency & Traceability

The purpose of this module is to ensure that the practices relating to the purchase, movement, production, and sale of Fair Trade Certified product are clearly defined. The module focuses on the following areas:

- Traceability – Only products whose required production activities are covered by a valid Fair Trade Certificate and are sold to a licensed trader who has agreed to pay Fair Trade Premium may be labelled as Fair Trade Certified;
- Contracts and Agreements – Clear terms of trade are critical in ensuring factories and workers know what to expect from their participation in fair trade. Contracts and agreements between all actors in fair trade ensure that all parties are clear about their responsibilities in the trading relationship; and
- Certification Process – Participating in fair trade also means that Certificate Holders and participating sites are signing up to a wider program of auditing and reporting as managed by Fair Trade USA. Understanding and participating in this process is an integral part of the program.

Many requirements in Module 6 apply to the documentation and agreements around sales of the Fair Trade Certified product. Where the Certificate Holder is the same legal entity selling product, these requirements apply to the Certificate Holder. In the case that there is a separate legal entity acting as a vendor(s), these requirements will apply to the vendor(s). Such criteria make specific reference to the Certificate Holder or its vendors. Some requirements are applicable at all individual sites as well and are indicated in the All Sites column.

There are no Progress (P) or Best Practice (BP) criteria in this module. The majority of the Year (Y) criteria are applicable at Year 0.

### SUB-MODULE 6.1: There Is Traceability Throughout the Supply Chain.

No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
<b>Objective 6.1.1: Fair Trade Certified products are clearly identifiable.</b>				
6.1.1.a	Fair Trade Certified product is clearly identifiable.	Y0	Y0	<p><b>Clarification:</b> This may be a system or records indicating which specific product lines are intended to be sold as Fair Trade Certified.</p> <p>Factories must be able to identify Fair Trade Certified product to ensure that only products that have been ordered and produced as Fair Trade will be labelled and sold as Fair Trade Certified. This is to ensure that not only are required production activities covered by a valid Fair Trade Certificate, but also to ensure that product labelled as Fair Trade Certified is only sold to licensed traders who have agreed to pay Fair Trade Premium.</p>



No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
				See 6.3.5.a for requirements around the use of the Fair Trade Certified seal to identify Fair Trade Certified product.
6.1.1.b	There is a procedure in place documenting how Fair Trade Certified product is produced, sold, and tracked. The procedure is followed.	Y0	Y0	<p><b>Clarification:</b> There must be a written description of the product flow, from the primary production factory through any subcontractors<sup>7</sup> and vendors to the buyer, and how any necessary documentation and records will be maintained (see 6.1.2.c through 6.1.2.e). All parties involved in the procedure must be aware of it and follow it in their work.</p> <p>This procedure ensures traceability and accuracy of Fair Trade Certified product volumes and records. It shall start at the primary production factory and cover all movement of product between sites to the point of sale. The process shall also cover product being held or processed by subcontractors.</p>
<b>Objective 6.1.2: Documentation and records are kept of all Fair Trade USA production and sales.</b>				
6.1.2.a	There is an up-to-date list of all entities not in scope of the Certificate, which are involved in the Fair Trade Certified product supply chain, including name, location, key contact person, and contact details for each.	Y0	Y0	<p><b>Clarification:</b> The list must include any subcontractors who will be handling Fair Trade Certified product, all material suppliers of Fair Trade Certified product, and any homeworkers performing work on Fair Trade Certified product.</p> <p>See Objective 7.6.2 for further requirements on subcontractors and homeworkers.</p>
6.1.2.b	Records are maintained of production work outsourced to separate entities.	Y1	Y1	<p><b>Clarification:</b> This refers to work performed by subcontractors or homeworkers. Records must include the name of the person in charge, the location, and the details of orders given.</p> <ul style="list-style-type: none"> <li>• The <i>name of the person in charge</i> is the person at the factory who assigns the production work to a homeworker or subcontractor;</li> <li>• <i>Location</i> is where the homeworker or subcontractor is located; and</li> </ul>

<sup>7</sup> A subcontractor is an individual or company that is neither managed nor subject to a controlling interest by the Certificate Holder which does not take legal ownership of the Fair Trade Certified product but provides services to process, pack, or transform the product. Examples of subcontractors include but are not limited to washing facilities, dye houses, embroiderers, accessory and embellishment facilities, and homeworkers.

No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
				<ul style="list-style-type: none"> <li><i>Details of order</i> is the homemaker or subcontractor’s name, the type of product the homemaker or subcontractor is assigned to work on, and the quantity of product received.</li> </ul>
6.1.2.c	<p>Records are maintained of all products sourced or purchased as Fair Trade Certified from entities included in the scope of the Certificate. These records indicate:</p> <ul style="list-style-type: none"> <li>The name of the individual supplier;</li> <li>Date of purchase or sourcing;</li> <li>Product name;</li> <li>Quantity; and,</li> <li>Price paid, if applicable.</li> </ul>	As soon as Fair Trade Certified product is sourced, or Y1	NA	<p><b>Clarification:</b> This requirement is applicable where there is a separate vendor site(s) or multiple factory production sites included under the scope of the Certificate. The intent of this requirement is that the Certificate Holder or vendor(s) has records to trace all Fair Trade Certified products sourced from within its Certificate. 6.1.2.d covers documentation of sales to Fair Trade buyers.</p> <p>Documentation shall be kept on file in an accessible format for three years.</p>
6.1.2.d	<p>There are records of all Fair Trade USA sales to Fair Trade buyers. These records include:</p> <ul style="list-style-type: none"> <li>The quantity;</li> <li>The name of the buyer;</li> <li>The date of the transaction;</li> <li>The Fair Trade ID of the buyer; and,</li> <li>A reference that allows the Conformity Assessment Body to link these records with the corresponding sales documentation.</li> </ul>	As soon as there are sales of Fair Trade Certified product, or Y1	NA	<p><b>Clarification:</b> This relates to internal record keeping of transactions conducted between the Certificate Holder or vendor(s) and their buyers.</p> <p>Where transactions are conducted by a vendor, these records need to also be accessible to or shared with the Certificate Holder to ensure visibility into Fair Trade sales.</p> <p>Records shall be kept in an accessible format and retained for a minimum of three years.</p>
6.1.2.e	<p>All sales documentation (e.g., invoices, bills of lading, delivery notes) related to the Fair Trade Certified product clearly state the:</p> <ul style="list-style-type: none"> <li>Fair Trade ID of the Certificate Holder;</li> <li>Fair Trade ID of the buyer;</li> <li>Name of Fair Trade Certified products;</li> </ul>	As soon as there are sales of Fair Trade Certified	NA	<p><b>Clarification:</b> This criterion refers to sales documentation between the Certificate Holder or vendor(s) and a Fair Trade buyer.</p> <p>This information may be recorded in written documents and/or an electronic system as long as information is accessible to the buyer, seller, and Fair Trade USA’s auditors and staff.</p> <p>The amount of Premium owed must be able to be distinguished from the product price.</p>



No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
	<ul style="list-style-type: none"> <li>Quantity of the product being sold as Fair Trade Certified;</li> <li>Fair Trade Premium owed, if applicable;</li> <li>Product characteristics when sold; and</li> <li>Applicable dates of transactions.</li> </ul>	product, or Y1		<p>Product characteristics must include which Fair Trade seal applies (Fair Trade Factory, Fair Trade Certified Cotton, or full Fair Trade Certified seal).</p> <p>All Fair Trade Certified products must be clearly identified as such for each line item within the sales documentation. If all products on the invoice or purchase order are Certified, this may be indicated at the top of the document.</p>

**SUB-MODULE 6.2: Agreements are Followed.**

No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
<b>Objective 6.2.1: All Fair Trade agreements between the Certificate Holder or vendor and its buyers are honored.</b>				
6.2.1.a	All elements of Fair Trade USA transactions fixed in signed written agreements between the Certificate Holder or its vendor(s) and its buyers are honored unless both parties agree to a change in writing.	Y0	NA	<p><b>Clarification:</b> The intent of this criterion is to clarify that it is the responsibility of the Certificate Holder or its vendor(s) to not default on terms agreed upon to the detriment of its buyers.</p> <p><b>Recommendation:</b> The Certificate Holder or its vendor(s) should review requirements of the <a href="#">Fair Trade USA Trade Standard</a>. These requirements are intended to support the Certificate Holder or its vendor(s) in establishing fair and transparent trading terms with its buyer(s). While it is the primary responsibility of the buyer, as a licensed trader, to ensure agreements comply with Trade Requirements, including defining terms and transfer of Premium payments, the Certificate Holder or its vendor should review such agreements to ensure all required terms are covered.</p> <p>To ensure timely receipt of Premium, it is recommended that agreements with buyers include a description of how Premium shall be invoiced by the Certificate Holder or its vendor(s) to ensure that such processes are understood and followed.</p>



No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
<b>Objective 6.2.2: There are signed agreements with entities supplying Fair Trade Certified product, which define the general terms of trade.</b>				
6.2.2.a	<p>There is a signed written agreement with all suppliers in the scope of the Certificate defining the terms of trade. At a minimum the agreement includes:</p> <ul style="list-style-type: none"> <li>• The price to be paid for the product or service, if relevant;</li> <li>• Payment terms, including the party responsible for paying Premium, if applicable;</li> <li>• Terms of delivery;</li> <li>• Product description; and</li> <li>• A mechanism to resolve conflicts.</li> </ul>	Y0	NA	<p><b>Clarification:</b> This requirement is applicable where there is a separate vendor site(s) or multiple factory production sites included under the scope of the Certificate. The agreement is intended to outline the trade relationship between the Certificate Holder or vendor(s) and all entities from which they are sourcing Fair Trade Certified product, so that terms of trade are transparent and clearly understood by all parties.</p>
6.2.2.b	<p>The agreement in 6.2.2.a is followed and, where applicable, Premium calculation and payment are compliant with the requirements on Fair Trade Premium.</p>	Y1	NA	<p><b>Clarification:</b> The intent is that Premium calculation and payment are always compliant with Fair Trade USA’s requirements on Fair Trade Premium, independent of the contract contents.</p>
<b>Objective 6.2.3: The Fair Trade Committee receives the correct amount of Premium in a timely manner.</b>				
6.2.3.a	<p>The Certificate Holder and any vendor sites that will be handling Premium have a written commitment that acknowledges the Premium Participants as the true owners of Premium, and details how the Premium will be tracked and transferred to the Fair Trade Committee’s Premium bank account. This commitment is shared with Premium Participants.</p>	Y0	NA	<p><b>Clarification:</b> Timelines for the transfer of Premium to the bank account must be compliant with 6.2.3.b. The process for tracking Premium must be sufficient to track total Premium earned prior to the bank account (1.2.4.b) or accounting system (1.2.4.f) being established and must explain any legally required deductions to be made, such as taxes (see 6.2.3.b).</p>



No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
6.2.3.b	Where the Certificate Holder or its vendor(s) is responsible for transferring the Fair Trade Premium to the Fair Trade Committee, the correct amount of Premium is transferred and no deductions are made. The Premium is transferred to the Fair Trade Committee no more than one month after the Certificate Holder or vendor receives the Premium.	As soon as Premium is received, or Y1	NA	<p><b>Clarification:</b> If there are multiple Fair Trade Committees (FTCs) and the Certificate Holder or its vendor(s) is responsible for distributing Premium, the correct amount of Premium must be paid to each FTC according to the rules agreed to by the FTC membership as required in 1.1.2.a and 1.1.2.b.</p> <p>If the Certificate Holder or vendor is legally required to pay taxes on Premium, appropriate taxes may be deducted from Premium. Where this is the case, there must be clear documentation of tax calculation and payment, and calculation and payment details must be clearly communicated to the FTC.</p>

### SUB-MODULE 6.3: Certificate Holders are Transparent with Fair Trade USA and the Conformity Assessment Body.

No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
<b>Objective 6.3.1: Certificate Holders only sell Fair Trade Certified products in accordance with the scope of their Certificate.</b>				
6.3.1.a	The Certificate Holder or its vendor(s) does not sell product as Fair Trade Certified unless the product and all required production sites have been included in the scope of the Certificate.	Y0	NA	<p><b>Clarification:</b> The intent of this criterion is that products sold as Fair Trade Certified have been produced at sites covered by a valid Certificate. A <i>valid Certificate</i> means that entities have an active certification status. No products may be sold as Fair Trade Certified before the initial certification is granted. No unauthorized subcontracting of production of Fair Trade product is allowed.</p> <p>See the <i>Requirements for Certificate Scope Under the Factory Production Standard</i> for details on entities and activities included under the scope of the Certificate. Note that a list of sites included in the scope of the Certificate is required in 7.1.2.a.</p> <p>Requirements for adding sites to the scope of the Certificate are defined in 7.2.3.d.</p>
<b>Objective 6.3.2: The Certificate Holder and all sites allow Fair Trade USA and approved Conformity Assessment Bodies to perform assurance activities against the scope of their Certificate.</b>				
6.3.2.a	Audits (both announced and unannounced) are allowed to proceed unobstructed, and all information	Y0	Y0	<p><b>Clarification:</b> Auditors must be permitted access to any site that is included in the scope of the Certificate as well as its related records, management, and workers in a timely manner.</p>





No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
	necessary to complete the audit is made available to the Conformity Assessment Body.			Management shall not interfere in the conduct of Fair Trade USA's audits, including the selection of documents, workers chosen by auditors for interviews, and/or by coaching workers.
6.3.2.b	Workers are not penalized or discriminated against for participating or providing information/feedback to auditors.	Y0	Y0	
6.3.2.c	Management is transparent with Fair Trade USA and its auditors.	Y0	Y0	<b>Clarification:</b> Accurate records must be shared, and factory management must be honest and transparent in discussing compliance with auditors and Fair Trade USA.
6.3.2.d	A contact person has been designated by the Certificate Holder to keep Fair Trade USA and the Conformity Assessment Body updated with all information relevant to the Certificate. This person understands the scope of his/her responsibilities.	Y0	NA	<b>Clarification:</b> Relevant information includes, but is not limited to, changes to the scope of the Certificate, contact information, serious non-compliances identified, and any information that would make compliance with the Factory Production Standard no longer possible by the Certificate Holder.
6.3.2.e	Records and all required documentation are kept for a period of at least three years.	Y3	Y3	
<b>Objective 6.3.3: All additional activities required of the Certificate Holder to demonstrate compliance with the Factory Production Standard and the Fair Trade USA program have been met.</b>				
6.3.3.a	Conditions of all exceptions granted by Fair Trade USA have been met.	Y0	NA	<b>Clarification:</b> In instances where the Certificate Holder has been granted an exception, any conditions associated with this exception shall be checked during an audit.
6.3.3.b	The Certificate Holder submits information to Fair Trade USA when requested.	Y0	NA	<b>Clarification:</b> This includes, but is not limited to, sales reports and Premium spending reports.
<b>Objective 6.3.4: Certificate Holders abide by the rules applicable during suspension.</b>				



No.	Compliance Criteria	CH or vendor	All Sites	Intent and Clarification
6.3.4.a	If the Certificate Holder is suspended, contracts or purchase agreements for Fair Trade Certified product that have already been signed are fulfilled. New contracts are signed only with buyers with which the Certificate Holder or its vendor(s) has an existing trade relationship. New contracts or purchase agreements of Fair Trade Certified product are accepted by the Certificate Holder or its vendor(s) only if they can be reasonably expected to be fulfilled prior to the end of the suspension period (the decertification deadline).	Y1	NA	<p><b>Clarification:</b> <i>Existing trade relationships</i> mean that commercial transactions have taken place in the previous twelve months. During a suspension, the creation of new trade relationships is not allowed.</p> <p>New contracts or purchase agreements are limited to mitigate the risk of product being produced or sold after a decertification occurs.</p> <p>Additional rules of suspension may apply.</p>
<b>Objective 6.3.5: Products may only use the Fair Trade Certified seal if approved by Fair Trade USA.</b>				
6.3.5.a	The Certificate Holder or its vendor(s) does not sell finished product with the Fair Trade Certified seal unless it has a license agreement with Fair Trade USA allowing it to do so or is performing labeling on behalf of a licensed trader.	Y0	NA	<p><b>Clarification:</b> Only partners who sign a licensing agreement with Fair Trade USA may use the Fair Trade Certified seal and claim on finished products. Usage of the Fair Trade Certified seal on finished products must receive prior approval from Fair Trade USA.</p> <p>Factories that are applying the Fair Trade Certified seal according to labeling specifications set by a buyer who themselves has a license agreement with Fair Trade USA do not need to sign a licensing agreement, as the buyer is responsible for ensuring approval of seal usage.</p> <p>Organizations that are certified to sell Fair Trade Certified products may use the Fair Trade Certified seal and claim in promotional materials (such as brochures, websites, or wholesale packaging). Any usage of the seal and claim must be in accordance with the <a href="#">Seal Use Guide</a>.</p>
<b>Objective 6.3.6: Fair Trade Certified product is not sold to decertified buyers.</b>				
6.3.6.a	Fair Trade Certified product is not sold to decertified buyers from the date of the buyer's decertification. Contracts or purchase agreements that have not been shipped by the decertification date shall not be classified as Fair Trade Certified contracts or purchase agreements.	Y1	NA	<p><b>Clarification:</b> The intent of this criterion is that product is not sold to decertified buyers, even if they have been Fair Trade Certified at one time. This means that product must not be sold as Fair Trade Certified to a decertified buyer and must not be marked as such in transactions with or originating from a decertified buyer.</p>

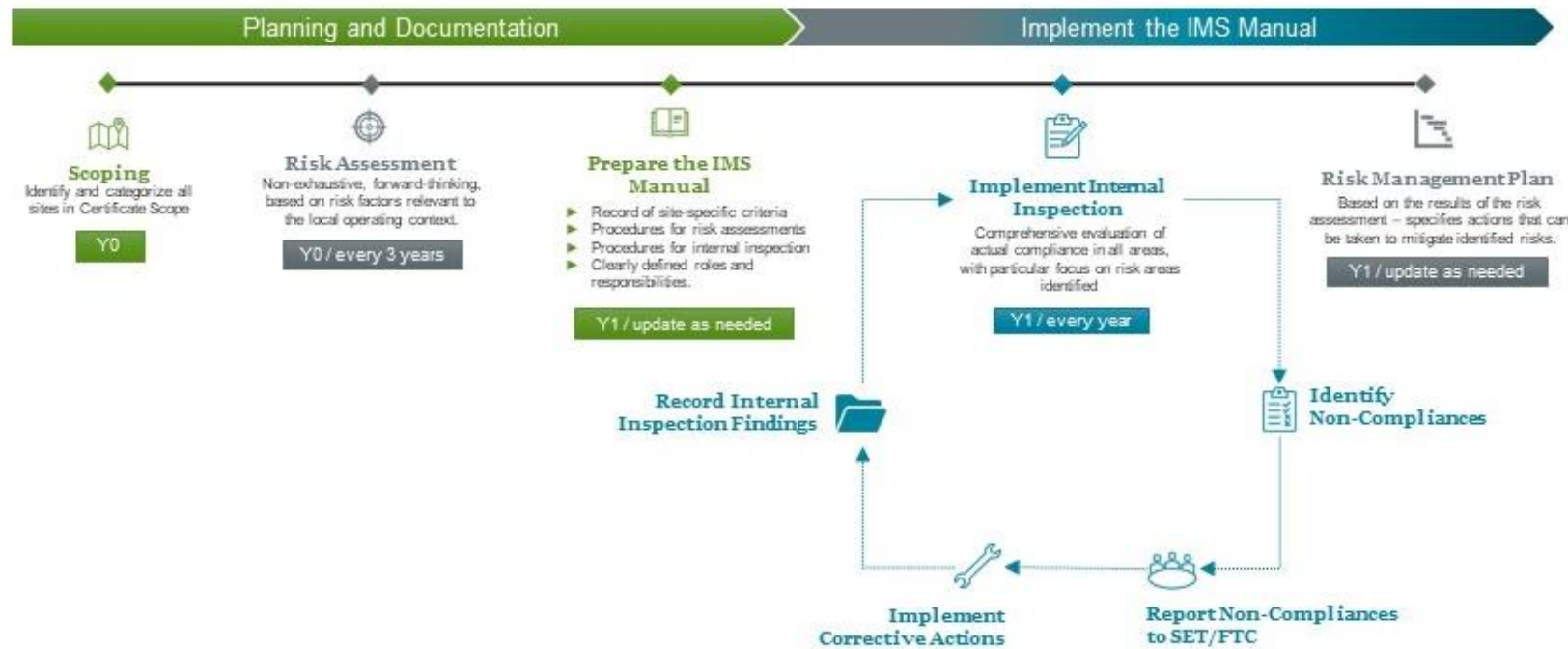




## MODULE 7: Internal Management System

A management system is a tool to help organizations meet their objectives. It can be used to improve quality, manage environmental health and safety implementation, or improve social performance and compliance to specific standards. The management system consists of a suite of policies, procedures, and processes, as well as trained personnel, that work together to help achieve the organization’s objectives. A functioning management system within a factory and certified group is necessary to support the implementation of the Factory Production Standard (FPS), the empowerment of workers, and improvement over time. This module details the requirements of the Internal Management System (IMS) that the Certificate Holder must have in place to assist with the implementation and monitoring of the FPS. The IMS focuses on identifying risks of non-compliance with the FPS, monitoring those risks, and taking measures to address areas where non-compliances with the FPS are identified on sites included in the scope of the Certificate. Planning, implementation, and record keeping are fundamental to the success of the IMS.

The IMS module will be best positioned to achieve the desired outcomes outlined above by implementing as follows:



The Certificate Holder must ensure that roles and responsibilities related to implementing the IMS are clearly understood by all parties in the scope of the Certificate. The Conformity Assessment Body is responsible for determining if the IMS is sufficient to ensure that all entities included in the scope of the Certificate are implementing the FPS correctly.

## SUB-MODULE 7.1: An Internal Management System is Created to Facilitate Compliance and Improvements.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.1.1: At least one person is appointed as responsible for compliance with the Factory Production Standard and management of the Internal Management System.</b>			
7.1.1.a	One or more people are responsible for the overall management of the Internal Management System as well as for the management of compliance with each Factory Production Standard module.	Y0	<p><b>Clarification:</b> The Certificate Holder shall clearly identify who is responsible for the overall management of the Internal Management System (IMS Manager), as well as any individual(s) responsible for the implementation of and training for each module of the Factory Production Standard (FPS). These roles may be filled by the same person.</p> <p>The IMS must include a commitment by senior management to comply with the FPS and provide the appropriate resources and authority to personnel who manage implementation of the FPS.</p> <p>To adequately implement human resources (HR) requirements, there must be an experienced and qualified HR manager included with clear responsibilities related to human resource systems and compliance with relevant requirements. S/he has the authority to make HR decisions.</p> <p><b>Recommendations:</b> Where there are multiple sites within the Certificate implementing the same management system, it is best practice to have an on-site management representative that serves as a point person for each site on IMS matters.</p>
<b>Objective 7.1.2: The Certificate Holder can verify eligibility of the factory under the Factory Production Standard scope requirements.</b>			
7.1.2.a	The Certificate Holder demonstrates eligibility in line with the requirements laid out in the <i>Requirements for Certificate Scope Under the Factory Production Standard</i> .	Y0	<p><b>Clarification:</b> The intent of this criterion is to:</p> <ul style="list-style-type: none"> <li>• Verify that the scoping of the Certificate is accurate;</li> <li>• Ensure all sites which must be included in the scope of the Certificate are included in the audit;</li> <li>• Clearly identify sites that are eligible to be included in the scope; and,</li> <li>• Ensure there are no clear violations revealed that would find the factory to be ineligible for certification.</li> </ul> <p>For details on applicability of sites, see the <i>Requirements for Certificate Scope Under the Factory Production Standard</i> policy.</p> <p>Note, 7.2.3.d covers requirements for adding sites to the scope of the Certificate.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
7.1.2.b	The factory holds and can furnish evidence of all permits and licenses required by law.	Y1	<p><b>Clarification:</b> Factories must either possess or demonstrate effort towards obtaining all local permits, licenses, and other legally required documentation necessary for compliance with criteria in the Factory Production Standard. This includes, but is not limited to, official certification of compliance with national and local fire safety regulations, building codes, occupational health and safety guidelines, etc.</p> <p>By Year 1, permits/licenses must either have been obtained, or it must be demonstrated that steps have been taken to start the process and make progress toward receiving required documentation. For example, verification that relevant paperwork and permit/license requests have been submitted to relevant government officials, and the request is currently being processed.</p>
<p><b>Objective 7.1.3: The Certificate Holder identifies and documents where and by whom Fair Trade Certified product is produced and stored, and keeps an up-to-date list of all sites within scope of the Certificate.</b></p>			
7.1.3.a	There is an up-to-date list of all sites within scope of the Certificate. This includes any sites where production of Fair Trade Certified product takes place and/or is handled, and any sites acting as vendors. The list includes each site name, location/address, number of workers, production activities, and the date of the most recent building inspection.	Y0	<p><b>Clarification:</b> <i>Sites</i> refers to all buildings where production of a Fair Trade Certified product takes place. The list allows the Conformity Assessment Body to easily identify sites where production of Fair Trade Certified product takes place.</p> <p>This list shall be reviewed annually in preparation for the annual audit and updated where necessary.</p> <p>As part of the list, the Certificate Holder shall document each entity and detail the activities that take place at each site, including the flow of product in and out of the site.</p> <p>The actual number of permanent workers must be included in the list along with an estimate for the peak number of temporary workers expected to be present at any time over the coming year.</p>
<p><b>Objective 7.1.4: The factory establishes policies and procedures to implement the Factory Production Standard.</b></p>			
7.1.4.a	The factory has written Human Resources policies and procedures necessary to govern all aspects of employment.	Y1	<p><b>Clarification:</b> All elements of the Human Resources (HR) Policy must be compliant with national/local laws and applicable Collective Bargaining Agreements, and support compliance with relevant Factory Production Standard (FPS) requirements in Module 3.</p> <p>Policies and associated procedures must reflect the complexity and risk of the operation, including information from the risk assessment required in 7.2.2.a.</p> <p>At minimum, policies must cover:</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<ul style="list-style-type: none"> <li>• Definition of each employment status (e.g., temporary, permanent, part-time, full-time, etc.) as well as the maximum working hours, including overtime, allowed for each status;</li> <li>• Discipline and termination process;</li> <li>• Wages, overtime wages, piece rate, and/or production bonuses;</li> <li>• Description of how wage is calculated (including regular, overtime, and piece rate);</li> <li>• When and how workers will be paid;</li> <li>• Salary deductions and how they're calculated, e.g., for services or benefits;</li> <li>• Working hours and schedule, including breaks;</li> <li>• Rights to vacation, sick, maternity, and holiday leave;</li> <li>• Hiring and recruitment practices, including prohibition against recruitment fees; and</li> <li>• Quality, quantity, and costs of benefits to be provided, including food and housing, as applicable.</li> </ul> <p>Senior management responsible for operations at the factory must endorse the policies.</p> <p><b>Recommendations:</b> As a best practice, the factory makes a copy of the HR policy available to workers in a language they understand.</p>
7.1.4.b	<p>The factory establishes appropriate human rights policies and associated procedures on the following:</p> <ul style="list-style-type: none"> <li>• Prevention of human trafficking and forced, bonded, and compulsory labor (Sub-module 2.1);</li> <li>• Prevention of child labor and protection of young workers (Sub-module 2.2);</li> <li>• Prevention of discrimination, harassment, and abuse, including a distinct section on sexual harassment (Sub-module 2.3); and</li> <li>• Respect for the rights of freedom of association and collective bargaining (Sub-module 2.4).</li> </ul>	Y1	<p><b>Clarification:</b> Policies must outline commitments to all requirements related to human rights as defined in Module 2, and procedures must outline the tangible steps to achieve those outcomes.</p> <p>Policies and associated procedures shall reflect the complexity and risk of the operation. Senior management responsible for operations at the factory must endorse the policies.</p>
7.1.4.c	<p>The factory incorporates Corporate Social Responsibility into its written mission or policy statement(s). The mission or policy statement is publicly available.</p>	P	<p><b>Clarification:</b> Workers must be recognized as an integral part of this written mission or policy statement(s). The term 'Corporate Social Responsibility' does not need to be a part of the mission statement, but it must be</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			<p>clear that the objectives of the company are aligned with the objectives of the Factory Production Standard (FPS). The mission or policy statement must be endorsed by senior management at the factory.</p> <p><i>Publicly available</i> means the mission or policy statement is available on the organization's website, included in an annual report, or available upon request.</p> <p><b>Recommendations:</b> Objectives or values associated with the FPS include, for example, worker support and empowerment, fair treatment of workers, and social and environmental responsibility.</p>
7.1.4.d	Human rights policies are made publicly available.	BP	<p><b>Clarification:</b> Publishing human rights policies (7.1.4.b) is an important method for promoting transparency with brands and consumers.</p> <p><i>Publicly available</i> means that policies are published on the factory's website in full and that efforts have not been taken to prevent an interested party from easily accessing the documentation (i.e., policies are linked to the homepage, pages and associated links are labeled with clear, relevant, and descriptive titles, and pages have not been reverse SEO-optimized to prevent policies from being identified by web search engines).</p> <p>Where factories do not have a website, legible copies of human rights policies must be shared in full with interested parties upon request.</p>
<b>Objective 7.1.5: An Internal Management System Manual is created.</b>			
7.1.5.a	<p>An Internal Management System (IMS) Manual exists that covers sites, individuals, and activities in scope of the Certificate and includes the following:</p> <ul style="list-style-type: none"> <li>• A checklist of Factory Production Standard (FPS) criteria applicable to each site;</li> <li>• A procedure by which to conduct a risk assessment (see 7.2.2.a);</li> <li>• Defined internal inspection procedures (7.1.5.b);</li> <li>• A mechanism to resolve non-compliances revealed in the internal inspections (7.1.5.c);</li> <li>• Personnel, roles, and responsibilities related to the implementation of the FPS (see 7.1.1.a);</li> </ul>	Y1	<p><b>Clarification:</b> There must be one Internal Management System (IMS) Manual that compiles all procedures, policies, and activities needed to fulfill other criteria in this module.</p> <p>The checklist applicable to each site is determined according to how the factory operates at each site. For example, if there is a site acting as a vendor where no production activities take place, the vendor site would only be responsible for applicable requirements in Module 6.</p> <p>In developing the IMS Manual, the Certificate Holder must consider and specifically highlight the roles and responsibilities of any third parties, including implementation partners and labor contractors.</p> <p>For all policies and procedures, there must be a stated goal. The process for evaluating the effectiveness of the IMS shall state why the IMS process did or did not achieve stated goals.</p> <p>See 7.4.1.a for more details on what an effective IMS is and how to evaluate it.</p>





No.	Compliance Criteria	Timeline	Intent and Clarification
	<ul style="list-style-type: none"> <li>• Details of the role of the Certificate Holder in facilitating the implementation of Module 1 of the FPS;</li> <li>• Stated goals for each policy under the IMS; and</li> <li>• A process for evaluating the effectiveness of the IMS (7.4.1.a).</li> </ul>		<p><b>Recommendations:</b> The IMS Manual may also include other requirements against which each site will be evaluated, such as internal rules or other certification scheme requirements.</p> <p>Best practice is to work with any labor contractors to develop their own manual or to share with them an abbreviated version of the Certificate Holder's IMS Manual.</p> <p>It is best practice to update the content of the IMS Manual as changes occur within the scope of the Certificate.</p>
7.1.5.b	The internal inspection procedure defined by the Certificate Holder specifies when and how each site within Certificate scope will be inspected. The procedure is included in the Internal Management System Manual.	Y1	<p><b>Clarification:</b> Site managers must be aware of the procedure and that unannounced inspections may take place.</p> <p><b>Recommendations:</b> It is best practice to include unannounced internal inspections as well as regular announced internal inspections in the internal inspections procedure. It is also recommended to have a system by which entities in the scope of the Certificate can report suspected non-compliances.</p> <p>It is also best practice for internal inspections to occur during times when high-risk activities are being conducted and/or when the majority of workers are present at the factory.</p>
7.1.5.c	The Internal Management System Manual includes a mechanism to resolve non-compliances identified during the internal inspections.	Y1	<p><b>Clarification:</b> The intent of this criterion is to ensure that there is an agreed upon, documented process by which a root cause analysis is conducted and corrective actions are developed, implemented, and monitored to resolve non-compliances promptly. This process is distinct from the Risk Management Plan required in 7.2.2.b, which is intended to prevent non-compliances. Internal inspectors may play a role in resolving non-compliances.</p> <p>As part of the management of the Internal Management System (IMS), the IMS Manager (see 7.1.1.a) shall elect an individual or a committee to be responsible for reviewing and approving corrective actions as well as following up where appropriate.</p> <p><b>Recommendations:</b> It is best practice for the Certificate Holder to have a sanctions and appeals procedure for operations with serious non-compliances found during internal inspections.</p>

## SUB-MODULE 7.2: The Internal Management System is Implemented.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.2.1: The Internal Management System Manual is followed.</b>			
7.2.1.a	The Internal Management System Manual is followed.	Y1	
<b>Objective 7.2.2: A risk assessment is carried out according to the Internal Management System Manual to identify areas of risk for non-compliance with the Factory Production Standard and to guide the focus of the internal inspection.</b>			
7.2.2.a	The Certificate Holder carries out a risk assessment every three years to identify areas of risk for non-compliance with the Factory Production Standard.	Y0	<p><b>Clarification:</b> The risk assessment is a forward-thinking process, the results of which shall inform change(s) in operation to mitigate possible risks from becoming a reality. It is not meant to be an exhaustive evaluation of the entire set of criteria and should identify and include risk factors relevant to the local operating context, including social, political, and environmental conditions as well as practices that increase risk such as hiring via labor contractors and/or third-party recruiters. At minimum, this must include an assessment of the risk factors linked to potential violations of the fundamental human rights outlined in Module 2, in alignment with the principles in ILO Convention 190. This also includes the risk of non-compliance with future year criteria. The results must be used to identify the specific criteria that will be checked during the internal inspection.</p> <p>The risk assessment must also be a key input into the evaluation of the Internal Management System, including the development and improvement of policies and procedures.</p> <p>If significant changes to the scope of the Certificate occur, the risk assessment shall be updated. <i>Significant changes</i> include, but are not limited to, a new product line or new site.</p> <p><b>Recommendations:</b> As a best practice, the risk assessment should be updated annually as operational realities and potential risks evolve.</p> <p>It is possible to combine sites as long as the risks at each site are clear in the internal inspection.</p>
7.2.2.b	A Risk Management Plan is designed and implemented based on the results of the risk assessment.	Y1	<p><b>Clarification:</b> The Risk Management Plan shall identify specific actions to reduce or mitigate the risks identified in the risk assessment (7.2.2.a). This includes the risk of non-compliance with future year criteria. The Certificate Holder must have a process in place to prepare sites for future year criteria.</p> <p>The Risk Management Plan shall be updated as needed based on the risk assessment.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			The Risk Management Plan is different than the remediation process required in 7.1.5.c. The Risk Management Plan is intended to help prevent non-compliances, while the remediation process corrects existing non-compliances.
<b>Objective 7.2.3: There is an annual internal inspection.</b>			
7.2.3.a	There is an annual internal inspection of all sites included in the scope of the Certificate.	Y1	<p><b>Clarification:</b> This is according to the procedure outlined in the Internal Management System Manual (7.1.5.a) and defined in 7.1.5.b.</p> <p>The intent of this criterion is to help evaluate the policies, procedures, and risk mitigation strategies put in place to see if they are achieving the outcomes of the Factory Production Standard.</p> <p>All production sites must receive an on-site inspection, while sites acting as vendors may be assessed through remote verification, where feasible.</p> <p>At a minimum, all compliance criteria applicable by the next audit year must be evaluated. This includes criteria that have been previously audited as well as criteria that will be evaluated at the upcoming audit. For example, the Year 2 internal inspection must cover all Year 0, Year 1, and Year 3 criteria.</p> <p>At minimum, all Progress criteria must be evaluated starting in Year 3; however, factories choosing to fulfill any Progress criteria prior to Year 3 may evaluate these during earlier internal inspections. If desired, Best Practice criteria may be evaluated during any internal inspection of the factory's choosing.</p> <p><b>Recommendations:</b> It is best practice for the internal inspection to be a proactive process. This means that relevant requirements, regardless of compliance year, are evaluated to help plan in advance of the compliance schedule.</p> <p>Recurrent or significant non-compliances discovered during an external audit may indicate that the internal inspection system needs to be modified to better monitor compliance during high-risk activities. It is best practice to compare the results of the internal inspection with the results of the external audit to identify systematic non-compliances and improve the internal inspection system.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
7.2.3.b	<p>Records are kept of internal inspections of each site, which include the following:</p> <ul style="list-style-type: none"> <li>• Date of inspection;</li> <li>• Name and identification of site inspected; and</li> <li>• Identification of corrective actions taken to resolve any non-compliances.</li> </ul>	Y1	<p><b>Clarification:</b> The intent of this criterion is to have a site-specific registry which will help address non-compliances by site.</p>
7.2.3.c	<p>A central registry of all non-compliances identified during internal inspections is kept and presented to the auditor prior to the audit. The registry includes the corrective actions taken to resolve any non-compliances.</p>	Y1	<p><b>Clarification:</b> The factory is transparent with Fair Trade USA and the Conformity Assessment Body prior to the audit. This information will assist the auditor in focusing the audit to assess whether the non-compliances identified by the factory have been resolved appropriately.</p>
7.2.3.d	<p>All new sites have gone through an internal inspection and meet requirements of the Factory Production Standard prior to being included in the scope of the Certificate.</p>	Y1	<p><b>Clarification:</b> This includes any new buildings added to the Certificate scope.</p> <p>The intent of this criterion is to identify any non-compliances and ensure that they are adequately resolved before new sites are added to the scope of the Certificate. Note that the Conformity Assessment Body must be informed about new sites to be added to the Certificate, and that an additional audit might be triggered. Criterion 7.2.2.a provides examples of significant changes to scope. Please review the <a href="#">Changes to Certificate Scope Procedure</a> to determine if an audit must be carried out.</p>

## SUB-MODULE 7.3: Management and Workers are Trained on Factory Production Standard Requirements.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.3.1: The Internal Management System includes a Training Plan that is used as a tool for planning and recording trainings required under the Factory Production Standard.</b>			
7.3.1.a	There is a Training Plan which ensures all personnel receive trainings required to implement the Factory Production Standard.	Y1	<p><b>Clarification:</b> The intent of this criterion is to ensure that the factory is planning for and documenting all trainings required to effectively implement the FPS. The factory shall create a plan outlining how they will meet the training requirements within the indicated timeframes, including any Progress criteria.</p> <p>The plan must contain specific training strategies on all policies and procedures as well as other trainings required in the Factory Production Standard (FPS), with distinct methods for managers versus workers. Trainings for managers must cover a detailed review of all policies and procedures. The level of detail on worker training and/or awareness is to be designed based on the risk assessment (7.2.2.a) and Hazard Assessment (4.1.1.b). Areas of high risk must have rigorous, detailed training for workers, whereas low risk areas may focus on building worker awareness and may use more informal training methods (including, for example, leveraging technology where possible to amplify information).</p> <p>The Training Plan must include a description of the process for providing training to new employees.</p> <p>The Training Plan and documentation must be kept up-to-date.</p> <p><b>Recommendations:</b> It is best practice for the factory to update the Training Plan on a quarterly basis.</p>
<b>Objective 7.3.2: The factory trains management and supervisors on all policies and procedures.</b>			
7.3.2.a	Management and supervisors are trained on all policies and procedures required in Objectives 7.1.4 and 7.5.1-3.	Y1	<p><b>Clarification:</b> The intent of this training is to ensure that all management and supervisors are aware of and understand the intent of the factory's policies and procedures.</p> <p>When new management is hired, they must receive information on these policies, associated processes, and procedures within their first week of employment.</p> <p>While this training may take many different forms, it must be a formal training on the factory's policies and procedures for all elements outlined in Objectives 7.1.4 and 7.5.1-3, and additional policies and procedures necessary to implement requirements in the Factory Production Standard. Training materials must be updated when any policies and procedures are revised.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
			Management and supervisors must receive at least annual training on how to handle and respond to grievances.
7.3.2.b	Management and supervisors receive training on specific techniques and practices necessary for their department and/or job function to effectively implement the Factory Production Standard.	Y1	<p><b>Clarification:</b> The intent of this requirement is to ensure that managers and supervisors have the skills and knowledge needed to implement the Factory Production Standard and the factory's social and ethical standards.</p> <p>For example, any personnel assigned for recruitment, selection, and hiring must receive training in interview and age verification techniques. Additionally, personnel that are managing direct reports are trained in handling discipline and termination practices.</p>
7.3.2.c	The factory conducts periodic anti-harassment and abuse training for management and supervisors.	P	<p><b>Clarification:</b> The intent of these trainings is to give management and supervisors the knowledge and skills necessary to prevent harassment and abuse. Periodic trainings aim to foster a work culture that respects workers at all levels.</p> <p><b>Recommendations:</b> As a best practice, these trainings are held annually or more frequently when turn-over is high. It is also best practice for a broader training on sexual harassment to be provided by an independent source, such as an institution that has a mission statement related to combating sexual harassment, human resource trainers, or a relevant governmental agency.</p>
7.3.2.d	The factory has a continuing education program for managers and supervisors on positive management techniques.	BP	<p><b>Clarification:</b> Topics may include strategies to prevent harassment and abuse, how to build positive relationships with workers, and/or how to support workers in the use of grievance mechanisms.</p>
<b>Objective 7.3.3: The factory ensures workers are aware of their rights under the Factory Production Standard and the factory's policies and procedures.</b>			
7.3.3.a	Workers receive written information on their rights under the Factory Production Standard, and the factory's policies and procedures.	Y1	<p><b>Clarification:</b> The information must be made available in languages the workers understand. It may be provided through a brochure or poster in a public place where workers gather. Information must be updated when any policies and procedures are revised.</p> <p>Individuals hired through labor contractors must also receive written information on the factory's policies, associated processes, and procedures.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
7.3.3.b	Workers receive training on the factory's policies and procedures required in Objectives 7.1.4 and 7.5.1-5.	Y1	<p><b>Clarification:</b> Workers shall be trained on the policies and procedures in Objectives 7.1.4 and 7.5.1-3, taking into consideration languages and literacy of the workers. New hires must be trained on policies and procedures either during the initial onboarding process and/or in groups as part of an ongoing training series. If the latter, it is recommended that trainings on factory policies and procedures be held at least quarterly.</p> <p>Individuals hired through labor contractors shall be aware of and understand the factory's policies, associated processes, and procedures.</p> <p>Where areas covered in any of the factory's policies and procedures (as required in Objectives 7.1.4 and 7.5.1-3 are deemed to be high risk according to the risk assessment (7.2.2.a), formal trainings must be given to workers on these topic areas. Where an area is deemed low risk, passive methods of information sharing may be sufficient. Training materials and information must be updated when any policies and procedures are revised.</p> <p>Young workers must always receive a formal training on all HR policies, including, but not limited to, specific protections for young workers.</p> <p><b>Recommendations:</b> It is recommended that every training, regardless of topic, highlight procedures for using the grievance mechanism.</p>
7.3.3.c	Workers are aware of the Fair Trade USA <i>Complaints Procedure</i> .	Y1	<p><b>Clarification:</b> The <a href="#">Complaints Procedure</a> is available on the Fair Trade USA website.</p> <p>Workers must understand that they may submit allegations to Fair Trade USA directly if they believe the Certificate Holder or employer is in violation of the Factory Production Standard and if internal grievances submitted about violations have not been resolved.</p> <p>This information must be made available both verbally and in writing in languages workers understand.</p> <p><b>Recommendations:</b> This may be provided through a brochure or poster in a public place where workers gather.</p>
7.3.3.d	Workers are trained by an independent third party on their labor rights under the law and Module 2 requirements that	P	<p><b>Clarification:</b> This includes rights granted by law.</p> <p>The employer shall provide working time (without deductions or required payments) and appropriate facilities and resources upon request and within reasonable limits for these training activities.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
	are informed by the principles and rights outlined in the ILO Core Conventions.		<p>The training must have occurred within the past three years.</p> <p>If there are temporary workers, the training must take place at a time when they are on site so that they can attend.</p> <p>The third party may be a trade union, a Fair Trade USA staff member, a government officer, an attorney, an academic specializing in labor law, or an independent labor rights civil society organization.</p> <p><b>Recommendations:</b> It is best practice for the training to highlight areas where workers' labor rights under the Factory Production Standard overlap with, and where they exceed, those under the law and outlined in the ILO Core Conventions.</p>
7.3.3.e	Workers receive a training on anti-harassment and abuse by an independent source, such as an institution that has a mission statement related to combating sexual harassment, human resource trainers, or a relevant governmental agency.	BP	<p><b>Clarification:</b> This training is focused on equipping workers with the information needed to identify situations that are classified as harassment or abuse and helps them understand the channels that exist to report them (either for an offense against them or someone else).</p>

## SUB-MODULE 7.4: The Internal Management System, Including All Policies and Procedures, is Evaluated for Effectiveness and Updated As Needed.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.4.1: There is a review of the Internal Management System and updates are made as needed.</b>			
7.4.1.a	The factory reviews the effectiveness of the Internal Management System.	Y3	<p><b>Clarification:</b> The intent of this criterion is to ensure that the Internal Management System (IMS) is functioning properly and to evaluate whether policies and procedures are achieving their desired outcomes. This evaluation, in conjunction with results of the risk assessment, must guide updates to key IMS documents (see 7.4.2) to ensure they are best positioned to reach desired goals. Workers must be consulted as part of the evaluation.</p> <p>This evaluation must take place at least every three years.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<b>Recommendations:</b> The factory may work with the Social Engagement Team as part of the worker consultation.
<b>Objective 7.4.2: The Internal Management System is updated as needed as determined by the evaluation of its effectiveness.</b>			
7.4.2.a	The Internal Management System Manual is updated as needed.	Y3	<p><b>Clarification:</b> This update shall take place at least once every three years and must cover all elements of the IMS Manual, including the risk assessment process, internal inspect procedure, and roles and responsibilities. <i>As needed</i> means where the review of effectiveness of the Internal Management Systems (IMS) (7.4.1.a) has shown any opportunities for improvement.</p> <p><b>Recommendations:</b> The Year 3 risk assessment results may also inform a change in stated goals of the policies and procedures in the IMS. Note that if a policy's goal has been updated, the contents of the policies and procedures should also be updated.</p>
7.4.2.b	The factory's policies and procedures are updated as needed.	Y3	<p><b>Clarification:</b> This update shall take place at least once every three years. <i>As needed</i> means where the review of the effectiveness of the Internal Management Systems (IMS), and policies and procedures (7.4.1.a) has shown opportunities for improvement, or the risk assessment update indicates a significant change in risk (7.2.2.a). Note that if the goals of policies have been updated as part of the IMS Manual update above, the contents of the policy shall be updated as well. Any changes made to the policies and procedures should be aimed at better positioning the factory to achieve the goals stated for each policy in the IMS Manual.</p>
7.4.2.c	The Training Plan is updated as needed.	Y3	<p><b>Clarification:</b> This update shall take place at least once every three years. The effectiveness of the Training Plan trainings must be evaluated by assessing the awareness of personnel on training topics. <i>Awareness</i> means a demonstrated understanding of the topic. <i>As needed</i> means, if there are topics that are not well understood by personnel, the Training Plan must be updated to attempt to improve training techniques.</p>
7.4.2.d	Where there is an active workers' organization, the factory coordinates with union and/or workers' representatives regarding factory policies and decisions that have a direct effect on workers.	P	

## SUB-MODULE 7.5: Worker Engagement and Channels of Communication Between Management and Workers are Established.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.5.1: Policies and procedures empower workers to submit grievances and workplace suggestions as they arise.</b>			
7.5.1.a	Grievance policies and procedures are documented. The procedure allows for anonymous complaints and maintains confidentiality of the grievance raiser throughout the grievance review, investigation, and resolution process.	Y0	<p><b>Clarification:</b> The procedure must include mechanisms for worker complaints for labor-related aspects of the Factory Production Standard (FPS), such as issues regarding pay, working conditions, and rights to freedom of association, as well as mechanisms for workers to report violations such as harassment and abuse cases, and potential non-compliances to the FPS. It must be accessible to all workers regardless of employment status, i.e., temporary, migrant, permanent, employed through a labor contractor, etc. Grievance policies and procedures must align with relevant local laws and regulations, where applicable.</p> <p>The policy shall specifically address sexual harassment and include separate procedures for handling cases of sexual harassment as needed. This could include, for example, specifying that sexual harassment complaints be directed to a specific manager or committee who is trained in how to handle these cases with confidentiality and sensitivity. The policy shall also stipulate specific guidelines and protections for grievance raisers and/or impacted individuals under the age of 18.</p> <p>The policy shall reference a third-party ombudsman or a government department that will mediate disputes that do not reach resolution at the site level. Using this grievance procedure does not waive a workers' right to seek legal remedy.</p> <p><b>Recommendations:</b> Workers have access to a 'grievance handler' of their choosing who can support the worker throughout any and all steps in the grievance process. This individual may be associated with the factory or an independent organization with experience in grievance handling and remediation. If made available, workers must also be allowed to decline this service.</p>
7.5.1.b	Grievance policies and procedures are communicated to workers verbally and in writing.	Y0	<p><b>Clarification:</b> Information on the grievance mechanism(s) must be made available in languages the workers understand, and translators shall be employed where necessary to support workers' ability to use grievance mechanisms. The verbal (i.e., trainings) and written communication must make clear how to access the mechanism(s), what types of complaints and grievances can be raised, the methods to do so, and the protections and rights afforded to grievance raisers.</p> <p>Training must include a distinct focus on employer policies and procedures for handling cases of sexual harassment.</p>



No.	Compliance Criteria	Timeline	Intent and Clarification
			<p><b>Recommendations:</b> The information on the grievance policy and procedure may be provided through a brochure or poster in a public place where workers gather.</p>
7.5.1.c	Workers are not disciplined, dismissed, or discriminated against for discussing workplace grievances or using any grievance or suggestion mechanism.	Y0	<p><b>Clarification:</b> The intent is that workers are not disciplined, dismissed, or discriminated against for discussing grievances or using any grievance or allegations process.</p> <p>This includes use or discussion of the Fair Trade USA <a href="#">Complaints Procedure</a> (7.3.3.c), the grievance procedure required in 7.5.1.a, the employee suggestion system required in 7.5.1.d, and mechanisms for reporting health and safety incidents or hazards in 4.2.1.a.</p> <p>The employer shall be responsible for ensuring that all levels of management and supervisors understand the employer's grievance policy and procedure and that they are prohibited from enacting any form of retaliation against those who use it. If disciplinary action is taken against a worker after he or she lodges a grievance, the employer must prove that this was not retaliatory.</p> <p><b>Recommendations:</b> The goal of the employer should be to encourage workers to make free use of grievance mechanisms and suggestion systems as needed.</p>
7.5.1.d	An internal employee suggestion system is in place, workers are aware of it, and processes are in place to address employee suggestions.	P	<p><b>Clarification:</b> Information on the suggestion system must be made available in languages the workers understand. It may be provided through a brochure or poster in a public place where workers gather.</p> <p><b>Recommendations:</b> The suggestion system may use the same mechanisms as the grievance procedure for submissions; however, specific resolution of suggestions is not necessary.</p>
7.5.1.e	Grievance mechanism policies and procedures allow for members of the surrounding community to raise grievances linked to factory operations.	BP	<p><b>Clarification:</b> This criterion recognizes that factory operations may, either directly or indirectly, impact those not employed by the factory. The intent of this criterion is to provide any impacted individual with an avenue to submit grievances and seek remediation for harms caused by the factory's practices or operations.</p>

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.5.2: Grievance mechanism(s) are fully implemented.</b>			
7.5.2.a	At least one mechanism to submit grievances and complaints is implemented.	Y0	<b>Clarification:</b> In addition to implementing the policies and procedures in Objective 7.5.1, the grievance mechanism must allow for workers to report a grievance against a supervisor to someone other than that supervisor.
7.5.2.b	Records of grievances are maintained, including a description of the grievance, the investigation process and person(s) involved, and the actions taken to address each grievance.	Y0	<b>Clarification:</b> Records must be kept for at least five years or longer, if required by law. Records must include the timing of the grievance (from submission to resolution)  <b>Recommendation:</b> Records should be used to identify, analyze, and respond to feedback trends and systemic issues, and identify areas for potential continual improvement.
7.5.2.c	Workers are informed of the status and outcomes of the grievance review, investigation, and resolution process. Grievance cases are resolved in a timely manner.	Y1	<b>Clarification:</b> Grievance raiser(s) and/or affected party(ies) must be able to request and receive timely, accurate updates on the status of their complaint. Each factory may define and adhere to its own timeline for grievance review, investigation, and communication; however, this process must be: <ul style="list-style-type: none"> <li>• Documented in grievance mechanism policies and procedures (7.5.1.a);</li> <li>• Clearly communicated to workers during regular trainings (7.3.3.b);</li> <li>• Transparent. At minimum, the factory must communicate to the grievance raiser in writing that the complaint has been received, when he/she may expect follow-up regarding their case, and an overview of the timeline defined in this criterion. This must be presented to the worker in a language that he/she understands; and</li> <li>• Reliably adhered to by the factory.</li> </ul> <p>These requirements are informed by the principles outlined in the UN Guiding Principles on Business and Human Rights.</p> <b>Recommendations:</b> Best practice is for the Social Engagement Team (see 7.5.4.a) or equivalent worker committee to be included in the resolution process, where permitted by law.
7.5.2.d	There is a procedure through which workers may appeal decisions made regarding their case.	Y1	<b>Clarification:</b> Appeals processes must be made available for grievance raisers, affected party(ies), and those determined to have caused harm.

No.	Compliance Criteria	Timeline	Intent and Clarification
7.5.2.e	The grievance mechanism provides for review by senior management, where necessary.	Y3	<b>Clarification:</b> Where direct settlement with the immediate supervisor is not sufficient, there must be options for senior management review. Upper-level management must be aware of all grievances lodged, the status of each grievance, and any proposed or ongoing remedy to be provided.
7.5.2.f	The employer, in collaboration with the Social Engagement Team, collects feedback every three years from workers on the grievance policy and procedure and, when relevant, makes updates as needed.	Y3	<p><b>Clarification:</b> The intent of this requirement is to have a system in place to consult with workers on the types of grievances that can be submitted as well as on the process to receive and address grievances.</p> <p>The evaluation process must include a system to consult with workers on the grievance process. Where permitted by law, the Social Engagement Team (SET) (7.5.4.a) shall be leveraged in collecting worker feedback, such as by leading workshops or surveys and sharing results with the employer. The employer may also choose to hire a third party to facilitate collection of feedback.</p> <p>Evaluation of the grievance mechanism must include evaluation of the efficacy of any remediation that has been provided to date, including verification that remediation terms have been or are being met (see 7.5.3.a). The SET may support in conducting a root cause analysis to assess the cause of any challenges and identify potential solutions.</p> <p>The process to gather feedback must provide an option to be anonymous. There shall be no retaliation to any individual who provides feedback.</p> <p>The employer shall review the feedback and make changes to the grievance policy and procedure as deemed relevant. Workers receive a summary of what, if anything, will be incorporated into the grievance policy and procedure and timeline for when the changes will occur.</p>
7.5.2.g	More than one grievance mechanism is made available to all workers.	P	<b>Clarification:</b> The procedure must include more than one mechanism to submit grievances and complaints, depending on the issues being reported, against whom the complaint is lodged, and how comfortable workers feel in reporting their grievances. These mechanisms must be designed to accommodate the needs of the diverse groups identified in 1.1.2.a.
7.5.2.h	Factory management communicates with trade union and/or workers' organization representatives about all grievances and corresponding actions taken related to freedom of association.	P	<b>Clarification:</b> This criterion is applicable where there is a trade union or other worker organization in place at the factory. The factory must establish clear and mutually agreed-upon roles and communication mechanisms for engaging trade union and/or worker's organization representatives on grievances and resolution.



No.	Compliance Criteria	Timeline	Intent and Clarification
			This requirement may be considered fulfilled if a union grievance committee is selected to serve as the Social Engagement Team (see 7.5.4.a).
7.5.2.i	The factory regularly communicates regarding grievances and their resolution with the workforce.	BP	<b>Clarification:</b> The intent of this criterion is to promote greater transparency regarding the grievance mechanism functioning and effectiveness to all workers. This information may be shared verbally or in writing, and must be updated at least every six months. At minimum, the factory shall share the actions taken to support resolution of submitted grievances.
7.5.2.j	The factory contracts an independent third party to manage the grievance process.	BP	
<b>Objective 7.5.3: The grievance mechanism provides for timely and appropriate access to remedy.</b>			
7.5.3.a	The employer provides timely and appropriate remedy to individuals impacted by a violation of employer policy, procedure, relevant local law or business regulation, or the Factory Production Standard.	Y0	<p><b>Clarification:</b> <i>Appropriate remedy</i> considers both the scope and magnitude of the harm, including number of individuals impacted and severity of those impacts in the short and long term. The responsibility to provide remediation lies solely with the party or parties that have caused harm, not the affected party(ies).</p> <p>Appropriate remedy must be mutually determined between the grievance raiser, grievance holder, and affected party(ies). Remediation shall seek to restore conditions to the same or better than before the harm occurred, where possible. Where the grievance holder and party alleged to have caused harm are one in the same, procedures must allow for an independent party to manage the grievance review, investigation, and resolution process.</p> <p>Any remediation plan must specify actions that will be taken to prevent the violation from reoccurring.</p> <p><b>Recommendations:</b> Independent parties, such as relevant trusted civil society organizations, may assist in determining and effectively implementing remedy.</p>
7.5.3.b	Remediation strategies are defined and documented for violations involving child labor, forced labor, and wage violations, including miscalculation of wages and overtime as well as imposition of recruitment fees.	P	<p><b>Clarification:</b> Where possible, remediation strategies shall consider best practices set by law or international standards.</p> <p><b>Recommendations:</b> Additional strategies may be defined for high-risk issues identified during the risk assessment (7.2.2.a).</p>

**Objective 7.5.4: There is regular and open communication between employers and workers.**

7.5.4.a	There is a Social Engagement Team, made up of worker representatives and management, in place to facilitate workplace communication on grievance, suggestion, and communication systems, and compliance with the Factory Production Standard.	Y3	<p><b>Clarification:</b> For the purposes of the Factory Production Standard, the term ‘Social Engagement Team’ (SET) will be used. However, factories may use one or more existing worker/management teams or committees that consist of both management and elected worker representatives to fulfill this role, and do not need to call this group the SET.</p> <p>Worker representatives shall be chosen from and by the workers they will represent. This may be the same as the representatives on the Fair Trade Committee (FTC); however, the roles and responsibility are distinct from those of the FTC. The factory and workers should consider time commitments required to fulfill responsibilities of both roles.</p> <p>Members of management or mid-management must be represented in the SET to facilitate conversations with upper management. The total number of management representatives shall not be greater than or equal to the number of worker representatives on the SET. Where allowed by law, workers may host SET meetings without management representatives as needed.</p> <p>Senior management shall understand the purpose of the SET and shall support its effective functioning, including providing sufficient time and space for regular meetings.</p> <p><b>Recommendations:</b> Best practice is for there to be term limits on the SET to allow a diversity of participation.</p>
7.5.4.b	The Social Engagement Team receives annual trainings on their role and responsibilities.	Y3	<p><b>Clarification:</b> This requirement includes trainings on grievance procedures and suggestion systems. When Social Engagement Team members are Premium Participants, Fair Trade Premium may be used for these trainings as long as this is voted and agreed upon under the Premium use decision-making rules in Module 1.</p>
7.5.4.c	The Social Engagement Team supports implementation and use of grievance procedures, suggestion systems, and other communication tools between workers and management.	Y3	<p><b>Clarification:</b> The Social Engagement Team may help resolve disputes, act as a mechanism for submitting a grievance, and be a forum for worker input into complaints resolution or implementation of suggestions.</p>
7.5.4.d	The Social Engagement Team receives training on the Factory Production Standard and worker rights under the law.	P	<p><b>Clarification:</b> The intent of this training is to ensure that worker representatives on the Social Engagement Team (SET) have a more detailed understanding of the Factory Production Standard (FPS) and legal</p>



			<p>requirements to facilitate their role in supporting compliance and implementation (7.5.2.f, 7.5.4.c, and 7.5.4.e-f).</p> <p>For SET members who are Premium Participants, Fair Trade Premium may be used for these trainings as long as this is voted and agreed upon under the Premium use decision-making rules in Module 1.</p> <p><b>Recommendations:</b> The SET may also lead or participate in worker rights trainings and support workers' awareness of their rights under the law and the FPS (Objective 7.3.3).</p>
7.5.4.e	The Social Engagement Team is involved in conducting the risk assessment required in 7.2.2.a to identify areas at risk of non-compliances with the Factory Production Standard.	P	<p><b>Clarification:</b> The Social Engagement Team must receive the training required in 7.5.4.d prior to supporting in the risk assessment.</p> <p>These requirements are informed by the principles outlined in ILO Convention 190.</p>
7.5.4.f	The Social Engagement Team plays a role in helping to implement the Factory Production Standard, identify non-compliances, and/or prioritize Progress and Best Practice criteria.	P	<p><b>Clarification:</b> The Social Engagement Team (SET) must receive the training required in 7.5.4.d prior to supporting implementation of the Factory Production Standard (FPS).</p> <p>There must be regular meetings of the SET to discuss compliance with the FPS. Issues and concerns of the workers shall be solicited and discussed. These meetings must be documented.</p>
<b>Objective 7.5.5: Results of Fair Trade USA audits and internal inspections are shared with workers.</b>			
7.5.5.a	Results of Fair Trade USA audits and internal inspections are shared with the Fair Trade Committee and Social Engagement Team.	Y1	<p><b>Clarification:</b> Results must be shared with the Social Engagement Team (SET), or other equivalent worker/management committee, once it has been established.</p> <p>This is only applicable where the Conformity Assessment Body has issued non-conformities for which the Certificate Holder needs to submit a Corrective Action Plan.</p> <p><b>Recommendations:</b> As a best practice, representatives of the Fair Trade Committee(s) and the SET are invited to observe the closing meeting of Fair Trade USA audits.</p>
7.5.5.b	Workers participate in and are given the opportunity to review and comment on findings of the internal inspections and third-party audits.	P	<p><b>Clarification:</b> The intent of sharing these results is that workers will be able to assist in identifying and implementing corrective actions.</p> <p>Sensitive information that may impinge on the privacy of workers, such as individuals involved in a sexual harassment case, need not be revealed in the audit report shared with workers. The need to safeguard sensitive information must not be used as a pretext to keep non-sensitive information from workers.</p>





## SUB-MODULE 7.6: The Relationships Between the Certificate Holder and Any Separately-Managed Sites Included Under the Certificate are Transparent.

No.	Compliance Criteria	Timeline	Intent and Clarification
<b>Objective 7.6.1: Each site manager understands their responsibilities regarding certification.</b>			
7.6.1.a	There is a written agreement between the Certificate Holder and all sites under the scope of the Certificate that explains the rules of the Factory Production Standard and responsibilities as they are applicable to their role in the supply chain of the Fair Trade Certified product.	Y0	<p><b>Clarification:</b> The intent of this criterion is to ensure that all sites within Certificate scope know what benefits and responsibilities they have due to their participation in fair trade.</p> <p>The agreement shall express a commitment on behalf of the Certificate Holder to comply with the Factory Production Standard (FPS).</p> <p><b>Recommendations:</b> It is best practice for the Certificate Holder to share a copy of the FPS as part of this contract, to ensure the entity understands the requirements against which they will be audited.</p>
<b>Objective 7.6.2: The factory has written, verifiable agreements with subcontractors and homeworkers.</b>			
7.6.2.a	There are no violations to Fair Trade USA's <i>Policy on Priority Issues</i> by subcontractors and homeworkers. Subcontractors and homeworkers abide by relevant compliance criteria related to traceability in Sub-module 6.1.	Y0	<p><b>Clarification:</b> Refer to Fair Trade USA's <i>Policy on Priority Issues</i> for a full list of Priority requirements.</p> <p>In case of repeated and serious violations by a subcontractor, the relationship with the subcontractor must be terminated.</p>
7.6.2.b	The Certificate Holder has written contracts with all subcontractors and homeworkers not included in the scope of the Certificate that handle Fair Trade Certified product. The contract is followed.	Y1	<p><b>Clarification:</b> See the <i>Requirements for Certificate Scope under the Factory Production Standard</i> for details of entities and activities included under the scope of the Certificate and requirements for contracts with subcontractors.</p> <p>The contract shall contain a commitment to:</p> <ul style="list-style-type: none"> <li>• Follow requirements in relevant compliance criteria related to traceability in Sub-module 6.1;</li> <li>• Not violate Fair Trade USA's <i>Policy on Priority Issues</i>; and</li> <li>• Allow Fair Trade USA and/or an approved Conformity Assessment Body to enter the site(s) to perform control activities against these requirements.</li> </ul>

No.	Compliance Criteria	Timeline	Intent and Clarification
7.6.2.c	The factory has an established supplier and subcontractor as well as a homeworker engagement policy that encourages its business partners to uphold the factory's social compliance policies. The factory has subcontractor/supplier selection criteria and procedures that incorporate ethical, social, and environmental compliance standards.	BP	<b>Clarification:</b> This requirement goes beyond those in 7.6.2.a, which only covers subcontractor and homeworker commitment to no serious violations of social and human rights issues. The intent of this requirement is to have an engagement strategy that goes beyond these minimum requirements for subcontractors to encourage adoption of all the factory's social and ethical policies.
7.6.2.d	The factory has a monitoring system to verify that subcontractors are complying with requirements.	BP	



## ANNEX A: Fair Trade Premium Expenditure Rules

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This Annex explains additional rules for expenditure of the Fair Trade Premium required in Criterion 1.2.2.c of the FPS. The intent of Premium expenditure is to improve the livelihoods of Premium Participants by addressing needs of workers, their families, and communities with projects and expenditures informed by the results of the Needs Assessment.

Premium spending is subject to the following rules, in addition to the associated compliance criteria. As required by Criteria 1.2.2.d and 1.2.2.f, Premium spending shall be approved by the Premium Participants.

### Section A.1: Expenditure Rules

A.1.1. Premium shall not be used to pay for certification or audit fees, either for Fair Trade USA audits or any other standard scheme.

A.1.2. Fair Trade Premium is not used to cover the running costs of the Certificate Holder or the cost of compliance with minimum requirements of the FPS (Year or Progress criteria). Premium may be used for projects that address concepts covered by Best Practice criteria in the FPS. However, the Certificate Holder can only earn credit for these Best Practice criteria (be marked as compliant) if the Certificate Holder or employer match (at a minimum) the amount invested from the Premium.

A.1.3. Premium may be used for investments to support worker participation in the General Assembly (1.1.3.b), either directly or through a delegate. This could be accomplished by providing transport to and meals during the meeting, using teleconferencing, holding multiple meetings closer to the participants, or other means. Note, workers must always be paid for their time at General Assembly and FTC meetings, and this must be paid by the employer or Certificate Holder (1.1.3.d).

A.1.4. Up to 20% of the Fair Trade Premium received in the previous 12 months may be spent on on-site investments that remain the property of the factory owner or Certificate Holder, under the following conditions:

- a. The investments go beyond what is required in the FPS and under applicable law;
- b. The investment may only be in housing, laundry facilities, gardens, recreational/learning facilities, or other facilities used primarily by and benefiting workers;
- c. The FTC must be registered as a legal entity under the rules described in 1.2.4.c and 1.2.4.d;
- d. The Certificate Holder or employer must match (at a minimum) the amount invested from the Premium; and
- e. There is a written contract between the FTC and the Certificate Holder or owner that requires the Certificate Holder or owner to return the amount invested (adjusted for depreciation or appreciation of the asset) to the FTC in the event of a sale of the factory or decertification.

Note: There is no limit on Premium use for investments that remain the property of Premium Participants or their community.

A.1.5. Premium may be used for Premium management expenses, including bank fees, wire transfer fees, taxes, financial audits, administrative support, and fees associated with establishing and maintaining a legal entity, where required. Fees to set up or maintain the Premium bank account are paid by the Certificate Holder if there is no Premium yet available.

A.1.6. If the Premium is used to cover the financial audit required in Criterion 1.2.4.e, Premium funds may be used to cover the audit costs of the FTC bank account only. While it may be beneficial to bundle the FTC bank account into the Certificate Holder's broader financial audit, the portion that is charged to the FTC must be for the work to audit the FTC account only. This calculation must be clear and transparent.



A.1.7. Premium may be used for third party trainings of the FTC members as required in Objective 1.1.4, third party trainings of workers as required in Objective 1.3.1, and trainings of Social Engagement Team members as required in Objective 7.5.4. When Premium is used to pay for third party trainings, the FTC must be involved in selection of the training provider and training content.

A.1.8. When using Premium to purchase goods or services from a third party, including the provision of trainings, this entity must be neutral to the Certificate Holder, have no personal interest in the operation, and have no influence over the actors in the labor supply chain. The scope of work, hours, and rate of the third party must be clearly recorded. The work contract must ensure that they report directly to the FTC and not to the Certificate Holder or other employer for the work done supporting the FTC and Premium projects.

A.1.9. Where Premium is distributed as a cash payout, it is not to be used as a wage replacement or to take the place of any wages or bonuses paid by the factory. Such payments must always be identifiable to workers as coming from the Fair Trade Premium.

