

Scope of Certification

Explanatory Document

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Certifier for



FAIRTRADE
INTERNATIONAL



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1 Purpose

This document establishes which companies and producer organizations trading in Fairtrade products are required to be certified with FLOCERT.

2 Area of application

This document applies in all circumstances and for all companies and producer organizations trading in Fairtrade products.

3 All products

Every operator buying or selling Fairtrade products up to the point where the product is in its final packaging and ready to be sold to consumers must be certified with FLOCERT and must comply with the Fairtrade standards. This includes any company buying a finished packaged product for the purpose of re-packing for final consumers.

4 Perishable products

Since for perishable products (fresh fruits, vegetables, flowers), the final packaging can be done by the producer itself, all companies that are responsible for complying with requirements of the Fairtrade Standards - i.e, payments (price and premium), contracts, quality claims, pre-financing - must be certified with FLOCERT. Ripeners who do not repack can choose to be out of scope of certification. However any quality claim made by them will not be covered under the certification scope of FLOCERT, until it is forwarded by an entity in the supply chain that is certified by FLOCERT.

5 Finished labelled products from the Producer countries

The main principle for purchases of consumer ready products from the Producer countries is that traders buying directly from the producer organization (and/ or buyers in the country of origin) require certification if they are responsible for Fairtrade Price & Premium payments, quality claims, contracts with producers, pre-financing and packing/re-packing up to consumer ready packs.

6 Cotton

- a) Fairtrade Cotton: All companies up to the point where the product is cut/made/trimmed and labeled require certification. Printing on already labelled Fairtrade cotton products does not require certification.
- b) Fairtrade Sourcing Program Cotton (FSP Cotton): Companies participating in FSP Cotton require certification up to (including) the level of the spinner. Subsequent supply chain entities need to be "Fairtrade Verified" and should be registered on Fairtrace (traceability software).

7 Overview: Need for Certification

Please refer to this matrix for information on who in the trade chain requires certification. The matrix should be viewed per Fairtrade product traded.

| Producer | Buyer in the country of origin | Buyer sourcing directly from the country of origin |
|--------------------------------------|--------------------------------------|--|
| Licensee / Needs certification | Does not need certification * | Does not need certification* |
| Licensee / Needs certification | No buyer | Does not need certification * |
| Not a licensee / Needs certification | Licensee / Needs certification | Does not need certification * |
| Not a licensee / Needs certification | Not a licensee / Needs certification | Needs certification |
| Not a licensee / Needs certification | No buyer | Needs certification |

* Unless the buyer is responsible for complying with any of the Fairtrade Standard requirements such as payment (price and premium), quality claims, contracts with producers, pre-financing and traceability (up to consumer ready packs); see point 3.

8 Registration of Additional Entities (AE)

The following companies do not require receiving their own certification but some need to be registered with FLOCERT as additional entity to their master operator's certificate. Additional Entities can be registered as:

a. Subcontractors

A subcontractor is a company that provides product-related services on behalf of an operator, but does not take legal ownership of the product. A subcontractor performs activities that fall under the Fairtrade Standards, i.e., handling / transforming the Fairtrade product in a way that affects either documentary or physical traceability (e.g. processing or storage of unfinished product when the product is stored in silo or stored entities are mixed/repacked). Each subcontractor must be audited at least once during the certification cycle.

Certified clients that are also acting as subcontractors for other master operators must be registered in Ecert under the respective master operator, but do not need to be invoiced as subcontractors.

b. Own Additional sites

Own additional sites are companies that provide product-related services on behalf of and are owned by the master operator but do not take legal ownership of the product. Own additional sites perform activities that fall under the Fairtrade Standards, i.e., handling / transforming the Fairtrade product in a way that affects either documentary or physical traceability (e.g. additional office, processing or storage of unfinished product when product is stored in silo or stored entities are mixed / repacked).

Own additional sites in Trader certification should be audited at least once during the certification cycle.

Own additional sites in Producer certification are audited together with the master operator audit and at least once during the certification cycle. Own additional sites are invoiced based on total number of workers.

c. Affiliates

a) Small Producer Organizations: Affiliates are 1st/2nd grade member organizations of 2nd/3rd grade Small Producer organizations. The central structure is the umbrella organization of a 2nd/3rd grade organization which is audited by FLO-CERT. The Audit SOP describes the number of affiliated organizations that must be inspected during the audit of the central structure.

- b) Hired Labor: Affiliates / estates are Single Plantations belonging to a Multi Estate. The Audit SOP describes the number of affiliated estates that must be inspected during the audit of the central estate.

Rationale for auditing and invoicing Additional Entities (own additional entities or subcontractors)

| | Type of AE | Register in Ecert | Invoice | Audit |
|---|---|-------------------|--|--|
| Physical traceable product | Processing or loose (bulk) storage and/or repacking (e.g. storage in silo, tank or repacking from big bags into silos) | Yes | Yes | Yes (at least once during the certification cycle) |
| Mass balance product | Processing of simple product (e.g. cocoa into liquor) | Yes | No | No |
| | Processing of composite product or loose (bulk) storage and/or repacking (e.g. storage in silo, tank or repacking from big bags into silos) | Yes | Yes | Yes (at least once during the certification cycle) |
| Small Producer Organization/ Hired Labor | Affiliates | Yes | Yes | Yes (as per Audit SOP) |
| Hired Labor | Export entity owned by the plantation in HL and exports produce only from the plantation | Yes | No (provided, all the documents required for audit are provided at the plantation) | No (provided, all the documents required for audit are provided at the plantation) |

9 Other entities with no registration

Agents or companies providing logistic or storage services are not registered with FLOCERT and do not need to be audited (unless loose bulk storage, repacking/refilling or storage in silo, tank or repacking from big bags into silos takes place). Special entities needed due to unforeseen circumstances (e.g. special treatment due to unusual quality deviation of the product, force majeure) do not need to be registered or audited. However, FLOCERT shall be informed on time in case such service is needed including information on the service provided.

10 Change History

| Version | Author | Date approved | Changes |
|---------|---------------------------|---------------|--|
| 10 | C. Brown | 24.02.2011 | First version |
| 11 | J. Meijer | 30.07.2012 | Specification of cotton traders that need to be certified, new office template |
| 12 | J. Meijer | 31/01/2013 | Additional entities added |
| 13 | D. Rosado | 19.07.2013 | Additional entities definitions changed Additional entities table added Other entities with no registration added |
| 14 | D. Rosado | 02.12.2013 | Deleted note: For Wine, only importers of bulk product require certification with FLO-CERT. Adjusted definition of Own Additional Entities and the AE Table |
| 15 | K. Sajindranath | 08.10.2014 | Redundancy in point 2 deleted 3 Perishable products: wording changed to clarify need for certification in combination with quality claims 4 Finished Labelled Products from the South: wording amended for sake of clarification Table in 5 amended accordingly Added point for Cotton / FSP cotton 7 Registration of AE: wording for subcontractors specified, section added for affiliates of HL, table amended accordingly 8 Other entities with no registration: wording changed for sake of clarity |
| 16 | T. Glammert/ D. Rosado | 01.01.2016 | 6 Cotton: added that printing on already labelled FT cotton products does not require certification 8 Registration of Additional Entities: a) and b) reworded Table under 8 simplified 9 Other additional entities with no registration: reworded |