



CERTIFICATION STANDARD OPERATING PROCEDURE

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CERTIFICATION STANDARD OPERATING PROCEDURE

Purpose of this document

This Procedure describes the Fairtrade ANZ certification system and its underlying rules and principles such as the certification cycle, the concept of compliance criteria and the rationale behind certification sanctions. Furthermore it provides an overview of the audit and certification process.

1. SCOPE

This procedure applies to all involved parties in Fairtrade ANZ certification: staff, contracted auditors and certified clients. The geographical scope of the certification is Australia and New Zealand. The Assurance Provider certifies clients against the Fairtrade Trader Standard.

The scope of the Fairtrade Trader Standard is outlined in the Introduction to the Standard, repeated here:

[The Fairtrade Trader Standard] applies to all companies that buy and sell Fairtrade products and fall under one of the four categories below. The method of assurance that is chosen to assess compliance with this standard is related to the role of the company in the supply chain and therefore the number and kind of requirements to comply with.

*The following companies must be **certified** and are therefore subject to physical audits:*

- Companies that buy and sell a Fairtrade product until the product is in its final packaging.
- Companies that buy directly from producers and/or are responsible for paying or conveying the Fairtrade Price or Premium.

*The following companies must be **verified** and are therefore exempted from physical audits, unless deemed necessary, and are monitored through effective reporting tools:*

- *Companies that have signed a licence agreement to use one of the FAIRTRADE Marks or make a reference to Fairtrade and do not fall under any of the two categories above. These are monitored by the respective licensing body.*
- *Companies participating in the Fairtrade Sourcing Program (FSP) for Cotton after the Fairtrade Payer, or after the ginning stage (if this comes earlier). These are monitored through the Fairtrade traceability system.*

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Some Compliance Criteria are not applicable to a client's situation. The limitations to the applicability of a Compliance Criteria are designated at the beginning of a Compliance Criteria text in brackets. For example, a requirement might only be applicable for clients dealing in a particular product – indicated as: (banana) -, or might only apply after a transition period – indicated as (1 January 2017).

2. CERTIFICATION SCHEME

1.1 Fairtrade International

Fairtrade International is responsible for developing and reviewing the Fairtrade Standards, ensuring that assurance providers comply with the requirements for certification, and for developing and maintaining the certification scheme.

1.2 Assurance & Oversight

Fairtrade ANZ is the Assurance Provider and assessed by Fairtrade International Oversight Committee who confirms that Fairtrade ANZ's Certification Procedure conforms to ISO/IEC 17065 and Fairtrade International Requirements for Assurance Providers to conduct trade certification in Australia and New Zealand.

3. PUBLIC COMPLIANCE CRITERIA

3.1 Certification Requirements

The public Compliance Criteria are developed by FLOCERT and used by the assurance provider for auditing against the Fairtrade Trader Standard.

The Compliance Criteria translate Fairtrade Standard requirements into verifiable control points that are evaluated during the certification process to determine compliance to Fairtrade Standards.

A non-conformity with one Compliance Criteria is understood to be a non-conformity with the respective Standard requirement. A non-conformity with a Compliance Criteria needs to be corrected by the client in a given timeframe in order to maintain certification, or in the case of a renewal certification, to qualify for recertification. The corrective measures are suggested by the client at audit and validated and followed up by the Assurance Provider or instituted by the Assurance Provider.

Core requirements which reflect Fairtrade principles and must be complied with. These are indicated with the term 'Core' found in the column on the left throughout the standard.

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Major Compliance Criteria are part of the Core requirements. Non-conformity with a major Compliance Criteria is considered to be a major threat to the objectives and the reputation of the Fairtrade system, and may lead to the suspension of the certificate.

Voluntary Best Practices (VBP) which refer to the additional steps that all supply chain actors can take to foster even fairer trading conditions. They serve as your reference point for achieving best practise and contribute to greater sustainability in the entire supply chain. These practices are voluntary and not required in order for you to be in compliance with the Fairtrade Trader Standard. They will be however monitored on a regular basis in order to identify those actors that go beyond minimum compliance, and are indicated with the term 'VBP' found in the column on the left throughout the standard.

3.2 Timeline & application

As the Fairtrade Standards for Trade define that traders need to be compliant with the core requirements from the first moment of certification, there are no timelines set in the Compliance Criteria for Traders.

You are in compliance with the Fairtrade Trader Standard if you fulfil all Core requirements that are applicable to you. The Fairtrade Trader Standard applies to you regardless of the product you want to certify.

3.2 Publication of Standards and Compliance Criteria

The Compliance Criteria are published by FLOCERT on its website in the Public Compliance Criteria Lists: www.FLOCERT.net → Fairtrade Certification → Compliance Criteria.

Fairtrade International may change Fairtrade standards as explained in Fairtrade International's Standard Operating Procedures, see http://www.fairtrade.net/setting_the_standards.html.

Fairtrade International also publishes product standards, which complement specific requirements to the Fairtrade Trader Standard. The applicable product standards must also be complied with, and should be read in conjunction with this standard. For some products, exceptions to specific requirements in this standard have been defined in the relevant product standards. Aside from these explicit exceptions, the Fairtrade Trader Standard supersedes the Fairtrade product standards.

Fairtrade Minimum Prices and Fairtrade Premium levels for Fairtrade products are published separately to the product standards. Fairtrade payers and conveyors should use the Fairtrade International website for details of the relevant Price and Premium levels (which can be found here) and ensure that they are in compliance with these. Producers should also ensure that they are informed about current Fairtrade Price and Premium levels for their products.

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4. CERTIFICATION CYCLE

4.1 Permission to Trade

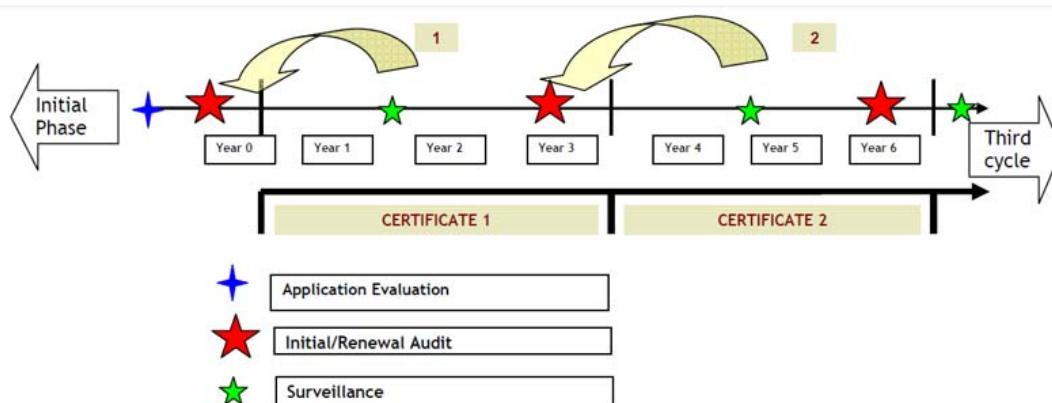
Traders are required to apply for certification and pay the application fee. Upon evaluation of their application as successful, Traders receive a preliminary “Permission to Trade” valid for 6 months and for 1 year for Small Licensees. Traders are granted this status to facilitate first Fairtrade purchases and sales of the respective trade chain.

The initial audit is scheduled before the expiry of the issued Permission to Trade and when the trader is normally in a position to practically demonstrate compliance with the Fairtrade Standards as transactions were made and contracts and consignments signed.

No Permission to Trade can be issued prior to audit in the case of applicants who have been found to have commenced Fairtrade transactions prior to receiving Permission to Trade.

4.2 Three-year certification cycle

During the initial audit all Compliance Criteria are checked by the auditor onsite. These criteria are considered to be entrance criteria and need to be fulfilled for Initial Certification. After the Initial Certification, the client starts the first 3-year Certification Cycle. The initial and renewal audit always need to take place as an on-site audit. The first renewal audit is carried out at least 5 months before the certificate expires to evaluate continued compliance with all Compliance Criteria. Compliance, including fulfilment of Corrective Action Requirements (CARs) resulting from the first renewal audit, must be achieved before the certificate is renewed for the next 3-year cycle. The same 3-year cycle continues into Year 6. There is a three year certification cycle as graphically represented below.



Usually one additional evaluation is carried out to verify continued compliance with Compliance Criteria valid at the time of the surveillance audit. The Assurance Provider uses a reduced checklist during desk-top surveillance audits to verify if the client complies with Major and Core

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Standard requirements for Trade Certification. In case of major risk, the certifier may decide to also conduct an on-site surveillance audit. The following risk factors are considered and increase the risk of non-compliance:

- premium payer
- high volumes
- complex and/or ongoing changing structures
- number of non-conformities including major non-conformities
- product categories (fresh fruit higher, manufacturing, new, FSP)
- credible allegations
- complex trade chains

The Assurance Provider may decide to conduct additional surveillance audits in case it is deemed necessary.

4.3 Six-year certification cycle for Small Licensees

In the case of Small Licensees a desk audit is conducted in the 3rd year of Fairtrade activity. This review covers the last 3 years and is based on a Flow of Goods report (indicating Fairtrade purchases, sales, stocks, yields or recipes), the annual turnover and additional evidence such as a valid Licence Agreement, function in supply chain and sales exclusively of products registered with Fairtrade ANZ.

In the case of a successful desktop review, the Fairtrade certificate is prolonged for another 3 years. In the 6th year of Fairtrade activity, the Small Licensee is physically audited for renewal of its Trade Certification.

In the case of Small Licensees the surveillance audit performed every third year includes the verification of the client's qualification as Small Licensee. If the trader is no longer a Small Licensee, the Assurance Provider shall review the certification cycle and conduct an audit as required.

The Assurance Provider may decide to conduct additional surveillance audits in case it is deemed necessary.

4.4 Certificates

Each client is granted Fairtrade product certification by the Assurance Provider after a successfully completed initial or renewal audit. In general a certificate is only issued if the client meets all valid Compliance Criteria for that point in time. No certificate will be issued or renewed with pending corrective measures.

A client who is compliant with the Fairtrade Standards receives a Fairtrade certificate for 3 years, or in the case of Small Licensees for 6 years. Continued compliance will be monitored through at least one surveillance audit.

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The Assurance Provider may decide to conduct additional surveillance audits in case it is deemed necessary. This also means that suspended clients should also have a valid certificate, as in principle they are still allowed to continue trading Fairtrade products. In the last year of the Fairtrade certification cycle, the licensee is physically audited and receives a renewed certificate upon successful completion of the certification.

If you share a copy of your certificate or other certification documents (such as an audit report) with your trading partner, you must ensure to share it in its entirety in order to make the trading partner aware of the exact scope of your Fairtrade certification.

5. CERTIFICATION SANCTIONS

Assurance Provider may apply any of the following sanctions:

5.1 Withdrawal of Permission to Trade or denial of certification

The following circumstances may lead to a withdrawal of Permission to Trade or denial of certification:

- a. The auditor identifies non-conformity with major Compliance Criteria during the initial audit.
- b. The client has signed Fairtrade Contracts with a new trade partner that is suspended or traded with a decertified operator.
- c. Corrective measure proposals were not provided to the Assurance Provider within the given timelines.
- d. Corrective measures were not fulfilled as no objective evidences have been submitted to the Assurance Provider within the defined timeframe.
- e. Corrective measures were not fulfilled based on the evaluation of the objective evidences provided by the client.
- f. The suspension of the Permission to Trade has not been lifted within defined timeframe.

In case of clients for whom the 'Permission to Trade' has been issued previously, it would be withdrawn and certification denied (status "Not Certified"). Denial of certification (Not Certified) would mean that the client is not allowed to sign any new Fairtrade contracts nor is the client allowed to fulfil existing contracts. In that case the client can work on the non-conformities and apply again at a later stage.

5.2 Suspension of Permission to Trade or Certificate

The certificate or the Permission to Trade of the client may be suspended for the following reasons:

- a. The auditor identified non-conformity with major compliance criteria during the audit
- b. Non-conformities with major compliance criteria are reported to the Assurance Provider via an allegation upon which subsequent investigations verify the allegation.

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- c. The client has signed new Fairtrade Contracts with a suspended operator or traded with a decertified operator.
- d. The client did not propose appropriate corrective measures within the defined timeframe.
- e. Corrective measures were not fulfilled as no objective evidence has been submitted within the defined timeframe.
- f. Corrective measures were not fulfilled based on the evaluation of the objective evidence provided by the client.
- g. Contractual responsibilities are not adhered to by the client. E.g. non-payment of fees, retarding of audits.

The duration of suspension is dependent on the evaluation workflow timelines, i.e., timelines given to the client to demonstrate that actions were taken to correct the above reasons for suspension.

While the client's certificate is suspended, they are neither allowed to sign **Fairtrade contracts with new trade partners** nor advertise or make any reference to maintaining their Fairtrade certification. Clients may continue to trade Fairtrade products with companies with whom they have signed contracts or with those with whom they have an existing trade relationship during the suspension period:

- Where written contracts exist the volumes stipulated in the contracts may be fulfilled during the suspension period.
- Where no written contracts exist, the volume traded during the suspension period may not exceed 50% of the volumes traded as Fairtrade in the preceding 12 months.

If a certificate is suspended the assurance provider shall instruct the client to:

- a) Identify and advise all customers who have been purchasing Fairtrade products from them in writing that their certification has been suspended.
- b) Meet the relevant compliance criteria that limit trading during a suspension period.
- c) Provide objective evidence of the effectiveness of the corrective actions for the non-conformities with the sufficient time, as defined by the assurance provider, to close them out before the suspension period ends.
- d) Inform Fairtrade International of this fact within seven days.

5.3. Decertification

The certificate of the client may be withdrawn under the following circumstances:

- a. Corrective measures were not submitted to the Assurance Provider within the defined timeframe after suspension.
- b. Corrective measures were not fulfilled as no objective evidence has been submitted to the Assurance Provider within the defined timeframe after suspension.
- c. Corrective measures were not fulfilled based on the evaluation of the objective evidence provided by the client after suspension.

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- d. Contractual responsibilities are not adhered to by the client. E.g. non-payment of fees, retarding of audits.
- e. Clients may be decertified without prior suspension in case the same client has the same major non-conformity in 2 consecutive audits.
- f. Clients may be decertified if during the suspension period, the suspension rules were not respected.

In case of decertification a client can reapply for certification but if so will be re-audited against the compliance criteria applicable at the moment of withdrawal. This decision can only be taken by the Assurance Provider. The client is not allowed to sign new Fairtrade contracts nor is a decertified client allowed to fulfil existing contracts.

If a certificate is withdrawn or cancelled the assurance provider shall:

- a) Cease claiming to be Fairtrade certified.
- b) Cease all use of the Fairtrade brands and marks, subject to any allowance in License agreements to continue to dispose of goods bearing the FAIRTRADE mark, after certification is withdrawn.
- c) Identify and advise all customers who have been purchasing Fairtrade products from them in writing that their certification has been withdrawn.
- d) Inform Fairtrade International of this fact within seven days.

6. RE-ENTRY AFTER DECERTIFICATION

Clients who have been decertified may re-apply to become Fairtrade certified but the following conditions apply:

- a. If the client wants to re-enter the Fairtrade Certification System after 12 months of the decertification date, the client needs to undergo the application process again.
- b. If the client wants to re-enter the Fairtrade Certification System within 12 months after the decertification date, the client must pay any outstanding certification and / or Licence fees from the period before de-certification.
- c. The client must undergo an audit before re-entering the Fairtrade Certification System.

7. AUDIT, EVALUATION AND CERTIFICATION PROCESS

The following provides a high-level overview on the audit, evaluation and certification process.

7.1 Audit

7.1.1 Scheduling and preparation of the audit

An on-going setting of preliminary audit time-frames is created in the audit planning. At the beginning of the financial year these prospective audit dates will be either confirmed or changed due to an annual audit planning where audits may be clustered in a region and combined with other auditing schemes.

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The client is required to accept announced and unannounced audits at the premises including subcontracted entities and provide all requested information needed to demonstrate compliance with the Fairtrade standards.

The certification managers assigns the audits to auditors and informs the client that they will be contacted by the auditor to schedule a date within an agreed timeframe as per the audit planning. The auditor contacts the client in order to fix a convenient audit date for both parties. Upon agreement of an audit date, the client receives an audit preparation letter containing detailed information on the scope and the course of the audit. At this point the client may also receive information about any prospective observer accompanying the auditor if applicable.

Prior to each audit the responsible certification manager provides the assigned auditor with the required documentation for the audit which define the scope of the audit and includes registered products and Fairtrade sales reports (uploaded in Eggsfiles).

For Unannounced Audits, no audit dates are agreed upon prior to the physical audit. The client does not receive the audit preparation letter. The responsible certification manager provides the assigned auditor with the *Unannounced Audit* letter (signed by the Certification Manager) to be handed in to the client by the auditor upon arrival on site.

7.1.2 Execution of the audit

The auditor starts with an opening meeting to introduce himself, his role and the audit process. The auditor then proceeds with the evaluation of the clients' performance against the Compliance Criteria during the audit. In order to verify compliance with the Fairtrade Standards the auditor may require access to documents, field visits, interviews, stock checks, and others.

The duration of the audits depends on the type of client, the complexity of the processes and products, the number of products, the volume of transactions and other relevant factors. Representative sampling methods are used based on ISO 19011.

7.1.3 Closing meeting

The auditor is required to complete a closing report with all detected non-conformities and present this report during the closing meeting which is held at the end of the audit. During this closing meeting the auditor explains all non-conformities to the client.

The client is then required to process corrective measures which aim at correcting the detected non-conformities. The auditor is not allowed to give advice to the client on how to fulfil non-conformities. Upon client request the auditor may give practical examples of what other clients have done in similar situations. At least two practical examples need to be presented to the client, additionally the auditor points out that there might be more than these options, in order not to run the risk of consulting the client.

Following the audit the results including the corrective measures proposed by the client will be reported to the Assurance Provider (through Eggsfiles) by the auditor. Auditors in general have 14 calendar days to send the audit report to the Assurance Provider, however when using the

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online version of Eggfiles the synchronisation takes place immediately when the auditor closes off.

7.2 Evaluation

After receipt of the audit results the responsible certification manager quality controls the audit report and performs a plausibility check of all reported figures. The evaluator has the right to change, confirm or delete non-conformities identified by the auditor, based on additional information received in between the audit and the evaluation. Non-conformities might also be added in case the supporting documents delivered after the audit provide supporting evidence. Subsequently all non-conformities will get confirmed to the client within 14 calendar days after receipt of the audit report from the auditor, including respective timelines for submission of the related objective evidences. The deadline to fulfil corrective measures depends on the nature of the non-conformity: 90 days for non-conformity with only core requirements and 30 days if a major requirement is also included.

7.3 Corrective action

The responsible certification manager is required to follow-up on the required corrective measures and ensure them to be suitable to achieve compliance with the Fairtrade Standards within the given timeframe.

A warning for suspension is send out if evidence of corrective action hasn't been provided within the defined timeframe and another 30 days for remediation are granted.

The Assurance Provider proceeds with suspension of the certificate if evidence of corrective action has not been submitted within the remediation period.

If the licensee hasn't solved all non-conformities after another 30 days, a warning for decertification is send out with a new deadline of 30 days before actual decertification.

7.4 Certification decision

Once the client submits the requested objective evidences the Assurance Provider is required to review the received information within 1 month and provide the client with a certification decision based on the basis of the information presented.

When confirming the corrective measures as accepted and non-conformities are fulfilled or in case the audit result was complete and compliant, a positive certification decision can be taken.

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