

**COMPILATION OF  
GENERIC GUIDELINES:  
FAIRTRADE, TRACEABILITY AND SOCIAL  
RESPONSIBILITY**



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**ANSAB**

P.O. Box 11035, Kathmandu, Nepal

Tel: +977 1 4497547/4478412

Fax: +977 1 4476586

E-mail: [ansab@ansab.org.np](mailto:ansab@ansab.org.np)

Website: [www.ansab.org.np](http://www.ansab.org.np)

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Prepared by: Mr. Khilendra Gurung

Cover photo: Nabin Raj Joshi, PhD

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<b>FAIR TRADE GUIDELINES FOR SMALL SCALE PRODUCER ORGANIZATIONS .....</b>	<b>3</b>
1. GENERAL INTRODUCTION .....	4
2. SCOPE .....	4
3. TERMS AND DEFINITIONS .....	4
4. COMPONENTS OF FAIR TRADE GUIDELINES .....	6
5. EMPOWERMENT AND CAPACITY BUILDING .....	11
6. RESPECT FOR THE CONSUMER .....	13
7. MANAGING CERTIFICATION AND PERFORMANCE .....	15
REFERENCES: 1 .....	16
ANNEX .....	17
<b>TRACEABILITY GUIDELINES FOR COLLECTORS, PRODUCERS AND TRADERS .....</b>	<b>18</b>
1. GENERAL INTRODUCTION .....	19
2. SCOPE .....	19
3. TERMS AND DEFINITIONS .....	20
4. MAJOR COMPONENT OF TRACEABILITY GUIDELINES .....	20
5. IMPLEMENTATION GUIDELINE FOR COLLECTORS .....	22
6. IMPLEMENTATION OF GUIDELINES FOR TRADERS .....	24
7. IMPLEMENTATION OF GUIDELINES FOR MANUFACTURER/PROCESSORS .....	25
REFERENCES: 2 .....	28
<b>SOCIAL RESPONSIBILITY: GENERIC GUIDELINES .....</b>	<b>29</b>
1. GENERAL INTRODUCTION .....	30
2. SCOPE .....	30
3. TERMS AND DEFINITIONS .....	30
4. COMPONENTS OF SOCIAL RESPONSIBILITY GUIDELINE .....	31
5. ENVIRONMENTAL RESPONSIBILITY .....	38
6. LOCAL IMPACT .....	39
REFERENCES: 3 .....	40

**FAIRTRADE GUIDELINES FOR  
SMALL SCALE PRODUCER  
ORGANIZATIONS**



## 1. General Introduction

Fairtrade promotes sustainable development and poverty reduction through ethical and fair terms of trade. Fairtrade aims to support small-scale producers and workers who are marginalized from the benefits of conventional trade. Fairtrade considers justice and sustainable development at the heart of trade and business so that everyone, through their work, can maintain a decent and dignified livelihood. Fairtrade has identified three long-term goals:

- Make trade fair;
- Empower small-scale producers and workers;
- Foster sustainable livelihoods.

To achieve its goals, Fairtrade aims to bring about simultaneous change in four areas:

- Small-scale producer and worker organizations;
- Supply chain business practices;
- Consumer behavior;
- Civil society action.

The purpose of the Fairtrade guideline for small-scale producer organizations is to set the requirements that determine participation of these organizations in the Fairtrade system.

## 2. Scope

This Fairtrade guideline is designed for the for small-scale producer organizations. This guideline is intended to be useful to the collectors of wild harvest Medicinal and Aromatic Plants (MAPs), Community Forestry User Groups (CFUGs), trader's/trading companies, processors/producers, community-based organizations and supporting NGOs. However, it is not intended to replace, alter or in any way change the obligations of the state. This guideline provides guidance to users and is neither intended nor appropriate for certification purposes or regulatory or contractual use.

## 3. Terms and Definitions

The following terms and definitions apply:

- **Internal control system (ICS):** An ICS is a documented quality assurance and management system that allows an external certification body to delegate the inspection/follow-up of individuals from a group to the group manager. This system manages compliance with a standard and comprises the internal verification methods used (procedures, records, internal specifications, etc.).
- **Operation:** The physical or legal person responsible for ensuring compliance with the requirements of this guideline within the activity that is under its control.
- **Record:** Document that presents results obtained or provides evidence of activities carried out.
- **Brand holder:** The company/organization under whose brand the final certified product is marketed to consumers.
- **Conveyor:** Intermediary trader between the producer operation and the Fairtrade partner, which can sometimes act as contracted exporter or importer. Conveyors are in charge of conveying the Fairtrade producer operation sales price and the Fairtrade Fund to the producer operations. Unlike the Fairtrade partners, they do not negotiate prices or development funds. They buy Fairtrade products according to the quantities and prices agreed between the producer operation and the Fairtrade partner.

- **Intermediate trader:** Any trading or processing company who purchases Fairtrade certified products not directly from Fairtrade producer operations and who sells not yet consumer labeled products to other traders as Fairtrade certified. An intermediate trader is not a Fairtrade partner, nor a Conveyor, nor a Brand holder.
- **Fairtrade partner:** The Fairtrade partner is the company/organization who negotiates with the producer operation the Fairtrade price and the Fairtrade fund and who markets the product as Fairtrade certified into commodity trade chains. A Fairtrade partner can be a Brand holder, as well as a producer operation (if the latter is buying from other separately certified producer operations).
- **Producer:** Primary producer such as farmer, collector, artisan, or individual processor, who is directly and individually paid for the provision of a product it directly produces/harvests or manufactures.
- **Producer operation:** Any company or organization which is partially or totally dedicated to collecting the product from sites where farmers/harvesters/artisans or farm workers are working, and who has applied for the certification (i.e. this company or organization is responsible for the compliance to the standard of all the production and processing entities under the scope of its certificate).
- **Smallholder producer:** Producer who does not structurally depend on hired labor, managing his/her production mainly with his/her own family's labor-force. Normally a smallholder producer does not hire any permanent worker (but may hire seasonal workers). For highly labor-intensive production and in specific cases related to the personal situation of the producer, some permanent workers may be hired.
- **Sub-contractor:** A third party processing/packing and/or storing certified products on behalf of a contracting certified/registered operation. The product is owned by the contracting certified/registered operation, and the sub-contractor only charges for the service provided.
- **Fairtrade development fund or Fairtrade fund:** Extra amount paid to the producer operation in addition to the producer operation sales price for all Fairtrade products bought. The Fairtrade fund has to be administered separately from all other revenues and its use is strictly confined to collectively agreed projects. This term replaces the traditionally used term "Fairtrade Premium".
- **Floor price: Agreed minimum price to be paid for all Fairtrade purchases:**
  - if it is specified "Producer Operation Floor Price", this price is guaranteed to the producer operation by the Fairtrade partner.
  - if it is specified "Producer floor price", this price is guaranteed to the producers by the producer operation, in the case of producer groups.
- **Sales price: Price actually paid for the Fairtrade certified products:**
  - if it is specified "Producer operation sales price", it is negotiated between the producer operation and the Fairtrade partner. The producer operation sales price includes normally a differential for standard compliance and certification and considers the quality of the product (overall product quality, organic production, etc.). The sales price, however, normally does not include the Fairtrade fund.
  - if it is specified "Producer Sales Price", it is negotiated between the producer operation and the individual producers, in case of producer groups. It is paid when goods are delivered in accordance with agreed quality requirements and at the place agreed with producer group operation (e.g. at purchase center, at farm). All risk,

responsibility and costs that may accrue after acceptance of the goods are the responsibility of the producer group.

#### **4. Components of Fairtrade Guidelines**

This section aims at ensuring that the business practices of the operation (group, company or organization), in terms of contracts, pricing regulations, payment terms, etc. are fair and based on a sustained and long-term cooperation strategy.

##### **4.1 Long-term cooperation**

The operation demonstrates its commitment to long-term relations within Fairtrade supply-chains.

- The operation/producer operation should make efforts to maintain long-term trade relations with his suppliers/collectors of Fairtrade certified products, specifically by:
  - anticipating any problem that may threaten the trade relation (e.g. in case of higher demand, insufficient volumes, etc.) and maintaining open communication about these problems;
  - justifying any premature termination of the trade relations.

##### **4.2 Contracts and volumes**

Operations commit to sales contracts and partnership agreements based on mutual advantage and enabling sufficient visibility on contracted volumes.

- For each purchase of Fairtrade products (i.e. from collectors/producer operation/Fairtrade partner/intermediate trader), the buyer should clearly define the terms of trade in a sales contract:
  - agreed volumes;
  - agreed quality, with clear specifications;
  - price for the Fairtrade product;
  - payment terms;
  - delivery terms;
  - procedures in case of quality problems.
- A long-term partnership framework agreement should be established between the buyer(s) and the producer operation, defining the Fairtrade relationship and commitment of the different parties involved. This agreement should include at least the following:
  - the contract term (at least 3 years or indeterminate duration with clear objective to develop long-term relationships);
  - the guarantees for stability and security:
    - a) mechanism to transmit sourcing plans/provisional volumes, and
    - b) general pricing agreements;
  - commercial and technical support, if any;
  - contract termination procedures;
  - dispute resolution procedures, with a mediation mechanism;
  - Fairtrade fund payment mechanism (including calculation method);
  - role and responsibilities of the Conveyor, if applicable (particularly regarding the payment of the Fairtrade prices and Fund).
- A long-term partnership framework agreement should be established between the buyer(s) and their suppliers/collectors (that are not producer operations). This agreement includes at least the following:
  - the contract term (at least 3 years or indeterminate duration with clear objective to develop long-term relationships);

- the guarantees for stability and security:
  - a) mechanism to transmit sourcing plans/provisional volumes, and
  - b) general pricing agreements;
- commercial and technical support, if any;
- contract termination procedures;
- dispute resolution procedures, with a mediation mechanism.
- The Fairtrade partner should provide its producer operation suppliers with sourcing plans with projected quantities at least at the beginning of the year/season. If the plans are not respected by the Fairtrade partner, this should be properly addressed during the joint annual review, to analyze causes and make better estimates.
- If a Fairtrade partner purchases both certified and non-certified products from the same producer operation, he will not offer to purchase the certified products on the condition that he purchases the non-certified products at a disadvantageous price (i.e. sales prices for the non-certified products are not below standard market prices).
- Clear agreements should be established with all the registered producers, either individually or collectively. The agreements include at least the following:
  - the type of product and quality required;
  - the contract term;
  - payment procedures and time frames;
  - agreed volumes;
  - the commitment on a Floor price;
  - the Fairtrade prices agreed;
  - any pre-finance mechanism;
  - the inputs and services provided and any deductions that may be relevant as a result of this provision;
  - the cases in which producers are able to terminate the business relationship and the conditions of termination;
  - procedures and mechanisms to resolve any dispute/conflict.
- Such contracts/agreements should be accompanied by/correspond to long-term partnership agreements (i.e. they are not only sales contracts): contract term equal or superior to 3 years, or indeterminate duration with clear objective to define long-term relationships.
- Producers should be provided with sourcing plans with projected quantities at least at the beginning of the year/season.

#### **4.3 Regular communication and exchanges**

The trading relationship is based on trust, regular communication and exchanges.

- Producer operations and Fairtrade partners should keep good regular communication (regular emails, calls, etc.). It is expected that the type of exchange and their frequencies vary in relation with their relative importance (% of purchases/sales represented by the producer operation/Fairtrade partner).
- The Fairtrade partner will conduct a joint review with his producer operation supplier at least once a year, in order to assess whether a modification of their agreements is required. The review shall focus at minimum on the following items:
  - adjustment of sales price;
  - adjustment of contracted volumes;
  - if there is a modification in production costs: adjustment of floor price.



- Upon request, the producer operation and Fairtrade partner exchange business information related to their activities:
  - Both partners: brief work plan for coming year;
  - Producer operation: information about Fairtrade fund;
  - Fairtrade partner: information about general market trends.

#### **4.4 Product quality**

Operations agree on mutual mechanisms to solve any product quality problems that may occur.

- In case of quality problems and quality claims, partners should undertake to find an agreement on the consequences and to take the necessary steps to improve the situation, as specified in the contract.

#### **4.5 Access to finance**

The Fairtrade partner provides pre-financing when his suppliers, particularly small-holder producer groups, so request. If other types of financing occur inside the supply-chain, they are done in a fair and transparent manner.

- If buying from small-holder producer groups and if requested by them, Fairtrade partners must:
  - grant a pre-financing; or
  - facilitate that this is done through any external pre-finance (third-party lender, including inside supply-chain).
- Upon request, the Fairtrade partner should grant or facilitates a pre-financing for other types of producer operations. If pre-finance has been granted by the Fairtrade partner, the terms of pre-finance are clearly specified in a contract:
  - amount;
  - duration;
  - interest rates, if any;
  - consequences in case of problems linked to the delivered quality/quantity.
- If pre-finance has been granted by the Fairtrade partner, it is recommended that no interest rate is charged. If charged, interest rates must be equal or better than the terms the Fairtrade partner would receive if financing the money himself.
- If any pre-financing has been received by the producer operation, it has been used to pay producers/collectors in time or for any other measure agreed with the trade partner.
- If any pre-financing is granted by the producer operation within its operations, this is done in a fair and transparent manner, with agreed and reasonable interest rates.
- Any other type of financing that is not the pre-finance of contracts (e.g. credits, loans, inputs, services, etc.) is agreed between the supplier and the buyer, with documented and transparent terms and conditions.

#### **4.6 Timely and reliable payment**

Suppliers, including collectors, are paid in a convenient, timely and well-documented way.

- Fairtrade certified products should be paid within 30 days after receipt of the products, unless indicated differently and mutually agreed in the contract.
- The producer operation should ensure that:
  - collectors should be paid within 14 days of delivery and at once, unless indicated differently and mutually agreed in a contract or similar agreement;

- payment should be done only directly to the collectors (e.g. to woman collector and not to her husband) or to his/her authorized recipient of payment.
- Payments to collectors should be clearly recorded (name, purchase date, product name, volume, price received, etc.).

#### 4.7 Pricing

The Fairtrade producer operation and his Fairtrade buyers agree on a Fairtrade sales price covering production costs in a sustainable way through open and transparent dialogue.

- There should be rules/defined mechanisms on how prices paid to the producers and collectors are fixed. These rules, and their updates, should be communicated to all producers and collectors.
- Quality requirement and grading procedures (quality premium) should be clearly defined, and guarantee a standard price for the same quality.
- The producer operation should implement and regularly update the production costs, as basis for price negotiations (Fairtrade floor price). External studies performed by recognized governmental or non-governmental agencies and adequately addressing the local context can be accepted. In all cases, the production costs shall include:
  - costs of the raw materials (e.g. for contracted/organized production, costs at individual producer level);
  - collection and transport costs;
  - costs for extension and ICS;
  - processing costs;
  - organizational costs;
  - minimum safety profit margins (recommended: 10%);
  - other specific costs for Fairtrade compliance.
- If there are any intermediaries buying the raw materials from sub-groups, or in the exceptional case where the producer operation buys from other producer/collector groups, cost calculations shall be transparent and shall include the margins of the intermediaries/producer or collectors' groups. When setting prices for collectors, the study can be based on a rough estimation of the necessary minimum income for collectors.
- The producer operation should negotiate an adequate Fairtrade sales price with its Fairtrade partners in reasonably open negotiations. If the Fairtrade producer operation sales price is more than 15% higher than typical market prices, the producer operation has to provide with an overview of additional income from Fairtrade and what it has been used for.
- A floor price should be guaranteed to the producers, based, once available and sufficiently detailed, on production cost analysis (i.e. before year 3 this price can be based on first production costs estimates and/or be agreed based on the experience of producers).
- The producer operation should implement a system to record non-fairtrade market prices in order to ensure that actual producer sales prices are higher than these prices:
  - *Fairtrade Quality Premium*: at least 5% higher prices for non-organic certified products;
  - *Fairtrade and Organic Quality Premium*: at least 10% higher prices for organic certified products.

Averaged market prices can be used instead of fluctuating market prices. In two specific cases, this criterion can be waived, based on detailed justification:

- market prices are very high (due to very high demand, effect of speculation) totally disconnected from production costs;

- there is no source available for establishing a reference price. In such cases, lower percentages can be applied and/or the producer floor price can be used as a reference to establish the Fairtrade producer sales price.
- Fairtrade producer operation floor prices should be based on accurate studies on production costs held at producer operation level.
- Fairtrade producer operation sales prices should be mutually agreed by the Fairtrade producer operation and the Fairtrade partner in a justifiable and transparent fashion. Sales prices agreed should always be superior or equal to the Fairtrade producer operation floor price.
- The Fairtrade partner should support the producer operation in order to determine actual production costs and to adapt the pricing policy as much as possible to this understanding.
- There should be adequate evidence of and documentation on open communication and interactions on prices between the Fairtrade partner and the Fairtrade producer operation.

#### **4.8 Fairtrade development fund**

The Fairtrade producer operation and the Fairtrade partners agree on an adequate Fairtrade development fund, through open and transparent dialogue.

- The producer operation and the Fairtrade partner should negotiate a Fairtrade Fund in reasonably open negotiations, normally for a minimum period of 3 years or until reviewed and renegotiated.
- The amount of the Fairtrade Fund is equal or superior to:
  - 5% of the producer operation sales prices; or
  - 10% of the producer sales prices (e.g. paid to the individual producers within a producer operation).

In both cases, the fund can be defined as a fixed amount, and can be based on averaged prices rather than fluctuating market prices.

- The fund should be clearly separated from the price in the invoicing:
  - there is one separate invoice for the fund; or
  - the exact amount corresponding to the fund is clearly specified.
- If the producer operation has to transfer the Fairtrade Fund to specific separate bank accounts:
  - the exact amount should be paid;
  - adequate deadlines following receipt of payment from the Fairtrade Partner should be respected.
- In addition to the agreed Fairtrade producer operation sales price for the product, the buyer pays the agreed Fairtrade Fund. This payment should normally be made once a year. Any lower frequency must be justified, and be subject to an agreement with the producer operation. This agreement and the reasons for this agreement shall be specified in the Partnership Framework Agreement.

#### **4.9 Shared added-value inside the supply-chain**

Profit margins all along the supply-chain are sufficient in order to ensure the viability of the supply-chain, and reflect ethical business practices. Short supply-chains are encouraged.

- Margins applied on Fairtrade products should be sufficient in order to ensure the viability of the supply-chain, and reflect ethical business practices:
  - if they are substantially higher or lower (+/- 10%) than those applied to comparable non-fairtrade products, a justification will be required;
  - no dumping prices are applied.

- The buyer should be involved in a majority of short fair trade supply-chains and in a limited number of long Fairtrade supply-chains.

#### **4.10 Additional requirements for groups of processors**

The producer operation (the group of processors) ensures that sound social and environmental practices are implemented at the level of its suppliers of raw materials, and sets up a fair negotiation and cooperation mechanism with small-holder farmers and collectors located in nearby areas.

- The producer operation should record all the necessary elements required for having a comprehensive overview of raw material sourcing: origin of raw materials (areas/entities) and how they are being produced/processed.
- The producer operation should make sure that it does not handle raw materials that are coming from:
  - any endangered or threatened species;
  - archaeological or historical monuments.
- Producers of all locally sourced wild collection raw materials should be integrated into the groups' operation (e.g. community forestry user group's management plan) and relevant social and environmental risks in the production process should be monitored (integration in the Operation's ICS).
- If there are local small-holder producers (i.e. collectors) acting as primary suppliers to the producer operation, the producer operation shall ensure that these collectors benefit from fair prices, which cover their production costs and are in line with market prices. In order to determine this fair price, a cooperation and negotiation mechanism should be set up between the producer operation and the primary suppliers/collectors.

### **5. Empowerment and Capacity Building**

This section is related to the actions taken at each level in the supply-chain, in order to empower producers/collectors and workers such as: organization strengthening activities; actions to minimize economic dependence on one sole product, market or activity; and inclusive decision process for the management of Fairtrade projects.

#### **5.1 Representation of producers' interests in the group**

The group operation encourages and supports interaction and exchange with the producers.

- The producer operation should support mechanisms enabling interaction and exchange with/between producers/collectors, adequate representation of producers' interests in key business/development decisions and negotiations. The producer operation must support one or a combination of the following two mechanisms:
  - where there is a producers/collectors representation organization with democratic structure already in place, producers/collectors are informed and participate in all key business decisions through an annual, well announced general assembly with voting rights for all members;
  - if, in some settings, a classic democratic structure (as described) is not the organizational form of choice for producers/collectors, alternative transparent mechanisms to elect/nominate representatives should be done.
- Regardless of the mechanism used, the producers/collectors interests should be effectively represented, with regular meetings, interactions and participation.
- There should be efforts made to promote group feeling: regular meetings/exchanges between producers/collectors in group/sub-groups/village centers, etc.

## **5.2 Supporting the least advantaged in the group**

Access to the group does not contribute to discrimination, and, on the contrary, the group favors disadvantaged sub-groups.

- Statutes and/or rules of the producer operation should not discriminate against producers/collectors for access and membership, but also participation, voting rights, access to markets, training, technical support, or to any other advantage related to membership/contract production.
- In practice, there should be no obstacles to the participation and membership of disadvantaged groups (minority groups and economically disadvantaged groups) within the producer operation.
- If some disadvantaged groups have been identified within the producer operation, appropriate programs should be set up to improve their social and economic position, and to facilitate their participation and representation within decision-making bodies.
- In practice, there should be no obstacles to the participation and membership of women producers/collectors within the producer operation. Wives of producers involved in production should not be excluded from group meetings and activities. This applies to men in contexts where women make up the majority of producers/collectors.
- Appropriate programs should be set up to improve the social and economic position of women producers/collectors within the producer operation or of any disadvantaged/discriminated groups in the local community (specific programs, trainings, etc.).

## **5.3 Diversification and autonomy**

Diversification and autonomy of producers, workers and their organizations are promoted, through various commercial and technical support mechanisms.

- The operation should train the producers/collectors on cash management, budgeting and allocation of resources; production costs calculation methods, etc.
- There should be special support schemes for producers/collectors (e.g. loan schemes, projects to improve economic self-sufficiency) paid directly by company/organization (not from Fairtrade fund).
- The producer operation should make reasonable efforts to promote product diversification at his level and, if applicable, at the level of the individual producers/collectors.
- There should be programs for workers or producers/collectors to obtain ownership shares of the company/organization at preferential conditions.
- The Fairtrade partner should not prevent his Fairtrade producer operation suppliers to sell to other buyers the Fairtrade products, above the contracted volumes.
- The Fairtrade partner should provide his Fairtrade producer operation suppliers with direct technical, commercial or organizational support, on-site, including adequate trainings. The support provided will be focused on technical and organizational capability transfer to improve the environmental sustainability of the project, improve the quality of the product, maximize on-site processing, etc.
- The Fairtrade partner shall encourage his Fairtrade producer suppliers to find other buyers and new market opportunities in order to minimize their dependence.
- The brand holder should support the producer operations in his Fairtrade supply-chains by giving information on market requirements and price developments. This can be provided through Fairtrade partner if this is agreed in writing.



#### **5.4 Administration and use of the Fairtrade fund**

The Fairtrade fund is administered responsibly for meaningful development projects. Decisions are taken according to clear procedures including the identified Fairtrade beneficiaries.

- There should be a functional fund decision body, with documented members and procedures:
  - either an assembly of intended beneficiaries (e.g. producers/collectors and factory workers);
  - either a Development Fund Committee.

In the second case, the committee members should have been elected either through a general assembly meeting of beneficiaries or through a delegate system.

- The fund decision body meets at least twice a year.
- The fund decision body should be balanced, with adequate representation of the intended beneficiaries:
  - the beneficiaries have the majority;
  - the sub-groups of beneficiaries (from different areas/interest groups) are considered in an adequate way, with proportional representation.

In order to ensure adequate transparency/experience sharing, it is recommended that the following stakeholders should be included as members or observers of the fund decision body:

- management representatives of the producer operation;
- representatives of Fairtrade partners.
- The producer operation should facilitate and support basic administrative running costs of the fund decision body, for communication costs and basic support for meetings.
- Fund amounts shall be traceable: they are specified in contracts/invoices and should be documented.
- The decisions on fund use as well as any money spent for the agreed activities should be well documented.
- The fund decision body should write an annual report with total fund received, fund use decisions, all activities financed by fund money (with detailed budget).
- If the fund decision body should be a committee and not a general assembly of beneficiaries, there should be annual exchanges with the beneficiaries to present and discuss the annual report (e.g. general assembly's of workers/producers/collectors or other adequate means of communication).
- The records of expenses paid from the fund money should correspond satisfactorily to the amount spent as per book keeping and the activities reported in the annual fund report.
- The effective use of the Fairtrade fund money should be only for agreed projects by fund decision body and justified related expenses.
- The fund's use should be overall in line with the Fairtrade requirements.
- If there are multiple fund decision bodies, there should be rules related to the way the fund money will be distributed equitably among them, (e.g. according to sales volumes).

#### **6. Respect for the Consumer**

This section aims at describing the different actions held, at each level in the supply-chain, so that the final consumer of the product is not misled, and has access to transparent information on the origin of the product. These actions include: respect of traceability and clear labeling rules; transparent information on the outcomes of the Fairtrade projects; education and awareness about Fairtrade; and non-inclusion of ingredients known to be harmful to the consumer's health or to ecosystems.

## **6.1 Traceability**

Fairtrade products are traceable and are kept separate from any non-fair trade certified products at all stages of production and handling.

- The certified products should not be mixed with any non-certified products during handling, processing, storage or sales (i.e. separate bags, separate locations if not properly packed/identified, separate processing runs, etc.).
- The flow of products should be fully traceable from the reception of the certified raw materials until their dispatch. This should be done through specific procedures enabling to identify the certified products at all stages.
- The certification status of the products should be clearly mentioned on invoices and delivery orders issued by the operation.
- If the operation's certificate has been suspended or withdrawn, the operation should inform its relevant trading partners, delete all references to the scheme on the products sold, as well as any commercial or communication documents from the date of application of the sanction.
- The compliance of suppliers and of the raw materials/ingredients supplied should be proved by sufficient guarantees:
  - confirmation of valid registration or valid certification document;
  - reference of certified status on invoice, labels (or accompanying documents) and delivery notes.
- The compliance of sub-contractors and of their activities should be proved by sufficient guarantees:
  - confirmation of valid registration or valid certification document;
  - reference of certified status on invoice, labels (or accompanying documents) and delivery notes.
- The operation should record including the exact quantities of certified products sold to each of its Fairtrade partners.
- Any final consumer labels should have been approved by the Certification body and comply with the labeling rules.

## **6.2 Transparency regarding fair trade supply-chain and impacts**

Truthful information on the Fairtrade impacts at producer level is provided to the consumer.

- The producer operation should write and regularly update a Fairtrade public summary containing at least the following information:
  - name of the producer operation;
  - location;
  - organizational form (organized producer group, contract production company, etc.);
  - brief characterization (number of workers/producers/collectors, main activities, etc.);
  - once Fairtrade fund has been used, overview on Fairtrade funds activities, including brief overview on decision process;
  - the producer operation should transmit this report (and its updates) to its Fairtrade partners and to the Certification body, and authorize any user to share this public information.
- The operation should transmit to its buyers the public summary (and its updates) received from its producer operation suppliers.

- The operation should provide public truthful and transparent information about its Fairtrade supply-chains by communicating on its website or through other media. This information contains:
  - for each producer operation involved in its fair trade supply-chains, information about the Fairtrade activities and impacts (that shall be based on public summary information);
  - basic and general information on the role and position of the brand holder in the supply-chains.

### **6.3 Education and awareness about fair trade**

Brand holders provide an interface with the public and as such, should be involved in education, information and promotion activities regarding the Fairtrade movement.

- The operation should organize, participate or relay campaigns aimed at raising awareness and educating the target audiences (public, companies, policy makers, etc.) on Fairtrade matters and documents these activities.

## **7. Managing Certification and Performance**

This section explains how certified companies/organizations shall adapt their functioning in order to manage the compliance of operations and products, and to gradually improve their performance.

For all operations, this includes a good preparation of external audits, and transparency with the certification body prior to and during the audit.

### **7.1 Conditions of external audits**

The operation provides access to information, people and premises. It is aware of the applicable standard requirements.

- The standard coordinator (or his/her representative) should be presented during the audit.
- The auditor should have unrestricted access to all premises, documentation and is free to interview the staff.
- The activity and certification scope should be properly communicated to the certification body, as well as any related changes.
- The company/organization management should have a process in place to:
  - inform the workers/producers about their right to discuss information with the auditor confidentially (e.g. information displayed before audit; information meetings);
  - inform workers/producers of the outcome of the certification process (e.g. information on final audits findings displayed; information meetings).
- The opening meeting includes workers' and/or producers' representatives.

### **7.2 Internal control system**

Producer operations develop an Internal Control System (ICS) that monitors implementation of standard principles and requirements.

- The producer operation should have a complete list of all registered collectors/producers with at least:
  - year of registration;
  - names;
  - place;
  - size of production entity: total/used for certified product;

- diversification (i.e. whether other non-certified products are produced or not);
- type of workers (seasonal, permanent) hired by producer, if any;
- identification of medium and large-sized entities.
- The producer operation should have identified the main critical local issues linked to the compliance with the standard in terms of:
  - working conditions at producer level;
  - environmental aspects at producer level. When social and environmental risks are low for all registered producers, these critical issues may take the form of identified areas of improvement.
- An internal standard exists which includes the identified critical issues/areas of improvement that need to be monitored under this standard at each producer level.
- A basic ICS is in place, which includes the following:
  - appointed and competent ICS staff responsible for the overall management of the ICS;
  - basic general and social/environmental/labor relevant data on producer level, regularly updated with:
    - number of workers typically hired, and
    - important data related to the follow-up of specific environmental aspects;
  - risk-based internal inspections, with at least 1 inspection every 3 years for small entities;
  - an improvement system for non-compliances, with written improvement plans for critical issues.

### References: 1

- Fair for Life: Certification Standard for Fairtrade and Responsible Supply-Chains. Version April 2019.
- Fairtrade Standard for Small Scale Producer Organizations. Version: 03.04.2019\_v2.2.
- FairWild Standard: Version 2.0 Performance Indicators; Approved by the FairWild Board on 26th August 2010

## Annex

### DEVELOPMENT FUND USE

#### General objectives:

- Improving individual capacities, knowledge and knowhow;
- Improving livelihoods (income; working conditions; living conditions);
- Empowering structures (governance, organization strengthening);
- Improving the environment (resources, pollutions);
- Improving techniques, materials and equipment.

#### General uses:

The Fairtrade fund can be used to:

- finance any agreed projects which are intended for the beneficiaries as a group (collective projects);
- in exceptional cases, and only for organized producer groups composed of a majority of small holders or for small entities, cover the fund management expenses (including bank fees, attending meetings, etc.), as long as these expenses are:
  - reasonable and in line with the Fairtrade diagnosis; and
  - not the major expense of the Fund.

#### Specific situations:

The Fairtrade funds also can be used for:

**1. Business investments:** Business investments into infrastructures, equipments or materials (such as joint warehouse, new packing station, personal protection equipment, processing equipment, organic fertilizer production facilities, etc.), only if:

- Such investments benefit collectively to producers / collectors, workers as a group, and not to a sole individual; or
- They are used in small entities.

**2. Running costs:** Normally not intended for maintaining regular business operations or for covering running business costs (market prices to producers, legal minimum wages to workers, certification costs, extension and ICS. etc.).

#### Exemption:

Organized producer groups composed of a majority of small holders can use the fund for paying totally or partially the Fairtrade ICS. The fund can be used to finance the Fairtrade ICS as long as the Fairtrade diagnosis confirms that this is an effective way to answer specific needs (organization strengthening, follow-up of social and environmental improvements on farm, etc.).

#### 3. Individual Payments:

Individual payments to producers only if:

- Very scattered producers; or
- Small holder producers with low income (due to low volumes of sold certified products).

#### 4. Security Fund:

Collective security fund (e.g. used in case of damages on crops, or of non-expected economic losses) as long as the Fairtrade diagnosis confirms that this is an effective way to answer specific needs.



**TRACEABILITY GUIDELINES FOR  
COLLECTORS, PRODUCERS AND  
TRADERS**

## 1. General Introduction

Buyers and consumers expect safe and quality products. They also expect all actors in the supply chain to have effective practices in place that allow for the rapid identification, location and withdrawal of product lots when problems are suspected or confirmed. Ensuring that effective practices are in place across the entire supply chain is an on-going challenge. The increased focus on safety and consumer awareness raises the need for the identification and adoption of business practices that will aid the ability of the trading partners in the herbal industry to track and trace the product throughout the supply chain.

Traceability is a business process that enables trading partners to follow products as they move from the field to retailers and consumers. Each traceability partner must be able to identify the direct source (supplier) and direct recipient (customer) of the product. Traceability as a business process can be utilized for a variety of business purposes, including:

- Product recalls/market withdrawals
- Regulatory compliance
- Public health trace-backs
- Product safety and quality assurance and
- Process and order management

Traceability is also the ability to trace the history, application or location of the product. When considering a product, traceability can relate to:

- origin of materials and parts
- processing history
- distribution and location of the product after delivery

The first priority of traceability is to protect the consumer through faster and precise identification of a product under review. This is critical if the product is required to be withdrawn from the supply chain. The objective of this Traceability guidelines is to assist organizations and industries in the design and implementation of traceability systems. At a strategic level, these guidelines aim to provide key insights and knowledge for organizations or industries that are developing long-term traceability goals.

## 2. Scope

The herbal industry is comprised of a large array of trading partners, from the farmer/grower, collectors to internationally sourced suppliers. Therefore, this Traceability guideline has been developed to assist in the adoption of consistent business practices amongst all trading partners to effectively manage traceability in the supply chain.

Supply chain inefficiencies in the herbal industry are driven from the lack of a national traceability regulation and the lack of adoption of global standards. This document is intended to provide all members of the herbal industry with guidance to develop and adopt business processes which provide traceability to a product within the entire supply chain.

This guideline is intended for those persons responsible for implementing traceability in the operations and supply chain of their organization. The document provides a guide for growers, collectors, traders, exporters, manufacturers/processors and distributors as well as their customers and suppliers. Individual organization may perform any combinations of these roles.

### 3. Terms and Definitions

The following terms and definitions apply:

- **Batch:** A specific quantity of ingredients or a product that is intended to have uniform character and quality, within specified limits, and is produced according to a single manufacturing order during the same cycle of manufacture. Batch and lot are defined or used synonymously and interchangeably.
- **Batch/lot number:** A reference number assigned by a business operator to a series of similar goods, or goods produced under similar conditions. For wild harvest, the lot number is the harvesting date, as decided when the harvest starts. **Date of dispatch:** Date on which goods should be shipped or dispatched by the supplier.
- **Label:** A tag, sticker or printing on product packaging that provides information about the product inside, in accordance with the definition included in the Act and with specific reference to traceable items.
- **Process:** A series of actions or steps towards achieving a particular end. Examples of common processes include- production, transformation, quality control, storage, transportation, movement, recycle, return, packing, receiving, and traceability.
- **Product description:** A piece of information reflecting a characteristic related to identification number (e.g. an expiration date).
- **Quantity:** A precise number of articles, pieces or units. Used in conjunction with unit of measure.
- **Recall:** The action to remove product from the market at any stage of the chain, including that possessed by consumers.
- **Receipt date:** Date/time on which the goods were received by a given party.
- **Record:** Act of creating a permanent piece of information constituting an account of something that has occurred.
- **Serial number:** A code, numeric or alphanumeric, assigned to an item for its lifetime. A unique individual item may be identified with the combined product identification and serial number.
- **Shipping date:** Date on which goods should be shipped or dispatched by the supplier.
- **Shipment:** An item or group of items delivered to one party's location at one moment in time that have undergone the same dispatch and receipt processes.
- **Traceability:** The ability to discern, identify and follow the movement of a product intended to be or expected to be incorporated into a final product, through all stages of production, processing and distribution.
- **Trade item:** Any product on which there is a need to retrieve pre-defined information and that may be priced, or ordered, or invoiced at any point in any supply chain.

### 4. Major Component of Traceability Guidelines

#### 4.1 Trade item/product identification

- The processor/producer company/industry should allocate trade item identification.
- The content, and format of the trade item identification typically vary from one company to another, depending on company practice and the precision desired. For example, the trade item identification may be the product name.

## **4.2 Batch/Lot numbers and serial numbers**

Batch or lot number is a reference number assigned by a producer or trading company to a series of same goods produced or purchased or goods produced under similar conditions. For herbs, the lot number is the harvesting date, as decided when the harvest starts.

- All suppliers should assign batch/lot numbers or serial numbers to all products they produce.
- The content and format of the batch/lot number itself typically varies from one company to another, depending on company practice and the precision desired. For example, a lot can represent all products produced in a day at one facility.
- In addition to the batch/lot number, some suppliers also assign a unique serial number to each case and record the beginning and ending case serial numbers for each batch/lot.

It is important to remember that the range of products assigned to a single batch/lot number also defines the minimum amount of product that may need to be removed from the supply chain in the event of a recall. This needs to be considered when defining the company's standard practice for setting the scope of each batch/lot number for each type of product produced.

Serial numbers can be assigned to each package at the time of packing by the supplier. The format of the serial number may include a code representing the production facility and production date and time follow. Suppliers that use a case serial number for product tracking in place of a batch/lot number must manage the serial number in a way that it affords a similar level of traceability as would be provided by a batch/lot number.

## **4.3 Product labels**

Product labels are elements that physically identify traceable items, such as a tag, a sticker, or printing on product packaging that provides information about the product inside. Usually they are attached to the packing of every packed product but also can be printed or affixed. Normally product labels include the following information:

- Product identification or description
- Batch/lot number
- Additional information (manufacturer/producer information, production date, shelf life, weight, quantity, etc.)

## **4.4 Record keeping**

Record keeping is the act of creating a permanent piece of information constituting an account of the work that has been done. Basically, records are relevant traceability information that link final products with ingredients, raw material and packaging material through their batch numbers. The information may be recorded using paper, pre-printed paper forms, note books or farm books, excel sheets or software (management software, traceability software, etc.)

- Records should be maintained and readily available regarding the production and distribution of products to facilitate prompt trace back to the immediate previous source and trace forward to the next subsequent recipients if a known or probable adverse effect on consumer health is identified.
- Also, they should be used for timely and effective withdrawal or recall of products if known or probable adverse effects on consumer health are identified.

#### **4.5 Traceability system requirements**

Implementing a traceability system within a supply chain requires that all parties in the supply chain should link the physical flow of products with the flow of information about those products. This supports the visibility and continuity of information across the supply chain.

The following are the minimum requirements that should be implemented to build a traceability system:

- a. the name of the business operator and contact information
- b. the business identification and registration details
- c. the name and contact details of the person responsible for traceability
- d. the address and telephone numbers of all locations registered under the business
- e. shelf- life or expiration date of the product
- f. processing and storage methods for the product
- g. place of collection or farm
- h. batch/lot number
- i. product packaging
- j. product labels
- k. record keeping

#### **4.6 Chain of custody**

All suppliers and purchasers shall ensure the chain of custody of a traceable product and link the flow of a traceable product to the flow of information on such item, and record prescribed information on related business documents, including sales receipts.

The traceability system shall:

- enable the identification of product through a product identification, its batch/lot number and their relation to identification and batch/lot numbers of ingredients, raw materials and packaging.
- have the ability to trace back from the customer through all stages of processing to the supplier of ingredients, raw material and primary packaging materials, including transportation.
- have the ability to trace forward from the suppliers of ingredients, raw material and primary packaging materials through all stages of processing to the customer, including transportation.

### **5. Implementation Guideline for Collectors**

This section is intended for collectors of medicinal and aromatic plants from wild who are not packing the product.

#### **5.1 Registration of collectors**

The village collectors should register their identification details (name, age, gender, family size, address, membership of community forestry user groups, etc.) at the office of community forestry user groups or at village level.

#### **5.2 Identification of collection areas**

The collectors should identify the specific collection areas, either community managed forests or government managed forests. In case of community managed forests, they should identify the particular block for the collection within community forest as permitted by the Community Forestry User Groups or Division Forest Office. As far as practicable- the collectors should indicate the



identification code of community forest and block number allocated by Community Forestry User Groups.

### **5.3 Collection records**

The collectors should maintain the following records for wild collection:

- Collection permit/decision from Community Forestry User Groups
- Collection block of particular community forest
- Collector's name
- Date of collection
- Quantity of collection
- Batch/lot number (a batch/lot number can represent a collection date for the entire period)
- Label in each package (including name of item, collection date, quantity, collection area)
- Maintain the records in the register or notebook

### **5.4 Selling records**

Each time a collector sells a forest product to a trading partner/trader, the following data must be recorded in order to ensure that the traceability link is maintained. These represent the minimum data set required to ensure traceability between the collectors and their trading partners/traders.

- Supplier/seller name
- Supplier/seller contact information
- Customer name
- Product name and description
- Lot number or other batch identifier of the product (i.e. collection date)
- Quantity and packaging information
- Date of transaction
- Origin information: Address from where the product was collected
- Destination address: Address of receiving location/trading partner
- Name and contact information of the transporter (if any)

This information should be recorded in a sales receipt or any other documentation involving the sale or transfer of the forest product.

It is recommended that the collectors also include the following information:

- Sales receipt number
- Price
- Name and signature of person who dispatched the product
- Name and signature of person who received the product

It is important to highlight that the collector needs to record the same information as the one that appears in the sales receipt. Thus, the decision to record this information in a registry such as the notebook is up to the collector or collector's group.

*If the collectors cannot provide a "Sales Receipt" to his/her customers (traders), s/he can ask the customer to provide the "Sales Receipt" when receiving the products and then keep a copy of the Sales Receipt.*

## **5.5 Data retention**

All companies (mainly exporting companies) are expected to retain records that will facilitate timely and accurate traceability and support any product recalls.

## **6. Implementation of Guidelines for Traders**

This section is intended for traders where the traceable forest products would usually be a trade item, such as community groups, cooperatives or traders.

### **6.1 Identification of the suppliers**

The traders should have the lists/details of suppliers (collectors and community forest user groups) from where they sourced forest products.

### **6.2 Capturing information from suppliers**

- The cooperatives or traders must capture the traceability information of the products (trade items) they received from suppliers/collectors. These products are identified using a label with the supplier's information, the details of items and the batch/lot number.
- Traceability is accomplished by associating each supplier's information and details of items with its batch/lot number. This information should be recorded.

### **6.3 Identification of trade items**

- Where traders simply re-sell a product from their suppliers, they must use the product information assigned by the suppliers.
- On the other hand, if traders mix the products received from different suppliers, they should assign a new identification and label for the product.

### **6.4 Identification of batches/lots**

- Traders must assign a batch/lot number to products they mix.
- The batch/lot number itself can vary from one to another, depending on the desired precision.
- It is important to remember that a trader's batch/lot relates to the scope of products that may be implicated in a recall.

### **6.5 Traceability information to be recorded at storage**

To ensure that the traceability link is maintained, the following minimum data must be recorded:

- Supplier's name and address
- Product name and description
- Origin information: Address from where the product was collected
- Lot number or other batch identifier of the product
- Quantity and packaging information
- Date of packaging and storage
- Storage condition
- Label in each packaging sac with the above details

### **6.6 Traceability information to be recorded when selling products**

The following represents the minimum data required to ensure traceability between the traders and customers/company:

- Supplier's name and address
- Product name and description

- Quantity
- Packaging information
- Lot number or other batch identifier of the products
- Customer's details (including the address of receiving location/trading partner)
- Date of dispatch
- Sales receipt number
- Transporter information (name, address, telephone number, if any)

Additionally, the traders should also retain a copy of the sales receipt given to the customers. The sales receipt copy should have at least the following information:

- Trader's name
- Customer's name
- Product description
- Lot number or other batch identifier of the products
- Quantity and packaging information
- Date of transaction
- Origin address: Address from where the good was delivered
- Destination address: Address of receiving location/trading partner
- Name and contact information of the transporter

#### **6.7 Data retention**

- Traders should maintain records that will facilitate timely and accurate traceability and support any product recalls.
- Records should be retained at readily available location and should be made available as needed (such as during certification audits).

### **7. Implementation of Guidelines for Manufacturer/Processors**

This section is intended for manufacturers/processors where the traceable item would usually be a processed/semi-processed product. Normally manufacturers/processors can use ingredients and/or raw material to manufacture their products or simply process raw material into a new product. Distillation enterprise that distills essential oil is an example of manufacturer/processor.

#### **7.1 Capturing production inputs/raw materials**

Manufacturers receive different types of raw materials/ingredients and packaging material for the production. The raw material or packaging material must be traceable.

Manufacturers/processors must retain a copy of the sales receipt given by the supplier of the received raw materials and packaging material (or given by the manufacturer / processor to the supplier in the absence thereof). The sales receipt copy shall have at least the following information:

- Supplier/seller name
- Supplier/seller contact information
- Customer name
- Product name and description
- Lot number or other batch identifier of the goods
- Quantity of product
- Packaging information

- Date of transaction
- Origin address: Address from where the good was delivered
- Destination address: Address of receiving location/trading partner
- Name and contact information of the transporter (if any)

It is recommended that the receiving information should also be recorded in a record-keeping system (paper or electronic form) and should include the following information:

- Sales receipt number
- Product identification details
- Name of person who received the product
- Name of person who dispatched the product from the supplier

*Also, received raw materials must be traceable. For this reason, each package of raw material shall carry a tag or label that shows the above details.*

Each time an input is received, the following information must accompany the tag or label attached to the Trade Item depending on its type (raw material/ ingredients or packaging material):

#### **7.1.1 Packaging material**

Suppliers deliver different types of packaging material such as containers, cases, bags or bulk loads. The packaging material must be traceable. The following information must accompany the tag or label attached to the packaging material or sales receipt:

- Supplier 's name
- Item description
- Batch/lot number
- Quantity
- Date of manufacture

#### **7.1.2 Raw material**

Suppliers of raw material normally deliver products in bulk using sacs or bags to transport the Trade items. Each raw material must be traceable. For this reason, each package of raw material should carry a tag or label that shows the following information:

- Supplier 's name and address
- Raw materials name and description
- Batch/lot number
- Quantity
- Origin of raw materials

If the supplier does not attach the information shown above, then the manufacturer/processor must assign such information prior to using the raw material in the processing line (in storage).

#### **7.2 Identification of production batches/lots**

All manufacturers/processors must assign a batch/lot number to products they produced. The batch/lot number itself can vary from one producer to another, depending on the precision desired. For example, a batch/lot number can represent a day's manufacturing or the product packed from an individual manufacturing line. Manufacturer batch/lot numbers must be internally linked to the original information on the raw material used. It is important to remember that the batch/lot number

relates to the scope of products that may be implicated in a recall and needs to be considered during the assignment.

To identify processed products, normally, the business identification code, the product name and the associated production batch/lot number are used. The label should provide the following information:

- Manufacturers/processor name and address
- Name and description of item
- Batch/lot number
- Production date
- Quantity
- Weight
- Container number
- Country of origin
- Shelf life

### **7.3 Description of the manufacturing process**

The process starts when the raw material and packaging materials are received in the manufacturer's facilities and stored. The packaging materials are received from multiple suppliers (manufacturing companies) and raw material from traders or local collectors. All of the packaging materials and raw materials may contain multiple batch/lot numbers.

The manufacturer prepares the processing using raw materials, each with different batch/lot numbers into a packaged manufactured product where a product name, and batch/lot number is assigned. After the final product is processed and packaged, these are sold and distributed to final customers or exported.

### **7.4 Description of the traceability process**

#### **7.4.1 Receiving process**

When receiving, the manufacturer must verify that all the received products are properly identified with a label (or tag) showing the following information:

- Supplier name
- Supplier business identification number
- Product description
- Batch number
- Quantity

The manufacturer must keep a record of the information of all the products received using the sales receipt given by the supplier (one copy retained by the manufacturer, one copy remains with the supplier). The following information should be recorded:

- Supplier name, business identification number and delivery address
- Product received
- Batch number
- Receiving date (date/month/year)
- Quantity
- Manufacturer name and receiving address



#### **7.4.2 Processing**

When manufacturing a product, the manufacturing process form should be used to record the following manufacturing information:

- Product description
- Quantity (for each product)
- Manufacturing date (date/month/year)
- Batch number
- Raw material applied during the process (product code, product name, supplier identity, batch/lot, quantity)
- Packaging material used (product, supplier identity, batch/lot, quantity)

All the final products are labeled with the manufacturer's name, business identification details, product description, product quantity, weight and batch number.

#### **7.4.3 Delivery process**

When final products are dispatched, the manufacturer must issue a sales receipt (one copy given to the customer, one copy retained by the manufacturer). The following information should be recorded in the sales receipt:

- Manufacturer name, business identification details and delivery address
- Product description
- Batch number
- Quantity
- Weight
- Production date
- Packing date
- Shelf life
- Packaging material used
- Container number
- Customer name, business identification details and receiving address

#### **7.5 Data retention**

- All organizations should maintain records that will facilitate timely and accurate traceability and support any product recalls.
- Records should be retained at a registered location or at another readily available location and are made available as requested or during certification audit.

#### **References: 2**

- FairWild Standard: Version 2.0 Performance Indicators; Approved by the FairWild Board on 26th August 2010.
- Food Traceability Guidance- Food and Agriculture Organization of the United Nations, Santiago, 2017.
- GS1 Global Traceability Standard – Business Process and System Requirements for Full Chain Traceability (GS1 GTS).
- ISO 22005:2007, Traceability in feed and food chain – General principles and basic requirements for system design and implementation.

# **SOCIAL RESPONSIBILITY: GENERIC GUIDELINES**

## 1. General Introduction

Social Responsibility (SR) is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that:

- contributes to sustainable development, including the health and welfare of society
- takes into account the expectations of stakeholders
- is in compliance with applicable law and consistent with international norms of behavior, and
- is integrated throughout the organization and practiced in its relationships

This Social Responsibility guideline provides direction on the principles of social responsibility, recognizing social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behavior into the organization. This guideline emphasizes the importance of results and improvements in performance on social responsibility.

## 2. Scope

This guideline is intended to be useful to the collectors of wild harvest Medicinal and Aromatic Plants (MAPs), Community Forestry User Groups, traders/trading companies, processors, community-based organizations, supporting NGOs and government organizations. However, it is not intended to replace, alter or in any way change the obligations of the state. This guideline provides guidance to users and is neither intended nor appropriate for certification purposes or regulatory or contractual use.

This guideline is intended for use by those organizations beginning to address social responsibility, as well as those more experienced with its implementation. This guideline also provides guidance to all types of organizations, regardless of their size or location.

## 3. Terms and Definitions

For the purposes of this document, the following terms and definitions apply.

- **Discrimination:** The ILO definition is used: “Any distinction, exclusion or preference based on race, color, gender, religion, political opinion, nationality or social origin (or any other motive determined by the afore-mentioned states) that causes equality of opportunity or treatment in employment or work to be lifted or reduced”.
- **Worker:** All staff working in a given company/organization, including permanent, seasonal, temporary, migrant, foreign, casual and sub-contracted workers. The term “worker” also include persons employed in the administrative branch of a given company/organization. In this guideline three categories of workers are identified:
  - Permanent workers are workers who are employed on an ongoing, year-round basis.
  - Temporary or seasonal workers are workers employed for limited periods related to fluctuations in demand for labor at different times of the year (seasonal tasks).
  - Regular temporary workers are workers who basically work all the year with the employer, but are not categorized as permanent workers mainly because they work for a reduced number of hours, often not fixed (i.e. a temporary worker who works only one or two days per week/per month).
- **Young Worker:** A young worker is defined by age as being between 15 (or higher if stipulated by national law) and 18 years old (or the age of legal adulthood as defined by national law, if higher).
- **Child:** Any person under the age of 15, unless national minimum age law stipulates a higher age for work or mandatory schooling, in which case the higher age would apply.

- **Agrochemical:** A chemical substance used in agricultural production systems to maintain soil fertility (fertilizer), control weeds (herbicide) or combat pests (insecticide, fungicide, etc.).
- **Area of Special Ecological Value:** Any ecosystem which is essential to the local or global biodiversity, be it terrestrial or aquatic. This includes but is not limited to protected areas (according to international law or national law, indigenous peoples' and community conserved territories and areas, etc.). This could, for example, include areas which:
  - contribute substantially to the survival of threatened, endangered species and/or endemic species;
  - present a high wild species diversity;
  - support important populations of one or more wild species;
  - contain an outstanding example of a particular habitat type or a mosaic of different habitat types (particularly those listed under international law or national law); and/or
  - represent an important area or are part of a corridor for one or more migratory species defined under the Appendixes I and II of the Bonn Convention (Convention on the Conservation of Migratory Species of Wild Animals).
- **Ecosystem:** A set or system of one or more biological communities (plants, animals etc.) along with the physical media within a determined zone (e.g. Forests, wetlands, lakes, etc.).
- **Erosion:** Removal or displacement of soil caused by movement of water or wind.
- **Habitat:** The place or type of site where an organism or population naturally occurs.
- **Integrated Pest Management (IPM):** A long-term prevention strategy to combat pests, involving a combination of techniques such as biological control (use of beneficent insects or microbes), use of pest-resistant varieties and the use of alternative agricultural practices in e.g. pruning, spraying or fertilizing.
- **Integrated Waste Management (IWM):** A multi-approach system for waste management which takes into consideration all stages of waste streams and combines different options for waste treatment (recycling, waste re-use, sorting etc.) and preventive strategies in order to find the optimal mix in terms of environmental, social and economic sustainability.
- **Natural Ecosystem:** An ecosystem that occurs as it would without the influence of human beings. This ecosystem may be terrestrial or aquatic (e.g. tropical rainforest, grassland, coral reefs, tundra, lakes, etc.).
- **Natural Water Body:** Lakes, lagoons, rivers, streams, brooks or other bodies of surface water that exist naturally.
- **Old Growth Secondary Forest:** Secondary forest (forest that has been logged and has recovered naturally or artificially) that has sufficiently developed the structures and species normally associated with old primary forest of that type to act as a forest ecosystem distinct from any younger age class forest (adapted from: [www.cbd.int](http://www.cbd.int)).
- **Post-harvest Treatment:** Any input used after harvest of the crop (e.g. fruit washing products, warehouse gassing products etc.).
- **Primary Forest:** Forest that has never been logged and has developed following natural disturbances and under natural processes, regardless of its age ([www.cbd.int](http://www.cbd.int)).
- **Threatened or Endangered Species:** Species of flora and fauna indicated as threatened or endangered in applicable laws or regulations or by the IUCN - The World Conservation Union's Red List ([www.iucnredlist.org](http://www.iucnredlist.org)).

#### 4. Components of Social Responsibility Guideline

Social Responsibility guideline ensures that basic human rights are respected, but also aims at ensuring that the working conditions at the operations do not jeopardize the individual development

of the people involved. On the contrary, efforts are made to improve their well-being at all levels: working hours, health and safety, fair wages and benefits, worker-management dialogue, etc.

#### **4.1 Forced labor**

There is no forced or bonded labor.

- There should be no forced labor, including contemporary forms of slavery, debt bondage and human trafficking.
- Workers should be free to leave their work after an appropriate notice period or without such period applying.
- Family and dependents of workers should not be obliged to work with the worker; they are free to seek employment elsewhere.
- Employment should not be linked to the fulfilling of an obligation or debt of a third party. Large loans to workers (disproportional to their income) should not interfere with their freedom to terminate their contract.

#### **4.2 Freedom of association and collective bargaining**

Workers have the right to organize themselves and bargain collectively.

- Workers' right to organize should be effectively communicated to the workers. Workers should be made aware that they are free to organize in associations of their preference.
- There should be no discrimination, intimidation or punishment against workers who promote association of workers.
- Associative activities and collective bargaining of workers should be allowed, and, if workers wish so, there should be a provision of an active workers' organization or trade union that discusses working conditions, compliance with legal obligations and addresses workers' grievances together with the management (e.g. through scheduled / regular meetings between workers' organization and management, with mutually signed minutes).
- The management should attend workers' meetings only if invited by the workers.
- If the law limits the right to freedom of association and to collective negotiation, the employer shall allow the workers to freely elect their own representatives.
- There should be a written document outlining a fair and appropriate grievance procedure, available to the workers, (e.g. in employee handbook or on notice board). Workers who follow the grievance procedure should not be disciplined, intimidated or discriminated against, their rights are protected in writing (e.g. in grievance policy or procedure).
- The management should encourage and support workers' feedbacks and suggestions for improvement even beyond grievances (e.g. suggestion box, open discussion culture where workers do not feel intimidated to raise their concerns).

#### **4.3 Child labor and protection of young workers**

Children and young workers are protected.

- Children should not be employed as workers. Children should not be contracted as collectors.
- Children of contracted workers should not carry out any work.
- Young workers should not engage in work at night or in work that is dangerous to their health, safety or personal development. The tasks they carry out should be appropriate to their age.
- Working hours of young workers should not interfere with their education; normal school attendance should be ensured.
- Young workers should not work regularly more than 8 hours/day. The accumulated time for school, work and transportation should be less than 10 hours/day.

#### **4.4 Equal treatment and opportunities**

The operation ensures equal and respectful treatment of all workers in all matters.

- There should be no discrimination against workers (based on gender, race, color, sexual orientation, disease, disability, marital status, age, religion, political affiliation, caste, social background, ethnic and national origin, nationality, or any other personal characteristics), for recruitment, promotion, access to training, remuneration, task allocation, termination of employment, or retirement.
- Behavior that is sexually coercive, threatening, abusive or exploitative should not be tolerated. Any cases of sexual harassment should be followed up by management and resolved within a reasonable time frame.
- There should be a practical complaint mechanism with an appropriate responsible person to hear workers' concerns with regard to sexual harassment.
- Pregnant workers should have the benefits of all protection as legally required by national law, and:
  - No pregnancy tests or birth control should be requested.
  - They should not be dismissed for reasons related to pregnancy or child birth.
  - Women coming back from maternity leaves can return to work with an equivalent or better job position/pay.
  - Arrangements should be made for women who are nursing (breastfeeding breaks). Men coming back from parental leaves can return to work with an equivalent job position/pay.
- The employer should have especially well-adapted working conditions to enable employees to reconcile their personal life with their professional life (e.g. leave after business travels, leave for caring for sick family members, part-time positions, flexible hours for parents of young children, child care support, private space for breast feeding, etc.).
- The employer should create employment, special training opportunities or especially adapted work places for particularly disadvantaged/discriminated groups, e.g. persons with disabilities.
- If some workers are clearly marginalized, they should be included in the social development plan of the company (or in the Social Policy) in order to gradually improve their livelihood.

#### **4.5 Disciplinary practices**

Disciplinary measures are fair, adequate and do not violate human rights.

- The employer should not be involved, support or accepts any practice against human dignity and human rights (corporal punishment, physical or mental coercion, verbal violence, bullying, etc.).
- Disciplinary practices should be fair and transparent. There should be no excessive disciplinary action.
- There should be no deductions from wages as a disciplinary measure.
- Other strong disciplinary measures (e.g. work ban for limited time), should only be done in extreme cases, documented and reasonable in relation to the mistake or offence committed by the worker.

#### **4.6 Health and safety**

A safe and hygienic working environment is provided, through adequate management of health and safety issues adapted to the sector's specific hazards.



- There should be a written “Health and Safety Policy” which should be made known to the workers.
- A risk analysis of health and safety hazards should be done regularly.
- Risk areas and potential hazards should be clearly identified with signs in the local language and/or pictorially.
- Workers and management should be informed and adequately trained on occupational health and safety risk management (as appropriate for their duties). Trainings should be regular and recorded, and should be repeated for all new or reassigned workers and management.
- Any workers carrying out high-risk activities (e.g. chemical handling, and hazardous machinery) should have undergone adequate and documented training, including in the effective use of Personal Protection Equipments (PPE). Training should be carried out at least once a year, and renewed as required.
- Workers who carry out (or have carried out activities identified to be) dangerous or with high health risks should be eligible to annual health examinations paid for by the employer. Workers should be informed privately of the examination results and should be assigned to other activities if they are unfit for present duties.
- Pregnant women, nursing mothers and young person should be excluded from potentially hazardous work including handling of chemicals. They should be offered alternative work.
- An assigned person should be trained as a safety officer with sufficient qualification and management powers.
- Machinery and equipment (including electrical equipment & worker transportation provided by the employer) should be maintained to be safe, in order to avoid any accidents.
- Workers should be protected from any identified risk factors. Personal Protection Equipments - PPEs (or special work clothes and gears, as applicable) should be provided to the workers (as appropriate to the tasks, and for all critical/hazardous work). Such equipment should be used consistently.
- In cases where it is necessary for workers to change their clothing when commencing or ceasing work, private changing rooms or other locked facilities for the changing and storage of clothing should be provided and properly maintained.
- If workers handle toxic substances, separate changing areas and washing facilities should be available; clothes/gloves worn during application/handling of toxic substances should not be taken home for washing.
- If chemicals are used, they should be stored in separate, well locked and clearly identified storage areas, with restricted access.
- Light, temperature and ventilation conditions in indoor workplaces and buildings should be adequate.
- Access to safe drinking water should be provided, free of charge.
- Free, unrestricted access to clean toilet facilities, in adequate numbers, ideally separated by gender should be provided. This applies to all workers in buildings.
- Clean and adequate facilities for the workers to consume food of their choice.
- If food is provided (or organized) by the employer, it shall be ensured that it is healthy and safe for the workers, with adequate monitoring by the management.
- If accommodation for workers is provided, it should be adequate, clean and safe according to local standards at reasonable costs.
- There should be a fire protection system in place, appropriate to the size and the nature of the activity.

- Emergency procedures should be in place and known by workers (e.g. written/signposted instructions).
- Emergency exits should be unobstructed and clearly identified; door can be opened from the inside at any time by any worker. Sufficient for quick and safe evacuation in an emergency.
- Adequately stocked first aid equipment, with clear instructions for use (or at least one worker knowing how to use it is always present). Natural/herbal remedies that are known to work are accepted. Emergency medical care (as relevant for potential accidents) should be available on site or close to workplace.
- Well-trained first aid staff should be appointed and always present during working hours.
- There should be no excessive accidents or work-related health problems that are disproportional to the activity. When an accident occurs, appropriate risk reduction should be in place and improvements are implemented.
- Accidents at work and work related sicknesses should be recorded and adequately followed-up.
- In cases of work-related accidents/illnesses the associated costs should be covered. The days lost due to a work-related accident/illness cannot be deducted from annual paid leaves

#### **4.7 Employment contracts and conditions**

The relationship between the employer and the workers is well defined and efforts are taken to create a positive working environment.

- If no written contracts are available yet, all workers should be aware of their employment conditions (job position, wage, benefits if any, working times, leave entitlement, housing, or any other applicable conditions). Such conditions should have been verbally agreed upon.
- Written contracts/agreements on employment conditions (job position, wage, wage deductions if any, applicable social benefits, working times, leave entitlement, housing, or any other applicable conditions) should be available for all permanent workers and for temporary workers who work for the employer more than 3 months/year consecutively.
- The employer should have a complete register of all workers employed or contracted.
- All workers who work for more than 2 months per year should be legally registered, if required by law.

#### **4.8 Wages**

Workers receive a fair remuneration and are paid at least a wage that allows them to meet basic needs and have some discretionary income.

- The wages paid to all workers for normal working hours should be equal to or higher than the official minimum wages or regulations of any applicable Collective Bargaining Agreements, whichever is higher. This principle should also be respected and applied for work paid by task.
- Incentives, bonuses or allowances should be given to workers according to a transparent and fair system.
- There should be some worker ownership schemes, according to a transparent system in which workers can earn shares of the company they work for and profit from good results.
- The employer can demonstrate that the wages (including existing social benefits, in-kind benefits and bonuses) paid to all workers for normal working hours are equal to or above living wages. Otherwise, the employer shall provide a plan to progressively reach the living wage and apply this plan. A timeframe should be set depending on the available resources and means at the employer level. If no benchmark is available and it would be too complicated to calculate

the living wage, the employer shall prove that particularly good, participatory and inclusive wages agreements have been made, and this is confirmed by the workers.

- The salary ratio between the highest and the lowest paid worker should be 12:1 or lower (including all management categories).
- Training sessions, time lost due to machine stoppage and other events beyond the control of the worker (such as adverse weather conditions) are paid at the normal daily rate for permanent workers.
- If accommodation or other in-kind remuneration is offered, workers can freely choose the type of remuneration preferred (e.g. cash instead of housing).
- Deductions for housing are in line with the generally prevailing local prices.
- Payments should be done regularly (at least monthly) and paid at a fixed schedule. Payment should be done directly to the worker (e.g. to a woman worker and not to her husband) or to his / her authorized recipient of payment.
- For each payment, workers should receive documentation (e.g. payment slips) containing particulars of wages (actual earnings as well as any deductions and contributions to social benefits) in an understandable manner.

#### **4.9 Social security and social benefits**

The employer supports adequate schemes to promote workers' social security and welfare:

- Employers must provide their workers access to adequate schemes to support the workers' social security and welfare such as a retirement plan/provident fund, health insurance/medical care, paid sick leave and maternity leave.
- Basic coverage for retirement should be guaranteed for permanent workers: the employer pays or has offered to pay contributions into a private or government fund. If the employee refuses the retirement plan, the employer must keep documentation of the employee's decision.
- Basic coverage for retirement should be proposed to temporary workers.
- All workers should be provided with a basic coverage/insurance for permanent disability or death.
- National regulations related to maternity leaves/coverage should be respected or exceeded. Maternity leave should not be deducted from annual leave. At least 8 paid weeks are guaranteed (or the durations set by national regulations, if higher).
- Health insurance should be provided to permanent workers (government social security or employer contributions). It shall be sufficient to cover all health issues, including long-term/serious non-work related sickness.
- Health insurance should be provided to temporary workers (government social security or employer contributions). It shall be sufficient to cover all health issues, including long-term/serious non-work related sickness.
- National regulations related to sick leaves should be respected or exceeded. At least 5 paid sick days per year should be granted to permanent workers.
- Temporary workers who work for the employer for more than 3 months/year consecutively get a suitable sick pay allowance, in adequate proportion to their working time.
- Extra social benefits beyond the abovementioned benefits such as e.g. extra leave days (e.g. for wedding, bereavement, moving houses), paternity leave, death insurance, membership to a private retirement fund, etc.
- Extra support services for workers such as e.g. subsidized child care, transportation to work, educational fund for workers' children, support of worker in private hardship situations, fund for workers' children, free work clothing etc.

#### **4.10 Working hours and paid leaves**

Working hours is not excessive and workers are paid national holiday and annual leave.

- Weekly working hours should be, as a rule, in line with national labor legislation or any Collective Bargaining Agreement. Usual weekly working hours should not exceed 48 hours.
- The working hours and overtime should be duly registered.
- Overtime should be voluntary and it should be at least paid as extra time or time compensated. In all cases, legally required premium rates are applied.
- Maximum working hours per week should not exceed 60 hours/week (including overtime). This normally also applies during peak periods.
- One rest day (24 hours) in every 7-day period should be agreed and guaranteed. Adequate rest breaks during the day should be agreed and guaranteed.
- Working time on Saturday (or equivalent weekly rest day), Statutory holidays and at night should be remunerated at legally required premium rate. If such hours are time-compensated the respective premium rate should be applied.
- If work is frequently done at night, adequate protection measures should be in place to ensure that the night workers safety is guaranteed (particularly for women, and including during transportation to and from workplaces).
- There should be some degree of flexibility in working hours to enable workers to reconcile their personal life with their professional life (part-time work, flexible hours, assistance with childcare, etc.).
- National regulations related to annual paid leaves should be respected or exceeded.
- Temporary workers should get paid leave allowance in adequate proportion to their working time in the company and overall attendance performance.
- Workers should have the right to spend statutory holidays off work and receive their normal daily wages if holiday is on a regular working day.

#### **4.11 Regular employment**

The employer strives to provide regular employment.

- There should be no differences with regards to wages and working conditions (particularly health and safety issues) between permanent and “regular temporary workers” for work of equal value.
- “Regular temporary workers” should be employed with the same core benefits as permanent workers: such as regular work guaranteed, social security payments, sick-days/paid leave entitlements and others.
- When some workers are hired through labor contractors; working conditions of workers employed through the labor contractor are basically the same as for directly contracted workers for similar tasks. There should be clear agreements on working conditions between the employer and the labor contractor.

#### **4.12 Human resources development**

The employer encourages workers’ continuous or professional training.

- The employer should develop the human capital in its company/organization, especially through good continuous on-the-job training, in order to upgrade the occupational capacities of the workers.

## **5. Environmental Responsibility**

This section aims at ensuring that the operations strive to minimize the environmental impact of their activities. The requirements will differ depending on the activity (collection, trading, processing and sale).

### **5.1 Water conservation**

The operation takes care to ensure rational use of water and to minimize its consumption.

- The operation should know at least roughly the source and quantity of all surface and ground water directly and/or indirectly used.
- Adequate water use practices and rational use of water; no apparent waste of water, (e.g. through very inappropriate cleaning, ineffective use in processing, or other loss of water).

### **5.2 Energy management and climate change**

The operation strives to mitigate climate change. Energy consumption is monitored, renewable energy sources and further measures to reduce or compensate the operation's impact on the climate change are sought.

- The operation should be able to roughly quantify the electricity and fuel consumption associated with its production.
- Electricity should not be apparently wasted and reasonable efforts to minimize overall consumption are made.
- Adequate fuel saving practices should be implemented.
- Adequate efforts to increase percentage of renewable (own biogas from by products, solar, water, wind, etc.) and/or sustainably harvested energy sources and low carbon energy sources should be made.
- Additional efforts should be made to reduce and/or compensate greenhouse gas emissions, adapted to the impacts of the activity and/or to protect existing natural carbon sinks.

### **5.3 Liquid waste management**

Contamination of groundwater and surface water bodies as well as air pollution is minimized.

- Waste water (processing waste water) should be treated in an appropriate manner, with no substantial risk to environment or people.
- When water is discharged into natural water bodies, the water discharged should not degrade the biochemical and physical characteristics of the receiving water body.
- There should be specific measures in place to ensure that waste water does not contaminate drinking water sources.

### **5.4 Waste management**

Waste is reduced and managed responsibly with adequate efforts to compost and recycle.

- An integrated waste management (clean operation, waste production, collection and disposal should be handled in an organized way including strategies both for appropriate waste management and waste reduction) for continuous improvement should be in place. This includes- the identification of the different types of wastes generated, and associated procedures for waste disposal and reduction, adequate trainings of workers and producers.
- Adequate efforts should be made for composting, recycling and waste reduction.
- Waste disposal should be made according to the applicable legislation and by the operation itself (example-burial of waste or proper incineration that minimizes impact on the environment and on human health).

### **5.5 Ecosystem management, biodiversity and wildlife**

Threatened or endangered species and habitats are protected and natural ecosystems are not destroyed. Biodiversity and wildlife are promoted.

- The operation should provide an overview of the habitats and the existing flora and fauna (as far as possible) in the natural areas of special ecological value inside or adjacent to the operation.
- The operation should be able to identify rare, threatened or endangered species of fauna and flora and their habitats inside or adjacent to the operation.
- The operation should not pose negative impact on threatened or endangered species and/or habitats.
- The operation should not be involved in hunting, collecting, processing, commercialization and trafficking of all or parts of endangered or threatened wild animals/plants.
- The operation should not engage in any destruction or clearing of primary or old growth secondary forest.
- The operation should not engage in destruction or conversion of other valuable natural ecosystems.
- Measures should be taken to maintain or, wherever possible, increase, biodiversity (diversity of habitats, flora, fauna, fungi and microorganisms) in and around the managed areas (e.g. planting of indigenous non- target plant species).

### **5.6 Collection practices**

The producer operation ensures that practices do not have a negative impact on the ecosystem.

- The collection areas should be at an appropriate distance away from sources of pollution or contamination by prohibited chemicals.
- The species targeted for collection should be clearly identified; their names (taxonomic, local and trade names) as well as their botanical descriptions should be available.
- Maps should be available to identify the collection areas and location of target species and populations.
- There should be a written baseline resource assessment of target species including adequate and practical- resource inventory, data on sustainable collection rate, defining the intensity and frequency of collection that enables the target species to regenerate over the long term.
- There should be adequate collection instructions based on site and species specific assessments and monitoring, indicating- collection sites, harvest methods, information on any sites excluded from collection, maximum allowed collection quantities for each species/part of plant and for each collection area, in function of sustainable collection rate.
- There should be a monitoring system in place in order to ensure that sustainable collection rates are effectively applied. The monitoring system includes- consolidated records on amounts harvested (quantities per area per year), all information relevant to continued monitoring of long term sustainability (e.g. age and size of plants collected if highly relevant).

## **6. Local Impact**

This chapter is related to their responsibility towards the local society. It aims at ensuring that operations are legitimate and do not have a negative impact on local communities, while playing a positive role in the local economy.



### **6.1 Legitimate use rights**

The operation has a legitimate right to land/resources use and legal tenure.

- The operation should hold valid, legal and undisputed land use and tenure rights (including resource use rights such as water use). If there are any disputes, they should be handled responsibly.

### **6.2 Use of biodiversity and traditional knowledge**

If relevant, efforts are taken to ensure the use of biodiversity and associated traditional knowledge is recognized, transparently negotiated with local peoples and adequately compensated.

- There should be no unresolved disputes related to the commercial use of biodiversity and traditional knowledge. All such disputes should have been resolved in a transparent and mutually beneficial way, based upon written agreements including prior informed consent and mutually agreed terms.
- Commercial use of traditional knowledge should be recognized, promoted and adequately compensated.

### **6.3 Contributions to local development**

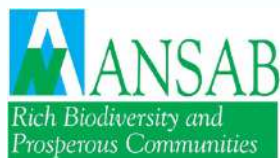
The operation plays a positive role in the sustainable development of the region in which it operates, and strives to make positive social and cultural contributions on local communities.

- The operation should provide significant job opportunities for people from nearby local areas; if present workforce is not local, local employment should be positively encouraged for all new employment.
- The operation should provide some employment to marginalized groups or should provide employment in a region that generally lacks employment opportunities.
- The operation should support the local development through its engagement in social, cultural and educational projects (e.g. support of school or local health services, scholarship programs, clusters of local companies active in cultural life, etc.)
- The operation should support the local development through its engagement in environmental projects (e.g. local recycling/composting programs, training of local farmers in organic production, renewable energy programs, etc.)
- The operation should be active in creating awareness, educating and training in Social Responsibility (including environmental protection/sustainable use of natural resources).
- The operation's overall activities and efforts in the local community should be in line with sustainable principles, and should not have a negative impact on local/indigenous communities, on the environment or on local sustainable development (e.g. lobbying for weaker environmental legislation, promotion of unsustainable practices, etc.)

### **References: 3**

- Fair for Life: Certification standard for Fair Trade and responsible supply-chains; Version April 2019.
- FairWild Standard: Version 2.0 Performance Indicators; Approved by the FairWild Board on 26th August 2010.
- ISO 26000 International Standard: Guidance on social responsibility; First edition 2010-11-01.





## **ANSAB**

P.O. Box 11035, Kathmandu, Nepal

Tel: +977 1 4497547/ 4478412

Fax: +977 1 4476586

E-mail: [ansab@ansab.org.np](mailto:ansab@ansab.org.np)

Website: [www.ansab.org.np](http://www.ansab.org.np)