

70

Ethical trade



70.0

Standards you must read with this chapter:

Chapter 1. The principles of organic production and processing

Chapter 2. The certification process

If you are a producer you must also read:

Chapter 3. Farming and growing

And the other relevant chapters for your particular production.

If you are a processor you must also read:

Chapter 40. Processes in the chain between farm and consumer

Chapter 41. Manufacturing

Ethical trade

70.1 Introduction

70.2 Certification

70.3 Employment

70.4 Trading relationships

70.5 Social and cultural conditions

70.6 Origin of products and ingredients

70.7 Labelling

70.8 Record keeping

70.1 Introduction

70.1.1

The aim of these ethical trade organic standards is to ensure that there are:

- fair and ethical trading relationships
- socially responsible practices, and
- fair and ethical employment:
 - i. through the whole organic food chain
 - ii. from producer to retailer, and
 - iii. in both developing and developed countries.

The third of IFOAM's 'Principles of Organic Agriculture' is the principle of fairness.

'Organic Agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.

'Fairness is characterized by equity, respect, justice and stewardship of the shared world, both among people and in their relations to other living beings.

'This principle emphasizes that those involved in organic agriculture should conduct human relationships in a manner that ensures fairness at all levels and to all parties – farmers, workers, processors, distributors, traders and consumers. Organic agriculture should provide everyone involved with a good quality of life, and contribute to food sovereignty and reduction of poverty. It aims to produce a sufficient supply of good quality food and other products.'

Its section on social justice begins:

'Social justice and social rights are an integral part of organic agriculture and processing.'

IFOAM 'Norms for Organic Production and Processing' 2005

70.1.2

Trading and employment relationships in ethical trade organic production and processing are based on fairness, mutual respect and transparency.

70.1.3

We have incorporated into these standards the relevant parts of the International Labour Organisation Conventions and Recommendations. We indicate this by 'ILO' plus the Convention or Recommendation number next to the standard.

70.1.4

Currently, these ethical trade standards are voluntary: you do not have to comply with them unless you wish to use the ethical trade label. However, we do recommend them and in the future we may introduce these standards as an integral and mandatory element of the Soil Association organic standards. We will consult with our members and licensees before we do this.

70.2 Certification

70.2.1

These ethical trade organic standards apply to the whole supply chain:

- retailers (where they are the brand holder)
- processors and packers
- traders and wholesalers
- importers
- agents and distributors
- co-operatives and trading groups and their members, and
- producers of primary agricultural products.

Note – our main point of contact for the whole supply chain will normally be the brand holder of the final product.

70.2.2

If you wish to sell a product as ethical trade organic:

- all organic operators in the product's identified supply chain must comply with these standards or equivalent
- these operators must also be certified organic and meet all relevant parts of the Soil Association organic standards for the products concerned
- we must have listed the product on your trading schedule as ethical trade organic, and
- if it is an 'own brand' product, the brand owner must be included in the inspection and certification process for the activities relating to the product.

Note – the ethical trade certification involves an additional application, inspection and certification process to the organic certification. Where possible we will carry out both inspections at the same time.

70.2.3

If you are a brandholder, we may agree not to directly inspect each supplier in the supply chain but you must:

- be able to demonstrate that all relevant suppliers comply with these ethical trade organic standards
- back this up with adequate documentation and internal controls, and
- have sufficient control over the supply chain.

Note – we will directly inspect the farmers, and any or all of your suppliers in case of suspicion or as part of our normal due diligence procedures.

70.3 Employment

70.3.1

Employment conditions under these ethical trade organic standards should result in employees having:

- acceptable living wages
- reasonable hours of work
- decent working conditions, and
- empowerment in the work place.

70.3.2

If you are an employer, you must have a written employment policy.

70.3.3

Employment conditions for all your employees must comply with national requirements as a minimum, or the core standards of the ILO (www.ilo.org) if these are higher.

Note – you will need to demonstrate to our inspector that you are aware of national employment legislation or the core standards of the ILO and provide evidence to show that you comply with it. Co-operatives that are employers must comply with this section 70.3 Employment.

70.3.4

You must **not** discriminate on the basis of:

- age
- race or caste
- gender or sexual orientation
- religion or political opinion
- nationality, including migrant workers (ILO 100)
- social origin, or
- other distinguishing traits (based on ILO 111).

70.3.5

You must only employ workers over 15 years of age, or above the compulsory school-leaving age if it is higher. You must **not** allow workers under 18 years old to undertake any hazardous employment (ILO 138).

Note – hazardous employment is defined as that likely to jeopardise the health and safety of employees and the morals of young persons (ILO 138).

70.3.6

You must provide written terms and conditions of employment to both permanent and temporary employees. The terms and conditions must specify:

- wages and method of payment
- location and type of work (job description)
- hours of work and overtime
- access to trade unions
- complaints procedure
- health and safety procedures
- disciplinary procedure
- holiday pay
- sick pay or sickness benefit
- compensation for injury, and
- other benefits such as pensions, maternity and paternity leave.

If you have more than 10 employees

70.3.7

If you have more than 10 employees, you must provide, and your employment policy must include:

- written terms and conditions of employment for casual, as well as for permanent and temporary, employees
- equal pay for equal work for all employees
- sickness or injury provision
- insurance for permanent disability or death arising out of or in the course of employment (to both national and foreign workers, ILO 110)
- paid annual holidays after a period of one year's continuous service (ILO 132), and
- a documented disciplinary procedure with a system of warnings before any dismissal (and you must give dismissed employees full details of why you are dismissing them).

70.3.8

If you have more than 10 employees, you must ensure that they:

- only work more than 48 hours per week voluntarily to a maximum of 12 hours and only if it is stated in their terms and conditions of employment
- work no more than the hours stated in their terms and conditions of employment unless you pay them overtime, and
- have an uninterrupted rest period of at least 24 hours each week.

Note – this standard is to protect employees. We recognise that self-employed people, for example farmers and their families, are likely to work longer than 48 hours per week.

70.3.9

If you have more than 10 employees, you must have:

- a training policy
- a training record for each employee, and
- a training programme which must include:
 - i. general training for staff relevant to their specific role in the operation
 - ii. training in organic principles and history
 - iii. organic issues relating to the business, and
 - iv. staff personal development.

70.3.10

If you have more than 10 employees, you must make temporary staff permanent after they have worked for you for more than two years.

70.3.11

If you have more than 10 employees, where there are insufficient facilities for employees to buy appropriate food and drink, you should provide them with such facilities. If employees cannot buy food or drink from any other source, you must ensure that prices are reasonable and on a par with local market prices (ILO 110).

Wages

70.3.12

Wages should be the highest of either:

- the national minimum wage
- appropriate industry benchmarks, or ►

- the local average.

Note – you may find out what is considered an adequate wage locally, if this information is not available in the public domain.

70.3.13

You must pay:

- wages that are at least sufficient to meet basic needs and comply with local laws
- wages regularly and in legal tender (not in the form of promissory notes, vouchers or coupons), and
- overtime at a higher rate.

Note – there is EU legislation on overtime rates that you could use as a guide if you have no such legislation in your country of operation. You could build the higher rate into the calculation of the standard rate.

70.3.14

You must inform your employees:

- what the rates of pay are
- how you calculate the pay
- when pay days are
- where they can collect their wages, and
- the conditions under which you will make deductions.

70.3.15

You must properly record wage payments. Your records must show:

- rates of pay
- hours worked
- period of payment
- details of deductions
- overtime worked, and
- the net amount of wages due.

70.3.16

If you have an annual period when your business closes when you do not pay staff, you must clearly state this in their terms and conditions of employment.

Casual labour

70.3.17

You must keep records of the casual workers you employ, including their pay and conditions and duration of employment.

Workers' unions

70.3.18

Trade unions play an important role in representing the combined interests of employees especially in situations where the workforce is disadvantaged or fragmented.

70.3.19

You must allow unions or worker representatives to:

- conduct legitimate union activities without discrimination, and
- meet with management on a regular basis to discuss working arrangements, wages, grievances and other subjects relevant to work.

70.3.20

You must allow your employees to:

- join or leave a recognised union at their discretion
- have representation to management, and
- have genuine opportunities for collective bargaining.

70.3.21

You must **not** restrict the movement of employees after working hours.

70.3.22 | Revised

With our approval, if you have fewer than 10 employees you do not have to comply with standards 70.3.19–70.3.20 but you must have similar measures appropriate for the nature of the employment.

Health and Safety

70.3.23

As an employer you are responsible for providing and promoting a safe and healthy working environment for your employees. You must take adequate steps to prevent accidents and injuries by minimising hazards in the working environment.

Note – hazardous employment is defined as that likely to jeopardise the health and safety of employees and the morals of young persons (ILO 138).

70.3.24

You should:

- only give tasks to employees that they are physically and mentally capable of doing
- carry out a hazard analysis for all operations
- train your employees in dealing with the hazards you identify
- be aware of and obtain the health and safety legislation in the country in which you operate, and
- be able to show that you comply with health and safety legislation.

Note – the Health and Safety at Work Act (1974) and the Control of Substances Hazardous to Health (COSHH) Regulations (1998) cover health and safety in UK legislation.

70.3.25

If you have 10 or more employees you must have:

- a written health and safety policy, and
- supervisors or other nominated staff trained in first-aid.

Note – there is EU legislation on provision of first-aid cover which could be used as a guide in countries where there is no such legislation.

70.3.26

You must provide rest areas for your employees, particularly in busy, noisy, smelly or dusty environments.

70.3.27

You must keep records of all accidents, and the treatments administered, for five years.

Plantation estates in low income countries

70.3.28

If you employ people to work on plantation estates and provide them with their whole living environment, you have particular responsibility for their welfare and that of their families.

70.3.29

If you provide housing for your workers it must:

- be equally available to all grades of workers, and
- conform to legal requirements, including health and safety, and you must be able to demonstrate this.

70.3.30

The housing you provide must:

- be weather-proof and solid
- be spacious enough to accommodate the people living in it
- have lighting and electricity, where available locally, and
- have fire escapes, where appropriate.

Note – please keep details of the relevant legal requirements and updates on file for our inspector.

70.3.31

Housing developments you provide for your employees must have:

- adequate fuel available for collection within 1km, and
- potable water and adequate sanitation available.

70.3.32

You must ensure that employees on plantation estates have:

- adequate access to schools, which must have teachers, books and conform to legal requirements
- enough fertile land for growing a year-round supply of food crops for their family, especially fresh vegetables
- recreational facilities where they can meet and do physical recreation, and
- a nearby medical facility, preferably within the perimeter of the estate, conforming to legal requirements.

70.3.33

Day schools that the children of your employees use, should be within about 1½ hours' walk or drive. Children should not have to sleep at school.

70.3.34

On isolated estates, shopping facilities should be at least comparable with local villages in terms of opening hours, range of products and prices.

70.4 Trading relationships

70.4.1

Sustainable trading relationships depend on:

- trust
- transparency
- equity
- accountability, and
- continuity.

70.4.2

The trading relationship between producer or supplier and purchaser should be:

- long-term, and
- based on mutual advantage, including price stability.

70.4.3

When you establish trading relationships you must use local trading partners where appropriate and feasible.

Note – this is primarily for social reasons (supporting local producers, etc), rather than environmental.

70.4.4

If you are a brand owner you must have a purchasing policy statement that addresses your whole supply chain. You must make this publicly available and it must include:

- how you conduct price negotiations
- how you maintain on-going trading relationships
- the appeals procedure (you must keep records of all appeals and make them available to us), and
- any other relevant issues.

70.4.5

You must conduct trading negotiations in an open and transparent manner to:

- allow for shared accountability between trading partners in the supply chain, and
- enable all trading partners to know who is involved in the negotiations.

70.4.6

You may enter into an exclusive agreement but only where it:

- is fair to the producer or to other disadvantaged producers or traders
- is necessary for the trading relationship by reducing risk on both sides, and
- meets these standards on fair pricing.

Note – exclusive agreements should increase the confidence of the purchaser, who will then drive sales of the product to the benefit of both parties.

Co-operatives, associations and other trading intermediaries

70.4.7

Co-operatives, associations and other trading intermediaries are forms of trading relationship and must comply with all relevant parts of these standards.

70.4.8

In addition to the above, trading intermediaries must have a contract with their members, associates or suppliers that includes:

- payment rules, including any social premiums and the terms of any pre-payment arrangements
- obligations of the intermediary, for example the supply of any services, materials, packaging or tools, and
- obligations of the members, associates or suppliers, for example delivery and quality criteria, and disciplinary rules.

70.4.9

In addition to standard 70.4.8, co-operatives and associations must:

- have policies and activities that are transparent, to prevent fraud or dominance by any one group or individual
- have clearly defined and non-discriminatory terms of membership and be open to all those who meet these terms ►

- be controlled by a board that meets regularly and is accountable to the members or associates (who therefore can dismiss the board or individuals in the event of problems)
- have an annual meeting of the members or associates and generally follow the rules of open democracy, and
- ensure members or associates have access to:
 - i. minutes of all meetings
 - ii. voting records
 - iii. annual accounts, and
 - iv. other records of activities.

Trading and the trading contract

70.4.10

Your trading relationships must meet the conditions below and you must detail them in a trading contract (see standard 70.4.15).

70.4.11

You must ensure fair distribution of risks and rewards between the producer and others in the supply chain, where appropriate. This must include a fair approach to resolving issues of supply and demand.

Note – you should include in the contract details of how price risk and reward will be shared between trading partners. Examples of how risk and reward sharing could be detailed include:

- which partner handles what extent of price fluctuation
- the setting of a price ceiling and/or floor
- parameters for any price changes, and
- the extent of any other factors that might substitute for changes in price (for example to increase shelf space rather than increase price).

70.4.12

Long-term agreements to ensure stability and security: you must ensure your trading relationships, particularly with producers, are of more than one season, preferably three. If a long-term agreement is impractical or undesirable for producers, you must agree and identify this in the trading agreement.

70.4.13

Adequate returns: you must base the prices you agree with your trading partners on the cost of production plus an adequate margin for profit and investment. You may use independently researched prices and costs of

production as a guide. However, you must also consider the specific cost of production of the producer and any flexibility needed by either partner.

70.4.14

If you are purchasing and wish to delay delivery of the goods beyond a reasonable period, you must pay the costs of storage, interest and insurance.

70.4.15

You must have a trading contract with your trading partners, which you must agree with them. The contract must state:

- the price to be paid, or how it will be calculated or varied
- the commitment to purchase, for example, minimum price, quantity, timing and quality
- the agreed payment timescale
- any pre-finance or credit arrangements
- the nature and extent of risk and reward sharing
- the nature of the negotiating process and each party's rights
- the duration of the agreement and any let-out clauses (if any), and
- the complaints procedure if there is a dispute, which must be independent and respect confidentiality.

Trade review panel

70.4.16

Where we find conflicting information or differences of opinion arising between trading partners we will refer the matter to a trade review panel, which we will set up. The panel will:

- assess the information provided, using other sources of information if appropriate, and
- make a recommendation to our certification committee about how to resolve the matter.

70.4.17

You may use the trade review panel if there is a dispute regarding the ethical nature of a trading relationship you are involved in.

70.4.18

The trade review panel is not a price setting body, but may rule on matters of the trading relationship, including price. Its final decision may be yes, no or quantitative.

70.5 Social and cultural conditions

70.5.1

Organic farms and businesses are social and cultural entities and have a central role to play in their communities and society in general.

70.5.2

Your business activities should have optimal social and cultural value, both internally within the business and externally in the wider community.

70.5.3

You should actively participate in, and contribute towards, the society and culture of the local and wider community.

70.5.4

Your business must make a positive social and cultural contribution over and above legal obligations. This could be in the following areas:

- training staff in organic and social awareness
- providing additional on-site services to staff, for example organic food
- sharing profit or equity interest
- supporting the organic movement and trade union movement
- educating the public and providing training within the supply chain
- organising farm visits and demonstrations or facilitating farm access to the public
- supporting or being involved in research
- supporting community cultural activities
- establishing or supporting composting and recycling programmes
- marketing your own products locally, and
- other activities, which you will need to demonstrate to us.

70.5.5

We will assess whether your business makes a positive contribution in each of the areas in the above standard. Depending on your business size, you must contribute in at least the number of areas listed below:

- businesses with up to four employees contribute in three areas
- businesses with five to 20 employees contribute in five areas
- businesses with more than 21 employees contribute in six areas

Note – we will introduce a more comprehensive system of assessing social and cultural contribution in the future.

70.5.6

You should aim to progressively increase your social and cultural contribution score (see standards 70.5.4 and 70.5.5) over time.

70.6 | Origin of products and ingredients

70.6.1

All organic ingredients in an ethical trade organic product should be ethical trade organic.

70.6.2

You should:

- source from local operators, where appropriate, and
- work with and encourage local organic organisations to develop their own ethical trade organic certification capacity.

Verification and equivalence

70.6.3

You may use organic products and ingredients certified by other certification bodies in your ethical trade organic product. However, you must:

- be able to demonstrate that the product or ingredient complies with equivalent standards to these ethical trade organic standards
- ensure that all relevant suppliers are certified as ethical trade organic for the products and ingredients concerned, and
- ensure that all relevant ingredients of products you use are ethically traded from the point of primary production.

Note – we run a programme verifying the equivalence of internationally produced organic products and ingredients. Please contact us for further information.

70.6.4

We will assess products or ingredients that you use in ethical trade organic products for certification by either:

- directly inspecting and certifying the business where there is no other national approved ethical trade organic certification ►

- evaluating other ethical trade organic certification through on-site visits or other co-operative arrangements, or
- reviewing the inspection reports produced by other certification bodies.

70.6.5

You must **not** use the same ingredient as both ethical trade organic and (non-ethical trade) organic in the same product.

70.7 Labelling

70.7.1

To label your product as 'ethical trade organic' it must contain at least 95% (by weight) of its agricultural ingredients as ethical trade organic.

70.7.2

To label your product as 'made with ethical trade organic' it must contain at least 70–95% (by weight) of its agricultural ingredients as ethical trade organic. You must use one of the following phrases which must be in the same visual field as, but not be more prominent than, the sales description:

- 'X per cent of the agricultural ingredients are produced in accordance with the rules of ethical trade organic production'
- 'made with X per cent ethical trade organic agricultural ingredients', or
- 'product containing X per cent ethical trade organic agricultural ingredients'.

70.7.3

You may only display the ethical trade organic symbol on products containing 70% or more ethical trade organic ingredients.

70.7.4

You may label an individual ingredient as ethical trade organic provided that:

- all of that ingredient is produced to these standards
- the ingredient makes up more than 30% (by weight) of the agricultural ingredients
- you state the percentage (by weight) of the ingredient on the label, and
- the product complies with all other relevant aspects of these standards.

70.8 | **Record keeping**

70.8.1

Besides the records in sections 3.4 and 40.6 of the Soil Association organic standards, you must also identify ethical trade organic ingredients and products separately from organic ones. This will enable our inspector to audit your ethical trade organic records.