



FAIRTRADE CANADA EXCEPTIONS POLICY

1 CONTEXT

This policy is subject to the Fairtrade International Exceptions Policy. Where this policy conflicts with the Fairtrade International Exceptions Policy, the Fairtrade International Exceptions Policy applies.

See: <https://www.fairtrade.net/standards/standards-in-action.html>

https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/ASSU_ExceptionsPolicy_EN.pdf

In particular the general criteria to grant exceptions set out in the Fairtrade International Exceptions Policy apply. (At time of writing section 5 of Fairtrade International Exceptions Policy version 1.2)

2 RETRO-ACTIVE PRODUCT CERTIFICATION - REGULAR

2.1 Definition

Retroactive Product Certification of a product by price and premium payers is defined as when a producer sells a Fairtrade Certifiable product under ordinary conditions (non-Fairtrade) and at a later stage the buyer wishes to convert the product that was purchased and declared non-Fairtrade at time of purchase into a Fairtrade Certified product by applying to Fairtrade Canada for retro-certification.

2.2 Criteria

Retroactive Certification of Fairtrade Certified Products is generally not permitted and can only be exceptionally permitted in writing by Fairtrade Canada Trade Certification.

When deciding whether to accept Retroactive Product Certification request from an applicant the Certifier shall take the following criteria into consideration:

- There exists a written purchase contract for the products purchased non-Fairtrade Certified
- Proof of documentation related to the shipment to be retro-certified i.e. Bill of Lading or Airway Bill, invoices
- Proof of payment for the products to be retro-certified that was originally sold non-Fairtrade by the certified producer (this is used in the calculation of the Fairtrade price adjustment to the producer)
- Proof of commitment to a long-term relationship with the producers by a Fairtrade Letter of Intent or Sourcing Plan
- The applicant is up-to-date in their Flow of Goods reporting.

Retroactive Certification will never be permitted when it would constitute more than 5% of a Buyer's Fairtrade volume in one year.

Retroactive Certification of perishable products (banana, fresh fruit and vegetable, flower, ornamental plant) is generally not permitted and can **only** be permitted in very exceptional cases. The exception of retroactive certification for perishable products is **only** allowed once a year per operator.

2.2.1 Product from Newly Certified Producers

In addition to the criteria above, the following requirements apply to the retro-active certification of product from newly certified producers.



The products from the current and previous harvest year of a newly certified producer are eligible to be converted to Fairtrade Certified through retroactive product certification. This product is not retro-certifiable if the producer is still an applicant.

If you buy a product from a producer before the producer was certified, and you want to use it as a Fairtrade Certified product, then you must send in a formal request to retroactively certify the product under this Exceptions Policy

2.3 Procedure for Retro-certification Request

1. Fairtrade Certified trader requests Retroactive Certification by submitting the Fairtrade Canada Retro-certification Application Form including:
 - copy of the purchase contract (for the product bought non-Fairtrade by the certified producer)
 - a copy of the bill of lading or airway bill
 - a copy of the invoice (s)
 - proof of payment to the producer showing price paid for product sourced non-Fairtrade.
2. The applicant calculates the following for the volume to be Retroactively Certified.
 - **FLO Fairtrade Price Adjustment** and
 - **FLO Fairtrade Balance Owing**

$\text{Fairtrade Price Adjustment} = \text{Fairtrade Minimum Price} + \text{Fairtrade Premium} - \text{Price Paid}$

The Fairtrade Price Adjustment may not be less than the Fairtrade Premium.

Where the product has been hedged by the Fairtrade Certified trader or the price is to be fixed by seller's call, then the trader must transparently explain the effective "Price Paid" figure that is used in the above calculation.

$\text{Fairtrade Certified Balance Owing} = \text{Fairtrade Price Adjustment} \times \text{Volume}$

3. The applicant sends a transparent calculation to Fairtrade Canada of the Fairtrade Balance owing.
4. Fairtrade Canada Certification either accepts or declines the retro-certification request based on the above criteria.
5. If the Retro-certification is approved in principle, the Producer invoices the applicant for the Fairtrade Balance owing.
6. The applicant pays the Fairtrade Certified Producer the FLO Fairtrade Balance Owing.
7. The applicant sends Fairtrade Canada a copy of their payment order and the Fairtrade Certified Producer's adjustment invoice.
8. Fairtrade Canada issues a Retro-certification Certificate to the applicant.



3 RETROACTIVE PRODUCT CERTIFICATION - SIMILAR FAIR TRADE SCHEMES

3.1 Definition

Retroactive Product Certification of a product from a similar Fair Trade scheme by an applicant operator is defined as when the operator has inventory certified under a similar fair trade scheme and wishes to have the inventory recognised under Fairtrade International standards.

3.2 Criteria

Retroactive Certification of product from other similar fair trade schemes is at the discretion of Fairtrade Canada.

When deciding whether to accept Retroactive Product Certification request the Certifier shall take the following criteria into consideration:

- The applicant has a valid certificate with a similar fair trade scheme or a recent certificate and was not decertified for a substantial non-compliance.
- The price and premium for the product under the similar fair trade is substantially the same as Fairtrade International.
- The similar fair trade scheme has some 3rd party auditing
- The applicant is willing to become certified and / or licensed by Fairtrade Canada
- There exists written documentation for the inventory, which will be checked at the initial audit
- The applicant indicates the volumes to be retro =certified, which will be checked at the initial audit.

3.3 Procedure for Retro-certification Similar Scheme

If the above criteria are met, the procedure for retroactive product certification from a similar Fair Trade scheme is as per above for regular retroactive product certification.



4 PRODUCT COMPENSATION

4.1 Definition

Product Compensation is defined as selling non-Fairtrade product as Fairtrade, and then at a later date purchasing and selling the same Fairtrade product as non-Fairtrade, thereby “compensating” one for the other.

4.2 Criteria

Product Compensation is generally not permitted and can only be exceptionally permitted in writing by Fairtrade Canada Trade Certification.

When deciding whether to accept a Product Compensation request from an applicant, the Certifier shall take the following criteria into consideration:

- A contract was not delivered as stipulated in the contract, and/or the quality of the product delivered does not meet the specifications as agreed in the contract,
- Product is temporarily unavailable for reasons beyond the control of the operator and volumes are small,
- The product to compensate is only a component of a Fairtrade product,
- Demonstration of an attempt to source other available Fairtrade product,
- Retroactive product certification was not possible;
- Confirmation of which buyers the product will be sold on to.

Product Compensation should not constitute more than 5% of a buyer’s Fairtrade volume in one year.

4.3 Procedure for Product Compensation

1. Fairtrade Certified Trader requests Product Compensation by submitting the Fairtrade Canada Product Compensation Application Form including:
 - A copy of the purchase contract (defaulted and substituted);
 - A copy of the bill of lading (defaulted and substituted);
 - A copy of the invoice(s) (defaulted and substituted);
 - A copy of the quality claim report (if applicable);
 - Demonstration of attempt to source other available Fairtrade product (e.g. copy of email communication with alternative supplier).
 - Confirmation of the volumes delivered versus not delivered;
 - Documentary proof that the contract has not been delivered, or has been rejected for quality reasons.OR
 - Explanation of other reason for compensation request.
2. Fairtrade Canada either accepts or declines the Product Compensation based on the above criteria.
3. Within a 12 month period from the date of the permission to compensate, the Fairtrade Certified Trader purchases an equivalent amount of Fairtrade product and sells it as non-Fairtrade.
4. The Fairtrade Certified Trader submits to Fairtrade Canada for the compensating shipment:
 - A copy of the purchase contract;
 - A copy of the bill of lading;
 - A copy of the purchase invoice(s);
 - A copy of the sales invoice(s).
5. Fairtrade Canada confirms that the product volume has been compensated.