



WFTO Fair Trade Principles

Principle One: Creating Opportunities for Economically Disadvantaged Producers

Poverty reduction through trade forms a key part of the organization's aims. The organization supports marginalized small producers, whether these are independent family businesses, or grouped in associations or co-operatives. It seeks to enable them to move from income insecurity and poverty to economic self-sufficiency and ownership. The organization has a plan of action to carry this out.

Principle Two: Transparency and Accountability

The organization is transparent in its management and commercial relations. It is accountable to all its stakeholders and respects the sensitivity and confidentiality of commercial information supplied. The organization finds appropriate, participatory ways to involve employees, members and producers in its decision-making processes. It ensures that relevant information is provided to all its trading partners. The communication channels are good and open at all levels of the supply chain.

Principle Three: Fair Trading Practices

The organization trades with concern for the social, economic and environmental well-being of marginalized small producers and does not maximize profit at their expense. It is responsible and professional in meeting its commitments in a timely manner. Suppliers respect contracts and deliver products on time and to the desired quality and specifications.

Fair Trade buyers, recognizing the financial disadvantages producers and suppliers face, ensure orders are paid on receipt of documents and according to the attached guidelines. A pre payment of at least 50% is made if requested.

Where southern Fair Trade suppliers receive a pre payment from buyers, they ensure that this payment is passed on to the producers or farmers who make or grow their Fair Trade products.

Buyers consult with suppliers before canceling or rejecting orders. Where orders are cancelled through no fault of producers or suppliers, adequate compensation is guaranteed for work already done. Suppliers and producers consult with buyers if there is a problem with delivery, and ensure compensation is provided when delivered quantities and qualities do not match those invoiced.

The organization maintains long term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. It maintains effective communication with its trading partners. Parties involved in a trading relationship seek to increase the volume of the trade between them and the value and diversity of their product offer as a means of growing Fair Trade for the producers in order to increase their incomes. The organization works cooperatively with the other Fair Trade Organizations in country and avoids unfair competition. It avoids duplicating the designs of patterns of other organizations



without permission.

Fair Trade recognizes, promotes and protects the cultural identity and traditional skills of small producers as reflected in their craft designs, food products and other related services.

Principle Four: Payment of a Fair Price

A fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers and can also be sustained by the market. Where Fair Trade pricing structures exist, these are used as a minimum. Fair pay means provision of socially acceptable remuneration (in the local context) considered by producers themselves to be fair and which takes into account the principle of equal pay for equal work by women and men. Fair Trade marketing and importing organizations support capacity building as required to producers, to enable them to set a fair price.

Principle Five: Ensuring no Child Labour and Forced Labour

The organization adheres to the UN Convention on the Rights of the Child, and national / local law on the employment of children. The organization ensures that there is no forced labour in its workforce and / or members or homeworkers.

Organizations who buy Fair Trade products from producer groups either directly or through intermediaries ensure that no forced labour is used in production and the producer complies with the UN Convention on the Rights of the Child, and national / local law on the employment of children. Any involvement of children in the production of Fair Trade products (including learning a traditional art or craft) is always disclosed and monitored and does not adversely affect the children's well-being, security, educational requirements and need for play.

Principle Six: Commitment to Non Discrimination, Gender Equity and Freedom of Association

The organization does not discriminate in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, HIV/Aids status or age. The organization provides opportunities for women and men to develop their skills and actively promotes applications from women for job vacancies and for leadership positions in the organization. The organization takes into account the special health and safety needs of pregnant women and breast-feeding mothers. Women fully participate in decisions concerning the use of benefits accruing from the production process.

The organization respects the right of all employees to form and join trade unions of their choice and to bargain collectively. Where the right to join trade unions and bargain collectively are restricted by law and/or political environment, the organization will enable means of independent and free association and bargaining for employees. The organization ensures that representatives of employees are not subject to discrimination in the workplace.

Organizations working directly with producers ensure that women are always paid for their



contribution to the production process, and when women do the same work as men they are paid at the same rates as men. Organizations also seek to ensure that in production situations where women's work is valued less highly than men's work, women's work is re-valued to equalize pay rates and women are allowed to undertake work according to their capacities.

Principle Seven: Ensuring Good Working Conditions

The organization provides a safe and healthy working environment for employees and / or members. It complies, at a minimum, with national and local laws and ILO conventions on health and safety.

Working hours and conditions for employees and / or members (and any homeworkers) comply with conditions established by national and local laws and ILO conventions.

Fair Trade Organizations are aware of the health and safety conditions in the producer groups they buy from. They seek, on an ongoing basis, to raise awareness of health and safety issues and improve health and safety practices in producer groups.

Principle Eight: Providing Capacity Building

The organization seeks to increase positive developmental impacts for small, marginalized producers through Fair Trade.

The organization develops the skills and capabilities of its own employees or members. Organizations working directly with small producers develop specific activities to help these producers improve their management skills, production capabilities and access to markets - local / regional / international / Fair Trade and mainstream as appropriate. Organizations which buy Fair Trade products through Fair Trade intermediaries in the South assist these organizations to develop their capacity to support the marginalized producer groups that they work with.

Principle Nine: Promoting Fair Trade

The organization raises awareness of the aim of Fair Trade and of the need for greater justice in world trade through Fair Trade. It advocates for the objectives and activities of Fair Trade according to the scope of the organization. The organization provides its customers with information about itself, the products it markets, and the producer organizations or members that make or harvest the products. Honest advertising and marketing techniques are always used.

Principle Ten: Respect for the Environment

Organizations which produce Fair Trade products maximize the use of raw materials from sustainably managed sources in their ranges, buying locally when possible. They use production technologies that seek to reduce energy consumption and where possible use renewable energy technologies that minimize greenhouse gas emissions. They seek to



minimize the impact of their waste stream on the environment. Fair Trade agricultural commodity producers minimize their environmental impacts, by using organic or low pesticide use production methods wherever possible.

Buyers and importers of Fair Trade products give priority to buying products made from raw materials that originate from sustainably managed sources, and have the least overall impact on the environment.

All organizations use recycled or easily biodegradable materials for packing to the extent possible, and goods are dispatched by sea wherever possible.

**GENERAL TERMS AND CONDITIONS OF DELIVERY,
PAYMENT AND QUALITY
BY EZA FAIRER HANDEL GMBH**

This document has been drawn up as a response to EZA's latest WFTO self-assessment and reverse assessment by our direct trading partners where we have learned that our trading partners are not always familiar with EZA's complaints procedures and policies.

Overall product quality

The Seller shall make sure that any ordered items correspond to the samples and (or) to the product description and specification given in the order, with regard to size, design, colour, material, etc. The packing instructions and requirements have to be adhered to.

In case of non-compliance with these requirements, the Purchaser has the right to refuse the consignment. Any costs arising from non-compliance shall be taken over by the Seller. The details of any complaint will be analysed and decided on a case-to-case basis in direct consultation with the Seller. In the case of any complaint due to non-conformity the Seller shall provide compensation at least to the amount of the FOB-price, and in other more severe cases – depending on the (financial) situation and responsibility of the Seller – the Purchaser may also request the Seller to take over the costs of transport, import and – finally – the loss/damage caused by the loss of planned sales revenues.

The Purchaser shall contact the Seller within one week after verifying a case of non-conformity.

Documents

The Seller shall provide the required documents (certificate of origin "Form A", original sea- or airway bill of lading, packing list in triplicate, commercial invoice in triplicate, other if specified) in time (arrival at the Purchaser's office at least one week before arrival of the goods at the port or airport of destination).

Insurance

The insurance of all goods ordered shall be covered by the Purchaser.

Delay clause

The Seller acknowledges the importance of the delivery date to the Purchaser, due to the Purchaser's commitments towards their retail and final customers. For any claim towards the Purchaser arising because of a delay in delivery, the Seller will be held responsible. In the case of delayed delivery, the same complaints procedure as in the case of non-conformity of the order/goods received shall apply – see above section on overall product quality.

The Seller guarantees delivery in the week specified in the purchase contract. In the case of delay of the delivery of the products, the Seller shall pay a penalty to the Purchaser, to the amount of one per cent of the FOB price for each week of delay in the case of standard goods, and of two per cent of the FOB price per week of delay in the case of seasonal products (such as fashion, Christmas articles, special orders, etc.).

If the delay is caused by force majeure (natural disasters, etc.) the Purchaser will not make claims.

Appendix 2: EZA's General Purchasing Conditions

In the case of any delay, the Seller shall inform the Purchaser as soon as possible about the expected delay, the cause for the delay and the estimated delivery time of the products ordered by the Purchaser.

In the case of a delay of more than eight weeks beyond the agreed delivery date, the Purchaser is free to cancel the order and claim full damages as described in the above section on overall product quality, unless the Seller can prove force majeure.

Partial delivery

Partial delivery shall only be accepted on the basis of a mutual agreement by both contracting parties. Partial delivery shall be considered to be the exception in cases where the Seller cannot meet the agreed delivery date due to delays in the production, purchase or export of goods, in order to limit the damage caused by the delay. Any extra cost (including higher transport cost) arising shall be covered by the Seller.

Payment conditions

Payment and advance payment conditions vary according to the products purchased under FAIRTRADE/FLO-conditions and other Fair Trade products (purchased under WFTO-conditions).

a) Advance payment under FAIRTRADE/FLO conditions (for purchases from FLO-certified trading partners, mainly food purchases)

Any advance payments shall be based on a contract or order duly signed by both parties (Seller and Purchaser). One week after receipt of the signed copy, the Purchaser is willing to provide up to 60% of the order value as an advance payment, at the Seller's request. The Purchaser may claim interest at a yearly rate of five per cent for the period from the day of payment till the date of the bill of lading if the amount of advance payment exceeds USD 50 000. The advance payment may be provided by third parties like Rootcapital, Shared Interest, etc. In this case, the payment conditions of the lender in question will apply. In the case of advance payment provided by third parties, the final payment goes to the organisation providing pre-finance, which will negotiate separate terms of repayment with the Seller.

b) Advance payment under WFTO conditions (for purchases from WFTO members and all other trading partners of EZA, for food and non-food purchases)

In accordance with the criteria defined by WFTO, interest-free advance payments shall be based on a contract or order duly signed by both parties (Seller and Purchaser). One week after receipt of the signed copy, the Purchaser is willing to provide up to 50% of the order value as an advance payment at the Seller's request.

In the case of advance payment provided by third parties, the final payment goes to the organisation providing pre-finance, which will negotiate separate terms of repayment with the Seller.

c) Final payment

Final payment shall be due after receipt and quality checks of the ordered goods, 30 days after arrival at the latest. There will be no payment for missing goods or if the wrong goods have been delivered, and for goods that do not meet the quality and product specifications defined by the Purchaser.

Appendix 2: EZA's General Purchasing Conditions

In the event of any hidden defects or missing quantities detected later, the Purchaser has the right to deduct the respective amount from payments for following orders.

Cancellation of orders

A cancellation of orders may be requested by the Seller or the Purchaser.

- a) **If cancellation is requested by the Purchaser in the case of delayed orders**, the Seller has the right to retain the advance payment as an advance payment for further orders. The Purchaser cannot be held responsible for any loss on the part of the Seller, for example because of selling the product at a lower price.
- b) **If cancellation is requested by the Seller due to force majeure**, the Purchaser will decide whether the advance payment shall be returned or retained as an advance payment for future orders.
- c) **If cancellation is requested by the Seller for any other reason**, they shall return the advance payment with the interest, and pay a contractual penalty of 20% of the order value. If a higher loss is incurred, the Purchaser will hold the Seller responsible. In this case the Purchaser has to prove the loss caused by the unforeseen cancellation of the order.

The Pricing Policy of EZA Fairer Handel November 2012 (updated version)

This paper has been drawn up in the context of EZAs 2009 self-assessment and summarises our pricing policy of past years and the outcomes of several discussions in the context of the EFTA Evaluation Tool within our organisation and with other EFTA member organisations.

General principles of EZAs pricing policy

It is a general principle of EZA to keep its prices at the highest possible level in reference to the comparable market price. This means that EZA's position in the market is defined by high quality and premium products rather than competition based on low prices. The goal of this policy is to ensure a fair share of income for all parties involved and the best possible price for our suppliers/primary producers, who are the main target group of Fair Trade. Of course, it is a fact that the existing market prices influence our options and limit our freedom of action, but we try to keep our options as unrestricted as possible by focusing on the quality and the background of our products and not on high quantities.

Generally speaking, EZAs policy is to accept the prices set by our trading partners. Accepting our direct trading partners' FOB¹ prices also means that we are convinced that our partners' FOB prices are based on fair payments at the local level and have been calculated in close cooperation and by mutual agreement with their suppliers/producers/members.

Assessment of fair prices and fair pricing

During the EFTA evaluations and producers' visits we assess the pricing systems of our trading partners and the wages paid (labour costs). We have decided to ask our trading partners to disclose their pricing structures whenever a new order is placed, in order to get a general idea of their costing and pricing structures. This is important also because an increasing number of our clients, especially worldshops, have asked for pricing information.

Pricing by EZA

FLO-certified products

Where FLO-Minimum prices are defined, EZA follows the guaranteed FLO minimum pricing scheme. This means that in cases where market prices are higher than FLO minimum prices, we pay the higher market prices

¹ FOB = free on board

(e.g. for organic coffee from Indonesia or organic cocoa), but we never pay prices lower than the FLO minimum. FLO minimum prices are used as a reference and are respected in times of low market prices, but for most of our food products, we actually pay more than the FLO minimum prices.

Especially in the case of our main product, i.e. coffee from Central America and Mexico, EZA pays more than the FLO minimum prices defined by FLO International (i.e. a minimum price of US\$ 140 per 100 pounds or the higher market price + US\$ 20 (FAIRTRADE premium) + US\$ 30 (organic premium). Sometimes, quality premiums / differentials are added, depending on the quality offered by our coffee suppliers, and on the demand for a certain type/origin of coffee.

Non-FLO-certified products

For all other products – food or handicrafts outside the FLO minimum price regulation – we usually accept the prices asked for by our trading partners, or we jointly agree on these prices.

What are fair prices or fair payment for our primary producers?

Our approach to fair prices and fair payment is that:

- prices should be jointly agreed upon between a primary producer and the next downstream buyer;
- prices should be based on transparent pricing models;
- a fair price requires fair pay: labour costs – especially in the informal sector – should be based on the applicable minimum wage or higher wages (in terms of full-time work, i.e. the wage paid for an 8-hour day/in the respective country. For the formal sector, we expect compliance with national and international labour laws and payment of the applicable sectoral minimum wage (of course, additional benefits for the employees/producers are most welcome). For the private sector (private enterprises) EZA expects additional benefits of any type, appropriate representation and participation of the workers, freedom of association and good working conditions; of course any profit-sharing with the employees of private enterprises is most welcome);
- a reasonable margin for the group and the exporter should be included;
- finally, our trading partners should use pricing models which, in the long run, permit the payment of living wages to the primary producers. EZA's goal is to ensure living wages for all primary producers involved in Fair Trade.

Price negotiations always have to be based on the intention to permit market access for primary producers under jointly agreed conditions (especially concerning payment for primary producers). For EZA, price negotiations are the last resort in order to offer marketable products. In

any case, all parties involved have to be consulted during the re-negotiation of prices and have to agree on the new FOB price. Still, it is EZA's obligation to exhaust all other possibilities that justify higher prices (such as flexible margins, product and design development, high quality standards and other additional USPs² such as organic certification, environmentally sound raw materials, hand-made and artistic products) before renegotiating the FOB price asked for by our trading partners.

How does EZA calculate its retail prices?

Food

Our retail prices include the contribution margin that is necessary to cover EZA's fixed costs. Our average gross contribution margin is 20%.

Handicrafts

Generally speaking, EZA's pricing is based on a "times 5" approach: the retail price (i.e. the price paid by the final consumer) is calculated on the basis of the FOB price (paid to our trading partner) times 5 (FOB x 5 = retail price).

NOTE: In practice, our pricing policy is more flexible: in the case of expensive products (high FOB prices) EZA's margins are smaller, while low-priced products (low FOB-price) have higher margins. This is due to the fact that our retail prices have to be related to the market prices of comparable products in order to be marketable, and to promote sales of more expensive products.

EZA's margin for handicrafts is thus flexible (on average, it is approx. 30% compared to the net retail price, i.e. final sales price excl. VAT), but might be highly diverse for individual products. On the other hand, the margins for worldshops and other retailers are fixed and range from 33% (wool accessories) to 42% or 48% (for other textiles and handicraft products, depending on purchasing volumes – higher margins for higher quantities orders), 19% (coffee), 25% (chocolate products), 33% (tea, spices) and 28% (other food products).

EZA/bc/21 Nov. 2012

² USP = unique selling proposition

MEMORANDUM OF UNDERSTANDING FOR EZA'S TRADING PARTNERS

between EZA FAIRER HANDEL and
XXXX (insert name of your organization)

This MoU has the objective to prove EZA's and XXXX's (insert name of your organization) willingness and commitment to...

- **establish and maintain a long-term trading** partnership based on the principles of Fair Trade
- **support marginalized producers (and workers)** and to fight poverty and unjust trading practices through Fair Trade
- **respect the 10 WFTO principles** as basis for our cooperation and trading partnership as summarized in EZA's Partner Policy Paper. Both organizations may be constrained by factors which are outside their control in reaching all of these objectives in the desired way. Nevertheless, this Memorandum of Understanding underlines our most serious intention to try our best, in a spirit of transparency, openness and mutual respect and our strong will to achieve maximum compliance with the 10 WFTO Principles.

This MoU is based on the EZA Partner Policy Paper and all related documents (especially the 10 WFTO Principles, EZA Pricing Policy Paper, General Purchasing Conditions of EZA, List of EZA Trading Partners and Categories).

By signing this MoU **both parties agree that they commit themselves to pursue EZA's Partner Policy** after careful study of this document and related attachments. This means that EZA's Trading Partners also accept that EZA or any other EFTA organization may decide to assess XXXX's (insert name of your organization) compliance with the 10 WFTO Principles by sharing each other's WFTO Self-Assessment Report or any other relevant audit report or to accept an EFTA Assessment at any time (after mutual agreement and appropriate planning).

By signing this MoU all trading partners of EZA's are aware of the fact that lack of cooperation or transparency and/or non-compliance with the 10 WFTO Principles will most probably lead to an end of their trading partnership with EZA Fairer Handel, as EZA is obliged to guarantee its clients and customers Fair Trade policies by its trading partners, producers and products.

This MoU shall be valid for the period of the active trading relationship between EZA Fairer Handel and XXXX (insert name of your organization).



Date & signature
(insert name and function)

15-04-2013, Andrea Schlehber
General Manager - EZA Fairer Handel

Comments to the MoU:

EZA Partner Organizations & categories - an overview

Date: March 2014

CATEGORY A - FOOD

Name of Partner Organisation	Country
Bio Foods	Sri Lanka
CAFEL	Honduras
Cecocafen	Nicaragua
CIASFA (seit 2011, vormals Cecapro)	Guatemala
CIRSA	Mexico
COSATIN	Nicaragua
FIECH	Mexico
Flor del Cafetal	Mexico
Green Net	Thailand
Guaya`b	Guatemala
Gumutindo Coffee Cooperative Enterprise	Uganda
ISMAM	Mexico
Juan Sabines Gutierrez	Mexico
Nam Om Community Enterprise Group	Thailand
Norandino (vormals Cepicafé)	Peru
Paluchén	Mexico
Podie	Sri Lanka
Sindyanna of Galilee	Israel
Targanine	Marocco
Tiemelonla nich k lum	Mexico
UCIRI	Mexico
Yaxcoffee	Mexico
Yeni Navan	Mexico

CATEGORY A - HANDICRAFTS

Name of Partner Organisation	Country
Allpa	Peru
CIAP	Peru
Kalangu Projects	Ghana
BaobArt	Mozambique
Camari	Ecuador
Copavic	Guatemala
Safrudi/Saffy	Philippines
Tara	India
Sapia	Colombia
Asha	India
Craftlink	Vietnam
Mai Handicrafts	Vietnam
Y-Development	Thailand
EMA	India
CRC	India
Sasha - Sarba Shanti Ayog	India
Pop Atziak	Guatemala
Exporsal	El Salvador
Pekerti	Indonesia
Rajlakshmi Cotton Mills Ltd.	India
Craft Aid Mauritius	Mauritius
Qhana	Bolivia
Coproca / Awayu	Bolivia

CATEGORY B - FOOD

Name of Partner Organisation	Country
Alter Trade (ATC)	Philippines
Anapqui	Bolivia
Apicoop	Chile
Cecaq-11	Sao Tomé & Principe
Chanquap	Ecuador
Conacado	Dominik. Republic
COOPROAGRO	Dominik. Republic
Del Campo	Nicaragua
El Ceibo	Bolivia
Ericaville Farming Trust	South Africa
Fair Trade Lebanon	Lebanon
Gebana Afrique	Burkina Faso
Manduvira	Paraguay
Naranjillo	Peru
Oromia Union	Ethiopia
PFTC - Panay Fair Trade Center	Philippines
Sagrada Familia	Chile
Tea Promoters India / Banaspaty	India
Wupperthal Original Rooibos Cooperative	South Africa

CATEGORY B - HANDICRAFTS

Name of Partner Organisation	Country
ACP	Nepal
Zimele Crafts	South Africa
Palam	India
Minka	Peru
Conserve	India
Inti Raymi - Raymisa	Peru
Cooperativa Semilla de Dios	El Salvador
Gospel House	Sri Lanka
Golden Palm Crafts	Sri Lanka
SIPA	India
CORR - The Jute Works	Bangladesh
Prokritee / MCC	Guatemala
Dhaka Handicrafts	Bangladesh
La Cucaracha	Colombia
Aj Quen	Guatemala
UCA Ruffatti	Mexico
Xochiquetzal	Ghana
Bawa La Tumaini	Kenya
Undugu	India
Yuri-Enga	Bolivia
Noah's Ark	India
Pueblos del Sur	Chile
Silence	India
Señor de Mayo	Bolivia
FTCI (vormals Tibetan Refugees)	India

CATEGORY C - FOOD

Name of Partner Organisation	Country
AgroAndino	Peru
Agrocel	India
Anap	Cuba
CACVRA	Peru
Candela	Bolivia
CDS	Burkina Faso
Centro de Comercio Solidario	Argentine
Cimex	Cuba
Coagrosol	Brasil
COCLA	Peru
Coopeagri	Costa Rica
Coopealnor (vormals Cealnor)	Brasil
Coopecañera	Costa Rica
Coronilla	Bolivia
CPSM (seit 2011, zuvor CGTSM)	Brasil
EAWOFA	Ghana
Ecookim	Ivory Coast
Eksteenskuil Agricultural Cooperative	South Africa
El Guabo	Ecuador
Eswatini Swazi Kitchen	Swasiland
Fruit of the Nile	Uganda
Herkulu Tea Estate / BBTC	Tansania
Kabi Habin	Mexico
KCU - Kagera Cooperative Union	Tansania
KONAFSCOOP	Kamerun
Laos Farmers Product / ASDSP	Laos
La Sureña	Honduras
MASFA	Malawi
Meru Herbs	Kenya
Miel Bajo el Volcán	Mexico
Mieles del Sur	Mexico
Miel Mexicana	Mexico
MIFRUTA	Chile
Montillo	Paraguay
Mountain Fruits	Pakistan
MSS - Mauritian Sugar Syndicate	Mauritius
MST - Movimento Sem Terra	Brasil
PARC	Palestine
Pueblo Apícola	Uruguay
Ruiz de Montoya	Argentine
Sekem - FDA	Egypt
Serendipalm	Ghana
SETRAPAL	Togo
South Organic	Tunesia
Ten Senses Africa	Kenya
Tzeltal Tzotzil	Mexico
UNCRISPROCA	Nicaragua
Van Chan Organic Farmers Association	Vietnam

CATEGORY C - HANDICRAFTS

Name of Partner Organisation	Country
TWC Nepal	Nepal
Talon Sports (+ div. Probelieferanten)	Pakistan
SKVIS	India
Mikono	Tansania
MIM	Nicaragua
KKM	India
CCC - Cambodian Craft Cooperation	Cambodia
Inspirations of Africa	South Africa
AMWA	South Africa
Streetwires	South Africa
National Handicrafts	Zimbabwe
Wola Nani Embrace	South Africa
Machakos	Kenya
Mango True Mirage	Kenya
Bombolulu	Kenya
Preda	Philippines
Q'antati	Bolivia