

Guidance for Implementing the FairWild Standard (Version 2.0)



**GUIDANCE MANUAL FOR IMPLEMENTATION OF
SOCIAL & FAIR TRADE ASPECTS
IN FAIRWILD OPERATIONS**

VERSION 1.1

DECEMBER 2013

This document, and other documents related to this Standard are available on the FairWild website: www.FairWild.org.

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FairWild Foundation. 2013. *Guidance Manual for Implementation of Social and Fair Trade Aspects in FairWild Operations* (Version 1.1 - December 2013). FairWild Foundation, Weinfelden, Switzerland.

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ACKNOWLEDGEMENTS

The FairWild Foundation expresses thanks to all who contributed to the development and review of this Guidance Manual. In particular, the FairWild Foundation thanks Florentine Meinshausen, IMOSwiss AG, who developed the first draft of the Manual, and Wolfgang Kathe, Bryony Morgan and Ximena Buitrón, who adapted the document during a review process between November 2012 and June 2013.

The FairWild Foundation is grateful for the active input of experts consulted during the review process, namely the members of the FairWild Foundation's Technical and License Committees, staff of TRAFFIC and IMOSwiss AG and all external experts and stakeholders who contributed to the development and review of this Guidance Manual. The guidance is developed based on the efforts of the companies and collectors who undertake to implement the FairWild Standard in practice, and have provided their feedback in the course of pilot projects and through participation in the certification scheme.

The publication of this Guidance Manual was made possible through the generous financial support of the German Federal Agency for Nature Conservation (Bundesamt für Naturschutz, BfN) and WWF Germany. The Manual also draws on guidance material developed in the context of the framework of the programme "Sustainable management of the biodiversity in protected areas and forests, South Caucasus" financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

HOW TO USE THIS MANUAL

This FairWild Guidance Manual is intended to provide users of the FairWild Standard (e. g. collection companies, collectors associations, certifiers) with detailed, easy-to-understand information on managing social and Fair Trade aspects in wild collection in compliance with the requirements of the FairWild Standard Version 2.0.

Structure

This guidance manual has two parts:

The Manual includes

- Introduction
- For each relevant principle of the FairWild Standard the criteria with performance indicators are listed with explanation and background information on the requirements. Guidance on implementation with practical tips and examples are given.

The Annex to this guidance document provides formats or examples of required documents or procedures mentioned in the Manual.

Sections providing implementation guidance on the FairWild principles are structured as follows:

Criteria of the FairWild Standard

The most important performance indicators are listed (norm level i.e. rating level 2 in the FairWild Version 2.0 Performance Indicator list and MIN requirements) to facilitate understanding of key requirements.

The numbering in the grey summary sections refers to the Criteria and respective performance indicators of the FairWild Version 2, Performance Indicators Document.

Example: 'f' in section 8.2 stands for the performance indicator N° 8.2.f.

- *Not all performance indicators are listed, only those considered particularly relevant.*
- *All MIN requirements are included¹.*
- *In some sections indicators are summarised for easier reading.*
- *In all cases only the norm² is displayed (level 2 in the FairWild Performance Indicators). For indications of best practice, refer to the Performance Indicators document.*

Explanation of Requirements

This section provides relevant background information to support better understanding of the FairWild requirements.

Implementation Guidance

In this section the procedures to ensure compliance are explained and examples are given on what should be kept in mind when addressing certain issues. 'Implementation Guidance' chapters are often split into two sections: 'Self-assessment of current practices' and 'Improvement measures'.

Boxes give practical examples of good practice or suggestions to improve performance.

Each section ends with the documentation to be maintained by the wild collection operation.



Summarises aspects that must be included in the operation's management plan and related documentation

Describes a separate document or record which should be prepared and kept by the collection operation

¹ MIN are minimum requirements the operator needs to fulfill before certification in the year indicated. For details see FairWild Standard 2.0.

² The 'norm' compliance is defined as a rating of ,2' out of a rating span between ,0' and ,3'. For further details see FairWild Standard 2.0.

1 INTRODUCTION

The FairWild Standard: Version 2.0 applies to wild plant collection operations wishing to demonstrate their commitment to sustainable collection, social responsibility and fair trade principles.

The purpose of the FairWild Standard is to ensure the continued use and long-term survival of wild species and populations in their habitats, while respecting the traditions and cultures, and supporting the livelihoods of all stakeholders, in particular collectors and workers.

Several guidance manuals have been developed to explain specific key aspects in the FairWild Standard, e.g. resource assessment and the FairWild management plan. This Guidance Manual focuses on social and Fair Trade aspects within the FairWild Standard.

The Manual covers implementation guidance for the following Principles:

Principle 4. Respecting Customary Rights and Benefit-Sharing

Principle 5. Promoting Fair Contractual Relationships between Operators and Collectors

Principle 6. Limiting Participation of Children in Wild-Collection Activities

Principle 7. Ensuring Benefits for Collectors and their Communities

Principle 8. Ensuring Fair Working Conditions for all Workers of Wild-Collection Operations

Social Aspects in the FairWild Standard

The FairWild Standard requires fair working conditions for all people involved in sustainable wild collection. On collection level this means that collectors do not face any health and safety hazards during collection and that they earn a fair income from collection. The role of children in collection is minimised as much as possible and monitored to prevent prohibited forms of child labour. Collectors shall be empowered to take an active role in their negotiations with the collection operation. All workers contracted by collectors, e.g. as seasonal labour, shall enjoy good working conditions.

All workers of the collection operation, e.g. field staff and workers in collection centres or processing/packing units shall enjoy good employment conditions. Core labour rights like 'freedom of association' and strict conditions on child labour as well as 'no discrimination' must be respected. Fair wages, reasonable working hours and social benefits must be guaranteed.

For FairWild certification, the wild collection operation has to develop a management plan and internal collection rules. In preparation of certification the collection operation should investigate the present status with regard to social aspects in collection, in particular:

- health and safety risks in the collection process
- health and safety risks in any post-collection activities
- common practices in collection with regard to involvement of children (under the age of 15) or young people (15 to 18 years of age)
- common practices with regard to contracted workers/helpers in collection and their working conditions (including the provision and use of adequate insurance and safety equipment where relevant)

Problems identified should be addressed in the operation's management plan or other relevant documents. Training of collectors will be important to improve the identified problems. The relevant social aspects should be included in documents defining contractual relationships or collection instructions for collectors as appropriate.

In addition, the operation will need to review its employment practices and might need to address shortcomings.

Fair Trade Aspects in the FairWild Standard

In FairWild, collectors are normally the key Fair Trade beneficiaries. The collection operation has to maintain fair and transparent relations with the collectors and actively involve them in key decisions that directly affect them. In addition to fair prices for the collected products, the FairWild operation shall agree with buyers on an adequate FairWild Premium to be paid into a separate premium fund. The premium fund is intended to finance sustainable community projects for collectors or the local community. Its use must be decided upon by the collectors' assembly or through a multi-stakeholder process. The fund has to be administered responsibly with complete and truthful documentation of all expenses.

For FairWild certification, the wild collection operation has to include Fair Trade aspects in the management plan and related implementation documents such as policies. In particular, the following topics should be covered:

- fair pricing based on transparent and comprehensive cost calculations
- basic needs / living wage calculations
- establishment of committee to decide on use of Fair Trade Premium
- administration of Fair Trade Premium
- open and fair trading relationships between producer(s) and buyer(s)

Problems identified should be addressed in the operation's management plan or other relevant documents. Collectors and workers should be trained to understand the concept of Fair Trade and structures should be developed that guarantee the participation of all beneficiaries in the development of relevant structures (e. g. Fair Trade Committee) and calculations (e. g. production costs; basic needs).

World-wide Applicability of the FairWild Fair Trade Aspects

Fair Trade as a concept was developed by progressive companies in the food and cosmetic sectors in the 1970s, albeit without calling their approach 'Fair Trade'. The name became popular in the 1990s with the success of the Fairtrade Labelling Organization (FLO) and its national initiatives. The basic pillars of fair trade were a fair price (based on definitions of minimum prices per commodity and country of origin), a Fair Trade Premium for funding social community projects, prepayment to producers and reliable trade relationships between trade partners. Originally, the concept focused on 'South-North Trade', i.e. from so called developing countries to so called developed countries. It was designed to support especially smallholder farmers in poor countries and provide market access and achieve better prices for them.

After 2005, Fair Trade has considerably diversified, with regard to the scope of products traded, the standard concepts and the number of Fair Trade players on the market. Today, there are many different initiatives, which are not related to FLO (recently renamed into 'Fairtrade International') but provide independent Fair Trade certification. FairWild is one of them. Since the early days of Fair Trade, a lot has changed. While there are still considerable differences in the economic wealth and poverty level of countries, the old 'South-North' dichotomy is not valid any more. The social conditions and respect of worker rights in many 'rich' countries like the USA and many EU countries have deteriorated and poverty is increasing. On the other hand, quite a number of 'Southern' countries have become economically more developed with an increasing part of the population who can be considered as wealthy. Today, Fair Trade products are also sold in Brazil, India, Malaysia, Indonesia and many other 'Southern' countries, and there are Fair Trade production initiatives in North America and Europe.

FairWild takes these developments into account. Therefore, it applies no restrictions on countries of production and import. Still, the principles of FairWild are based on general Fair Trade principles which are also applied by Fairtrade International, Fair for Life, Ecocert Fairtrade, Soil Association Ethical Trade and others. In addition, every FairWild operator needs to have an overview of the level of marginalization of collectors / workers and identify target groups for FairWild Premiums. It is the ultimate goal of FairWild to improve livelihoods of collectors and workers who are active in sustainable gathering and processing of plants, lichens and fungi from the wild in any country around the world, where collection is happening. The decision whether or not an operator works with marginalized groups in the local context is left to the FairWild certification agency.

2 FAIR COLLECTION PRACTICES

2.1 Fair relation between collection operation and collectors

5.1 The economic relation between operation and collectors is fair and transparent and allows collectors to be involved in important decisions such as premium use or pricing agreements

MINIMUM REQUIREMENTS from Year 2:

- e. The collection operation entertains an open dialogue with collectors on relevant FairWild aspects e.g. during collectors training and encourages collectors to elect a collectors' representative board that discusses key FairWild aspects (prices, Premium use, important business developments for the collectors to be aware of) on their behalf.

NORM REQUIREMENTS:

- a. Collectors receive basic information on approximate quantities that can be sold to the collection operation.
- b. Collectors feel fairly well treated in the contractual relationship.
- c. The collection operation aims at long-term collection agreements with collectors: Collectors' contracts are only cancelled with documented due reasons (insufficient quality, declining sales) and collectors are given adequate notice.
- d. Collectors can resign from collection activities within an appropriate and fair time frame.
- f. All collectors have voting right to elect their representatives, who form part of a collectors' representative board to discuss with collection operation key collectors' concerns, such as prices, and have a say in FairWild Premium fund decisions.

5.2 There is no discrimination against collectors based on race, colour, ethnic origin, religion, sex or political opinion and encouragement of women as registered collectors.

MINIMUM REQUIREMENTS from Year 1:

- a. Operation policies or statutes do not restrict access to collectors group based on race, colour, religion, sex, political opinion, national extraction or social origin.

MINIMUM REQUIREMENTS from Year 2:

- c. Collectors (irrespective of their social status, gender, race etc.) have the same conditions (contract, trainings, prices paid, etc.)

NORM REQUIREMENTS:

- b. Disadvantaged groups (other than women) are not systematically excluded as registered collectors
- d. Women are not excluded from registration as collectors, and at least some collectors are women. Wives of registered collectors can also attend meetings and trainings.

2.1.1 Explanation of Requirements

Criteria 5.1 and 5.2 address the relation and communication between the collection operation and its collectors. It includes the requirement to begin and maintain a dialogue with collectors on all aspects directly concerning them, i.e. the FairWild system and certification, information about products requested (species, quality, volumes) and prices. The aim is a long term cooperation based on a contractual relationship. In order to empower the beneficiaries of the fair trade system, the collectors and workers should associate and elect representatives who participate in the decision making process with regard to Premium fund use and represent the collectors in talks and negotiations with the collection operator.

The relationship between the collection operation and the collectors and workers therefore should be well defined, with an adequate flow of information to the collectors and feedback from collectors back to the operation e.g. through approved minutes of meetings. The operation should maintain transparent and equal relations to all registered collectors without preferring or discriminating against any collectors on the basis of race, colour, ethnic origin, gender, sexual orientation, or other factors. The role of women (or men, if disadvantaged) as collectors should be strengthened, if there are cultural or other factors involved preventing their full participation. If there is a strong discrepancy in numbers of women and men collectors, the reasons should be investigated and analysed to find out whether or not this discrepancy is based on potential gender discrimination. Whenever possible, operators should strive for a good balance between women and men collectors.

Collectors are often not organised, and have very limited bargaining power in discussion with a collection operation. While the existence of a formal collectors' representation organisation is not compulsory in FairWild, FairWild companies are required to maintain at least a very good and open dialogue with collectors, including group discussions of important issues, e.g. during consultation or training sessions. Collectors shall be informed and have a say in all aspects that directly concern their trade relation with the collection operation. This concerns in particular price setting and purchase practices, internal collection standards, as well as all aspects related to the FairWild Premium.

The best means to establish an ongoing dialogue and long-term relations with collectors is the creation of a collectors' representation. The collection operation therefore must encourage collectors to start at least a simple form of individual or group representation to facilitate communication and negotiations. If more suitable, several collector representations can be set up (e.g. for different, independent regions). An example for an organisational chart of a collection operation is presented in Annex 1.

The main purpose of the collectors' representation, be it individual, via a group or an organization, is to have more regular and in-depth discussions between the collection operation and the collectors and to act as communication link between the operator and the collectors. The representatives shall facilitate collectors' meetings to understand the collectors' needs and to maintain good communication on key issues in both directions.

2.1.2 Self-Assessment of Current Practices

The collection operation should review its present contractual arrangements with its collectors, in particular:

- Written contract or other standard agreement between collection operation and collectors: what are contract termination clauses (if any)?
- Is the operation at present working long term with collectors or is it rather an ad-hoc relationship depending on required quantities and collector availabilities? What would need to be changed to make it more of an ongoing, continued relationship?
- Present system of information flow to and from collectors: are collectors informed about quantities / qualities that will be bought from them as well as other requirements that would need to be met? How does communication work on issues like quantities, prices, collection practices (e.g. through village heads etc. or by means of regular meetings with collectors). Does the operation staff directly and regularly interact with collectors and understands their expectations and concerns? Does this information reach the collection management as well and is considered in key decisions with direct impact on collectors?
- Are the conditions for becoming a collector and the conditions of trade the same for all collectors? Are all being paid the same prices and can deliver similar quantities or work according to different requirements (collected species, collection time, transport conditions, etc.)? How are decisions made if not all products collected can be bought by the operation? Is there a transparent and fair system to determine which collectors may sell how much?
- What is the role of women in collection and decision-making processes? Are any women directly registered as collectors? If not, how active are they in collection and to what extent does the income from collection reach them as well? How could the role of women be further strengthened? How can they be included in training and other group activities? Are (especially women) collectors paid directly or is the money for the goods they collect given or transferred to their spouses or families (e.g. husbands or clan / family heads)?

The collection operation should review and discuss the present degree collector organization in their work and cooperation with the collection operation.

- Do collectors within e.g. the same village, area or site know each other and discuss FairWild collection matters informally?
- Are there any traditional structures in place (e.g. village heads or chief collectors) who effectively represent the collectors' interests towards the collection operation? An existing informal organisation, e.g. village groups, can be used to build up a formal structure.
- Is there any group feeling between different collection groups or villages? What would be a reasonable geographical area with similar collection activities for a regional collectors' organisation? The set-up should allow representatives to meet each other and the collection operator reasonably easily and should permit implementation of community FairWild premium projects. Example: *If in a certain region collectors from 6 neighbouring villages collect the same or very similar products, all these collectors could well be combined into one representation organisation with e.g. one representative for each village or collection site.*

2.1.3 Improvement Measures

Most collection operations find that there is a relatively low degree of collector organisation or co-ordinated interaction and regular communication between the collection operations and the collectors. Therefore, the operation will need to develop and implement a plan how to establish better communication links and encourage collectors to organise and participate in important decisions.

Depending on the operational setting, present/traditional forms of organisation and inherent challenges (such as e.g. collectors spread over a vast area or different regions), ideas for suitable organisational forms should be analysed and discussed with collectors to identify suitable solutions.

In collection companies with geographically separate collection regions (e.g. collection areas in different parts of the country or province) it may be best to initiate one collection organisation per collection region and arrange individual meetings with the collection operation.

If the collection areas are rather small but scattered and geographically far apart, one joint representation organisation with representatives from the different subgroups may still be meaningful on issues like prices and to ensure closer communication and understanding between the collector subgroups and the collection operation; for premium use decisions a good balance would need to be found, e.g. through rotating the beneficiary regions for the Premium fund projects on an annual basis.

In case of a collection area with different subgroups (e.g. village collection centres), a joint representation organisation may be suitable, if necessary a rotating scheme for premium use in different villages could be envisaged.

An example for a plan to encourage and support collectors in establishing a representation organisation and an organisational chart is included in Annex 2.

In case the collectors are not interested to organise themselves, although encouraged by the collection operator, the operation should investigate into other options to maintain a good dialogue with collectors on key issues. Annual collector trainings can be used in order to establish more dialogue.

Annual collector trainings can be combined with discussions of FairWild premium use to understand collectors' ideas and wishes to be considered in the FairWild Premium committee. The collector meeting can also be used to let collectors vote on proposed FairWild premium use projects. To get more feedback and ideas from collectors it can be useful to have collectors develop their own proposals e.g. in mini-group sessions presented to the full group afterwards.

The training can be used to communicate procedures and prices or price setting mechanisms to collectors, or other relevant issues such as grading procedures during purchase, payment terms etc. The discussions should be as interactive as possible. Collectors should have the opportunity to raise their concerns or make comments.

Alternatively, the operation can establish a system of collector groups who regularly meet with collection field officers to discuss various practical matters related to sustainable collection. These meetings aim at maintaining a good dialogue on prices, FairWild premium use and other relevant matters:

Once a suitable organisational form has been found, the terms of reference for a collectors' representation or more informal dialogue during annual trainings should be integrated into the operation's management plan (as annex or directly in the management plan).



Terms of reference for the collectors' organisation: aims of the organisation, voting rights, voting or other procedures to elect collectors representatives; regular meetings of representatives with each other and the collection operation; record keeping information flow from collector representatives to collectors.



Discussions on FairWild premium use, as well as prices, grading or other relevant aspects should be integrated into the collector training curriculum or standard procedures for annual trainings.

2.2 Children and young persons in collection

Children are protected under international law and shall not work as labourers or collectors (criterion 6.1). In most social standards related to agriculture or similar work, there are specific provisions about children helping their families, as this is not contracted work. There are two different FairWild Standard criteria and performance indicators relating to children helping collectors in collection:

- a) Collectors contract (in writing or orally) and pay children to help them in collection or collect products on their behalf, e.g. the collectors asks the neighbour's children to help in collection for pocket money after school → see criterion 6.2
- b) Children helping their own family in collection → see criterion 6.3

6.1 Children are not contracted as collectors. Young collectors never do any hazardous work.

MINIMUM REQUIREMENT from Year 1:

- a. The collection operation does not contract children younger than 15 years as collectors.

MINIMUM REQUIREMENT from Year 2:

- b. If the collection operation contracts young collectors of age 15-18 years, it monitors carefully that the collection activity is not dangerous to the young people's health, safety and does not jeopardise their development.

6.2 Collectors do not contract children as workers to help them in collection or processing.

MINIMUM REQUIREMENT from Year 1:

- a. No children younger than 12 years are contracted by collectors to help in their collection or processing activities.
- c. Young workers (15-18 years) CONTRACTED as workers by collectors do not engage in work that is dangerous to their health, safety and that may jeopardise their development.

MINIMUM REQUIREMENT from Year 2:

- b. Children between 12 and 15 CONTRACTED as workers by the collectors: if sometimes working for pocket money, they only do light and non-hazardous work during non-school hours. Not more than app. two hours/day.

6.3 Children helping their parents in collection or home processing do very limited work in collection and only under supervision.

MINIMUM REQUIREMENT from Year 2:

- a. Children < 12 years helping their parents do only very light and non-hazardous collection related work: less than app. two hours/day regularly; under parental supervision; work does not jeopardise school attendance.
- b. Children 12-15 years helping their parents do no SUBSTANTIAL work (more than three hours/day) during school or app. seven hours during school holidays); work is non-hazardous and appropriate for age.

NORM REQUIREMENT

- c. Young people (15-17 years) helping their family are not engaged in work that is dangerous to their health, safety or may jeopardise their development.

2.2.1 Explanation of Requirements

Child labour is regulated under various international conventions and recommendations, most prominently ILO Convention 138 (Minimum wage), ILO Convention 33 (Minimum wage in non-industrial situations) and ILO Convention 183 (Worst forms of child labour). Children under the age of 15 shall not be employed as workers and hence may also not be contracted as collectors. Also young workers and hence young collectors (15-18 years) are protected by international law. If the collection operation contracts young collectors, great care must be taken to monitor that their work is not hazardous or may jeopardize their development or wellbeing.

The situation of children working in collection is more complex. As it is considered as a “non-industrial situation” under ILO conventions, there is some flexibility in international legislation for children older than 12 years. These children are permitted to engage in light non-hazardous work for limited times after school or during school holidays to earn pocket money.

ILO convention 33 permits that in non-industrial situations “Children over twelve years of age may, outside the hours fixed for school attendance, be employed on light work – (a) which is not harmful to their health or normal development; (b) which is not such as to prejudice their attendance at school or their capacity to benefit from the instruction there given; and (c) the duration of which does not exceed two hours per day on either school days or holidays, the total number of hours spent at school and on light work in no case to exceed seven per day; not on Sundays and legal public holidays nor during night.” ‘Sundays’ needs to be interpreted in a flexible way, because in some areas, Sundays are regular work days. In this case, any other weekday may be defined as a regularly free day.

In the case of children helping their families there is slightly more flexibility, as children even under the age of 12 frequently participate in collection during non-school hours. They are allowed to join in very light activities and help their parents. It is most crucial that all such activities of children must be analysed in detail and closely monitored / supervised by the collection operation to make sure that children never do substantial or hazardous work or work long hours, even under supervision of their parents. This work must under no circumstances jeopardise school attendance or successful education.

The provisions of this FairWild criterion have been debated at length and are still to some degree controversial. For this reason it is HIGHLY RECOMMENDED to operators to avoid any form of child labour through sub-contracting by other collectors and do not allow sub-contracting of collection work to children between under the age of 15 at all, because this can be interpreted as by-passing the provisions of Criterion 6.1.

In cases where the participation of children in collection activities beyond what is allowed in accordance with ILO Conventions has a cultural significance and related requirements, the situation needs to be analysed by the FairWild Foundation and the certification body with due care before a decision is made.

2.2.2 Self-Assessment of Current Practices

The collection operation should review its present practice with regard to contracted collectors:

- Are there any young collectors under the age of 18 or children under the age of 15?
- If collectors are often young people, does the operation have their dates of birth on file and is the information robust (or likely to be based on fake age identification)?
- If there are young workers: is there monitoring and training of all relevant groups in place to ensure that these collectors don't work too long hours or do hazardous work?

The collection operation should also investigate into the issue of children's participation in the collection:

- Is it common that collectors contract workers, e.g. also children of their neighbourhood to collect products for them or assist them in post-collection activities?
- Is it common for the entire family to collect together, or do children commonly go out on their own to collect products for their families? Is it part of their cultural traditional practices? If so, when do they do this collection and for how long? What exactly are the activities commonly done by children? Any hazardous activities? If child labour is part of cultural traditional practices: are there possibilities to adapt these practices without endangering the cultural heritage and integrity?
- How are schooling rates in the community? Is it a common problem that children miss school during peak harvest season to collect products with their parents or other community members?
- Do local schools grant special harvesting holidays during times of peak collection? If so, are these holidays in line with national legislation? Are the holidays for all children of the school/s, for all children of certain classes / grades, or specifically for children of collector communities or families? If the latter applies, how is guaranteed that the children on collection holidays get sufficient time and support to keep up with educational elements they may have missed during special holidays without inappropriate additional burden?

2.2.3 Improvement Measures

The FairWild Standard has strong minimum requirements with regard to children's role in wild collection. If a company does not yet meet all minimum requirements, the intent of the Standard is that the operation takes strong measures to improve the situation (rather than e.g. collectors who employ children are excluded from the project and hence never improve their practices). Therefore, the Standard allows in the first year that non-compliant operations present a defined plan how existing child labour issues are responsibly phased out within one year and how it is ensured that at any time the work undertaken is not dangerous to the children's health, safety and does not jeopardise their development. In case the child labour situation and level of involvement of children in collection is not fully known to the collection operator, a study needs to be conducted to analyse the exact scope of child labour in the operator's collection activities including cultural traditional practices.

In case the current practice is problematic and not yet according to the FairWild Standard, the operation must take considerate and responsible steps to improve the situation. Under no circumstances shall the correction measures result in having a serious negative effect on the working children or on traditional practices; therefore, if children's involvement in collection is beyond the allowed scope, it has to be phased out responsibly without creating hardship for the children or negative cultural implications.

In case of children performing too long hours or too hazardous work in collection, the group operation must develop a plan in close cooperation with the collectors. Awareness creation activities will be necessary, in addition to very clear guidance in the internal collection rules and a strict monitoring system to improve the situation.

In addition, operators must inform the certification body immediately if they discover prohibited forms of child labour within their responsibility or know of traditional practices that involve child labour and inform the certification agency of potential remedial actions to be taken.

Help of external agencies specialised in child labour may be very useful to improve awareness amongst collectors. Local schools can also help to address the situation both directly with the children but also their parents.



Restrictions on involvement of children in collection shall be incorporated into the operation's internal collection rules, the management plan, staff training plans and collector training curricula. Cultural heritage and integrity need to be appropriately considered.

2.3 Respecting Customary Rights and Benefit Sharing

Traditional use and practice in the utilization of wild plants, fungi and lichens, especially if used in a medicinal context, are one of the main assets of local communities and indigenous peoples, for various reasons. First, wild plants can be an important part of people's food supply and the basis of traditional medication. Second, wild local plants are often in high demand by the pharmaceutical industry both in the country of origin and abroad. Hence, wild plants can be valuable goods for a wider community of people. This has led to pressure on many natural resources and the populations of quite a few of them have been dwindling in the past decades.

Local communities and indigenous peoples are the first to suffer from this development. The mechanisms for how to make sure that traditional access and use rights are protected and benefits from the use of wild plants, lichens and fungi are equitably shared, have been in discussion for over a decade. The 'Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from the Utilization' (October 2010) provides an internationally accepted framework for such mechanisms and should be observed by all operators who want to extract genetic resources from the wild. It is in the interest and the spirit of FairWild to recommend similar mechanisms also for biological resources whenever they are linked to customary rights of the local population and / or indigenous peoples.

There are two different FairWild Standard criteria and related performance indicators relating to customary rights and benefit sharing.

4.1 Traditional use and practice, access rights and cultural heritage: Local communities and indigenous people with legal or customary tenure or use rights maintain control, to the extent necessary to protect their rights, traditional knowledge or resources, over collection operations.

MINIMUM REQUIREMENT from Year 1:

- d. **AVOID LOSS OR DAMAGE OF RESOURCES.** Measures are taken to avoid loss or damage affecting the legal or customary rights, resources, health security or livelihoods of local communities and indigenous people. Collection / commercial use of target resource does not violate or undermine legal or customary rights and practices.
- f. **ENSURE CONTINUITY OF ACCESS TO TARGET RESOURCES.** Availability, accessibility, and quality of targeted resources (e.g. medicinal plants) for local and traditional use: some restrictions may be in place, but sufficient overall availability of the resources.

MINIMUM REQUIREMENT from Year 3:

- b. **TRADITIONAL USE AND ACCESS RIGHTS ARE PART OF MANAGEMENT-PLANNING.** Any traditional uses / practices and customary access rights (including cultural and religious significance of the target species and any benefit-sharing provisions) are included in the resource assessment or management plan.

- e. **FAIR COMPENSATION AND GRIEVANCE MECHANISMS.** Fair compensation is provided in the case of substantial damage or losses to local community. Appropriate effective mechanisms exist to resolve grievances, including suspension of collection.

4.2 Benefit-sharing: Agreements with local communities and indigenous people are based on appropriate and adequate knowledge of target resource tenure, access and use? rights, management requirements and resource value. The agreements ensure a fair and equitable sharing of benefits for all parties involved.

MINIMUM REQUIREMENT from Year 1:

- b. **AGREEMENTS IN COMPLIANCE WITH LEGAL PROVISIONS.** Agreements are in compliance with relevant international and national laws and regulations concerning ABS as well as protection of traditional knowledge (TK).

MINIMUM REQUIREMENT from Year 2:

- c. **AGREEMENTS ARE BASED ON PIC AND MAT.** In developing agreements on resource access, benefit-sharing and use of traditional knowledge, it is ensured that prior informed consent (PIC) is given by the source community and the traditional knowledge holders and mutually agreed terms (MAT) are reached for access to this knowledge and the equitable distribution of benefits arising from its use. (New PIC is required for new uses).
- d. **AGREEMENTS MUST REFLECT CURRENT KNOWLEDGE.** ABS and similar agreements must reflect up-to-date scientific, local, industry and other relevant sources of knowledge / information concerning the value of the resource. Relevant information is freely and openly exchanged concerning the value of the resource.

MINIMUM REQUIREMENT from Year 3:

- a. **ABS AGREEMENTS IN PLACE.** ABS agreements with local communities and/or indigenous peoples must be available. As a minimum, written and mutually accepted fair and equitable agreements on use of resources and associated traditional knowledge must be in place; full ABS agreements are at least in preparation (*with schedule for completion*).

2.3.1 Explanation of Requirements

Principle 4 is intended to ensure that local communities' and indigenous peoples' customary rights to use and manage collection areas and wild-collected target resources shall be recognized, respected and protected.

Adherence to Criterion 4.1 provides the basis for cooperation with local communities and indigenous peoples and for the development of access and benefit-sharing agreements if relevant. Criterion 4.2 builds on the provisions of Criterion 4.1 and covers the more formal aspects of agreements to ensure the efficient implementation of Principle 4. It reflects the implementation of research carried out as described above and includes requirements with regard to information flow and exchange participation of stakeholders, namely from local communities and indigenous peoples, and the formulation of ABS agreements as appropriate and required in the international, national and local context.

2.3.2 Implementation Guidance

Criterion 4.1

As a first step, research into the traditional knowledge, use and practice involved in the collection, management, production and trade, as well as access, use and tenure rights is required. Such research may require the need of support by an individual expert or organization. This includes the importance of plants within the cultural and religious context of the local communities and indigenous peoples. Results from this research should be included in the management plan, which must be developed together with all relevant stakeholders. The management plan must consider the impact of the planned or ongoing collection activities on plant resources and hence the traditional use rights of local communities and indigenous peoples.

In order to implement the provisions detailed in Criterion 4.1 it is recommended that all wild collection operators develop a comprehensive management planning strategy and research concept. This may include for example:

Research Concept, including:

- Interviews with local community / indigenous peoples' leaders or elders
- Interviews with local doctors, healers, medicine men / women, etc.
- Literature review with regard to traditional knowledge, use and practice
- Review of relevant national legislation
- Visit to local authorities with regard to access, tenure and use rights
- Interviews and cooperation with local social NGOs
- Workshops and participatory outreach meetings in communities

Management Planning:

- Including all local stakeholders in the management planning (development and implementation) process
- Including local stakeholders in the resource assessment and monitoring
- Definition of sacred sites that are excluded from collection activities
- Development of compensation mechanisms together with local stakeholders
- Access and Benefit Sharing agreements or Memoranda of Understanding (MoUs)

With regard to Criterion 4.1 the following documents will be checked and should be available, if applicable:



- Documentation of research on traditional knowledge, use and practice of local communities and indigenous peoples at least with regard to the target species.
- Overview of use, tenure and access rights to natural resources and associated traditional knowledge.
- Documentation on cultural and / or religious significance of target species in and around the collection area, including the identification of sacred sites.
- Study on impact of wild collection activities on tenure, access to and traditional use and practice with regard to target species.
- Adaptive management plan (if already developed; otherwise management planning concept or draft management plan).
- ABS agreements
- MoUs of the collection operation with local communities and / or indigenous peoples.
- Approved workshop minutes or other written output.
- Agenda of stakeholder meetings and list of participants.
- List of stakeholders included in the management planning process.

Criterion 4.2

In order to implement the provisions detailed in Criterion 4.2 it is recommended that all wild collection operators promote the development of ABS or similar agreements if applicable and monitor their impact.

Such agreements between the operator and local communities or indigenous peoples must follow international requirements with regard to ABS as detailed in the Nagoya Protocol and other relevant documents and must be in compliance with any relevant national or local law or regulation. Agreements must consider traditional knowledge (TK) and intellectual property rights (IPR) if applicable.

All agreements on resource access and use as well as TK must be developed and negotiated in a participatory and open manner. This includes application of the principles of PIC and MAT. In short, local resource users and holders of access rights and TK must be informed about the operator's commercial sourcing plans and concepts and approve them. There must be a clear, transparent and

sufficiently documented process of how agreements for access to TK and equitable distribution of benefits resulting from the commercial use are reached.

Such agreements must be based on the current understanding of best-practice on this topic, and on all available relevant knowledge from scientific work, local and industry practices, governmental and NGO framework provisions or guidance or any other relevant source.

Development of ABS agreements can thus include the following actions:

- Review of legal prerequisites with regard to ABS
- Analysis of the local circumstances and their relevance for ABS agreements
- Information of local communities and indigenous peoples about ABS, its principles and intended impact.
- Open and documented negotiations in developing ABS agreements.
- Implementation of PIC and MAT principles.
- Concept and timeline for developing ABS agreements.
- Review process of existing ABS agreements.
- Workshops and participatory outreach meeting in communities and approved minutes.
- Co-operation with relevant state agencies, NGOs and securing appropriate legal experts/advice in the development of ABS concept and agreements.

With regard to Criterion 4.2 the following documents will be checked and should be available, if applicable:



- MoUs of the collection operation with local communities and / or indigenous peoples.
- ABS development concepts.
- ABS agreements.
- Approved workshop minutes or other written output.
- Agenda of stakeholder meetings and list of participants.
- List of stakeholders included in the ABS agreement development process.
- Study on impacts of ABS agreements.

2.3.3 Improvement Measures

While basic research of TK, use and practice involved, tenure, access rights and local cultural and religious heritage are a necessary prerequisite to fulfil the minimum requirements detailed above, the level and depth of such research can exceed the basic requirement and will then be considered performance beyond minimum requirement. The same applies to the level of impact assessment of collection activities.

Additional control points within this criterion address the result of ABS or similar agreements and the perception of these results by the stakeholders. i.e. whether or not the agreements are perceived as fair. Impacts of ABS agreements should be analysed regularly and corrective action taken if necessary. The ultimate goal should be a sustainable positive impact of ABS or similar agreements on the local communities and indigenous peoples and their rights related to traditional knowledge, tenure, use and access as well as cultural or religious practices.

3 FAIRWILD PRICING

3.1 Fair Prices for Collectors

7.1 Collection operation ensures that fair long-term prices are being paid to collectors by requiring transparent cost calculations, involving collectors in pricing decisions, keeping trade chains short and ensuring timely payment of collectors.

MINIMUM REQUIREMENT from Year 1:

- c. Collectors are paid reliably and on time, as agreed.

MINIMUM REQUIREMENT from Year 2:

- d. As soon as products are sold as FairWild-certified, collectors receive higher prices for the FairWild-certified products (FairWild mark-up collectors' price over baseline prices for conventional wild-collected products to compensate the collectors' extra efforts) normally > app. 5 % higher than prices for same product collected conventionally in the region *Alternatively, in the first three years of FairWild sales, the 5 % collector higher purchase price for the FairWild-certified products can be calculated retrospectively based on actual FairWild sales and distributed to all collectors of these products equally.*

MINIMUM REQUIREMENTS from Year 3:

- a. The operator has least a basic cost calculation. This cost calculation includes costs of collection, prices paid to collectors, purchase and processing costs, overhead and profit as well as sales price, resource assessment, and sustainable resource management / monitoring activities.
- e. Prices paid to collectors provide enough income to cover their families' basic needs.

NORM REQUIREMENTS:

- b. The operation gives sufficient basic information about its cost calculation and price-setting mechanism (e.g. to collectors representation organisation) in order to allow open discussion of prices paid to the collectors.
- f. If collectors' dependency on a single product (or very limited product group) is a serious economic problem, the collection operation makes reasonable efforts to promote product diversification.
- g. The collection system (the person or family actually doing the collection) involves only efficient intermediaries.

3.1.1 Explanation of Requirements

The original Fair Trade concept was not designed for wild collection but smallholder farming. In the wild-collection sector there are not only smallholders but often also contracted collectors. In many countries, the collectors belong to the poorest groups within the society and are therefore the most obvious Fair Trade beneficiaries. In order to support these marginalized groups, FairWild includes the core Fair Trade aspects of a fair price for the products bought from collectors and a FairWild premium for projects in the collectors' community (see next two chapters).

As a wide range of products are collected and prices often fluctuate considerably, it is challenging to monitor whether the prices paid are indeed fair. For this reason (and as good economic practice for establishing sustainable prices) FairWild requires transparent price calculations and pricing mechanisms to allow informed negotiations on prices between collectors and the collection company as well as between the FairWild Buyer and the FairWild collection operation.

Besides a fair price, diversification of production is a tool to achieve better collector benefits because it makes them less dependent on one product.

3.1.2 Implementation Guidance

Cost Calculations

FairWild collection companies must present at least a basic cost calculation that allows verification of all costs and profits added from collector's purchase price to FairWild sales price.

In the assessment of fair pricing the collection operation's costs for Standard implementation and certification, its total FairWild sales with respective mark-up price, and its costs and profit structure will be assessed.

Calculation of all costs occurring during the production and selling of a product or providing a service is required. Apart from providing a basis for assessing whether the prices paid are fair, it can help improve business practices in many ways:

- Costing helps to set prices
- Costing helps to control and reduce costs
- Costing helps to plan for the future and to make better decisions
- Costing helps to write a business plan and to obtain a credit

Some costs are fixed costs which remain more or less constant regardless of changes in activity levels (e.g. costs of buildings and machinery), while other costs are variable costs that are directly related to level of activity (raw material costs, transportation costs). Many costs items are mixed costs with a fixed and a variable component. Management costs for instance are constant up to a certain level and increase when expanding product portfolio or quantities or scope of processing.

Some fixed costs are investments and must be accounted in costing over their lifetime. A warehouse with initial cost of land and building costs are annually depreciated over a lifetime of e.g. 20 years. The annual depreciation is the proportion of investments that is counted as cost each year. There are various accounting guidelines how to calculate annual depreciation of buildings; a brief introduction to the most simple depreciation methods is given in Annex 3.

COST from Collection to Sales

At each stage the following costs are considered:

- **Labour costs** at local rates.
- **Inputs and services**, e.g. electricity, fuel, additional inputs for production, repair and maintenance costs, packing materials.
- **Capital and investment**: buildings and machinery (annual depreciation), interest costs, property taxes, insurances.

COLLECTION AND PURCHASE

- Prices paid to collectors, e.g. at purchase centre (if bought at collectors' houses add transport costs): include a mark-up paid for FairWild.
- Wages of purchase staff.
- Processing/grading losses.
- Capital cost (annual depreciation) for purchase centre or rent.
- Costs for inputs such as packing material or additional services (pest control, cleaning, etc.).
- Transport costs.

PROCESSING AND PACKAGING

- Processing losses.
- Processing staff wages.
- Capital cost (annual depreciation) or rent of factory building, machinery, equipment.
- Inputs: fuel, electricity, repair & maintenance costs, packing material.
- Cost for warehousing/storage.

CENTRAL STRUCTURE AND MANAGEMENT COSTS

- Wages: office staff, internal quality management staff (e.g. field officers), sales and public relations staff.
- Management wages.
- Office expenses: Telephone, electricity, Internet, stationary.
- Rent (or depreciation) for office buildings, insurance, etc.
- Interest cost for capital.
- Annual FairWild inspection and certification costs.
- Additional external costs for public relations and marketing, e.g. brochures, corporate design.

SALES AND EXPORT COSTS

- Promotion.
- Commissions.
- Shipping samples and residue analysis costs (if required).
- Export and shipping costs under responsibility of the wild collection operation.

Fair Collector Prices

FairWild prices for collectors are negotiated between the collection operation and the collectors. Prices paid to collectors largely depend on market prices the collection operation achieves for its products, and these prices may fluctuate.

The FairWild (sales) price is negotiated between the collection operation and its FairWild buyers, e.g. medicinal herb or fruit importers, wholesalers or herbal extract manufacturers (see chapter 3.2). Criterion 7.1, however, focuses on prices paid by the collection operation to its collectors when buying the collected (crude processed or fresh) wild collected products from them (usually at buying stations) – the fair collectors' price.

Collectors' prices are above local standard market rates

While it is recognised that a FairWild collection operation may not be able to sell all its production at higher mark-up prices (FairWild sales price) to account for the additional efforts to comply with the FairWild Standard it should always aim to pay its collectors prices above local standard rates for the FairWild collected products to compensate the collectors extra efforts in FairWild implementation and to strengthen their role as primary producers (collectors) with usually the lowest bargaining power.

The Standard indicates as basic guidance that collector purchase prices of approximately 5% above market level will be expected.

For price determinations, two basic aspects would need to be considered:

1. Local³ (and world, if relevant) market price

Prices paid to collectors for the FairWild target products should be on average 5% higher than the prices paid by comparable companies in the same region for the same conventional (non certified, non-organic or other quality standard certified) wild harvested products.

2. Cost calculations

The product price should also be based on the result of the cost calculations as indicated above. This should comprise all cost items, including fair payment to collectors and workers, management and production costs and observation of all legal requirements.

³ The scope of 'local' may vary widely ranging from village to country or regional levels. It needs to be assessed individually.

If there is a large discrepancy between the local market price and the price that would have to be paid based on real cost calculations, the operator and its buyer(s) should discuss the problem and find a way forward. This plan may e.g. define a timeline and steps to get product prices (collector purchase price and FairWild sales price) to a cost-covering level over the medium term.

If there are no companies collecting the same product and hence no established local rates for collectors the calculation of fair collector purchase prices will be based on the cost calculation only:

- the agreed FairWild sales prices with a defined mark-up to cover the cost of FairWild implementation – at least one third of this additional quality mark up is intended to reach the collectors.*
- or based on calculations of fair costs of collection based on collectors time spent for collection and processing at least minimum wage rates.*

As an exception during the first three years of certification, when FairWild sales may be so low that they do not yet permit the collection operation to pay consistently higher prices for all product quantities bought from collectors, it may be permitted to pay the higher price only for the percentage of total collection actually sold under FairWild conditions: The Standard permits that *“In the first three years of FairWild sales, the 5% collector higher purchase price for the FairWild-certified products can be calculated retrospectively based on actual FairWild sales and distributed to all collectors of these products equally.”*

As this can result in very low benefits for collectors, this alternative pricing approach shall only be chosen while FairWild sales are really low and only in times of low prices, when overheads for the collection company are so low that higher prices to collectors cannot be paid for all collected FairWild products.

Prices paid to collectors cover their basic needs

When setting prices for collectors and negotiating the FairWild (Sales) Price with FairWild buyers, the collection operation confirms that the prices paid for collected products allow collectors to earn a fair income from collection and cover their basic needs, including some discretionary income. In the case of the collectors not being able to meet their basic needs the operation is required to prepare a calculation of basic needs related income for collectors. This calculation should be used in pricing negotiations to ensure that the prices paid by FairWild buyers allow the payment of fair prices to the collectors.

The prices paid for the sum of all collected products (plus any other regular sources of income for the average collector in the group) shall allow collectors to meet their basic needs such as food, clean water, clothing, shelter, transport, education, as well as including a discretionary income. In this assessment, the operation may consider the entire portfolio of products typically collected by their collectors and may also consider other sources of income that the collectors may have.

As indicator for a basic needs income, living wage estimations for the respective country or region can be helpful, or well established poverty lines (if not disputed by research that poverty line is much below basic needs). At least minimum wage shall be used as the target for collector's income that is achieved by the collection activities (plus other sources of income). Special consideration shall be given to the socio- economic structure of the collectors, in particular typical family size and typical number of earning family members.

Example:

Minimum wage by law is 560 USD/month; Collectors are in rural area and many workers in the region can cover their basic needs with this wage.

A typical collector's family consists of collector, his wife and three children. Wives are also active in collection part time (approximately 2.5 days a week). Collectors collect full time during 4 months per year. Other income opportunities in the region are scarce but collectors sometimes work as seasonal labourers during the non-collection months

Typical collector family collects 800kg of dry roots at 2.1 USD/kg and 200 kg dried cut leaves at 5 USD/kg. Total income from collection is 1680 USD plus 1000 USD= 2680 USD for 4 months work = 670 USD/month. This is above minimum wage and thus would be accepted for certification but in view of the part time assistance of the wife a target fair income should be slightly higher; once higher FairWild market prices are achieved for all sales, the company will be expected to increase collector purchase prices.

3.2 Setting the FairWild Sales Price and FairWild Premium

7.2 FairWild Premium Fund Guidance

A FairWild Premium is paid to the collectors / collectors' associations reflecting the efforts made by the collectors and all other actors in the supply chain to arrive at sustainable wild collection, production and sales of the respective final products. The operator charges a Premium of 10 % over the individual collectors' selling price, to be paid by the next partner in the supply chain (collection centre, trader, operation).

If a lower Premium is negotiated a written justification and demonstration of adequate social impact of this FairWild Premium must be prepared, e.g. if prices are much above the current five-year price average, or, for very highly priced products, already provide a high overall income to the collectors.

This FairWild Premium is intended for social development projects in the collectors' communities (for which purpose the collectors' Premiums are to be pooled in a Social Development Fund managed by the group or groups of collectors). In the first five years of certification it may also be used to improve the sustainability of collection.

The Premium paid to the collection operation by the FairWild buyer must be specified in invoices or sales contracts.

3.2.1 Explanation of Requirements

The FairWild Sales Price is not to be confused with the FairWild Premium Fund contribution.

The FairWild Sales Price is negotiated between the FairWild collection operation and its direct FairWild buyers, e.g. importer, wholesalers, medicinal extract manufacturers etc. Minimum FairWild prices for sale of specific plants have not been established. Therefore, the FairWild indicators on cost calculation, financial viability and accountable trade relations are the mechanism that guarantees that a fair price has been paid to the FairWild collection operation by the next buyer in the chain, rather than a set percentage mark-up for the next buyer (see also Criterion 10.3 Financial viability and accountable trade relations - not covered in this Guidance Manual).

The FairWild Premium Fund contribution is a "ring-fenced" amount that is used for social development projects, as described for Criterion 7.2 (above). Depending on how the FairWild Sales invoices are structured (see Implementation Guidance below) the Premium Fund contribution may be incorporated as a component of the Sales Price, but it must always be possible to trace the contribution and ensure it is used in full for social purposes.

3.2.2 Implementation Guidance

Setting the FairWild Sales Price

The FairWild Sales price is based on cost calculations and market prices. It should always be slightly above the normal market prices for conventional wild crop as a FairWild mark-up. The cost calculation by the FairWild collection operation (see section 3.1) must be inclusive of the extra 5% paid to the collectors, the premium fund contribution and allow an appropriate profit margin for the FairWild collection operation for its financial viability. However, in times of unusually high market prices and prices well above cost of production, prices at market level may be agreed with written justification.

An advantage of normal FairWild supply chains is that buyers either have direct contact with producers or there are only one or two intermediaries. This helps reduce the costs because

intermediate traders tend to get a higher portion of the financial benefit than collectors and collection operations.

Agreeing the FairWild Premium Amount

The FairWild Premium is negotiated between seller and buyer appropriate for the specific situation and scale following the basic guidelines of the FairWild Standard. The FairWild Premium is not part of the collection income. It is earmarked for specific social uses (see chapter 3.6. for administration and use of the premium funds) and as such may not be reported as a component of the cost-of-goods-sold, earnings or operating income for the enterprise.

The FairWild Premium is often paid by the final buyer (e.g. the finished product manufacturer) to the wild collection operation (even if there are other companies in the middle). If it is paid by an intermediate buyer (e.g. a wholesale distribution operation) or by other traders or value-adders in the supply chain (e.g. an extraction house) or directly by the producer, this amount will usually be charged upstream to the final buyer (e.g. finished product manufacturer).

Wholesale distribution companies may voluntarily decide to participate in contributing to the Premium fund but in most cases the extra amount paid as FairWild Premium will be charged on to the final buyer.

The FairWild Premium can be a single annual contribution to the wild collection enterprise's fund (specified e.g. in purchase agreements or Memoranda of Understanding) or it could be a fixed agreed-upon amount that is added to each invoice as a separate line item. If it is charged directly on the sales invoices, these contributions to the Premium fund should not be included within the raw material cost. In any case the FairWild Premium must be specified in writing, either in invoices, purchase agreements or Memoranda of Understanding as this amount must be channelled into a separately administered Premium fund account. In cases where national regulations do not allow such additional fund contributions from international buyers or where such separately marked contributions would be subjected to high taxation, separate indication in invoices may be avoided and other indications used instead (e.g. in a Memorandum of Understanding). Such exceptions need to be approved by the certification body beforehand.

Guidance for Setting an Appropriate FairWild Premium

As guidance, the FairWild Premium should be approximately 10% of the collector purchase price of the respective product. In practice it is recommended to use average collector purchase prices (e.g. averaged over past three years) and calculate the 10% Premium contribution and use this as a set, fixed Premium amount. Alternatively, an operation with many different FairWild products may calculate average collector purchase prices across all products and take 10% thereof as set fixed FairWild Premium to apply for all products.

Normally the same FairWild Premium shall be charged to all FairWild buyers and the Premium shall not be subject to discounts.

Example 1

Price paid to collectors for dried Viola odorata is 8.50 USD/ kg (average of past 2 collections seasons). The FairWild Premium is agreed to be 0.85 USD per Kilo which is added to the final FairWild Sales price of 14.3 USD/kg. The Premium is re-negotiated after 2 years.

Example 2

The collection company prefers to maintain a fixed percentage of collector purchase prices as Premium. In each sales contract the FairWild sales price and the respective FairWild Premium are specified. The Premium is calculated at 10% of currently paid collector purchase prices for the respective harvest season.

What should FairWild invoices look like?

If the wild collection operation includes the FairWild price and the FairWild Premium on initial invoices, each FairWild product would ideally show two line items:

FairWild ingredient X: FairWild basic price per kg (inclusive of extra X% paid to collectors) + agreed-upon FairWild Premium contribution

If legally possible and wished by either party, the FairWild price may be broken down into a standard basic price, plus Fair Trade mark-up. The invoice would thus have three separate lines. Breaking out the price mark-up on invoices may help stakeholders to better account for their social / environmental investments above and beyond the basic cost of the raw materials.



Price setting mechanisms should be integrated into management plan or related Fair Trade policy of the operation. *See example calculation policy in Annex 4 and 5.*



Invoices and sales contracts shall specify the FairWild price (including quality mark-up) and the FairWild Premium contribution.



The FairWild operation has to present a cost calculation.

3.3 FairWild Premium administration and use

7.2 As soon as any FairWild Premium is received, it is administered transparently in a premium fund and decisions on use of the fund are taken in an accountable way by the collectors' organisation, collectors' representative committee or an assigned mixed stakeholder FairWild premium board.

MINIMUM REQUIREMENTS from Year 1:

- c. Administration of FairWild Premium: All premium funds received are responsibly administered and any use well documented.
- f. As a minimum performance level, FairWild Premium may be used mainly for sustainable collection implementation, business consolidation and investment (rather than social projects). Personal misuse or "loss" of money is not permitted.

MINIMUM REQUIREMENT from Year 2:

- a. Use of FairWild Premium is decided by the collectors' assembly

MINIMUM REQUIREMENT from Year 3:

- f. FairWild Premium may only be used for social projects or (in first five years) sustainable collection improvements or conservation projects as agreed by Premium committee. Business consolidation and investment are no longer permitted.

3.3.1 Explanation of Requirements

The intention of the FairWild Premium is to finance community development projects. In the first years of FairWild certification it can also be used for improvements in sustainable collection (e.g. establishing a resource assessment system to ensure that collected quantities are sustainable) and for conservation work as well as for personnel required for coordination and implementation. The Premium must not be used to finance statutory legal requirements of the collection operation, e.g. to pay minimum wages to workers. The Premium is not property of the FairWild collection operation and

may not be used to purchase assets (e.g. a processing site) that are then owned by the collection operation – such assets would need to be owned by a formally established Premium Fund entity.

The FairWild standard states (Criterion 7.2):

'This FairWild Premium is intended for social development projects in the collectors' communities (for which purpose the collectors' Premiums are to be pooled in a Social Development Fund managed by the group or groups of collectors). In the first five years of certification it may also be used to improve the sustainability of collection.'

The decision-making process needs to be democratic and involve all concerned stakeholders, namely collectors or their representatives and worker (representatives) if applicable. It is recommended to create a FairWild Premium Board, where all stakeholders are represented (including company representatives). All members of the Premium Board should be informed and trained about the concept of fair trade and the FairWild Premium (including the restrictions for its use) in order to be able to make informed decisions. If an operator is in doubt whether suggested ideas for Premium use or decisions on Premium use are in line with the FairWild standard, the operator or a representative of the Premium Board should contact the FairWild certification body for clarification.

3.3.2 Implementation Guidance

FairWild Premium Fund Administration

The received FairWild Premium must be transferred to a specific, separate Premium Fund account with appropriate signatory rights. Appropriate signatory rights for contract production projects are normally joint signature by contracting operation and a producer representative, or other appropriate setting that is practical while at the same time preventing misuse, e.g. two members of the cooperative board.

If only the management of the group operator holds signatory rights or if for specific reasons a separate bank account is not possible, a written confirmation signed by the executive management is required, which confirms that the wild collection operator acknowledges that the money in the FairWild Premium Fund is not its property and that its use can only be decided by the agreed Premium Fund decision body. In this case the operation must open an internal account for the Premium Funds in its book keeping.

Any use of the Premium for the agreed FairWild Premium projects (see next section) must be responsibly administered with detailed expense records and original receipts. The operation shall provide a summary of projects financed by the Premium Fund for its FairWild buyers and as basis for verification by the FairWild certification body.

Premium Use Decision Process

The FairWild Standard requires that the final decision on use of the FairWild Premium is taken by the collectors' assembly.

As it is in practice a complex and demanding effort to identify and manage responsible and meaningful premium community projects, an option is to set up a mixed FairWild Premium committee with selected collectors' representatives, workers in processing, wild collection operation representatives, and local development experts. The FairWild buyer may also be important potential member of such a Premium committee. The committee should identify and pre-assess suitable Premium Fund projects and develop a list of favoured proposals to be decided upon by the decision making body (e.g. collectors' assembly). The committee should also oversee practical implementation of the agreed premium projects.

Various projects are suitable as FairWild community projects. A number of typical examples of premium use in FairWild or other Fair Trade projects are listed below. These examples are not exhaustive and should not be misunderstood as recommendations for an operator or decision-making body. They only give some illustration of the potential scope of activities funded by the Premium Fund, but there are many more options.

Examples for use of FairWild Premium Fund:

- Emergency healthcare funds to cover unexpected higher medical costs of collectors.
- Equipment for community centres or sport facilities for the local community
- Subsidised crèche / kindergarten for children of collectors
- Education scholarships for secondary school or university for collectors children
- Support of local social societies, e.g. buying new much needed furniture, equipments, supporting ongoing costs of active non-profit local societies
- Emergency funds for collectors or microfinance schemes.
- Fund to support collectors and other families in the community when building or improving their houses
- Support of primary health care initiatives or traditional healing infrastructure and provide related training programmes
- Support of local hospitals, clinics, medical station: e.g. equipment / medical material
- Support of local schools building new classrooms, teaching equipment, new sports grounds or sports equipment
- Sanitary improvements in schools and local communities, e.g. building separate hygienic restrooms where these are lacking.

Financing Community Projects in Large Project Regions

In wild collection projects the challenge can be that the collection operation is active in various separate regions or throughout an entire country, with collectors who may belong to communities across the country.

In the case of geographically unrelated collection regions with no common grounds for community projects etc. it may make sense to split the premium over the different regions for regional use. Or, if quantities are too small to be split, apply a transparent rotation system whereby the premium is used in rotation for community projects in the respective regions. In the case of very scattered marginalized collectors or migrant labour, it may be decided to pay the premium as individual premium payments, e.g. at the end of the year. However, since this is not the primary intention of FairWild this will only be permitted in very few justified cases.



Procedures to decide on FairWild Premium use and how the Premium is administered shall be included in the management and / or operational plan.



The operation will need to keep the following documents:

- Notes of Premium Fund committee meetings (if any)
- Approved minutes of collectors' assembly with decision of premium use
- Detailed accounts of any expenses paid by the Premium Fund
- Accounting & bank details of the FairWild Premium Fund account
- Annual FairWild Premium Fund report

4 FAIR EMPLOYMENT CONDITIONS

The FairWild Standard requires all workers employed in the wild collection operation to enjoy good working conditions. The requirements apply to all workers of the operation, whether they are employed as permanent workers or contracted as temporary/seasonal staff and apply to all activities under the responsibility of the collection operation, e.g. purchase centre staff, processing staff, warehouse operators, field officers, office staff, etc.

4.1 Basic Labour Rights

8.1 The wild-collection operation respects basic human values and fundamental rights at work of all workers.

MINIMUM REQUIREMENTS from Year 1:

- a. NO FORCED LABOUR: No indication of forced labour, company does not keep employees' identity cards or deposits nor restricts workers leaving after reasonable notice.
- c. NO CONTRACTING OF CHILDREN. No children below 15 are CONTRACTED as workers. *If there are still child workers → phase out child labour responsibly and protect children whilst still working.*

MINIMUM REQUIREMENTS from Year 2:

- b. FREEDOM OF ASSOCIATION: Associative activities, unionization and collective bargaining of workers is permitted, there is no discrimination against unionized workers.
- d. NO CHILDREN ASSISTING WORKERS: Children (i.e. under age of 15) do not assist their parents or other workers in their duties. *If there are still children assisting their parents, this work never jeopardizes their health or wellbeing and a plan is presented for how to correct the situation within one year.*
- e. YOUNG WORKERS: Young workers (15-18 years) do not engage in work that is dangerous to their health, safety and that may jeopardize their development. Working hours do not exceed ten hours including travel and school time, and sufficient rest periods are provided.
- f. NON-DISCRIMINATION: No indication of systematic discrimination (distinction, exclusion or preference) based on gender, race, caste, origin, or religion, is allowed with regard remuneration.

NORM REQUIREMENTS:

- g. No evidence of systematic discrimination of workers with respect to opportunities (hiring, training, promotion); pregnant women are not being dismissed.
- h. No indication or discriminating and coercive behavior, such as gestures, language, physical contact that is sexually coercive, threatening, abusive or exploitative.
- i. Disciplinary practices do not violate human rights and dignity, are fair and transparent; no corporal punishment, no deductions from wages without agreement of worker.

4.1.1 Explanation of Requirements

Criterion 8.1 covers all basic labour rights of the collection operation's workers such as the absence of forced labour and prohibited forms of child labour, as well as freedom of association, non-discrimination and disciplinary practices. These labour rights are guaranteed in various international ILO conventions and have been transformed into national law in most countries. Rights related to or based on cultural and traditional practices need to be considered.

The performance indicators are kept relatively general as most wild collection operations are small employers. Hence a lower level of formal demonstration of compliance will be required than for large hired labour Fair Trade plantations or factories with many workers. However, the same basic fundamental workers rights apply.

4.1.2 Implementation Guidance

In order to implement the provisions detailed in Criterion 8.1 it is recommended that the wild collection operator develops a social policy that details all worker right aspects (see example in Annex 6). This social policy should be made accessible and explained to all workers and be annexed to their contracts.

For the development and implementation of the social policy it may be useful to consider the following recommendation of good practice:

Workers Organization

- Inform workers about their rights.
- Encourage workers to organize themselves, e. g. through holding regular general worker assemblies and electing their representatives. It may also be useful to encourage them to elect two ombudspople, ideally one from each gender or other simple form and practical representation structure. One of the core tasks is to maintain an open dialogue between workers, between workers and responsible company / operator management, and to facilitate communication for workers to raise their concerns to management.
- Do not conduct any union-busting activities or mandate such activities to other companies. Do not establish employer-driven worker unions. Unionized workers must not be discriminated against. Worker unions within the operator's staff can hold regular meetings during work hours; the operator's management is only present at such meetings upon invitation.

Discrimination and Disciplinary Practices

- If discrimination is an issue, a responsible non-discrimination officer should be selected by the management team of the operator. This person should also be able to act as a mediator between different interests or groups.
- Develop a written catalogue of disciplinary measures. This catalogue should make it transparent what type of misbehaviour would result in which disciplinary consequence. Workers should receive a copy of the catalogue.
- Except in very serious cases (e.g. proven sexual harassment) a stepwise approach should be chosen. Talks with supervisors, and oral and written warnings should precede more serious disciplinary measures.
- Workers should know procedures to raise grievance with the company without fear of being penalised for raising concerns. Grievance cases should be well documented.



Required documents:

- A social policy, distributed to workers (see example in Annex 6).
- Complete list of all workers including their position and preferably age.
- In case of child labour: remedial action plan.
- Documentation of disciplinary measures



Recommended documents, expected for all bigger operations with a substantial number of workers:

- Disciplinary policy, catalogue of disciplinary measures.
- Grievance policy.
- Statutes of worker organisation (if any).
- Minutes of meetings between management and workers representatives.

4.2 Health and Safety

8.2 A safe and hygienic work environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards.

MINIMUM REQUIREMENTS from Year 1:

- a. **SAFE MACHINERY AND EQUIPMENT:** Processing machinery and equipment is adequately safe for workers; no serious work accidents. *If safety is a problem → improvement plan.*
- b. **PROTECTION OF RISK GROUPS:** Pregnant women or nursing women and other risk groups (e.g. disabled people; workers with chronic illnesses) excluded from potentially hazardous work. *If not yet fulfilled → commitment declaration to improve situation within six months.*
- h. **EMERGENCY EXITS:** Unobstructed and sufficient; quick and safe evacuation in an emergency possible at all times.
- k. **SAFETY SITUATION:** The actual safety situation and accidents at work should be monitored: only minor accidents or occasional injuries, with appropriate follow-up and improvement actions.

MINIMUM REQUIREMENTS from Year 2:

- b. **PERSONAL PROTECTION:** Adequate personal protection equipment (PPE) for chemicals, noise, dust, light is provided in acceptable condition, workers trained in use.
- j. **FIRE MANAGEMENT:** Fire fighting equipment is sufficient for the size of operation and functional.
- m. **ADEQUATE ACCOMMODATION:** If the operator provides accommodation for workers, the accommodation must be acceptable (i.e. clean, safe, provide sufficient space and privacy and should be adequately equipped).

4.2.1 Explanation of Requirements

Criterion 8.2 focuses on health and safety aspects of the operator's work environment. The expected level of implementation is normally risk-based. Requirements are stricter for high-risk processing units than for an operator's administrative unit. In many countries, most health and safety aspects are already verified (and often certified) by state agencies and usually documented in inspection reports and letters of approval or corrective action plans (e.g. fire protection requirements). In these cases, it is useful to inform the FairWild certification agency about the relevant aspects covered and to provide the respective certificate. However, such certificates do not exclude the respective health and safety issues from being physically verified by the certification body.

4.2.2 Implementation Guidance

Safety aspects need to be well monitored and a safe working environment ensured. The following key points are particularly important aspects to keep in mind when monitoring and improving the safety situation at the operation.

- A risk analysis of the machinery and equipment used should be carried out, identifying potential hazards to the health of workers and measures to increase safety. An implementation plan should be developed, including timelines, and put into practice.
- Adequate personal protective equipment (PPE) should be given to all workers who work in a place for which specific protection is required or which has been identified as a risk zone.
- Emergency and evacuation drills should be carried out regularly to make sure that the workers know what to do in case of an emergency and are able to react quickly.
- First aid training should be provided regularly to all workers responsible for first aid and to the safety officer.



Required documents for all FairWild operations:

- Emergency procedures and emergency contact number – displayed.
- Accident records.
- Documentation of disciplinary measures of workers.
- Documentation of safety training for workers. *Workers with particularly hazardous work (dangerous machinery, forklift drivers, anybody handling chemical substances) are expected to receive in depth safety training.*
- Safety committee meetings or similar.



Recommended documents, expected for all bigger operations with a substantial number of workers or any operation with high safety risk for workers.

- Safety policy.
- Risk / safety assessment.
- PPE distribution records and PPE training documentation.
- External audit reports on health and safety aspects.
- Documentation of fire drills, checks of fire extinguishers etc.

4.3 Good Employment Conditions

8.3 The wild-collection operation acts as a socially responsible employer and provides good employment conditions.

MINIMUM REQUIREMENTS from Year 1:

- c. **MINIMUM WAGES FOR PERMANENT WORKERS:** All permanent workers must at least be paid applicable minimum wages or typical local rates (if no minimum wage defined). In case of pay-per-production, calculate income of an average production day without overtime.

MINIMUM REQUIREMENTS from Year 2:

- a. **WORK CONTRACTS PERMANENT WORKERS:** Job position, wage, benefits if any, working times, leave entitlement, housing if any: conditions are clearly defined and known to worker, even if not written.
- b. **WORK CONTRACTS CASUAL / TEMPORARY WORKERS:** Wages and working times are clearly defined and known to the worker, even if not written.
- c. **MINIMUM WAGES FOR TEMPORARY WORKERS:** Casual or seasonal workers must at least be paid applicable or (if not defined) typical local rates.
- g. **TIMELY PAYMENT:** Wages of all workers reasonably on time, only a few minor delays are acceptable.
- h. **DOCUMENTATION OF PAYMENT:** All payments are adequately documented and payslips given to worker indicate the wage particulars for the pay period.
- k. **WORKING HOURS:** The maximum working hours (including overtime) do not exceed 60 hours per week. *In exceptional cases, working hours may be averaged over a month, if there is a good overtime agreement and sufficient rest periods are granted. In a seasonal processing site due to temporary availability of the plants to be processed the following may be accepted: more than 60 hours only during short peak times (up to 6 weeks per year), if agreed with workers beforehand, always voluntary, with adequate rest days (one out of seven) and rest breaks.*
- o. **RETIREMENT / PROVIDENT FUND.** Basic coverage as legally required (in many cases only for permanent workers).

MINIMUM REQUIREMENTS from Year 3:

- e. **WAGES MEET BASIC NEEDS:** The wages paid are sufficient to meet the basic needs of the workers and their families. *If not yet fulfilled after three years, progress work with FairWild buyers to improve the situation must be demonstrated.*

NORM REQUIREMENTS:

- i. Weekly hours in line with national labour legislation; standard working time <48 hours/week; at least one rest day out of seven.
- l. Overtime should be voluntary and remunerated according to local legislation; at least paid extra or can be time-compensated.
- u. Wages of permanent workers should not differ from those paid to temporary workers if they have the same tasks and responsibilities (same wage for same work).
- m. Official bank holidays and paid leave granted as per legal requirements..

In addition, social benefit payments are encouraged. In most cases some of them are legal requirements such as health insurance, paid maternity leave and basic unemployment insurance and retirement funds.

4.3.1 Explanation of Requirements

The FairWild Standard requires all workers employed in the wild collection operation to enjoy well defined, good working conditions beyond core labour rights as expressed by the ILO conventions. Most aspects covered in this section are regulated under national labour law and the collection companies should ensure to know the legal requirements applicable to them.

As some labour issues are quite complex to understand and implement, the following sections provide additional explanations of selected requirements:

Basic needs wage

“A wage that allows workers to meet the basic needs enables a worker to support half the average-sized family above the poverty line, based on local prices near the workplace. Basic needs include essential expenses such as food, clean water, clothes, shelter, transport, education, a discretionary income, as well as legally mandated social benefits (which may include health care, medical insurance, unemployment insurance, retirement plan, and so on)”. (SA8000 Guidance Document 2004).

In case of doubts, FairWild companies are expected to present a basic estimation of a basic needs wage for their workers including considerations of average household size and number of earning family members amongst the workers of the operation. Special consideration shall be given to one-parent-families.

If no minimum wages are defined for the country concerned or for the sector, the operation is expected to carry out research on the wages for equivalent work in the sector in the country or region.

Maximum working hours

Overtime should not be compulsory. In case the operation sometimes asks workers to work overtime it must be made explicit that the workers may chose not to work overtime without being discriminated or otherwise penalised.

Maximum working hours per week should not exceed 60 hours, i.e. for a worker with a regular working week of 48 hours, a maximum of 12 hours overtime would be allowed. However, as processing in wild collection is often seasonal with distinct peak seasons, and since often workers are also interested to work longer hours during such peak times there are two provisions to allow for more flexibility:

- For short peak times (approximately six weeks per year) working hours may be longer than 60 hours/week if agreed with workers beforehand; they must still be voluntary and one rest day out of seven must be guaranteed.
- If peak times with longer working hours are more frequent or longer than 6 weeks and workers are in favour of working these longer hours, the operation may work out an overtime agreement with workers for defined peak periods and may average working hours over a month period. Example: In case of several peak periods of four weeks each, the operation may average working hours for each period over two months (each month with e.g. two weeks with 30 hours/week, then two weeks peak time 70 hours/week).

If these provisions are not sufficient to reduce working hours to acceptable limits, the operation must employ more workers or introduce additional shifts to reduce workloads for individual workers.

Equal employment conditions for different worker types

Workers who work for the collection operations all year but do not have the status of permanent workers should have the same basic social benefits as permanent workers.

FairWild operations should provide as many permanent work positions as reasonably possible to contribute to employment security. Relying on the services of temp work agencies should be avoided. If it is inevitable there should be no difference in payment between temp work labour and permanent workers for the same type of work.

4.3.2 Implementation Guidance

The collection operation should review its present employment practice:

- Review of present employment conditions of both permanent and casual workers.
- Analysis of working hours. Is overtime common and is it paid at legally required premium rate? Do working hours regularly exceed 60 hours / week? Is one rest day out of seven days always guaranteed?
- Workers satisfaction. Any feedback from workers regarding their employment conditions? Are worker grievances frequent? If yes, how are they being addressed?
- The operation shall have up-to-date information about labour statutory requirements such as minimum wage, social benefits, working hours, protection of women before/after child birth and should review its employment practice against these requirements.
- If purchase centres are semi-independent or subcontracted units, the working conditions must still be decent and will be verified as part of the collection operation.

Depending on your findings, working conditions may need to be improved to meet certification requirements.

The more workers the collection operation has, the more formal documentation and policies will be expected to confirm good working conditions.



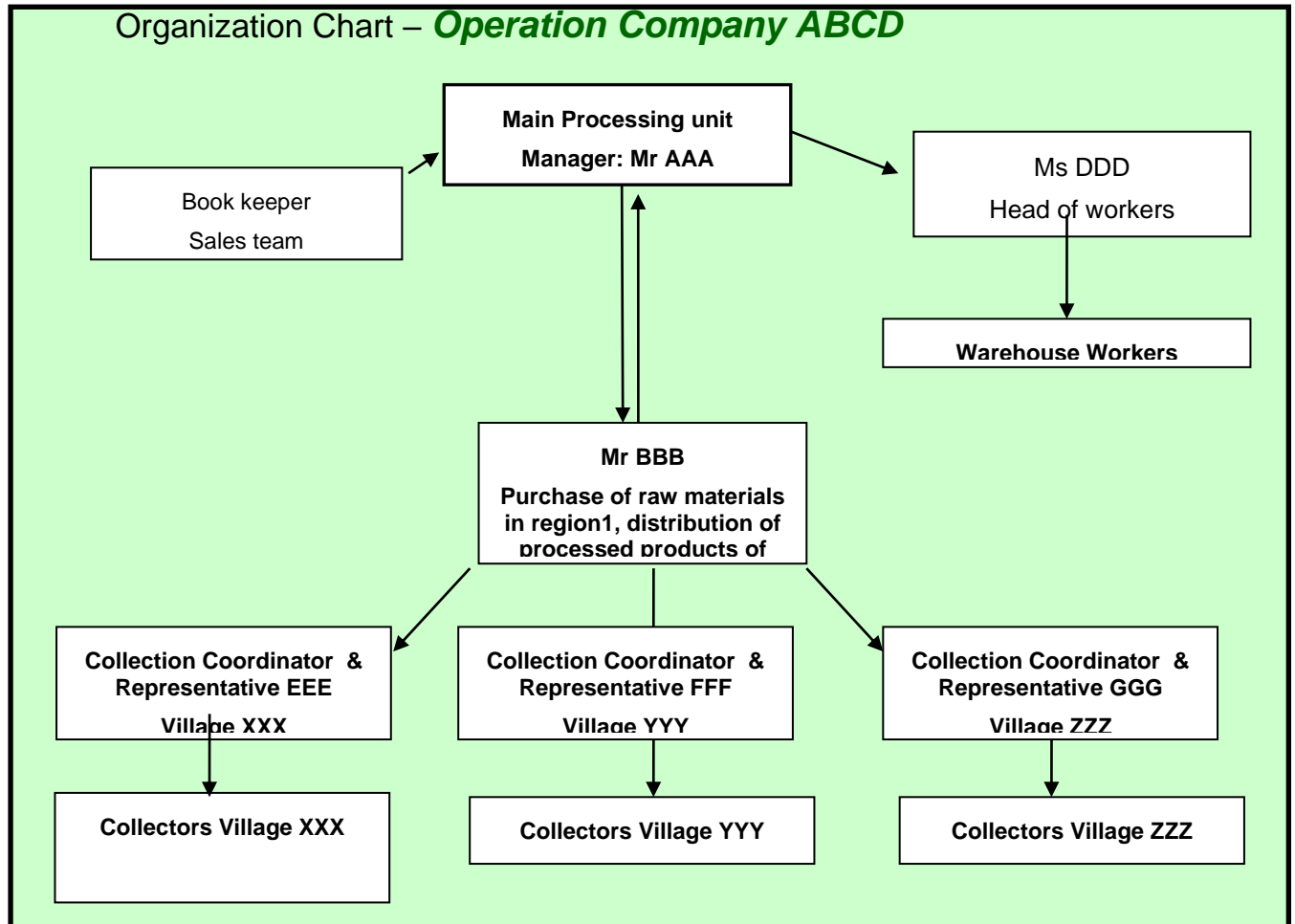
The collection operation's management plan shall include plans to address labour issues and improve working conditions, if necessary. The internal monitoring plan should include an annual internal review of employment conditions.



- Work / employment contracts.
- Payment records and pay-slips.
- Work time records.
- Staff files for each worker with identification (incl. age). Employment conditions for every worker must be defined in writing.
- Records on social security deductions and payments; pension systems / retirement funds; other insurances.

ANNEX

Annex 1: Sample Organisational Chart Wild Collection Operation



Example of collectors' representative organisation: Collectors in each of the three project villages will elect their representative in village annual assemblies.

Annex 2: Example of a FairWild Fair Trade Policy

FairWild Fair Trade Policy

Annual Collectors Assembly

Operator ABCD works in developing annual assemblies of collectors as a way of creating a forum for open discussion between collectors and managers as well as managing FairWild Premium Fund projects. This work begins in our first year of FairWild certification when the first FairWild Premiums are expected into the General Premium Account.

Collector organisation(s) will be initiated at village level. The collectors in our project have a very low income and are the intended FairWild beneficiaries. After one year it is planned that village collectors start to elect their representatives. The representatives from the 3 villages will meet regularly with ABCD to discuss the collectors' concerns and to communicate important changes in practices, reminders of good practice etc. We encourage the village representatives to meet informally once every two months to discuss important matters related to FairWild collection. Each village representative should organise a full collectors' assembly once a year to decide on FairWild Premium use; this can be done during the annual collector training session in the village.

With growing amounts of available FairWild Premiums ABCD hopes to apply these premiums to processor working communities as well.

Fair Pricing and FairWild Premium

ABCD continually seeks a balance between maximizing social return and ensuring the long-term commercial sustainability of our products. Each transaction generates profit for collectors and ABCD while creating positive impact in the supply chain through fair pricing, social premiums and collector organisation development support.

Fair Price for collectors

We pay a mutually agreed Fair Price to collectors, which covers the cost of collection and provides dignified livelihoods for their families. The price we pay to collectors aims to be between 5% and 7% above the average local market price. This determination is made between the collectors and ABCD and is confirmed by our FairWild certifier. The collectors' purchase price is also discussed with our FairWild buyers.

FairWild Premium Fund

Additionally, we ask our FairWild buyers to pay 10% percentage of the average collectors' prices into our separate FairWild Premium account Bank XXX. We will calculate the FairWild Premium by using collectors' purchase prices averaged over three years and take 10% thereof as the fixed FairWild Premium contribution for each of our products. This will be discussed and negotiated with our FairWild buyers.

These FairWild Premium contributions are invested to improve the social, economic and / or environmental sustainability of our collectors' communities. Use of the Premium is decided democratically by collectors' assemblies based on recommendations made by a FairWild Premium committee. In the first two years of implementation, the decision will be taken by the Premium committee, based on discussions during general assembly (see progress plans).

Premium Administration

FairWild Premiums are paid into our separate Premium Account within one month after receiving the full amount from our FairWild buyers. A FairWild Premium estimate is made at the beginning of the collection season in order to begin project decision-making and planning at the beginning of each harvest. All expenses paid from the fund will be duly documented.

PROCESS plans for 20XX:

Annual Training May 20XX

Collectors and ABCD management hold the first annual assembly following the annual training in sustainable wild collection. A separate training and assembly will be held for each of the 3 project villages to minimise travelling time and costs for collectors.

Goals of first village collectors' assembly:

- a. Educate all collectors and ABCD key personnel about the background and goals of the annual assembly and the responsibilities involved.
- b. Hold open forum to discuss collectors' issues: grievances, concerns, praises, ideas, etc.
- c. Introduce the purpose of the FairWild Premium Fund and how a Premium Investment Committee is formed to make responsible investment decisions.
- d. Communicate FairWild Premium estimate for 20XX. Explain that premium money applies to three project villages. For first two years it is planned to implement projects that benefit collectors in all three villages (e.g. education grants and emergency funds). In future with higher Premium income to be expected, the Premium may be split into a Premium proportion for each village or implement bigger village level community projects with a rotation system (each year a project another village – thus for each village one project every three years).
- e. Elect collectors committee representative for the village collector groups.
- f. Collect feedback from the annual assembly regarding potential FairWild Premium projects relevant to the community.
- g. Establish a date end of 20XX to hold the Premium committee meeting where social Premium investment will be discussed, and decisions and planning be made. .

Annual collectors committee meeting

Collector representatives elected for the collector committee will meet with ABCD management to discuss and decide how to invest the Premiums generated in 20XX.

Goals:

- a. Narrow down the ideas presented by the annual assembly to three project candidates.
- b. Discuss pros and cons of each proposed project.
- c. Vote to decide on Premium project (simple majority) and project management leader.
- d. Create draft budget and project plan.

From 20XX onwards Premium decision will be prepared by the committee and then a vote will be organized during the annual collectors' assembly.

Annex 3 Cost Calculations

Converting Investments into Annual Costs for the Cost Calculation

Investments in facilities and machinery must be accounted for over their lifetime. Each year only the annual depreciation is included in the cost analysis.

The simplest way to calculate depreciation of assets is the straight line depreciation. It is based on the assumption that an asset loses an equal amount of its value each year of its useful life.

$$\text{Dpn} = (\text{C} - \text{R}) / \text{N}$$

Dpn = Annual straight-line depreciation charge.

C = Cost of the asset.

R = Residual value of the asset. Residual value is the value an asset will have after it has been depreciated, or amortized.

N = Useful economic life of the asset (years).

Example

A business purchases a new machine for USD 75,000 on 1 January 2003. It is estimated that the machine will have a residual value of USD 10,000 and a useful economic life of five years.

Using the straight line depreciation method, the calculation of the annual depreciation charge is as follows:

$$\text{Dpn} = (\text{USD } 75,000 - \text{USD } 10,000) / 5 = \text{USD } 13,000$$

In the accounts of the business a depreciation charge of USD 13,000 will be expensed in the profit and loss account for each of the five years of the asset's useful economic life.

This amount is used also in the operation's annual costing calculation.

Note: the straight line depreciation does not account for the capital investment costs (interest rates) accumulating over the years. There are many more complex calculation methods to account initial investments adequately in detailed costing analyses.

Fixed Costs and Variable Costs

Total costs: Sum of fixed costs and variable costs.

Variable costs change directly and proportionately with changes in activity level, e.g.

- Raw materials
- Productive work being directly related to the product or service that causes direct labour costs

Fixed costs remain constant, regardless of change in activity level. Fixed costs are the sum of all costs required to produce any product.

- They do not change when the volume of production/service is changed.
- Fixed costs can include facilities costs, general and administrative costs, and interest and depreciation expenses.

Converting Total Costs into Cost per Unit

Fixed costs must be divided by the total quantity of products produced by the operation – thus including also any non-FairWild products.

Variable costs are normally easier to convert to costs per unit and can be calculated on the basis of monthly wages and expenses per processed quantity in the processing unit.

Annex 4 Example Cost Calculation 1

Collection Company ABCD Production Costing & Pricing						
A.	Leaf XXX Collectors Price	USD / kg				
a.	Dried Leaves Equivalent Price (fresh leaves price/processing ratio)	1.50	Ratio fresh leaves: dried leaves= 1:5			
b.	Drying costs and overhead Collectors 10%	0.15				
c.	Transport to collection centre app. 3 km at 0.15 USD	0.45				
Total Collectors Price without FairWild Markup		2.10				
Total Collectors Price incl. 5% FW mark up		2.21				
			Crosscheck collectors Price			
			Typical 800 kg dried leaves/collector during 3 months season			
			1764	USD Total Income this product		
			588	USD Income / Month		
			National Minimum wage is 560 USD / month --> ok			
A.	Leaf XXX Price structure	USD / kg	%			
a.	Collectors price	2.21	93.2%			
b.	Purchase centres logistics & organisational costs 5%	0.11	5.0%			
c.	Purchase centres transport to central warehouse	0.05	2.1%			
Total :		2.37	100.0%			
				Herb processing		
				Total kg raw dried leaves per season	10,000	
				Total kg dried sorted sales quality	9400	
B.	Factory Production Costs					
No	Cost details (excl. VAT)	Cost price USD / kg	Annual USD	Average/ month USD	%	
1	Raw material Leaves	USD / kg = 2.37				
	yield (after losses and sorting)	94%	2.52	23,705.00	1,975.42	51.8%
2	Production & storage:		1.20	11,280.00	940.00	24.7%
	Costs include: processing and packing (labour, depreciation, repairs, utensils, cleaning...) packaging (j/c), storage (rent, electricity, handling...)					
3	Quality control:	app 150 USD / 500 kg	0.30	2,820.00	235.00	6.2%
	1x sample every 500kg (lab. analysis, courier, sample bottles)					
Sub-total processing costs :			4.02	37,805.00	3,150.42	82.6%
4	Collection Company gross margin:	21%	0.84	7,939.05	661.59	17.4%
	Overheads, management & administration, financing*, provisions & contingencies, FairWild quality management FairWild certification. surplus ...					
Total (USD) :			4.87	45,744.05	3,812.00	100.0%
* Note: Financing costs:						
		Based on raw materials costs (only)			Bank interest rate (p.a.): 8.00%	
	Raw material costs USD (p.a.):	23,705	months	Costs		
	1st sale (1/3 costs) 2 months:	7,902	2	105.36		
	2nd sale (1/3 costs) 4 months:	7,902	4	210.71		
	3rd sale (1/3 costs) 6 months:	7,902	6	316.07		
	Total financing costs (USD):			632.13	52.68 avg. USD per month	
C.	Export Shipment Costs	<i>4 tons oil per shipment</i>				
No	Cost details (excl. VAT)	USD / t	USD / kg			
6	Packaging Material	125.00	0.13			
7	Palletising & packing	25.00	0.03			
8	Transport to client	0.00		FOB sales, paid by buyer		
10	Export doc. & co-ordination, liaison with buyer	80.00	0.08			
Total export costs :		230.00	0.23			
Minimum envisaged Sales Price				5.10	USD / kg	
FairWild Premium charged to FairWild Buyer:				0.22	USD / kg	
10% of collectors Price; administered separately						

Annex 5 Example Cost Calculation 2

Step 1: Calculate the costs and profits per plant per kg

	Part of plant	Purchase Price fresh plant	Drying factor	Purchase Price dry plant	Purchase Price including 5% FW Markup	% Local purchase costs	USD/kg local purchase	% Additional local purchase costs	Additional USD/kg local purchase	Purchase price	Costs transport	Costs of 1st processing	Price Purchase and Processing	Waste purchase	Waste quality	Price including losses	Overhead costs office	Transport costs to buyer	Price for production	% of your own profit	Profit	Sales price
		USD/kg	%	USD/kg		%	USD/kg	%	USD/kg	USD/kg	USD/kg	USD/kg	USD/kg	%	%	USD/kg	USD/kg	USD/kg	USD/kg	%	USD/kg	USD/kg
AAAAA	flower			19.0	19.95	2	0.38	2	0.38	19.76	0.20	0.20	20.16	1	1	20.6	0.04	0.18	20.80	18	3.75	24.55
BBBBB	leaf			2.0	2.10	1	0.02	2	0.04	2.06	0.10	0.40	2.56	3	1	2.67	0.04	0.18	2.89	18	0.52	3.41
CCCCC	fruit			12.3	12.92	1	1.23	1	1.23	14.76	0.15	0.90	15.81	2	2	16.43	0.04	0.18	16.65	18	2.99	19.64
DDDDD	leaf			2.2	2.31	2	0.06	2	0.06	2.32	0.1	0.4	2.82	2	2	2.98	0.04	0.18	3.2	18	0.58	3.78

Step 2: Calculate the needed amounts of each plant.

Plant	Part of plant	Amount raw material	% Waste purchase	% Waste quality	Envisaged sales amount
		kg	%	%	kg
AAAAA	flower	510	1	1	500
BBBBB	leaf	10,417	3	1	10,000
CCCCC	fruit	2,083	2	2	2,000
DDDDD	leaf	12,500	2	2	12,000

Step 3: Calculate the total costs and profit

Plant	Part of plant	Costs raw material (kg total multiplied by price/kg)	Purchase Costs Station 1 (kg total multiplied by price/kg for purchase station)		Purchase Costs Station 2 (kg total multiplied by price/kg for purchase station)		Total Costs transport		Total Costs processing	Total Costs overhead	Total Costs export	Total Profit
			USD		USD		USD	USD	USD	USD	USD	
AAAAA	flower	9,693.88	193.88		193.88		102.04	102.04	20.41	91.84	1,913.27	
BBBBB	leaf	20,833.33	208.33		416.67		1,041.67	4,166.67	416.67	1,875.00	5,416.67	
CCCCC	fruit	25,625.00	2,562.50		2,562.50		312.50	1,875.00	83.33	375.00	6,229.17	
DDDDD	leaf	27,500.00	750.00		750.00		1,250.00	5,000.00	500.00	2,250.00	7,250.00	
TOTAL		83,652	3,714.71		3,923.04		2,706.21	11,143.71	1,020.41	4,591.84	20,809.10	

Annex 6 Sample Social Policy

ABCD offers its permanent and casual workers in purchase stations and the central warehouse conditions that include higher-than-prevailing wages, attractive working conditions, health and other social benefits, opportunities for growth and treatment with respect.

Compensation

- Permanent workers in the following operational categories: grading, office, warehouse, packaging, drivers. They receive a monthly basic salary plus a production incentive (piece wage). Permanent workers in the “operator” category receive a basic salary plus overtime pay for work in excess of regular working hours. The basic salary is raised annually based on individual performance. Performance evaluations are carried out once a year to assess performance of each worker. The incentive rate is also revised annually taking into consideration the prevailing market rates for each category of work.
- Permanent workers also receive the following leave entitlements:
 - Medical leave – Seven days/year
 - Annual leave – Maximum 14 days based on length of employment
- Casual workers (purchase staff, assistant grading, and general workers) are employed seasonally during peak production periods or when needed. Although they are not on the permanent cadre, they are paid the same rates as the permanent workers, and contributions to employee provident fund are paid. Casual workers are not entitled to a guaranteed basic wage. Casual workers are taken into the permanent cadre as and when vacancies on the permanent cadre arise, based on performance. Casual workers are not entitled to paid leave, as are the permanent workers.

Working Hours

Due to the company's young age, frequently changing production levels, equipment problems resulting in overtime needs and absenteeism among workers in the wet season some ABCD staff has routinely worked more than 60 hours per week. Working overtime is voluntary and staff are compensated by extra pay for overtime or higher output. As ABCD's production becomes more predictable, the company is now reducing weekly working hours through shift operation and hiring of additional staff. Current working schedules for grading and packing section workers and operators are as follows:

Working hours peak season: from 8 A.M to 4.30 P.M, six days a week.
During low season. 8.00 A.M. to 4.30 P.M, five days a week

Safety

Safety is a key concern at ABCD. The company carries out fire drills and practice emergency evacuation twice a year. Fire equipment is checked for functionality every 3 months.

Emergency procedures are displayed and all dangerous machinery display suitable warning signs.

The company has a senior safety manager who is in charge of safety checks every two months. Workers are invited to raise safety concerns in regular safety committee meetings.

Workers received personal protection equipment like gloves and ear muffers and must wear the equipment whenever at work in safety areas. Warehouse workers receive steel-capped shoes for protection.

Workers receive updated safety trainings once a year.

Working Conditions, Equal Treatment and Opportunities

- ABCD does not discriminate on the basis of gender, ethnicity, religion, age or other factors except for performance. Male and female workers are accorded equal status and equal

opportunities and are remunerated equally for work of equal value. ABCD's management is committed to offering opportunities for growth to motivated and competent women. The company's workforce includes many ethnic groups and religious beliefs.

- All permanent workers have letters of employment describing the terms of employment such as compensation, leave entitlements etc. As is common practice, the casual workers do not have written contracts. They are subject to the same rules and policy principles as permanent workers. The basic employment conditions are recorded in their staff file.
- All workers are protected against arbitrary and unfair treatment. Complaints by workers about discrimination or otherwise unfair treatment are investigated by management and, if required, by independent outside investigators.
- Physical or verbal abuse is forbidden. Deduction of wages as disciplinary action without agreement is prohibited.
- Child labour is prohibited at ABCD, whether it is as a direct or indirect means. The minimum age of casual or permanent employees at ABCD is 18 years.
- All production departments and field officers are represented in ABCD's employee council. It meets regularly (once a month) and offers opportunities to express grievances and suggest operational and management improvements.
- ABCD operates an open door policy. Workers are encouraged to openly discuss their concerns and any grievances raised are duly responded to and recorded. Workers raising their grievances to management are never penalized for raising issues.
- ABCD management practices and promotes staff training and cooperation between management and staff in a constructive and respectful manner.
- ABCD grants the right to perform traditional, cultural practices to all staff if practices are within the limits of national and international legal frameworks.