

SEE Questionnaire

Marketplace Ethics Q5



Does your company have a policy to support fair trade?

Rationale for question

Fundamentally, fair trade is about paying producers a fair price, and empowering them to achieve economic independence. Traidcraft suggests that it differs from standard trade in five principal ways:

- It is focused on trading with poor and marginalised producer groups, generally in the developing world, helping them to develop skills and sustainable livelihoods through the trading relationship.
- It pays fair prices that cover the full cost of production, and enable a living wage and other fair rewards to be earned by producers.
- It provides financial benefits such as pre-payment or credit when needed to allow orders to be fulfilled and payment of premiums to be used to provide further benefits to producer communities.
- It encourages the fair treatment of all workers, ensuring good conditions in the workplace and throughout the supply chain.
- It aims to build up long-term relationships, rather than looking for short-term commercial advantage.

The movement first began about 40 years ago. In recent years it has seen enormous growth as consumers become increasingly concerned about the impact of trade on developing countries, as companies improve their trade practices, and as fairly traded products are made more widely available. At present, most fair trade initiatives are focused on agricultural commodities, e.g. coffee, tea, cocoa and sugar, because of the low and decreasing prices of commodities. Manufactured products, such as clothing and other textile products, are also now being certified.

However, there is some scepticism about fair trade initiatives. Critics offer a variety of arguments, such as the following:

- Fair trade will lead to an over-supply of commodities eligible for fair trade certification, and will discourage the diversification of exports.
- Certification bodies are not always able to monitor to ensure compliance with standards.
- Producers may not receive much of the premium paid for fair trade products. Retailers, who set the final price paid by consumers, can place significant markups on fair trade products.
- Labelling organisations may have high administrative and marketing costs.
- Using overseas fair trade products conflicts with other beneficial practices such as sourcing locally.
- It does not do enough to establish a more equitable and autonomous trading system.

Regardless of such criticism, the concept of fair trade is gaining greater acceptance and there are efforts to improve its operation. The fair trade movement encompasses many NGOs and development agencies (some are listed in Resources section). Several alternative trading organisations, for example, have set up their own trading arm or have established product brands that meet particular standards of fair trade, not only to avoid exploitation of producers but also to make a real improvement in peoples' lives. Of these, the most widely known is the Fairtrade Mark. Products are certified by the Fairtrade Labelling Organisation (FLO) as conforming to standards which improve the development of disadvantaged producers in developing countries.

There are many ways that companies can support fair trade. These may include:

- purchasing fair trade consumables within the company, such as providing fair trade certified tea and coffee for staff and visitors;
- articulating a company policy on fair trade and communicating it to employees;
- promoting or sponsoring a workplace initiative such as holding a regular 'fair trade day';

- linking up with a charity that works to promote fair trade;
- communicating its views on fair trade to suppliers and customers so they understand the benefits and are aware of the range of fair trade products available;
- including fair trade goods in a company's product range; and
- developing a direct fair trade relationship with producers, whether it be through the Fairtrade Foundation, the FLO, an alternative trading organisation, or independently.

Defining terms

For the purposes of this question, 'fair trade' and 'Fairtrade' should be regarded as distinct terms.

'Fair trade' is a term used to define a movement which uses trade practices and fair prices to address inequitable trade conditions. Generally, it is focused on improving the life chances of poor and marginalised peoples in the developing world. However, these same principles can be applied to producers in industrialised countries where they also may not have fair and equitable trading relationships.

'Fairtrade' is the recognised mark of the Fairtrade Foundation and its labelling/certification scheme. The Fairtrade Mark is part of the larger fair trade movement.

For the purposes of this question, it is also important to distinguish between 'fair trade' and 'ethical trade'. 'Ethical trade' is primarily concerned with ensuring employees in established supplier companies (who have access to international markets) are not being exploited. On the other hand, 'fair trade' is focused on providing producers access to markets, which in turn leads to improvements in their socio-economic situations. Both aim to improve the income and working conditions of workers and producers but through different means.

Primary and Secondary answer requirements

ANSWERING YES

All companies must:

1. confirm that they use fair trade products in the supply chain or workplace whenever it is possible to do so; and
2. describe their practices or policies to support fair trade (as set out in the rationale).

Companies producing fair trade products must:

1. explain the fair trade standards for their products;
2. list their products meet these standards; and
3. explain how they ensure the standards are met.

Companies retailing or distributing fair trade products must:

1. list their products that meet fair trade standards;
2. state which fair trade certification scheme(s) is used; and
3. state any markup they place on fair trade products over the equivalent non-fair trade products.

ANSWERING NO

All companies must:

1. explain why they do not or cannot answer YES to this question, listing the business reasons, any mitigating circumstances, specific criticisms or other reasons that apply.

All companies may:

1. identify any ways in which they support fair trade initiatives, e.g. through ad hoc purchases of fair trade products, even if they cannot meet the specifications to answer YES; and
2. mention future intentions regarding this issue.

NOT APPLICABLE is not a permissible answer to this question.

DON'T KNOW is not a permissible answer to this question.