

August 2015

Dear members,

The implementation of the WFTO Guarantee System (GS) is in its second year, and all members are required to have implemented the system by end of 2015. Like any new system, the implementation of the GS by the members has obviously challenges including understanding the various parts of the system, what information members are supposed to provide, understanding of terms, etc. The instructions provided in this issue of the newsletter are one of the efforts to help the members to navigate through the system. These instructions are not necessarily sufficient, but provide the basis on which further and more specific instructions can be put together and shared with the members – so feel free to ask questions and to seek for clarifications. Contact info@wfto-africa.org

Bernard Outah
Regional Director WFTO Africa & Middle East

Instructions on WFTO Guarantee System (GS)

Instructions # 1: Introduction

The WFTO Guarantee System (GS) is the WFTO operating membership and monitoring tool that is available and at the same time mandatory for all members, even if they do not want to use the WFTO Product Label on their products. Members also need to know that the GS is based on a **three-level monitoring system**, namely, whereby members are required to fulfil the following monitoring procedures:

1. **Self- Assessment: every 2 years**
2. **Monitoring audit** by an approved WFTO-auditor every 2-6 years depending on the risk category
3. **Peer visits** by peers nominated by the FTO: every 2-6 years depending on the risk category.

Additionally, WFTO has developed the WFTO [Fair Trade Accountability Watch](#), which is an online social accountability system that allows all members as well as concerned stakeholders or the public to raise alerts about a WFTO member's compliance with the WFTO Standard.

FAQs

1. Is the GS a product certification tool?

No, the Guarantee System **is not a product certification system**, but an assurance mechanism that Fair Trade is implemented in the supply chain and practices of the organisation. Organizations that are GS approved are free to use the WFTO label on their products that have been included in the monitoring process.

2. I cannot find the Profile and SAR forms on the WFTO website!

The new profile and SAR forms can be found in the WFTO website, under the Members Only section (you need to login in order to access it). Once you have log in, go to the Guarantee System section on the right hand side of the page. The forms are part of the Handbook, in Chapter 11 (11.1.1b and c). Alternatively, contact monitoring@wfto.com or admin@wfto-africa.org

3. Is the Handbook available in other languages?

In special cases, we can provide translations for some small parts; however it is currently not possible to have the whole annex in other languages. English version is always binding even if translations become available.

4. Can I fill in the SAR in other languages?

The SAR form must be filled in English.

5. When will I be able to use the WFTO label?

Only, full members of WFTO who have undergone the Guarantee System monitoring process (SAR+Audit for this first cycle), have been approved according to the WFTO Standard, and have signed a labelling agreement with WFTO, can use the WFTO Product Label.

6. How long does the whole process take?

It mainly depends on how accurately you will fill in your SAR. Normally, the approval of the SAR + Audit visit should take approximately six months.

Instructions # 2: Types of membership

WFTO has two categories of membership:

- 1) **Provisional member:** an organisation, which has applied for WFTO membership, paid its first membership fee but not yet completed the first monitoring cycle of the WFTO Guarantee System. These organisations have **two years'** time since their approval as provisional members, to submit their SAR and go through the GS process. Provisional members are **not entitled** to:
 - Using the WFTO logo in any form without the permission of the WFTO Global Office as well as the WFTO Product Label on their products.
 - Serving on the Board
 - Speaking or voting at the Annual General Meeting
- 2) **Full member:** an organization which has completed the first cycle of monitoring requirements under the WFTO Guarantee System. This means that they have submitted duly filled Profile for existing members, Self Assessment Report (SAR) and has undergone the first monitoring audit.

In the transition phase, the category registered member will remain in use to cover those members that became full members before the introduction of the Guarantee System, but have not completed their first Monitoring Cycle.

Membership is further divided into 3 categories according to their main activity, namely:-

<p>Trading organization: Fair Trade member organization whose annual sales volume is above 50% of annual income.</p>	<ul style="list-style-type: none"> • Fair Trade Organization (FTO)
<p>Non-trading organization: Fair Trade member organization which is not involved in trading of Fair Trade products or whose income from trading activity does not exceed 50% of the overall income.</p>	<ul style="list-style-type: none"> • Fair Trade Network (FTN) • Fair Trade Support Organization (FTSO) - Organisations that support Fair Trade activities but are not directly involved in trading of Fair Trade products. They could be organisations whose primary mission is to promote Fair Trade through provision of technical, financial, business advisory or other services to Fair Trade producers and/or Fair Trade organisations.

The Guarantee System for FTNs and FTSOs

As the Fair Trade organizations, to become full members of WFTO, new* FTNs and FTSOs members need to:

- Complete the **Profile form and Self-Assessment Report** for all the compliance criteria which apply to them.
- Undergo an initial **Monitoring audit**.

**NB: this is valid only for a new member (FTN or FTSO).*

1. Non- trading FTNs and FTSOs

After they become full members of WFTO non-trading members do not have the same obligations in the Guarantee System as trading members. Unless they opt to fulfil the requirements of the Guarantee System, they may not use the WFTO Product Label.

To remain full members of WFTO they need to:

- Send their **audited accounts and Annual Report** to WFTO every year
- **Update their Profile form every 2 years**

A monitoring audit is necessary if any concerns regarding compliance with Fair Trade Principles are raised about particular organisations.

2. FTN and FTSO with some trading activity

Some organisations are admitted as FTSOs or FTNs even though they do some trading as a minor part of their activities.

When they do their initial Self-Assessment they will need to answer all the questions which apply to their trading activity, and their initial audit will look at their trading data. If it is decided that they can be admitted as Support or Network members they will have no further scheduled monitoring within the Guarantee System, as above.

If they, or existing members, wish to use the **WFTO Product Label** on any of their products, then they will need to comply with **all the requirements** of the Guarantee System for trading members. In particular, they will:

- receive a **monitoring schedule**
- undergo **Peer visits and Monitoring audits**
- complete a **Self Assessment every 2 years**

Instructions # 3: The profile form for existing members

Every two years WFTO members are required to send their Self-Assessment Report (SAR). As part of the Self-Assessment, they also have to provide another form, called "Profile form for existing members". The aim of the profile form is to identify which type of membership your organisation is entitled to (FTO, FTN or FTSO), which risk category you fall in, as well as to acknowledge any changes that might have occurred within the two years in your organisation (e.g. aim and objectives, trading activity, financial situation etc.).

Below we have collected the most frequently asked questions by members about the profile form. We hope that this can help your experience with the filling of the form.

What we expect in the answers to the following questions in the profile form:

5.3: What is the percentage of your sales volume / gross sales in relation to your turnover?

This question is meant to clarify your sources of income and to determine your WFTO membership category. Fair Trade Organisations (FTO) have at least 50% of their income through trading activity, while Fair Trade Support Organisations (FTSO) fall below the 50% benchmark.

5.5: Please specify your sales channels, distinguishing between Fair Trade buyers and conventional buyers.

This question is meant to identify what is the final part of the supply chain. We would like to know how many of your FT products end up in mainstream channels. Consider FT sales as to other FT actors (WFTO members, world shops) and conventional sales to other businesses such as supermarkets.

7.2: For an export organisation, how many suppliers of FT products do you buy from?

Fair Trade suppliers are those suppliers that are either in your Internal Monitoring System (IMS) and thus verified by you, or organisations that are verified through WFTO recognised Fair Trade schemes or are themselves, WFTO members. A list of these schemes may be found in Chapter 6.3.2 (<http://bit.ly/1v9UD1V>):

ECOCERT, FLO Cert, FUNDEPPO, IMO - Fair For Life, Naturland etc.

NB. Other social certification bodies may be accepted as partially equivalent where FTO's have the audit reports on file and have scrutinised the results and complemented the monitoring to ensure the supplier complies with core FT Principles.

Unverified suppliers that are included in the (approved) IMS are considered FT sources.

Instructions #4: Self-Assessment Report (SAR)

The purpose of the SAR is to verify member's compliance against the Fair Trade Standard, which comprises a set of criteria that must be observed. **All types of organisations** are required to submit their SAR in order to become guaranteed members.

Fair Trade Organisations (FTO) have to continue implementing this process and they need to submit their **SAR every 2 years and undergo monitoring visits**, even after they have been approved as guaranteed members.

Fair Trade Networks (FTN) and **Fair Trade Supporting Organisations (FTSO)** have to submit a SAR and undergo a Monitoring Audit only in the first cycle. Once full members, they need to submit an updated **Profile Form every 2 years**, unless they wish to use the WFTO Product Label, in which case they need to follow the same monitoring schedule as FTOs.

Risk categories:

Trading WFTO members are divided into 3 risk categories: LOW, MEDIUM and HIGH, based on the complexity, scale and control of their operation and whether they use the WFTO Product Label on their products or not.

WFTO GUARANTEE SYSTEM CYCLE FOR TRADING MEMBERS			
	Low Risk	Medium Risk	High Risk
Self-Assessment	Every 2 years <i>After 2 good audits/visits, reduced to every 3 years</i>	Every 2 years	Every 2 years
Monitoring Audit	Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (alternating with Peer Visit)	Every 2 years (alternating with Peer Visit)
Peer Visit	Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (alternating with Audit)	Every 2 years (alternating with Audit)

SAR is divided into the four following sections:

Section 1: Supplier monitoring form

- Information about your suppliers/producers
- Self-Assessment of your Internal Monitoring System (IMS)

Section 2: Compliance assessment form

You will be asked to give a rating about your compliance with each of the criteria set out in the Standard. Many of these criteria are mandatory requirements. Some of them must be met right from the beginning, while others are to be reached over a set period of time. There are also some requirements where a WFTO member must show continuous improvement over time.

Source of Information section

All the sources of the information including documents that are mentioned in the SAR have to be reflected in the **Source of Information** section. With the GS, you are not required to attach any of these documents unless you are asked for them, but list all the relevant documents under Sources of information at the end of the SAR document; they are important part of the peer visit and external audit and will be checked and reviewed by both the peer and auditor.

Section 3: Improvement plan form

Please note that each compliance criteria rated as IMP or NC needs to be addressed in your improvement plan (page 37), and will become the basis for review in the next monitoring cycle.

Section 4: Peer proposal form

You need to nominate between 2 - 4 peers (individuals) who would be able to come to your organisation to carry out Peer Visit. They can be from other FTOs (local or from country/ regional networks) or could be a trading partner who could incorporate it with a normal visit. They could also be from a local NGO or government department. You should choose someone who understands Fair Trade and your business and would be able to write a short report at the end of the visit in English or Spanish.

FAQs on SAR

Can I fill in the SAR in other languages?

The SAR form must be filled in English.

When will I be able to use the label?

Only full members who have undergone the Guarantee System monitoring process, have been approved according to the WFTO Standard, and have signed a labelling agreement with WFTO, can use the WFTO Product Label.

How long does the whole process take?

It mainly depends on how accurately you will fill in your SAR. Normally, the approval of the SAR + Audit visit should take approximately **six months**.

Are the Peer Visits mandatory for the first cycle?

Peer visits are not mandatory during the first monitoring cycle, but they are highly recommended because they can make sure that you are well prepared for the first Monitoring Audit.

Which country should these Peers reside in?

The peer visit takes place at the member's site. In case of members that have their producers close, supplier visits should be included (Chapter 7.2.4, point 10 of the handbook)

Instructions #5: Peer Visit

Peer Visit is a part of the monitoring system for WFTO members. This is part system which also includes the Self-Assessment Report (SAR) and the Monitoring Audit.

Peer visits normally take place once every cycle of the WFTO Guarantee System. In the case of high risk or suspected serious non-compliance, the Guarantee System cycle will be shorter and extra visits might be scheduled by the Guarantee System Committee with the Approval by the Board committee if a serious alert comes in.

Purpose of the Peer visit

The purpose of the Peer Visit is quite different from the Monitoring audit. Peers do not come to inspect the FTO but rather to help their peer to get prepared for the Monitoring Audit. They can highlight the good practices in a FTO and raise issues of concern. Peer visit can be a mutual learning experience.

Peer visits alternate with monitoring audits. The frequency of peer visits depends on the risk category of the FTO as shown in the table below.

Peer Visit Frequency for the Trading Members			
	Low Risk	Medium Risk	High Risk
Peer Visit	Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (alternating with Audit)	Every 2 years (alternating with Audit)

What does a Peer visit include?

- Opening meeting of FTO with peers
- Review of documentary records
- Interviews with trading staff, field staff
- Confidential interviews of FTO employees
- Site visit to production areas, selected by the peers¹
- Review of product labelling, sales documentation and communication with clients
- Review / discussion of promotional materials
- Exit meeting to summarise the key points and discuss whether their Self-Assessment
- Report accurately reflects their compliance with the Standard.
- Discuss their improvement plan.

FAQs on PEER VISITS

Are the Peer visits mandatory?

Peer visits are not mandatory during the first monitoring cycle, but are highly recommended.

After you become guaranteed, the Peer Visit will be part of your mandatory monitoring schedule.

How long should the Peer visit take?

Members are free to decide how long they would like their Peer Visit to take. In general 1 or 2 days is recommended.

How much will the Peer visit cost?

Ordinarily, a peer is not expected to charge for their time. However, it is up to the peer and visited member to discuss the necessary details and agree.

Which country should the Peers come from?

Members are free to choose any peer, keeping in mind that the visit should take place at their main place of work. They are free to choose someone close, or someone that is already visiting for other reason.

Instructions # 6: Monitoring audit

The Monitoring audit is one of the three components of the WFTO Guarantee System, along with the Self-Assessment Report and the Peer Visit.

The aim of the Monitoring audit is to assess the FTO's practices against the WFTO Standard based on documentary records and on site verification and interviews.

Every WFTO member is obliged to have Monitoring audit at agreed intervals, with the exception of non-trading members (Fair Trade Networks and Fair Trade Supporting Organisations), that need to undergo this procedure only during their first monitoring cycle or if they want to use the Product label.

A Fair Trading Organisation (FTOs) has a prescribed monitoring audit at agreed interval according to the risk category. The audit alternates with Peer visit. The table below shows the monitoring audit schedule:-

Low Risk	Medium Risk	High Risk
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Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (Monitoring audit alternating with peer visit every two years)	Every 2 years (Monitoring audit alternating with peer visit every year)
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Planning for Monitoring audit

- In the first instance, WFTO proposes an auditor and indicates the costs of the audit. Afterwards it is the FTO's responsibility to get in contact with the auditor and organise the monitoring audit within the agreed time frame.
- The auditor selects which producers/suppliers under the FTO's monitoring system s/he wishes to visit by consulting the Profile, SAR, Supplier Monitoring form and other documents provided by WFTO. Where the suppliers are located in different countries, it is WFTO to make the selection and send the relevant information to the local auditor who will perform the supplier visits.
- Member's suppliers certified by one of the WFTO recognised certification schemes in the list below do not need monitoring:
ECOCERT
Flo Cert
FUNDEPPO
IMO – Fair For Life
Naturland

Activities included in monitoring audit:-

- Opening meeting to explain the scope and process and gain an overview of activities
- Interviews with management
- Interviews with the FTO's workers/employees selected by auditor
- Visit to work places, facilities for workers or members and other production facilities
- In case of FT suppliers that are not verified by a FT guarantee or certification scheme, visit a representative number of suppliers (see in the chart below).

Number of unverified suppliers (e.g. producer groups)	Number of suppliers visited
1	1
2-5	2
6-10	3
More than 10	Square root of the number

- Review of documentary records on payments/prices, employment conditions, project documentation, internal policies

- Interviews with trading staff, field staff
- Review of product labelling, sales documentation and communication with clients
- Exit meeting with WFTO responsible staff to summarise the key findings and assessment against the WFTO Standard.

FAQ

Do FLO-certified members need to undergo WFTO Monitoring audit too?

All our members need to undergo a monitoring audit, even the ones with FLO (and/or other) certifications. Member's suppliers certified by one of the WFTO-recognised FT schemes do not need to be visited, but this does not mean a total absence of the audit for the member. WFTO tries, where possible, to give an option to combine the WFTO Monitoring audit with other scheduled audits.

What are the costs of the Monitoring Audit?

The cost for the complete audit depends on the size of the organisation as well as on the number of suppliers that need to be visited. Travel costs need to be covered as well.

The fees charged by each auditor are negotiated and fixed per day. According to WFTO estimations, core audit takes in general from 2 to 5 days and the costs of the monitoring audit per day in African and Middle East is approximately 250-300 euro. Concerning the supplier visits, WFTO allows half a day a full day per visit.

It is normal procedure for the organisation to prepay for audit services in full in order to ensure the impartiality of the auditor.

Instructions #7: Risk Assessment

(Handbook > 8.3.1 – Risk Analysis)

As already indicated, all WFTO members must undergo regular monitoring, including SAR, peer visits and external audit.

The frequency of this monitoring for trading members is based on their risk assessment.

The level of risk will determine the frequency and depth of the audits required. The risk level is set after the first monitoring, and is adjusted over time depending on the findings of subsequent monitoring cycle.

It can be found that a potentially risky organization is very compliant while a seemingly low risk small organization could ruin the reputation of the WFTO Guarantee System. That is why the risk category for each FTO needs to be reviewed on a regular basis and adjusted when appropriate.

The Guarantee System takes into account different risk factors in order to determine members risk category.

Risk factors

1. Number of (producer) organizations from which products are purchased
2. Number of different product lines
3. Level of control of the product flow and supply chain
4. Use of label
5. Percentage of purchase of primary products from non WFTO members or from non FT verified sources
6. Serious non-compliance with the Fair Trade principles
7. Results of Monitoring audit or a Peer visit or issues raised through complaints

Risk categories

Based on the above factors, WFTO trading members are divided into three different risk categories: **low, medium and high.**

Member’s risk category influences the frequency of monitoring. The table below illustrates the frequency for different risk levels:-

WFTO GUARANTEE SYSTEM CYCLE FOR TRADING MEMBERS			
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Self-Assessment	Every 2 years <i>After 2 good audits/visits, reduced to every 3 years</i>	Every 2 years	Every 2 years
Monitoring Audit	Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (alternating with Peer Visit)	Every 2 years (alternating with Peer Visit)
Peer Visit	Every 4 years <i>After 2 good audits/visits, reduced to every 6 years</i>	Every 4 years (alternating with Audit)	Every 2 years (alternating with Audit)

Instruction # 8: WFTO Fair Trade Accountability Watch

In order to make sure that all WFTO members commit to Fair Trade and its principles, WFTO has put in place a Guarantee System based on a monitoring schedule, composed of Self-Assessment Reports, Monitoring Audits and Peer Visits.

These elements have been explained from the introduction to instruction 7. However, WFTO cannot rely only on these regular checks. That is why WFTO operates an online tool that allows all members as well as the public to raise concerns about a WFTO compliance with the WFTO Standard by any single member.

How does it work?

- Individuals or organisations can submit their alerts online, through a special section on the [WFTO website](#).
- This can be done either with the permission to use their name or anonymously, but anonymous complaint might carry less weight and WFTO reserves the right not to investigate them.
- Complainant needs to indicate which WFTO Principle the complaint relates to and to provide enough facts and evidence related to it. WFTO reserves the right to not consider complaints which do not refer to WFTO Fair Trade Principles or procedures unless deemed relevant by WFTO.
- Every alert is automatically sent to the WFTO Guarantee System manager who will forward the complaint to the concerned organization in order to allow a response to the allegation.

How does WFTO deal with alerts?

The alerts are considered by the Guarantee System Manager and followed up by WFTO according to a risk based approach.

All complaints are shared with the Standard and Guarantee System committee and the Board. Any concerns and complaints are dealt with according to the WFTO Complaints procedure and may lead to Sanctions procedure.

If the complaint is deemed serious enough to investigate further, the member complained about is informed and given the right to reply. The informant's identity is kept strictly anonymous, unless the complainant wishes otherwise.

Complaints procedure

1) WFTO decides whether the complaint is minor or major:

- **Minor allegations** are briefly investigated further and are considered for the next regular audit during which they are followed up and cross verified by means of workers' interviews, site inspections and document reviews as applicable.
- **Major allegations** are always followed up in detail, with all investigations and findings fully documented.

2) **In case of major allegations :**

Based on evidence and any comments received from appropriate national or regional committee regarding the complaint, WFTO may decide to take no action or to:

- a) Indicate measures the organisation must take within given time

- b) Appoint someone within WFTO to establish the extent of changes needed in the member organisation
 - c) Recommend to appoint a conciliator, provided that conciliation proceedings are agreed by both parties
 - d) Do an investigation or audit, which should be carried out within 6 months, and may lead WFTO to take one of the following decisions:
 - no action because of insufficient evidence and close the procedure;
 - request organization to take measures within a given time
 - deregistration to the status of provisional membership (until measures are taken)
 - suspension from membership and process of sanction
- 3)** WFTO informs the complainant within 15 days of any major step or final decision.

More detailed information about the Complaints and Sanctions procedures may be found in the Chapter 8.2 of the Guarantee System Handbook.
