

## **IFOAM Code of Conduct for Organic Trade: Guidance Document**

<b>1. HOW TO USE THIS DOCUMENT!</b>	<b>2</b>
<b>2. PRINCIPLE 1: COMMITMENT TO SOCIAL JUSTICE IN ORGANIC AGRICULTURE</b>	<b>3</b>
Sample Checklist 1	5
<b>3. PRINCIPLE 2: TRANSPARENCY AND ACCOUNTABILITY OF NEGOTIATIONS</b>	<b>6</b>
CONTRACTS:	6
Sample Checklist 2	8
<b>4. PRINCIPLE 3: TRADING RELATIONSHIPS</b>	<b>9</b>
<b>5. PRINCIPLE 4: EQUITABLE DISTRIBUTION OF RETURNS</b>	<b>11</b>
COSTS	11
PRICES	11
RISK SHARING MECHANISMS	13
Sample Checklist 4	13
<b>6. PRINCIPLE 5: COMMUNICATION AND INFORMATION FLOW</b>	<b>14</b>
COMMUNICATION	14
FREE FLOW OF INFORMATION	14
MEETING PRODUCER DEMANDS FOR INFORMATION	15
MEETING CONSUMER DEMANDS FOR PRODUCTION INFORMATION	15
Sample Checklist 5	16
<b>7. PRINCIPLE 6 SKILLS DEVELOPMENT AND CAPACITY BUILDING</b>	<b>17</b>
Sample Checklist 6	17
<b>8. PRINCIPLE 7: INTERNAL ETHICS</b>	<b>18</b>
LABOUR RIGHTS	19
COMMUNITY RELATIONS	20
ENVIRONMENT	20
Sample Checklist 7	21
<b>9. PRINCIPLE 8: SUPPORTING THE ORGANIC COMMUNITY</b>	<b>23</b>
THE LOCAL ORGANIC COMMUNITY	23
THE GLOBAL ORGANIC COMMUNITY	24
Sample Checklist 8	25
<b>10. REFERENCES</b>	<b>26</b>

## 1. How to use this document!

This guidance document is designed to help your organisation implement the Code of Conduct for Organic Trade. The Code is explicitly general but affirms key values held by the organic community in trading activities. This document is designed to illustrate how these principles could be incorporated into everyday trading practices. For each of the key values you will find a number of **suggestions** as to how you can go about implementation. These suggestions are by no means exhaustive and are meant to be used as a starting point from which to develop your own practices to improve social responsibility in supply chain relationships. You do not have to address all principles at the same time nor do you need to follow any of the suggestions in this guidance if you do not think they are relevant to you.

This code should not be seen as competing with other initiatives that address social accountability and social justice/ethical issues; instead, it aims to compliment each of the many different standards and systems currently in operation. This code is not designed to replace social certification and you will find that if you are already participating in a certain certification system you are already implementing some of the code's principles.

Different organisations will have different levels of experience of working with social justice issues. The code can be used by organisations who are just starting to incorporate social justice issues into their trading practices as well as by established players in the social justice arena. Participating in the code of conduct process provides an opportunity for all organic trade actors to share their own experiences of successes and challenges in implementing the core principles, leading to a better understanding of how social justice in organic supply chains can be achieved.

It should be stressed that the Code of Conduct for Organic Trade is a work in progress and with your cooperation and input it will continue to develop within the Organic movement. As you start to implement this code you will no doubt develop your own ideas on ways to apply it. Your experiences are an important part of this learning process and feedback from you will be invaluable in furthering the profile of social justice issues within organic trade.

Initial participants are asked to complete the accompanying baseline self-assessment questionnaire designed to help monitor progress in applying the Code and return it to [organic.code@anu.edu.au](mailto:organic.code@anu.edu.au) immediately. A second self-assessment questionnaire will be sent to you after a period of six months in order to identify how the code has influenced your trading activities. The results of these questionnaires will be compiled for discussion at a workshop before or during the IFOAM trade conference in Bangkok in November 2003 to evaluate experiences so far and share ideas on how to proceed with the next steps of implementing the Code of Conduct for Organic Trade. A further follow up may be organised for Biofach 2004. Members of the IFOAM trade forum have suggested organising an awards ceremony linked to the code of conduct. More information will be circulated on this in due course.

### **UNITING THE ORGANIC WORLD**

## 2. PRINCIPLE 1: COMMITMENT TO SOCIAL JUSTICE IN ORGANIC AGRICULTURE

**Social Justice is an integral part of organic agriculture and trade. Organizations commit to incorporate social justice principles into their every day activities.**

*Intent:*

*This is a general overarching principle that defines the Code of Conduct for Organic Trade. Commitment to these values can be demonstrated in a variety of ways and will vary depending on the nature, structure and business of your organisation.*

**The following are some suggestions as to how your organisation can start working with the code:**

**Sign Up to the Learning Process:**

In order to participate in the learning process your organisation can agree to work with the code of conduct for a trial period. This provides the opportunity to assess the benefits of the code over time and contribute to its effective dissemination and implementation in the long term. By completing and returning the Self Assessment Questionnaire to [organic.code@anu.edu.au](mailto:organic.code@anu.edu.au) you will be registered as a participant in this trial process and will have officially signed up for the code.

**Nominate a representative:**

Experience shows that it is best to nominate/identify one key person within your organisation who is responsible for the implementation of the code.

**Example:** The Ethical Trading Initiative suggests that a member of senior management be assigned responsibility for the implementation of compliance with the code. (1.2)

**Example:** SA8000 recommends appointing a senior management representative to be responsible for meeting the requirements of its standard as well as allowing non-management personnel to designate a representative to communicate with management on matters related to their standard. (9.4)

**Present the Code to Employees:**

One way to demonstrate your organisation's commitment to the values held in the code would be to let your employees/members know about it by posting a copy of the code in accessible areas. Alternatively, if your organisation is active in an initiative other than the code that shares these principles this may be presented to employees instead.

**Example:** The International Flower Coordination code for the production of cut flowers states that the code shall be translated into local languages and prominently displayed in the place of work. (in Implementation 5)

In order to ensure full participation in the process and obtain the best results time could be allocated for staff/members to discuss the code and to communicate their understanding of social justice principles and its role within the organisation.

A further way to increase staff/member participation would be to include them in setting targets and give them the opportunity to present feedback on implementation of the code.

### **Using the Code in your supply chain:**

**The code of conduct for organic trade is a tool to improve supply chain relationships. It is therefore only possible to get maximum benefit from the code by working together with your supply chain partners.**

Your organisation could bring the code of conduct to the attention of trading partners and stakeholders, make sure they are aware of its principles and ask them to participate in this trial period as well. If they agree, the learning process can be shared with your supply chain partners in order to gain a greater understanding of how to improve social justice in the organic supply chain.

### **Taking it further:**

#### **Allocating Resources for the Code**

- Implementation of the code will require the use of resources to cover costs. This could simply be by allocating a certain amount of your representative's time to code activities. At an advanced level financial resources may be needed for other activities such as covering costs of printed materials and information, paying higher prices to your suppliers or arranging field visits and training seminars. It is important to budget for these costs as part of your commitment to the principles of the code.

**Example:** The IFOAM Charter on Organic Trade suggests that 0.5% of sales is allocated as a fixed cost to facilitate trading activities. A similar strategy could be employed to finance activities related to this code (1).

**Example:** As part of its 'Hand in Hand' initiative Rapunzel contributes 1% of purchase value to a fund managed by the German Environment Aid Agency for use in countries/region where Rapunzel sources the raw materials for 'Hand in Hand' products (in Obligations for Rapunzel).

### **Participate in Social Certification and other initiatives**

- There are a number of other initiatives that focus on social issues in agriculture. Some of these result in certification while other approaches focus on learning objectives or are industry based initiatives. Participation in these social initiatives can complement your activities related to the code and also act as a formal measure of your commitment to it. If relevant to your organisation, one way to demonstrate your commitment to these principles would be to apply for a social certification, get involved in other types of initiatives or buy products from certified companies. Examples of initiatives include the Fair Trade Labelling Organizations International, Social Accountability International, the Ethical Trading Initiatives, International Federation of Alternative Trade, UN Global Compact, though this list is by no means exhaustive.

## **UNITING THE ORGANIC WORLD**



## Sample Checklist 1

Have you signed up for the Code of Conduct for Organic Trade?	Yes	No
Have you returned your self-assessment questionnaire?	Yes	No
Have you nominated a representative to be responsible for implementation of the code?	Yes	No
How many hours a week does that person dedicate to the code?		
		hrs
Have you presented the code to your employees?	Yes	No
How much time have you allocated for your employees to discuss the code?		
Have you discussed the code with your regular supply chain partners?	Yes	No
What percentage of regular supply chain partners have signed up for the code?		%
What resources have you allocated for implementation of the code?		
What principles of the code, if any, have you prioritised for implementation?		
If relevant, which social certifications do you hold?		
If any, which social certifications would you be interested in applying for?		
If relevant, what % of the products you purchase has some sort of social certification?		
		%

### 3. PRINCIPLE 2: TRANSPARENCY AND ACCOUNTABILITY OF NEGOTIATIONS

Trade negotiations in the organic supply chain are conducted in an open and transparent manner allowing for shared accountability between trading partners.

#### *Intent:*

*Through feedback from organic partners all over the world, transparency and accountability in trade negotiations are highlighted as one of the most important requirements for sustainable organic trade. Every actor in the supply chain has certain rights and other responsibilities. One person's right is another person's corresponding responsibility. For example, a producer's right to receive timely payment is a trader's responsibility to make payments on time.*

*Open and Transparent Negotiations require both trading partners to fully understand and agree to the terms of trade. Agreeing upon mechanisms for problem solving in advance minimises the potential for minor discrepancies to escalate into unnecessary trade disputes and are an important part of any agreement between trading partners.*

#### **CONTRACTS:**

The purpose of contracts is to ensure the mutual accountability of trading partners and should only commit either party to tasks that can be reasonably met. Contracts are crucial to the effective operation of the supply chain and play a central role in assuring the trading relationships are conducted honestly and openly.

#### **To Start with:**

**It is important to formalise agreements between trading partners in a contract.**

While verbal contracts may be most appropriate in a few specific contexts, in general, written contracts allow for more stability and facilitate an open and transparent trading relationship. One goal would be to have written contracts with all your trading partners.

*Transparent and accountable contracts generally include the following:*

#### **Dispute resolution mechanisms:**

Traders should agree on and specify the most adequate forms of dispute resolution mechanism for their contract in advance. A neutral third party should be decided in advance. Both parties should have access to the same form of arbitration procedures.

**Example:** For partners certified under the FLO system, either party can request intervention from FLO who will act as a 3rd party arbiter and take responsibility for consulting external experts if the issue is beyond its competence.

**Shipping schedules:** Contracts should specify all transportation and shipping details including the date of transit, transport company used, storage facilities, and insurance. Contracts should stipulate at what stage responsibility for the product passes from supplier to buyer and who takes responsibility for late delivery of goods.

• **Prefinance:** Any arrangements relating to prefinance should be stipulated in contracts specifying what percentage of fixed or estimated contract value is available for prefinance, how it will be paid and in the case of multiple shipments how prefinance will be divided between shipments.

· **Payment schedules:** The time frame for making and receiving payments should be decided in advance and the method and date of full payment specified in the contract. Payment should be made as soon as is feasibly possible after receipt of goods.

**Example:** At an IFOAM workshop on the code of conduct in Bolivia it was suggested that 15 days for payment was a reasonable time frame for both parties.

**Example:** FLO standards for bananas state that payment shall be made within 48hours of the importer accepting the fruit after inspection in the country of destination.

**Quantity:**

The exact quantity of goods to be traded should be specified in the contract. Contingency arrangements should be made in case the supplier is unable to provide the full amount due to crop failure.

**Quality:**

The level of quality required should be specified in the contract. Contingency arrangements should be made in case the supplier is unable to provide the specified quality due to crop problems such as plague or pest.

**Force Majeure:**

Whereby either party is unable to meet contractual obligations due to circumstances completely beyond their control such as natural disasters or war, should be defined and included in all contracts.

**Taking it further:**

It is important to keep records of all negotiation procedures, meetings and correspondence as these records can be used to help resolve disputes if the need arises.

A further consideration if negotiations are carried out in more than one language would be to make copies of all contracts available in the most appropriate local language(s) and to ensure that all parties have understood the precise terms of the contract.

**Example:** The Social Stewardship Standards recommends that farmers be provided with a copy of their contract defining their roles, payments, benefits and equity sharing arrangements in their native or another accessible language. This is required for both oral and written communications between parties. (4a)

## Sample Checklist 2

<b>Contracts</b>		
What % of your trading agreements is covered by a written contract?		
		%
Of those contracts, do they include:		
Dispute Resolution Mechanisms?	Yes	No
Shipping Schedules?	Yes	No
Prefinance?	Yes	No
Payment Schedules?	Yes	No
Quantity?	Yes	No
Quality?	Yes	No
Force Majeure?	Yes	No
Arrangements for flexibility?	Yes	No
If available, how long in advance of shipment is prefinance available?		
If relevant, what % of negotiated price do you offer as prefinance?		
		%
If relevant, how soon after receipt of product/service do you make final payments?		
		days
If relevant, how soon after receipt of product/service do you receive final payments		
		days
If relevant, do you negotiate with your supply chain partners in other languages?	Yes	No
How do you overcome language as a constraint to improving supply chain relations?		

## 4. PRINCIPLE 3: TRADING RELATIONSHIPS

**Direct and long-term trading relationships, based on trust and mutual respect, are encouraged between trading partners.**

**Intent:**

*Working with trading partners directly and over a period of time builds confidence in consistent production supply and quality. This gives partners a better understanding of one another, which can improve coordination of the supply chain. All partners should feel a certain sense of ownership and take some responsibility for the production, processing and distribution process and while shorter supply chains may help this process, where intermediaries play a critical role, they should not be undervalued.*

**To start with:**

• **Long-term trading relationships:**

It is a good idea to arrange contracts well in advance of a seasonal harvest period, where relevant, or of the required delivery time. Multi-season contracts, which enable long-term planning and budgeting, should be actively encouraged. The terms of any multi-season contracts should be specified.

**Example:** The FLO system aims to establish long term and stable trading relationships in which the rights and interests of both parties are mutually respected. For coffee this means a signed contractual agreement for the first part of the season and a letter of intent to buy the rest under purchase contracts later in the harvest. (in section: Procure a long term and stable relationship). For bananas purchase contracts are for a period of at least one year and preferably for longer. (2.2)

**Example:** The Soil Association specifies that trading relationships between primary producer and purchaser must be of three years duration as a minimum, unless prevented by specific conditions. (5.4)

**Example:** The Social Stewardships Standards recommend that both parties shall agree on the letter of the intent before the harvest season has started. (in section: Equity price setting and other benefits)

**Direct trading relationships:**

One way to improve the efficiency and operation of the supply chain would be to limit the number of partners to those absolutely essential for efficient operation. The role of the trader should be as clearly defined and transparent as possible.

**Example:** The Social Stewardship Standards

recommend that when the use of an intermediary cannot be avoided, it is the buyer's responsibility to make sure that producers have the same rights as those who deal directly with the buyer. (8)

**Sample Checklist 3**

What percentage of your trading relationships are:		
Under 1 year	%	
1 – 3 years	%	
3 – 5 years	%	
5 – 10 years	%	
More than 10 years	%	
What % of your contracts are multi-season?		%
What % of your contracts is agreed more than 3 months in advance?		%
What % of your contracts is agreed more than 6 months in advance?		%
For a particular product, do you know how many links there are between producer and consumer in your supply chain?	Yes	No
In order to increase transparency of all supply chain partners, what other information would you like to have on their trading activities?		
Are direct suppliers and sub contractors treated equally?	Yes	No

## 5. PRINCIPLE 4: EQUITABLE DISTRIBUTION OF RETURNS

All supply chain partners are able to cover costs and receive fair remuneration for their efforts through prices that reflect the true value of the product. Risk sharing mechanisms are actively encouraged.

### *Intent:*

*In existing global agricultural systems producers generally receive a minimal percentage of the final retail price compared to their input in time and effort. While it is acknowledged that equitable distribution of returns throughout the supply chain is very difficult to implement in practice, the intent behind this principle is that every supply chain actor should at the very least cover their costs. Beyond this, it is desirable that all receive a return on their initial investment in time and expense.*

*Risk sharing mechanisms spread the responsibility of risk, due to fluctuations in price and output, across the supply chain. Often it is the producers who face the greatest risk even though they are the group who is least able to bear it.*

## COSTS

In order to move towards the equitable distribution of returns throughout the supply chain it is important for all partners to make their costs as transparent as possible.

### **To start with:**

- If not done already financial statements should be developed and kept up to date.
- One method to increase the transparency of your organisation's activities would be to record costs, including labour time, materials, transportation and overheads as well as any costs associated with implementing the code.

**Example:** The Ethical Trading Initiative suggests that the costs of observing the (ETI) code be taken into consideration during negotiations with suppliers. 5.1

## PRICES

### **To start with:**

- Price setting mechanisms should be the result of negotiation between partners.
- Prices should allow all supply chain partners to cover their costs reflecting inputs in terms of labour, inputs, transport and overheads.
- When buying from producers, traders have a responsibility to make sure that producers are informed of the current market price and expected trends for the coming season. (See section 5 below)

**Example:** The definition of a fair price used by IFAT

**UNITING THE ORGANIC WORLD**

is one that is mutually agreed by dialogue and can be sustained by the (5)Market

**Example:** The Social Stewardship Standards recognize that reaching a fair price is a goal and recommend that progress towards the goal should be measured. (in Standards1)

**Example:** The Fairtrade Labelling Organizations International states in its generic standards for smallholders that producers should receive a 'cost-covering' price.

### Taking it further:

After guaranteeing that all supply chain partners can cover their costs, the next step would be to set prices at a level where all partners are receiving a return on their investment.

There are a number of ways to do this including establishing a percentage premium, a fixed premium, or minimum prices regardless of market prices.

**Example:** The minimum price suggested by Rapunzel is one that covers the costs of basic production needs and includes a discretionary income for workers and farmers.

**Example:** The Soil Association recommend that the basis for price setting should be the cost of production plus a margin for profit and investment rather than a margin above the market price. (5.5)

**Example:** In Community Supported Agriculture a farmer receives the support of a group of 'share-holders' who pledge in advance to cover the costs of farm operation, including the farmers salary in return for a share of the farms produce. This protects farmers from the risks associated with poor harvests and allows some security of income.

**Example:** The Fairtrade Labelling Organizations define a country and crop specific minimum price and then pay an additional Fairtrade premium. For every US\$1.75 of premium for bananas, US\$0.75 is to be used for business support and US\$1.00 is to be used for social, environmental and business development. All decisions made regarding the use of the premium must be transparent and democratic. (in Trade standards for bananas 3.7)

## RISK SHARING MECHANISMS

Risk sharing mechanisms spread the risk across the supply chain and can be established to protect supply chain partners against fluctuations in price and output. Risk sharing mechanisms can include price fixing and/or the purchase of insurance.

### To start with:

- You could carry out a risk assessment of the most likely risks to your organisation's ability to fulfil its contractual obligations.
- A second step would be to encourage supply chain partners to carry out their own risk assessment. This information could be shared so that supply chain partners know the risks faced by their trading partners.
- Mechanisms which address these risks can be written into your contracts.

**Example:** In its Trade Standards for Coffee FLO states that "price fixation, once effected and confirmed, cannot be changed, neither by the buyer nor by the seller". This protects both buyer and seller from fluctuations in market price. (in section *Pricing and Premium*)

## Sample Checklist 4

<b>Costs</b>		
Do you keep updated financial statements?	Yes	No
Have you kept a record of costs associated with implementing the code?	Yes	No
<b>Prices</b>		
Is price setting a result of negotiation?	Yes	No
Are prices sufficient to cover all your costs?	Yes	No
Do your supply chain partners cover all their costs?	Yes	No
Do prices provide some discretionary income for savings or investment?	Yes	No
Do prices provide your supply chain partners with some discretionary income for savings or investment?	Yes	No
Are producers aware of current market trends?	Yes	No
Are producers paid current market rates?	Yes	No
Are producers paid a premium price?	Yes	No
<b>Risk Sharing Mechanisms</b>		
Have you carried out risk assessment on your organisation?	Yes	No
What are the greatest risks faced by your organisation?		
What are the greatest risks to your supply chain?		
Are risk sharing mechanisms in place with your supply chain partners?	Yes	No

## 6. PRINCIPLE 5: COMMUNICATION AND INFORMATION FLOW

Supply chain partners communicate openly with each other showing a willingness to share information. Trading partners work together to ensure that producer demands for market information are met and that consumers/buyers can access information about how organic products are produced and verified.

### *Intent:*

*Lack of information and poor communication can seriously inhibit supply chain transparency and cause inefficiencies at all levels. There is a natural curiosity amongst supply chain partners to learn more of the processes and products they are dealing with. This is particularly true at either end of the supply chain, with producers and consumers lacking knowledge about and understanding of one another. As the bridge between producers and consumers it is the trader's responsibility to facilitate a free flow of information between these two groups in order to give both a greater appreciation of supply chain processes.*

## COMMUNICATION

### To start with:

- **One thing you could do is to establish mechanisms through which supply chain partners can communicate effectively in the case of any problems, delays or quality issues. All supply chain partners can agree not to withhold any information that could adversely affect their trading partners.**
- No trading partner should be penalised for providing negative information on quantity and quality or processing problems beyond their control, in a timely manner.

## FREE FLOW OF INFORMATION

### To start with:

- The confidentiality of information is important in trade and trading relationships. There is also an important role for information sharing with supply chain partners. A clear distinction should be made between any confidential, restricted access and publicly available information that is shared between supply chain partners.
- Non-confidential financial information could be shared between traders, clients and NGOs to improve awareness along the supply chain, including end consumers, of the conditions of production and processing.
- Given their unique role in the supply chain, certification bodies can facilitate information flow between trading partners
- One thing you can do as an organisation would be to create an information profile on your organisation including categories such as history, geography, social, economic, and environmental conditions.
- Following on from this your organisation could communicate this intent with its trading partners and encourage them to prepare a similar information profile.
- Exchanging information profiles with your trading partners can help you to better understand how each other work.
- You could establish a database appropriate to your size, with information profiles for every regular supplier and buyer (and subcontractors if relevant),
- Information profiles could be expanded to include ways in which your organisation is implementing the code and your social activities in general.

### **Taking it further:**

- Other topics of mutual interest such as information on crop quantity and quality, processing techniques, import procedures and market information can also be exchanged between supply chain partners.
- A next step would be to incorporate feedback mechanisms to give supply chain partners a chance to comment on the service they receive from each other as well as on quality issues with the aim of improving all areas of supply chain management.

SA8000 suggests that companies should evaluate and select suppliers who show themselves to be most compliant with the principles of social justice established by SA8000 (9.6)

- If you deal with a number of suppliers and buyers one suggestion is to use this database to help build stronger relations with your supply chain partners that are also addressing social issues in their trading activities and internal operations.

## **MEETING PRODUCER DEMANDS FOR INFORMATION**

### **To start with:**

- Producer information needs can be identified by entering into a dialogue with producer partners and could include demands for market information, trading practices and quality improvement and processing techniques.
- Traders and certification bodies can act as information conduits and seek information from further up the supply chain on issues such as consumer preferences, which are useful to producers. Again it is important that distinctions should be made between public and private information shared between supply chain partners.

### **Taking it further:**

- A more structured system of information exchange between supply chain partners could be established to track the product throughout the supply chain and inform all partners of the final retail price of the product.

## **MEETING CONSUMER DEMANDS FOR PRODUCTION INFORMATION**

### **To start with:**

- Supply chain partners can work together to identify the key information needs of consumers and develop an information profile for consumers which includes details of key issues surrounding production, monitoring, processing and trade.
- The responsibility for making this information available to consumers should be with the retailers who can make it accessible to consumers either upon request or by including key facts on any labelling/display/brochure.
- Supply chain partners may decide to make their information profiles available to end consumers by publishing information on their websites or through other means.

**Example:** IFAT recommends that the information given to consumers should include information about the organization, the products and the conditions in which they were made. (4)

**Example:** Eosta has developed a quality index that grades products according to their ecological quality, their social quality and the product quality. Ratings out of 10 are then averaged to give the quality ranking; this information will be available on the internet.

**Example:** Sainsbury's is piloting a scheme to allow consumers to use the internet to trace all British organic fruit and vegetables back to source by entering a 5-digit code printed on packaging.

### Sample Checklist 5

<b>Information and Communications Flows</b>		
What information needs do you have regarding your supply chain partners?		
Have you created an information profile on your company or organisation?	Yes	No
What % of your supply chain partners have you shared this information with?	%	
What % of your supply chain partners have provided you with their own information profile?	Yes	No
Do you have a database, appropriate to your size with information on regular suppliers/buyers?	Yes	No
Is social performance information included in this database?		
What information needs about your supply chain partners are you currently lacking?		
Do you provide producers with information on the final retail price of the product?	Yes	No
Do you provide producers with information on consumer preferences?	Yes	No
How do you assess producer information needs?		
<b>For Retailers and Wholesalers</b>		
Do consumers have access to information on the social and economic impact of the products they buy?	Yes	No
Is this information available at point of sale?	Yes	No
Where else is this information available?		
For what % of products is this information available?	%	
<b>For Certification Bodies</b>		
In what ways do you contribute to information flow between your clients?		

### UNITING THE ORGANIC WORLD

## 7. PRINCIPLE 6 SKILLS DEVELOPMENT AND CAPACITY BUILDING

Trade-related skills development and social justice oriented capacity building are facilitated through learning exchanges between trading partners.

### Intent:

Supply chain partners often have skills that may be of use to their trading partners. It is important that mechanisms exist to encourage trading partners to share these skills and learn about each other. Issues such as quality control and improvement as well as trading techniques such as hedging may be extremely useful for producers. Similarly the incorporation of social justice concepts into the supply chain will require some capacity building for both staff and trading partners.

### To start with:

- Supply chain partners can be asked to identify their own strengths in terms of skills as well as any areas where they would benefit from additional training/expertise.
- Staff from participating supply chain partners can be encouraged to pool their skills and knowledge in order to address problems faced by other supply chain partners.

### Taking it further:

- One effective way to ensure skill sharing is to organise visits and workshops between trading partners to enable them to view each others working conditions first hand. This helps develop professional relationships
- Another method would be printing or producing web based training materials that can be made available to staff and trading partners on each other's skills and areas of experience.
- Supply chain partners ought to be aware of any major projects or programmes that their trading partners are involved in which are not directly related to their trading activities.
- Investment in quality improvements could become an integral part of the organisations trading strategy.

**Example:** Rapunzel employs a food technologist and agronomist to work on the improvement of agricultural and processing matters. (no 8)

### Sample Checklist 6

Have you identified your areas of expertise that are of potential benefit to supply chain partners?	Yes	No
Have you asked your supply chain partners to identify their areas of expertise that are of potential benefit to you?	Yes	No
How do you keep your supply chain partners informed of developments within your company?		
How do you keep your supply chain partners regularly informed of developments in the market?		
What % of your supply chain partners have you visited in the last 12 months?		%
Are you aware of your supply chain partners activities and/or programmes that are not directly related to their trading activities?	Yes	No

### UNITING THE ORGANIC WORLD

## 8. PRINCIPLE 7: INTERNAL ETHICS

The principles of social justice within organic agriculture are integrated within each organisation and are expressed through responsible relationships with employees and/or members, the local community and the environment.

### *Intent*

*Commitment to social justice in organic agriculture does not only affect relationships with trading partners; they should also be internalised at all levels of the organisation. The concept of workers rights and health and safety are integral to social justice and are applicable within all organisations and at all points in the supply chain.*

*These values should guide all relations both internally and externally and form the basis of all interactions with the wider community and the environment. Respect for the environment includes the application of organic principles as well as any other environmental issues not explicitly addressed through organic standards.*

### **To start with:**

- It is important that all relations between management and staff are as open and transparent as possible.
- A fundamental starting point is to make sure your organisation meets all national laws on social issues such as health and safety and labour rights.

**Example:** The Soil Association's Standards for Fairly Traded Organic states that employment of all employees must comply with national requirements as a minimum, or ILO standards if they are higher. (4.3)

- Another step would be to make sure that all staff have received training on these issues and are fully aware of the implications of local labour laws as well as any relevant ILO or UN conventions.

**Example:** The Ethical Trading Initiative ETI states that all relevant personnel are provided appropriate training and guidelines that will enable them to apply the code in their work.

**Example:** SA8000 requires that the standard be understood and implemented at all levels of the organization. Suggested methods to ensure this are the clear definition of roles, training of new and existing employees as well as continuous monitoring of activities and results on meeting the requirements of the standard.

**Example:** The IFOAM Basic Standards state that in cases where production is based on violation of basic human rights and clear cases of social injustice, that product cannot be declared organic.

## LABOUR RIGHTS

### To start with:

A number of key issues regarding labour rights and health and safety feature prominently in the wide range of social and labour standards currently in existence. The following table presents a summary of some codes. This list is not meant to be exhaustive, only to give an idea of the issues addressed.

<b>Child labour</b>	Most codes uphold that no child shall work under the age of 15 or legal school leaving age, using ILO 138 as their point of reference. There is also agreement between the standards that no worker under the age of 18 should carry out potentially hazardous work. Certain standards require that children's ability to go to school is not jeopardised by work and that children do not undertake dangerous activities.
<b>Forced labour</b>	ILO conventions 29 and 105 are used as a point of reference for most standards to prohibit forced or bonded labour and workers having to lodge their papers with employers.
<b>Health and Safety</b>	All standards agree that it is the employers' responsibility to provide a safe and healthy working environment. The issues common to the standards include access to sanitation facilities and potable water as well as health and safety training (i.e. SA8000 and Soil Association). Some codes also reference housing and living conditions.
<b>Freedom of Association and Collective Bargaining</b>	All standards include freedom of association and collective bargaining with reference to ILO 87 and 98
<b>Discrimination</b>	Most standards prohibit discrimination on the basis of race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation based on ILO 111. Some codes also require employers to meet the needs of the specific minority groups. Most standards also reference ILO 100 on equal remuneration for equal labour.
<b>Working Hours</b>	Most standards state that workers should not be expected to work more than 48 hours a week, have the right to at least 24 hours without working each week. Overtime should be no more than 12 hours, should not be required on a regular basis and paid at a premium rate. There is much discussion as to how this relates to seasonal agriculture.
<b>Wages / returns</b>	All the standards agree that living wages must meet the national or industry standards. Some standards go further and require wages to provide a living wage that covers the basic needs of workers and their families and provides some discretionary income.
<b>Disciplinary Practices</b>	Some standards address the issue of disciplinary practices, covering physical, verbal and mental abuse. Others focus on transparent and documented disciplinary procedures.
<b>Social Security</b>	Different standards address different issues related to social security, which can be understood as holiday pay, pensions, maternity leave, health care etc. Most standards require for national laws to be met on these issues and some prohibit the use of contractual labour to avoid these obligations.
<b>Indigenous Rights</b>	Few standards explicitly address indigenous rights.

## COMMUNITY RELATIONS

### To start with:

Taking an active role in the local community can be of benefit to both organisations and the community who can both learn from meaningful interactions with one another. Possible ways to support the local community would be to:

- Sponsor local facilities, schools and social events
- Contribute to the infrastructure of the local community
- Participate in local conservation campaigns

The SAN program encourages farmers to be active parts of the human community and to include their lands in local and regional conservation plans. Farms should be good neighbours to communities, parks and wildlife reserves

## ENVIRONMENT

### To start with:

Respect for the environment is central to the principles of organic agriculture but there are some environmental issues that are not fully covered by organic standards and could have an impact on daily activities.

- It is important to make sure your organisation meets all national laws regarding the environment
- Awareness campaigns can be organised to increase employees understanding of the environmental impact of their work and increase their commitment to minimising any potential negative environmental impacts, both at work and at home.
- Organisations can make sure they have a waste and water management policy in place and that this is effectively enforced.
- Facilities for the recycling of all office materials and recyclable waste can be made available to all employees.
- Whenever possible action can be taken to further reduce pollution and energy consumption.

### Taking it further:

- Supply chain partners can work together to ensure that all trade is conducted in a manner that shows respect for the environment.
- It is a good idea to share information on your environmental policies with your supply chain partners to make sure that all processes within the supply chain are environmentally sound and that all resources are sustainably managed.

**Example:** The IFOAM charter on organic trade suggests that trade ensures its activities are environmentally sound by undertaking eco and social audits and publishing them to customer and supplier alike. (8)

## Sample Checklist 7

<b>Transparency</b>			
What mechanisms are in place to ensure openness and transparency in the workplace?			
Regular staff meetings?	Yes	No	How many meetings a month?
A newsletter?	Yes	No	How often is it produced?
			Who is it produced by?
A suggestions box?	Yes	No	
Other (please specify)			
<b>Labour Rights</b>			
Do you meet all national laws / ILO conventions concerning health and safety?	Yes	No	
If you are not compliant with all national laws concerning labour rights, please state which laws and outline the reasons for non-compliance.			
How do you demonstrate commitment to workers rights?	Compliance with national laws		
	Social certification (please specify)		
	Other (please specify)		
What % of your staff has received training on issues surrounding workers rights and laws in the last 12 months?			
Are there one or more unions active in your organisation?	Yes	No	
If yes, what % of your workers is unionised?			%
Does your company have a policy on discrimination?	Yes	No	
Do you have an equal opportunities policy?	Yes	No	
What % of your staff receive	Minimum wage?		
	%		
	Above minimum wage?		
	%		
Do you have a policy regarding disciplinary practices?	Yes	No	
What social security benefits are your workers provided with?			
When applicable do your operations take indigenous rights into consideration?	Yes	No	
<b>Community Relations</b>			
Please describe all sponsorships, contributions, campaigns that you have been involved with in the local community in the last 12 months.			
<b>Environment</b>			
Please describe any awareness campaigns you have been involved with to reduce the environmental impact of your organisation?			
What % of staff has received training on environmental awareness in the last 12 months?			
For those staff who received training in the last 12 months, how many contact hours did they receive on average?			
Does your company have a waste and water management policy?	Yes	No	
How is this waste and water management policy enforced?			
Are recycling facilities available in your office?	Yes	No	

**UNITING THE ORGANIC WORLD**



INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS  
FÉDÉRATION INTERNATIONALE DES MOUVEMENTS D'AGRICULTURE BIOLOGIQUE  
FEDERACIÓN INTERNACIONAL DE MOVIMIENTOS DE AGRICULTURA BIOLÓGICA  
INTERNATIONALE VEREINIGUNG BIOLOGISCHER LANDBAUBEWEGUNGEN

Please describe any other steps you take to reduce energy consumption and pollution.

Have you discussed environmental impacts with your supply chain partners?	Yes	No
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What plans/activities are you coordinating with your supply chain partners to reduce the environmental impact of your trading activities?

**UNITING THE ORGANIC WORLD**

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## 9. PRINCIPLE 8: SUPPORTING THE ORGANIC COMMUNITY

*Supply chain organisations support their local organic communities and contribute to the growth of the global organic movement.*

*Intent:*

*Social justice and organic agriculture both belong to a holistic approach to trade in which both people and the environment deserve respect for the role they play in the supply chain process. This code is a tool with which to improve the working and living conditions for all involved in the organic supply chain and demonstrates how the benefits at every level, from producer to consumer, can be shared to create a sustainable and socially just model. Everyone involved in the organic movement can actively participate in the organic community in order to expand the benefits and promote better awareness of the associated advantages of living organically both in the local community and worldwide.*

### THE LOCAL ORGANIC COMMUNITY

#### To Start with:

- Whenever possible products should be sourced and processed locally using local processing facilities to reduce transportation of product and allow value to be added in the country of origin.
- Local markets are essential to extend the benefits of the global organic movement to local communities. The development of local markets for the sale of organic goods should be encouraged.

**Example:** Rapunzel supports the processing in the region of origin of the product, if quality meets the required standard. (4.3)

**Example:** The Soil Association Standards for Fairly Traded Organic suggest the use of local operators to minimize imports. (3.2)

**Example:** In order to guarantee dynamism in local markets the IFOAM Charter for Organic Trade recommends that suppliers do not export more than 50% of their production. (2)

**Example:** Sainsbury's pledges to source all its organic meat and dairy from the UK by 2004

- Supporting local certification bodies can help them to develop the skills and capacity necessary to expand the local organic industry. Whenever it is feasible local certification bodies can be used.

**Example:** The Soil Association suggests that work be done with local bodies to help them develop their own certification capacities. (3.3)

### UNITING THE ORGANIC WORLD

- Participation in local or national organic associations helps to strengthen them and membership is an important way to show your support and give the movement an identity.
- Local organic organisations or events – such as trade fairs, educational conferences or campaigns should receive the full support of the organisation. Staff should be made aware of these activities and encouraged to participate.
- If applicable to your organisation organic food can be served in staff canteens and cafeteria.

## THE GLOBAL ORGANIC COMMUNITY

### To start with:

- IFOAM Membership allows organisations to learn about other areas of organic activity, receive information and be a part of the growing organic movement.
- Your organisation has the opportunity to actively participate in a number of regional and international organic events such as workshops, committees, trade fairs and conferences or even by simply commenting on recent standards revision and other developments in the organic world.
- Another way to strengthen the organic movement would be to use an IFOAM accredited certification body and trade with other supply chain partners who hold IFOAM accredited certifications.

**Example:** Sainsbury's own label organic food is all certified by IFOAM accredited certification bodies.

- Supply chain partners can show their commitment to quality improvement in the organic supply chain by supporting or financing research into organic agriculture.

**Example:** The IFOAM Charter on Organic Trade suggests that organizations should finance research into the science of food quality in their own country or abroad. (6)

- One way to develop global relationships in the organic movement would be to participate in some sort of activity of cultural exchange with your suppliers and trading partners.

**Example:** A programme of cultural events with each of its global suppliers is one suggestion made by the IFOAM Charter on Organic Trade. (5)



## Sample Checklist 8

<b>Local Organic Community</b>		
For producers, what % of product do you export?		%
For processors / retailers, what % of overall purchase is sourced locally or nationally?		%
What % of your products is processed locally?		%
What % of your organic products is certified by local (national) certification bodies?		%
Are you a member of any local / national organic associations?	Yes	No
What local or national trade fairs / campaigns / educational activities have you been involved with in the last 12 months?		
<b>Global Organic Community</b>		
Are you a member of IFOAM?	Yes	No
What % of the produce you buy/sell is certified by IFOAM accredited certification bodies?		%
What investments do you make each year into improving quality and techniques in organic?		
What type of cultural exchange do you participate in with your supply chain partners?		
<b>For Certification Bodies</b>		
What % of local inspectors do you use in certification?		%
What % of your clients is within the region where you are based?		%
Are you accredited to the IOAS?	Yes	No

## 10. REFERENCES

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