Auditor Guidance for Assessing FC 1.1 & FC 1.2

VERSION 2.0, August 1, 2026

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Responsibility for these Requirements

The EFI Standards Committee has responsibility for this document and will periodically review and update it.

Users should verify that they are using the latest version by checking on the EFI website at: www.equitablefood.org.

Versions Issued

Version No.	Date	Description of Amendment
1.0	September 28, 2017	First public-facing version
1.1	July 1, 2018	Changes to the premium reporting mechanism.
2.0	August 1, 2026	Updates and changes to the process and requirements for auditors to determine compliance.

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1. The Context

1.1 The EFI Program applies a premium to certified produce sold to participating retailers, providing an economic return for workers' commitment to continuous improvement.

1.2 The purpose of this document is to provide auditors a protocol for auditing FC 1.1 & 1.2 correctly and consistently during the certification cycle of an operation. Indicators FC 1.1 and 1.2 are the auditable mechanism for workers to receive additional compensation – the "EFI Bonus" - based on sales of EFI-certified product.

1.3 The Bonus Distribution Formula is as follows:

2. Indicator FC 1.1 & FC 1.2

Table 1. EFI's Premium Standards

Indicator	Indicator Language	Guidance and Interpretation
FC 1.1	The Grower shall account for all monies received from customers that are designated as an EFI Premium.	The protocols in the current version of Auditor Guidance for Assessing FC 1.1 & 1.2 shall be used to verify the amount of EFI Premium remitted to the Employer.
FC 1.2	The EFI Premium Account shall be allocated to workers in return for the additional responsibilities required of workers on an EFI-certified operation.	The protocols in the current version of Auditor Guidance for Assessing FC 1.1 & 1.2 shall be used to verify that the correct amount of the EFI Premium was allocated towards increased compensation for workers and the resulting additional employer tax burden.

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3. Key Terminology

3.1 EFI Premium: A premium to certified produce sold to participating retailers, providing an economic return for workers' commitment to continuous improvement.

3.2 Monies: Sum of money, from different retailers, allocated to the Operation for participation in the EFI Premium Program.

3.3 Compensation Burden Rate: The employer-borne cost that increases when additional compensation is provided to farmworkers. The total dollar amount of these expenses for each $1 of compensation shall be calculated by the Operation and provided to the Auditor as a percentage.

3.4 Total Premium Amount: This is the total amount of EFI premium paid from the retailer to the Operation. (See Section 6 for an example calculation or the Supplemental *Premium Calculation Tool)*

3.5 New Premium Amount: This is the 87% of the Total Premium Amount that is allocated to workers. The net premium amount is the total prior to deductions made because of the compensation burden rate. (See Section 6 for an example calculation or the Supplemental *Premium Calculation Tool)*

3.6 Net Premium Amount: This is the total allocated to workers, after deductions for the compensation burden rate are made. (See Section 6 for an example calculation or the Supplemental *Premium Calculation Tool)*

3.7 EFI Commodity Premium Schedule: The EFI Commodity Premium Schedule includes the assigned per-pound premium. This schedule will be updated as new commodity varieties become certified. The latest version can be found on the EFI website.

3.8 Premium Rates per Product: Each certified commodity has an assigned per-pound premium that is documented in the EFI Commodity Premium Schedule. This schedule will be updated as new commodity varieties become certified. The latest version can be found on the EFI website.

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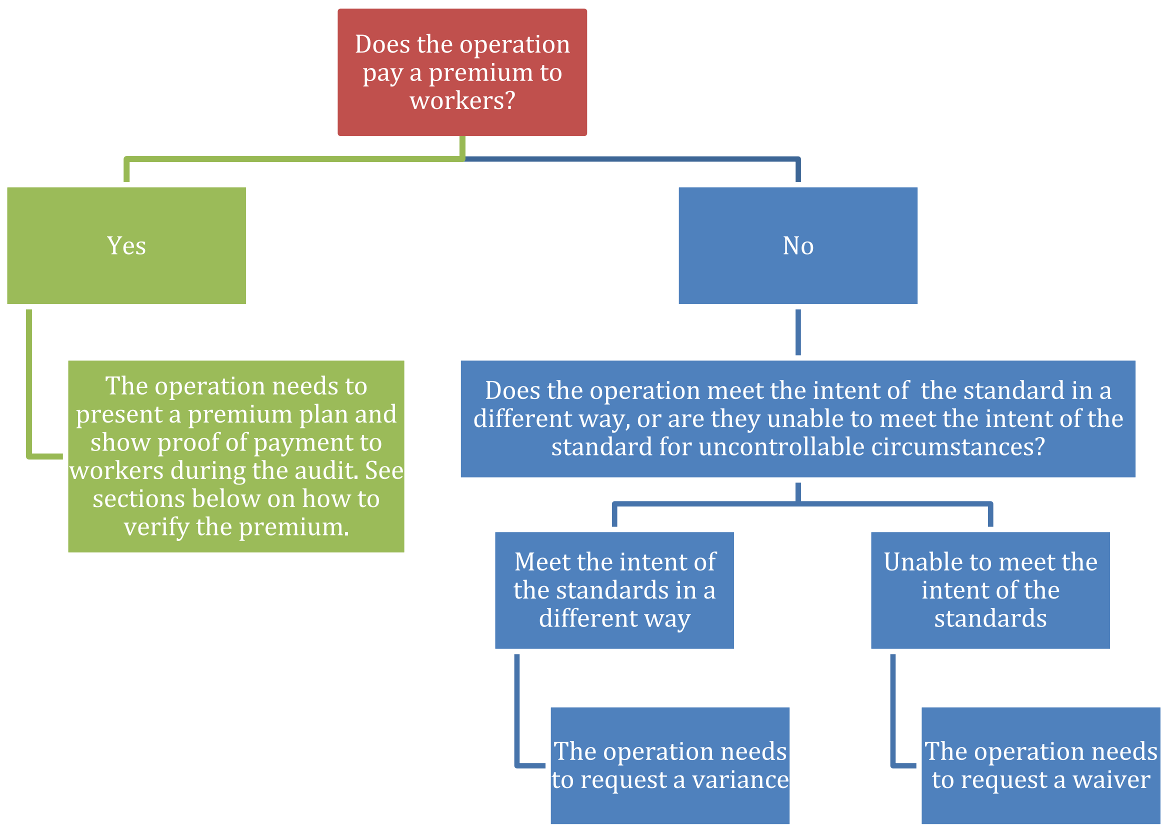
4. Assessment Criteria

4.1 *Eligibility for EFI's Premium Program*

Figure 1. Eligibility for EFI Premium



4.2 *Waiver or Variance*

4.2.1 An operation may not be able or is not eligible to participate in the EFI Premium process. In this case, they must request a waiver. If an operation already provides a form of premium payment to their workers, they must request a variance. Waivers and variances have validity in accordance with the EFI certification cycle, noted by the expiration date on the signed waiver or variance. Please see *Remediation Guidance for Standards FC 1.1 and FC 1.2 v1.0* for more information on the waiver or variance request process.

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4.3 Guidance for Assessing Indicators FC 1.1 and FC 1.2

4.3.1 For FC 1.1 and FC 1.2, an Operation can be either conformant or non-conformant. These standards should not be marked as Not Applicable.

Table 2. Conformance or Non-conformance to FC 1.1 & FC 1.2 by Audit Type

Audit Type	Conformant	Non-conformant
Initial Audit	Provide complete premium plan; OR signed waiver/variance	No premium plan or signed waiver/variance
Verification Audit	Provide complete premium plan AND proof of EFI bonus payments; OR signed waiver/variance	No premium plan nor proof of payment; no signed waiver/variance; or inaccurate calculation and distribution of premium.
Recertification Audit	Provide complete premium plan AND proof of EFI bonus payments; OR signed waiver/variance (ensure updated waiver/variance)	No premium plan nor proof of payment; no/expired signed waiver/variance; or inaccurate calculation and distribution of premium.

5. Reviewing EFI Premium

5.1 Premium Plan

5.1.1 When an operation is eligible to participate in the EFI Premium process, conformity to FC 1.1 and FC 1.2 requires a premium implementation plan, reviewed annually, and updated as needed. Premium plans include the following information:

- The bonus distribution formula
- Job classifications of workers to receive the bonus
- The compensation burden rate
- Payment schedule of EFI bonus

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- Estimated number of workers receiving EFI Bonus per selected payment cycle. In the case that there is variation throughout the year based on harvest cycles, provide the best estimate for the number of workers who will receive the bonus.
- The formula for determining individual allocations shall be determined by the Operation in discussion with the Worker Manager Collaboration Team and shall be posted where all workers can access it. Auditors shall verify that this information is posted in a prominent place.

5.2 Assessing *EFI Bonus Calculation, Distribution, and Payment*

Please reference the supplemental *Premium Calculation Tool* as an aid for the below calculations.

Step 1: Determine the Audit Period

- The auditor should review premium plan implementation for the 12 months prior to the audit through a review of the premium plan and verify its implementation through worker bonus payments, number of workers paid, and payment timeline. A sample of 2-3 pay period with EFI premium can be selected within the 12-month periods.

Step 2: Record Total Premium

- The Operation shall provide the auditor a report documenting the total dollar value of the EFI Bonus that was paid to workers during the audited period.

Step 3: Confirm the Compensation Burden Rate

- The total dollar amount of these expenses for each $1 of compensation shall be calculated by the Operation and provided to the Auditor as a percentage. This percentage is referred to as the Compensation Burden Rate. The auditor does not need to calculate the Compensation Burden Rate; however, they should review and verify the Operation’s documentation on how they determined the Compensation Burden Rate.
- The Grower shall provide the auditor a report that documents each employer-borne cost that increases when additional compensation is provided to farmworkers. These costs can only include:
    - Social security payments and other required government payments;
    - Worker’s Compensation insurance;
    - Health plans and other medical benefits; and
    - Employer portion of retirement plans.

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- The Operation provides the auditor with the total dollar value of the Compensation Burden attributable to the EFI Bonus by multiplying the Compensation Burden Rate and the Net Premium Amount.

Step 4: Verify the New Premium Amount

- The auditor shall verify that the sum of the EFI Bonus paid to workers (new premium amount) and the total dollar value of the Compensation Burden Rate equals the net premium amount.

- Auditors shall use the sampling table in the current version of the EFI Certification Program Requirements to determine the minimum number of payroll records that will be checked to verify the new premium amount is being appropriately distributed to workers.

- Distributions based on the above formula shall appear on paystubs of eligible workers as the "EFI Bonus" or "El bono de EFI".

6. Example Verification Calculation

6.1 Verifying the Net Premium Amount

6.1.1 An Operation receives $1,000 in EFI premium payments during the audited period; this is the Total Premium Amount.

- $100 (or 10%) is paid to EFI as the licensing fee.

- $30 (or 3%) is maintained by the Operation for overhead costs.

- $870 (or 87%) is the New Premium Amount. The Operation calculates a 2% Compensation Burden Rate. The worker bonus net premium amount is $852.60 (870-(870*.02)).

6.1.2 If the premium plan includes 25 workers, to be paid equally from the net premium amount, each worker should receive approximately $34.10 during the audited period ($852.60/25).

Figure 1. EFI Premium Verification Calculation

New Premium Amount * Compensation Burden Rate = Compensation Burden
$870 x 2% = $17.40
New Premium Amount – Compensation Burden = Net Premium Amount
$870 - $17.40 = $852.60
Net Premium Amount = Total Allocation to Workers = $852.60

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7. Audit Report Writing for FC 1.1 and FC 1.2

7.1 Standard FC 1.1

7.1.1 The auditor shall document in the audit report the Total Premium Amount in the audited period and the audited period as part of the supporting evidence for the FC 1.1 finding. If there were various payments in the 12-month period, please include the total of all premium payments for the audited period.

7.2 Standard FC 1.2:

7.1.2 The auditor shall document the distribution formula, the number of workers paid, and the total amount paid to workers in the audit report as part of the supporting evidence for the FC 1.2 finding. If there were various payments and variation in the number of workers paid in the audited period, please include the total amount paid to workers and the total workers paid throughout the period.

7.3 Standard FC 1.1 and FC 1.2 Calculation

7.3.1 For both FC 1.1 and FC 1.2, you may attach the completed *Premium Calculation Tool a*s evidence.

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