

Oversight Committee Minutes

Meeting 18: 23 March 2020

Teleconference meeting

Present:

OC members: Martin Boon, Martin de la Harpe, Richard Kwarteng, Iresha Sanjeevanie Ludwig Tanchot, John Young (Chair)

Excused: Miguel Mateo Sebastian

Fairtrade International S&P: Gelkha Buitrago, Eleonora Gutwein, Ana Rosas.

FLOCERT: Theresa Glammert-Kuhr, Sugumar Raman

Disclaimer:

The Fairtrade International Oversight Committee (OC) aims to reach consensus, but decisions may not always reflect the opinions of all people.

Item 1 – Opening

The chair opened the meeting and stated that the quorum was met.

Agenda: The agenda was agreed unanimously.

Conflict of interest:

A conflict of interest was reported for Item 4, 5 and 7 by one member of the Committee. This member will abstain from the voting on the agenda points.

Ground Rules:

- All information shared within the committee is confidential and should not be circulated or disclosed outside the committee. This does not apply to the public minutes.
- All decisions will be based on consensus whenever possible

Review of actions items:

- The revised Requirements for Licensing Bodies v2.0 (RLBs) was published in November 2019.
- The variation request from FLOCERT along with a proposal for decision is on the agenda for this meeting.
- On-site audit for Fairtrade Label Japan (FLJ) was conducted as planned in January 2020, declaration of conformity to the Requirements for Assurance Providers v2.0 (RAPs) is on the agenda for decision this meeting.
- The response letter to the complainant on a 2nd instance complaint about a financial penalty was sent in January 2020.

A&O News:

Regulating the entrance for producers

The Director S&P gave an update on the decision taken by Fairtrade International's Board in March 2020 on regulating the entrance for producers and traders in coffee and cocoa.

The decision was based on the rationale to address the imbalance of supply and demand in these two products. Fairtrade producers are selling less in particular due to oversupply in certain commodities. The lower the sales, the lower the possibility to achieve impact and the Fairtrade goals in terms of living wages and living income and to bring benefits to producers and workers. The Board approved an implementation package of measures, including stronger sanctions, revision of Fairtrade Standards, regulating the entrance of producers and traders, improving data quality, communication B2B and B2C, and targeted producer support. Regulating the entrance is an important part of this package of measures. The plan is that as of 1st of May (might be delayed, depending on how COVID evolves), Fairtrade International would give an instruction to FLOCERT to introduce an additional certification requirement for new producers and traders to ensure applicants demonstrate they have an end buyer. It is a general rule and not an exception as it covers all organisations in coffee and cocoa and it is a measure applicable globally.

COVID 19 – FLOCERT's measures

FLOCERT's Assurance Scheme Manager updated the OC on the measures taken in certification to adapt to the changes due to the COVID 19 pandemic. The main focus was to uphold credibility and remain customer oriented, at the same time to protect auditors and customers and avoid physical interactions.

The following measures were taken:

- All physical audits for Certified Traders scheduled until 30th June 2020 would be converted into Remote Audits.
- All physical audits for Certified Producers scheduled until 22nd April 2020, would be postponed.
- For Applicant Traders the current methodology (e.g. provide a "Permission to Trade" (PTT)) would continue.
- Since physical audits for producers are postponed, all applicant producer's Initial audits would consequently be postponed.
- Information is publicly available for stakeholders (see link: <https://www.flocert.net/coronavirus-related-changes-in-operations>)

Item 2 – Updates

Fairtrade Australia and New Zealand self-assessment

Due to challenges in terms of resources, the deadline for Fairtrade Australia and New Zealand to submit their revised self-assessment was extended to 15th of May 2020. The findings will be presented at an upcoming OC meeting.

Assurance Providers' Reporting Approach

During the previous reporting period, the OC requested additional data and analysis from FLOCERT, in relation to the reporting requirements for APs, as set out in the RAPs v2.0. After discussions with FLOCERT, it was found useful to combine all the reporting requirements into one, to give the full picture of performance. Also, to allow a better overview and understanding of the context and to increase efficiency, the reporting and analysis for all reporting requirements will be presented at the same time, at an upcoming OC meeting.

ISEAL's Peer Review result against the Assurance Code 2.0

Fairtrade International Assurance Scheme was reviewed in Q3-Q4 2019 by IFFO RS (now called Marin Trust, is an international programme for marine ingredient certification). It was found that Fairtrade International is a very well established, successful scheme owner with a sophisticated and methodical

assurance system. In addition, Fairtrade International has a very strong assurance system in place with regards to its Assurance Providers and Oversight Body, it has a very robust and efficient Risk Management System with a clear structure to ensure effective identification and mitigation of risks and a comprehensive Management Review System. It was also noted that the consistent interpretation of the Standards criteria is also ensured continuously, also in cases when the Standards are translated.

There were few opportunities for improvement on the risk management plan, on data confidentiality and also on the communication of the changes in the Oversight documents. It was pointed out that there are no requirements for an accreditation body in case the oversight is ever outsourced.

An area of concern was identified for the requirement on data integrity. Since there are currently no formal data control procedures yet in place, it was noted that Fairtrade International might struggle to achieve full compliance to the related clause within the timeframe simply due to the huge size and sophistication of its data systems.

Item 3 - Fairtrade Label Japan – onsite audit result

The Assurance Manager (AM) presented the result of FLJ's onsite assessment against the RAPs v2.0. Fairtrade International's Assurance and Oversight Scheme requires APs to comply with the RAPs v2.0 and demonstrate such compliance on a regular basis.

As part of this process, FLJ received a physical audit in January 2020. The onsite audit was conducted by the AM, and included witnessing a trader audit for evaluation purposes. The audit language was English and Japanese with a translator. FLJ has implemented the new requirements of the revised RAPs v2.0. Their main challenge, already identified during the self-assessment is, that they cannot ensure the certification and licensing activities to be separated. This non-conformity lead FLJ to decide on transferring their certification services to another AP.

The assessment process (the self-assessment and the onsite assessment) in general was very smooth. FLJ was collaborative and proactive, they submitted all the required procedures/policies in time and sent all documents necessary for the onsite audit preparation.

One major non-conformity on the separation of licensing and certification activities and one minor non-conformity on an exception that was granted to a trader to avoid a non-conformity were identified. An observation was made on the interviews with workers on the labour condition requirements.

Recommendation

The AM concluded that FLJ in spite of the gaps in the separation of licensing and certification activities has presented a system that is overall in compliance with the RAPs 2.0. Their policies and procedures are in line with the RAPs v2.0 and accurately implemented. The AM proposed to the OC to declare FLJ's conformity with the RAPs v2.0, with the condition that agreed corrective measures are implemented by the end of 2021. In case the transitioning cannot be finalized within the agreed timelines, the assessment process for FLJ will be resumed, and they will receive a surveillance audit during 2022.

Decision

One member abstained due to a conflict of interest.

FLJ's conformity to the RAPs v2.0 was declared unanimously.

Next Steps

- AM to inform FLJ about the decision: March 2020
- FLJ to implement corrective measures: Q4 2021

Item 4 – Fairtrade Label Japan - variation requests

1. Variation Request: Extension of the validity of the Permission to Trade

FLJ submitted a variation request to the OC to extend the validity of the PTT to up to 24 months for traders that had no Fairtrade transactions. Hence, to postpone the initial audit until traders start to trade under Fairtrade conditions or until 24 months, whichever comes first.

Rationale:

Traders entering to Fairtrade certification have to receive an initial audit within six months but latest by the time their PTT expires. According to the current RAPs v2.0, the validity of the PTT is nine months, with the option to extend it to 12 months if no trade has taken place. In Japan, there are traders who do not have Fairtrade transactions during the period of the current validity of the PTT. If there are no transactions to check during the initial audit, most of the compliance criteria in the Trader Standard would not be applicable, hence compliance cannot be verified. According to FLJ, the traders in question are low risk traders (i.e. non-payers, non-conveyors), therefore the risk associated with postponing the initial audit is low.

FLJ believes, that with this variation, they can allocate their resources better and focus on transitioning their services to another assurance provider.

Recommendation

The AM found the argumentation from FLJ reasonable, considering that traders in question are low risk and recommended to the OC to approve the variation request with the condition that FLJ proactively monitors the traders in question, requests the traders to notify FLJ without delay when their first transaction has taken place, and conducts the initial audit as soon as possible after the first transactions.

Decision

One member abstained due to a conflict of interest.

The Variation Request to extend the validity of the PTT submitted by FLJ was approved unanimously.

Next Steps

- AM to inform FLJ about the decision: March 2020
- FLJ to implement recommendation: Q2 2020

2. Variation Request: Re-certification and Surveillance Audit

To ensure an effective transitioning process, FLJ submitted a variation request to the OC on stopping re-certification and surveillance audits 10 months before their clients sign a contract with the new AP. FLJ believes that stopping auditing prior to the transitioning would not only enable an efficient process but would also result in decreasing the audit burden for their clients. FLJ will continue to perform initial audits as before until the transitioning is finalised.

Rationale

Once transitioned, initial audits will be performed to every Japanese trader within 12 months from the date the contract is signed, according to current procedures. With the RAPs v2.0 requirement and practice, this means that some traders would be audited for two consecutive years even if their risk categories are

ranked as low/medium risk. FLJ believes that this is not the best use of time and resources for both traders and APs during this change.

Recommendation

The AM found that the argumentation from FLJ is reasonable for low/medium risk traders. The risk associated with stopping re-certification and surveillance audits for these traders is minimal, compared to the efficiency all actors gain in the process. However, the transition is a process where not all traders would sign their contracts at the same time on a given date, therefore it is difficult to determine whether the 10 months as requested by FLJ would be reasonable also for high risk traders.

The AM recommended to approve the variation request but limit it to low/medium risk traders, and keep conducting audits according to their normal certification cycles for high risk traders.

Discussion

The OC found the argumentation reasonable for low risk trader, but highlighted the risks of potentially trading for longer period of time without a check, not only for high risk traders, but for medium risk traders too. Also, when calculating the time of the audits, even for low risk traders, the 10months was found too long, therefore the OC would only allow stopping conducting surveillance and re-certification audits for six months prior to the transition deadline.

Decision

One member abstained due to a conflict of interest.

The variation request to stop re-certification and surveillance audits for low risk traders, for six months before the deadline of the transition was approved unanimously.

Next Steps

- AM to inform FLJ about the decision: March 2020
- FLJ to implement recommendation: Q3 2020 - Q3 2021

Item 5 – FLOCERT’s RAP compliance

FLOCERT updated the OC about the implementation timelines of the Corrective Measures (CM) agreed for the non-conformities identified during the self-assessment review in 2019.

The new timelines are the following:

- The revision of the full sanctions policy to address the missing details as identified in the NC, is scheduled for Q3 2020.
- The allegation procedure is currently under review; this is to address two partial non-compliances identified in the allegation procedure.
- The implementation is ongoing on the revised sampling method, approval and trainings are scheduled for Q2 2020; this is to address one partial non-compliance on the sampling in case of higher risks.
- The review of the Competence Manual, is scheduled for Q3 2020; this is to address one partial non-compliance on auditor qualification criteria for the Textile standard.
- The corrective actions for some of the elements on the risk based assurance is part of the Fairtrade for Assurance work package, the project is planned to start in Q2 2020.

The OC found the timelines reasonable, considering the new challenges with COVID 19 and its impact on the workplan of FLOCERT. It was also mentioned, that the correction of non-compliances will be checked during the on-site assessment, planned for Q4 2020.

Next steps

- FLOCERT to implement the corrective actions: Q3 2020
- FLOCERT to receive an on-site audit: Q4 2020

Item 6 – Small Licensee Scheme - variation request

FLOCERT updated the OC about the overall number and types of Licensees in the Small Licensee Scheme. This additional analysis was requested by the OC in November 2019, to allow a better understanding of the risks, also to use it as a basis by FLOCERT to better select operators for the random checks. The random audits are an interim measure that had to be implemented by FLOCERT together with the variation and is valid as long as the approved variation against the RAPs v2.0 is valid.

According to FLOCERT the total number of operators in the scheme is 426, the highest numbers are found in the UK, Germany and Canada. The majority of small licensees are roasters or other manufacturers, none of them payers or conveyors. They are mainly certified for coffee, cocoa and sugar cane. However, in some cases, operators are certified for several product categories, depending on the products they manufacture. There was also a significant number of Small Licensees certified for gold or precious metals, which would need to be looked at in more detail, as these operators would be eligible for the Small Jewellery scheme.

The OC had no comments on the figures.

Item 7 - Trader Initial Audit - variation request

FLOCERT completed their self-assessment during the course of 2019, as part of APs continuous compliance to the RAPs v2.0 and as a corrective measure for one of the non-conformities identified, a variation request was submitted to the OC for decision.

The variation request is against clause 2.10.1.2 in the RAPs v2.0 on trader initial audit. The RAPs v2.0 require APs to conduct the initial audit for high risk traders as soon as possible after the first Fairtrade transactions have taken place.

The variation would allow FLOCERT to continue with their current approach of conducting the initial audit for traders within 6 months after issuing a PTT. To ensure that the intention of the clause 2.10.1.2 is met FLOCERT would trigger an earlier initial audit if there are indications of increased risks. Also, as information on the timing of the first transactions is not structurally available in real-time, FLOCERT would request the affected customers to proactively inform FLOCERT once a first transaction has taken place and thus schedule the initial audit as soon as information is available.

The Annex C of the RAPs v2, Fairtrade International's Risk Based Assurance Policy addresses audit frequency and intensity and describes the characteristics that define the risk category also for high risk traders. All these characteristics (except country/region/product specific risk) refer to information that is available to FLOCERT only after the initial audit, therefore implementing the requirements in 2.10.1.2 would be challenging, since the risk categorisation is only taking place after the initial audits are concluded. Due to the complexity of the risk categorization process, FLOCERT is not in a position at the moment to identify the risk indicators prior to the initial audit.

Moreover, FLOCERT currently does not have a methodology to identify when “the first Fairtrade transactions have taken place”, conducting the initial audit for high risk traders “as soon as first Fairtrade transactions

have taken place” would not be feasible. In addition, from an assurance perspective, a very early initial audit would mean limited transactions to check which might not give the full picture on the overall compliance of the trader.

Proposal

The AM concluded that the argument by FLOCERT that an early audit might not bring enough information about the performance of the trader, is valid and that initial audits are conducted within 6 months from the issuance of the PTT, minimizes the risk of trading without a check for an extended time. However, the RAPs v2.0 approach to risk categorization is that APs would need to identify hot spots, trends in general, which would then inform risk categorization already in the early phase, therefore FLOCERT’s current practise of the risk categorisation raises concerns.

The AM proposed to approve the variation with the condition that FLOCERT actively seeks to improve their risk categorization and finds a way to identify country/region/product specific risk indicators as required by Fairtrade International’s Risk Based Assurance Policy.

Discussion

The OC raised a question on the feasibility of the risk identification for hot spots in general. FLOCERT is now looking at their data and resources on how to address this topic. At the moment the challenge is that until recently, the reporting was only for certain types of customers, which was extended to all the clients. To have all Fairtrade certified customers on board for reporting would allow a more robust assessment and approach, therefore a better risk categorisation system. FLOCERT is working on exploring their tools and the possibilities to make sure compliance with the RAPs v2.0 is met.

Decision

One member abstained due to a conflict of interest.

The variation request on the Trader Initial Audit as recommended by the AM was approved unanimously.

Next Step

- AM to inform FLOCERT about the decision: March 2020

Item 8 - Auditing in travel risk areas

Evaluation of the Travel Risk Areas pilot project

FLOCERT presented the evaluation of the pilot project to the OC on certifying in travel risk areas. During the pilot, FLOCERT chose organizations from various areas and products, to allow to test their approach on different scenarios. The three main regions were Africa (DRC & Burundi), Latin America (Colombia) and Europe (Turkey). The pilot included Small-scale Producer Organizations (SPOs), Hired Labour organizations and a Trader, in three different product categories. The auditors for the project were all in-house auditors.

FLOCERT found the remote trader audits satisfactory. For producers, however, many challenges were identified during the audit (issues with the connectivity and accessibility, and verifying compliance). The sampling of member and/or worker interviews was also difficult, due to the inability to identify interview partners and also to guarantee confidentiality. Especially in areas with long standing conflicts, the impact of the conflict resulted in a significant challenge for producer organizations to implement compliance requirements to the Fairtrade Standards.

In addition, as FLOCERT is accredited against the ISO 17065, and the remote audit approach deviates from current certification practices, it has to be first authorized by DAKKS to allow FLOCERT to take certification decisions.

Overall, the findings suggest that FLOCERT was unable to assess compliance of producer organizations against all requirements of the Fairtrade Standards through remote assurance. Also, it was not possible to imply that customers who have been certified through remote auditing, have gone through the same rigour as those who have been certified under the normal processes. On the possibility to recognize other scheme's audit results, it was found that there was no practical way for FLOCERT to credibly guarantee that an alternate organization on the ground can replicate FLOCERT's assurance methodologies.

To go ahead with the project, FLOCERT highlighted that the following actions have to be ensured:

- Appropriate support to the Producer Organization by the Producers Networks to foster empowerment and compliance.
- Transparency about which actors are subject to the remote assurance approach
- Interpretation on the applicability of Standards
- Authorization for the approach by DAKKS

Fairtrade certification in conflict areas, the Congo case

The CEO of Max Havelaar France (MHF) presented a case of two new SPOs in the Democratic Republic of Congo (DRC), who applied for certification, but because of the restrictions in FLOCERT's travel policy could not have an initial physical audit and therefore the organizations could not become Fairtrade certified. According to MHF, the two SPOs were supported by local NGOs, they have signed buyer contracts with committed Fairtrade coffee roasters in France and Belgium, who plan to source only Fairtrade certified coffee. The SPOs in question are part of a bigger development project funded by the EU, and in addition allowing them to enter the Fairtrade coffee culture could potentially decrease illegal hunting by providing better income to the farmers.

Despite all efforts during the Travel Risk Areas pilot, the remote audit was not successful and did not grant the SPOs a Fairtrade Certificate.

Proposal

In order to support Fairtrade's mission to tackle poverty, and address the challenge of certifying in conflict affected areas, FLOCERT proposed to work on a revised auditing methodology that is matched by an appropriately revised public claim, with additional producer support from the respective PNs.

This would mean that FLOCERT would offer Fairtrade certification in conflict areas through remote assessments. This special certification would need to be accompanied by a public claim, that Fairtrade certification has been provided under "special conditions". "Special conditions" would mean that certain aspects of Social Compliance, Democracy and Participation, Environmental Management, as well as Physical Traceability, have not been physically assessed and cross verified. Organizations certified under "special conditions", will be distinctly identified by FLOCERT, Fairtrade International and the respective National Fairtrade Organizations' websites.

To ensure that producers in conflict areas are systemically empowered and Fairtrade compliant, appropriate support by the Producer Networks is necessary.

MHF suggested, that on a long term, it would be beneficial to explore the possibility of recognizing other schemes' certificates, also to collect additional information from Producer Networks, NGOs, Local government institution to inform the certification process. Trainings in risks areas could be conducted and FLOCERT could work with local personnel who can access the farms. Specific security measures for FLOCERT auditors working in neighbouring countries who could potentially travel to these risk areas could be implemented.

Discussion

The OC raised concerns on the level of the assurance delivered through remote auditing and on the implication of the remote approach to the certification mark regulations. Overall, the OC welcomed the proposal as set out by FLOCERT, and mandated the Director S&P to issue the instruction to FLOCERT that is required to address the topic with DAkKS. Also, the OC endorsed and gave the mandate to Fairtrade International to explore the possibilities for long term as suggested by MHF. It was also mentioned, that the reduced criteria list which is planned to be used during the remote assessments has to be approved by Fairtrade International.

Next Steps

- FLOCERT to draft the implementation plan of the remote approach for producers in conflict affected areas
- AM to prepare the Instruction to FLOCERT
- Director S&P and AM to review and approve the reduced CCs list, and to present it at the upcoming Standards Committee.
- MHF to work on ensuring appropriate PN support for the SPOs in question

Item 9 – AOB, Next meeting date, Closing

An additional OC meeting is planned for May/June 2020 to follow-up on the COVID measures. Time and date to be defined at a later point.

The OC meeting scheduled for the 06/07 July 2020 is planned to go ahead as a teleconference.

Meeting is formally closed.