



# ***Joint Standards Committee and Oversight Committee Minutes***

## ***SC Meeting 90 and OC Meeting 19: 03 June 2020 Teleconference meeting***

Standards Committee (SC) members: Martin Boon, Jos Harmsen, Martin de la Harpe, Richard Kwarteng, Miguel Mateo Sebastian, Iresha Sanjeevanie, Emilie Sarrazin (Chair).

Oversight Committee (OC) members: Martin Boon, Theresa Glammert-Kuhr, Richard Kwarteng, Miguel Mateo Sebastian, Ludwig Tanchot, Martin de la Harpe, Iresha Sanjeevanie, John Young (Chair)

Fairtrade International S&P: Alina Amador, Gelkha Buitrago, Kerstin Cron, Ricardo Guimaraes, Eleonora Gutwein, Giovanna Michelotto, Ana Jordan Rosas, Maria Steenpass, Sandra Yanez-Quintero.

**Disclaimer:**

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

The section to introduce the topic (background information) has been written by the Standards & Pricing and may not have been discussed by the SC/OC in full. Sections listing action points are an outcome of discussions of the OC/SC but are not part of the decisions made.

### **Item 1 – Opening**

**Agenda:**

The agenda was approved and ground rules read. It was noted that despite being a joint session with OC and SC members, the decision making points were within the remit of the OC only.

**Declaration of conflict of interests:**

A conflict of interest was reported for Item 7 by one OC member. This member will abstain from the voting on the agenda point. No further conflict of interests were identified.

**Action Items:**

It was highlighted that the focus of this session was on action points from the last teleconference and that a full report on action points from March will be given in the July meeting.

Pilot for Organic Cotton in India: As the decisions regarding this topic were taken via email voting, for the records the S&P Director noted that the proposal was approved by the SC members (5 votes in favor, 1 abstained and 1 against) subject to the endorsement and agreement of timelines with NAPP. S&P will update the SC when the agreement with NAPP has been reached. Implementation would not go forward without the endorsement and agreement of timelines with NAPP. An update on the process to be presented during the SC meeting in July 2020. All SC members agreed on the agreed way forward for this Pilot.

### **Item 2 – New certification requirement for cocoa and coffee**

The S&P Director informed about the process to regulate the entrance of cocoa and coffee producers and traders as one of multiple measures to balance supply and demand in these products. A new certification criterion was introduced on 1 June 2020. Applicant coffee and cocoa producers and traders need to demonstrate that they have end buyer commitments, or that certification is necessary to ensure delivery of an existing commitment. This will be in effect for 14 months or until the relevant product specific standard – under review- is valid.

#### **Discussion:**

The measure taken before to regulate the entrance of new applicants (producers submitting a letter of intent by a potential buyer) has- not had the intended effect. With the new measure, the commitment has to be shown by the end buyer. This ensures that producers have a market and existing producers are not negatively affected by new organizations. It was mentioned that commitments should not be for once but for several years and that it is a difficult time to implement this measure as due to the corona crisis, sales, e.g. in coffee, are declining. Also, the market is generally fluctuating all the time and therefore, it may be difficult to achieve a commitment in a mainstream supply chain.

This measure was introduced at the call of producers, going ahead of the standards review, which is ongoing for both products. This approach will firstly be used in cocoa and coffee. There will be a discussion if and how a similar measure could be implemented for bananas led by the PNs. It is not foreseen for more products at the moment. In markets without NFO, FI will be supporting the implementation of this measure. The implementation of the new measure will be monitored and evaluated.

#### **Action item:**

The SC asks to be updated on the progress of implementation and evaluation of these new certification requirements.

### **Item 3 – Covid-19 implications on Standards, Pricing and Assurance workplan**

The Head of Standards, Head of Pricing and the Assurance Manager presented the implications of Covid-19 on projects.

#### **Standards Team**

The main question for Standards is when and how to start consultations in Covid-19 times for ongoing projects. S&P is in contact with all relevant stakeholders to see how to deal with it, in particular with PNs. It needs to be taken into account that mobility restrictions will be lifted at a different pace in the various regions.

Living Wages in Bananas: the consultation was originally scheduled to start June 15<sup>th</sup>, the project has been delayed because of Covid19 and FTF UK requesting more time to prepare and engage with stakeholders. Main producing countries are Dominican Republic, Ecuador, Colombia, and Ghana.

Coffee Standard: the team is preparing for the 2<sup>nd</sup> round of consultation.

Tea Standard: involves work related to Standards and Pricing. The consultation will soon be launched.

Gold Standard: trying to keep the momentum, some delays caused by shift of priorities. The preparation for consultation is taking place.

Cocoa Standard: has just been launched, consultation planned for Q1 2021.

Other projects: HML implementation is ongoing, SPO standard related changes to be published in the next days.

### **Pricing Team**

Real FMP/ Price analysis: intends to analyze the evolution of FMP vs market price (coffee, cocoa and bananas) in real terms (deflated). This analysis is useful for future price reviews. Results expected by August/September. Real FMP is not related to the True Costs account approach.

Wage gap online prototype: unfortunately, not possible to include cost of production in an online platform as initially planned, now reducing the scope of the project to wage gap, hiring a consultant, that needs to be an IT expert and programmer to transfer what has already been developed in the team to an online platform. On-going discussion with IDH wage matrix platform.

Banana: initially planned to do a price review with COSP. However, due to delays caused by Covid-19 and the standard review, it was decided that it is not possible to do the review of the prices and standards at the same time and will be carried out in 2021.

Cocoa: the price review will happen only next year (probably starting Q3 2021). The project was planned to start on Q4 2020. However due delay replacement for the project manager in time, Covid-19 and the standards review happening, it will start only in 2021.

Farmers' income study: is in initial phase, follow up from farmers' income study 2-3 years ago in Cote d'Ivoire, contract with consultant signed. Not possible to have direct consultation but interviews by phone beginning of July. Final results by November / December 2020.

Pilot on Farmers' income: this pilot is almost ready, on very specific supply chains, together with Senior Advisor Sustainable Livelihoods.

Lime price review: already planned last year. This was the project most hit by Covid-19, as there were discussions if we can consult or not, Lime consultation has been launched in Brazil, Mexico and Sri Lanka, to be finalized for September.

### **Assurance**

RLB self-assessments: were due to be completed by the beginning of June 2020. Because of Covid-19 challenges, LBs had to adjust to the office closures. Some of the LBs reached out to ask for extension, which was found reasonable, therefore the submission deadline has been extended to the end of September 2020.

Annual KPI reporting: delayed due to the challenges faced by FLOCERT to adapt to Covid-19.

Assurance and licensing risk management plan: was scheduled to be reviewed in June 2020, not likely to be feasible. Additional risks became visible with the new limitations because of Covid-19, which need to be assessed and added to the plan.

Assurance Providers 'on-site assessments: on-site assessments are ongoing; Fairtrade Label Japan's on-site assessment was concluded in January according to plan. However, Fairtrade Australia and New Zealand's and FLOCERT's on-site audit might be delayed, due to the mobility restrictions.

Review of the exception policy: scheduled for Q3-Q4 2020, as no physical workshops will be held the review is going ahead as planned.

Entrance regulation of new cocoa and coffee producers and traders: implementation and monitoring of the needed measures are a priority for the next 2-3 months.

Unfair Trading Practices: as workshops and roundtables are not taking place, reliance of assurance on physical audits (which are not possible at the moment) have impacted negatively the project.

New tools for the consultation because of Covid-19 situation are being considered, but producers have also voiced that physical workshops are very important to engage with producer organizations.

#### **Item 4 – Covid-19 Standards – Flexible Premium.**

The OC and SC were informed about the use of Flexible Premium by Producer Organizations.

In view of the Covid-19 situation, both workers and producers are facing different kinds of difficulties. For instance, a reduced individual income, lack of supplies and a lower family budget. Hence, it has been proposed that the Fairtrade Premium (FP) can be employed to alleviate the current situation and close these gaps. The extraordinary use of FP of up to 100% for cash disbursements to workers is valid until 30 September 2020, in all cases the flexible FP use needs retro-active ratification by the General Assembly.

Some examples of how the FP has been used were mentioned. For example:

1. Relief measures which were implemented by POs in Sri Lanka. For example, distribution of food packages, face masks and medicines for members and their families.
2. In India, four POs have partnered with local agencies to alleviate the impact of Covid-19. They came together with local partners to form “the Corona Warrior Initiative” through which they have provided medical and hygiene products, as well as groceries. Likewise, the FP has covered 50% of the certification costs.
3. POs have used the FP to not only provide food and hygiene products but also pay salaries for farmers over 60 years of age in Salvador.
4. A mask manufacturing project was initiated by producers in Naivasha, Kenya. Thanks to the FP, workers have been producing masks for their families and community. This project brings health and economic benefits since community members are using masks to protect themselves while selling masks to other local people.
5. Besides the distribution of hygiene and protection products and equipment, POs have implemented awareness sessions for employees and local community members in Ivory Coast.

**Next steps:** Members of both committees requested at the next meeting to report on the effects of Covid-19 on production and for both producer and worker levels to identify disruptions. In this regard, there was a comment about the current business report, which includes Covid-19 impacts on producers, that NAPP is currently sharing with NFOs every 2 weeks. Suggestion to include an update on supply chain challenges for the next meeting.

#### **Item 5 – Covid-19 Assurance response**

FLOCERT informed the OC and SC members about the measures implemented to respond to the challenges posed by Covid-19 including:

1. Remote audit & reduced checklist: this measure has been implemented with strong collaboration with FI and always having the aim to ensure conformity with ISO accreditation.
2. Exceptions & offered flexibility: FLOCERT is offering process flexibility and financial flexibility to support the producers in these difficult times. It was clarified that the flexibility is not intended to allow random deviation from Fairtrade Standard requirements, but to support customers to achieve the expected requirements.
3. Back to onsite audits: this depends on local regulations, but also where auditors are located. But overall, the aim is to conduct on-site audits as soon as the situation allows it. Prioritization will be based on: the time since “application complete” / payment of initial fee was done and the local regulations and auditor availability.
4. Credibility - an all-time focus. FLOCERT is using a Respond, Recover and Thrive approach. Responding by managing the continuity of the measures, recovering is learning and developing the processes, and thrive means preparing for the next normal (smart assurance). Smart assurance is a concept that combines these thoughts. Assurance should become more proactive, data driven, value adding and agile.

FLOCERT mentioned that more information on Smart assurance will be provided to the OC in future.

FLOCERT reiterated the idea of learning and emerging stronger. Examples that are already being implemented are the use of additional information to trigger audits / ad hoc investigation, and improvements to the allegations process offering more channels to receive compliance information (whatsapp, sms).

#### **Item 6 – Extension of existing measures for certifying during Covid-19**

The concept of certifying during the Covid-19 pandemic builds on the remote audit methodology against a reduced compliance criteria list, which was initially applicable as long as travel restrictions and requirements for social distancing impede onsite audits. The Fairtrade International Assurance Manager presented a proposal to clarify the implementation of the measures and a recommendation to introduce a period limit.

While various Covid-19 restrictions are gradually being lifted, different countries apply differing approaches to the situation (from strict lock downs, to regions restrictions, to ignoring the virus). Hence, FLOCERT cannot apply a uniform approach for auditor travels. Moreover, in some producer countries, the outbreak of the disease is currently limited to urban areas. Sending auditors from (affected) urban areas, where they reside, to (less affected) rural areas poses the risk of further spreading the virus. Therefore, lifting of travel restrictions and the ability to carry out audits even in cases when social distance is possible during the audit, cannot be the sole basis for consideration.

Therefore, the AM proposed to extend the Certifying during Covid-19 pandemic approach for Fairtrade International's Assurance Providers and to delegate to the Assurance Providers the decision as of when and where to start carrying onsite audits.

**Decision:**

The extension of the certifying during Covid-19 for Fairtrade International's Assurance Providers until 31 October 2020, and the delegation to the Assurance Providers of the decision as of when and where to start conducting onsite audits in different countries in line with the relevant regulations on travel restrictions and social distancing was approved unanimously.

**Next Steps:**

- FLOCERT to implement the decision – June 2020
- FLOCERT and FI to evaluate implementation – End July 2020
- Results of evaluation and revised proposal to be discussed with the OC – September 2020

**Item 7 – Certification of new producer organizations during Covid-19**

The concept of certifying during the Covid-19 pandemic does not allow initial and re-entry audits for producers as related risks are higher than in case of already certified organizations as insights on the risk areas of the organizations are not available. Given the increasing demand from stakeholders to allow producers to apply / re-apply for Fairtrade certification, to fulfil supply chain needs, FLOCERT has put forward a concept to certify new and organizations and organizations re-applying after decertification, including measure to address the existing risks.

In a nutshell, the concept to enable initial and re-certification audits proposes to audit these organizations through remote audits and against a reduced list of compliance criteria. To mitigate the risks inherent to this approach, FLOCERT proposes that until a full audit is carried out, a permission to trade is given instead of a certificate and that interviews by phone are carried out in the course of the audit. Other measures are also proposed to reduce risks like organizations not being composed by a majority (66%) of small-scale farmers (in the case of SPOs).

However, even if phone interviews were used to check information to increase the robustness of remote audits, it does not enable to have a complete overview of the performance of the organizations on key areas of Fairtrade certification.

Furthermore, due to the mobility restrictions, new applicants would not receive sufficient support from PNs to ensure the progress and compliance with the Fairtrade Standards.

**Recommendation from FI**

Fairtrade International's Assurance and Oversight acknowledges the need to allow new producers who have market potential to enter certification. However, there are additional risks associated with those organisations trading without a physical check. Even though the measures proposed by FLOCERT would indeed tackle some challenges, it is considered to still be too risky to allow new organisations to trade under Fairtrade terms without a physical check on all the core requirements in the Standards. Therefore, the AM proposed not to extend the remote assurance to new producers during Covid-19.

**Discussion**

FLOCERT clarified that to implement a change in their certification, the approval from the scheme owner is needed, and at the same time DAKS has to be informed about the developments and the changes due to Covid-19. It was mentioned that indeed there is a reputational risk, however, most of the risks could be tackled with a circumstantial approach. There is still no clarity for how long the Covid-19 restrictions will continue. To halt the certification of applicant producers would be the preferred option for a short term situation. However, on long term there is a risk of a standstill in the market. Therefore, a conscious decision on the way forward is needed, especially in case Covid-19 measures and mobility restrictions continue.

FLOCERT mentioned that the Fairtrade Assurance model was designed to heavily rely on physical audits, and remote audits do not offer a similar level of assurance, so indeed there is a reputational and credibility risk to be considered.

While some members of the committee agreed with the need to find a way forward for new applicant it was also mentioned that the remote assurance already has many limitations, therefore it should not be allowed for initial audits. Suggestions to mitigate risks were shared, for example new certification requirements to applicant producers during Covid-19 could be implemented, like an end-buyer commitment, an affidavit declaration for the producers), or developing a risk based approach.

Based on what has been said during the meeting, Fairtrade Assurance and Oversight proposed to have FI and FLOCERT to work together to define further measures to address and only allow producers to receive a remote audit that meet certain additional certification requirements and are therefore not considered high risk.

**Decision:**

The new proposal that Fairtrade International and FLOCERT should work together to strengthen the proposed measures, and present it to the OC in July 2020 for decision was approved unanimously (seven in favour, one abstention).

**Next Steps:**

- FI and FLOCERT to work together on the new proposal - June
- AM to present the topic for decision in the July OC meeting – July

**Item 8 – AOB**

**AOB:** No AOB were raised.

**Next meeting date**

Next meeting will take place on July 2020. The possibility of having a joint OC and SC meeting will be explored, as the OC and SC members recognized the efficiency of this format. There is no certainty on whether the next session would be physical or a teleconference meeting, but due to Covid-19 restrictions and travel restrains, it is most likely to be a remote session.

FLOCERT requested a statement from S&P or OC indicating that FI has not yet approved FLOCERT to conduct initial audits. It was decided to include this point on this meeting's minutes, so they could be used as an official document where FLOCERT's position is explained and endorse.

**Closing**

The meeting was formally closed.