

# Standards Committee Minutes

## Meeting 91: 8-9 July 2020 Teleconference meeting

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

Fairtrade International S&P: Alina Amador, Eduardo Bluhm, Gelkha Buitrago, Kerstin Cron, Oksana Forkutsa, Ricardo Guimaraes, Eleonora Gutwein, Giovanna Michelotto, Ana Jordan Rosas, Maria Steenpass.

Contributing observers: Dr. Chris Bayer, Dr. Jesse Hastings (MEL, FI), Andreas Kratz (Director GPPP, FI), Martin Schüller (FT Germany), Dario Soto-Abril (CEO, FI).

Observers: Wilbert Flinterman (Sr. Advisor Workers rights, FI), Yvonne Henkel (Certification Analyst, FLOCERT), Raissa Ladeira (Certification Analyst, FLOCERT), Marta Montesco, (Certifications Manager Europe, FLOCERT), Nicole Petz (Acting COO, FI), Chris Schmeling (Regional Manager FLOCERT).

**Disclaimer:**

The Fairtrade International Standards Committee (SC) aims 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 in full. Sections listing action points are an outcome of discussions of the SC but are not part of the decisions made.

### **Item 1 – Opening**

**Agenda:** The agenda was approved and ground rules read. No additional points were highlighted for the AOB session.

**Declaration of conflict of interests:**

No conflict of interests was identified for the session.

**Review of actions items:**

- Proposals to develop and implement approaches that respond to the Covid-19 crisis have been the focus of the past two SC teleconferences, including flexibility of Premium use and assurance approach for existing and new organizations and traders. During the meetings in September 2020 the SC and OC as relevant would look into the need for extension. No requests to suspend prices/standards due to Covid-19 have been received so far.
- The rules regarding the payment of the price differential for cocoa were announced early April.
- Changes related to the Hazardous Materials List were announced end April.
- Changes related to sharpening the SPO definition were announced in June. The explanatory document will be published end of July.
- Further input on the North to North pilot has been shared with MH France.
- Proactive communication on how Fairtrade is addressing unfair trading practices and fraud is being revised.
- No news to share so far regarding the pilot on organic cotton in India.
- All other remaining action points have either a stand-alone session or are part of project updates in this meeting.

## **Item 2 – News session**

### **News from CEO:**

#### COVID-19:

- Fairtrade has set up of two funds, a relief and a resilience fund to support producers face the challenges of the pandemic. The funds have raised up to 3.5 million from members so far and additional funds have been provided by other organizations. These funds are operated by the PNs.
- In terms of disruptions in the supply chains, initially the flower sector was the most disrupted. In bananas the concerns are about ability to bring the product to the export ports in origin countries. In other products like coffee, mobility of workers is limited which may impact the harvests. Overall and across products, the demand is not expected to decrease because while out of home demand has reduced, it has been compensated by the increased demand from retailers.

#### FI Board meeting:

- Mary Kinyua has been elected as the new Board Chair and Melissa Duncan and vice-chair. In October the board will be electing new independent members. Ian Bretman was elected as liaison person for protection cases.

#### Fairtrade Strategy 2020-2025:

- Strategy expected to be approved second half of 2020, with focus on empowerment, growth and innovation and fairer supply chains.

### **News from SC:**

- Welcome to Bert Schouwenburg, new labour seat in the SC.
- Miguel Mateo, the SC representative of the CLAC, will leave the SC as of the next meeting. The SC and S&P thanked Miguel for his collaboration and commitment to the work of the Committee and wished him the best for future.
- FI Board confirmed the appointment of Marike de Peña as new SC member as of September 2020.
- Emilie Sarrazin is no longer chair/Board of MH France but continues her involvement with the French NFO.
- The SC was informed on changes to the SC ToR. The changes included giving a vote to the labour seat and a clarification that a second round of revision of minutes is only carried if necessary. The SC was informed of changes in the Nominations Committee ToR and that as of now onwards, the call for all candidates to the SC (including producer representatives) is centralized by the Nominations Committee.

### **News from OC:**

- The extension of the remote audit approach during Covid-19 for new and re-entry producer organizations was approved.
- FLOCERT presented how Fairtrace is used as a tool to improve assurance, provided an overview on complaints and allegations received in 2019 and presented an update on progress on the implementation of the variation request for small licensees and the pilot on conflict affected areas.
- John Young was re-appointed as Chair and Ludwig Tanchot was elected as Vice-Chair.
- SC suggested to the OC to discuss whether a labour representative would be needed in the OC as well.
- Assurance and Oversight Manager to share the presentation on the allegations and complaints with the SC members.

### **News from S&P:**

- Ways of working have changed as a result of Covid-19 restrictions with a mix of remote and onsite working.
- The Pricing Team welcomes Eduardo Bluhm as new Senior Pricing Manager and shared news about colleagues on (or soon to be) maternity leave.
- In the Standards Team the handover to the Head of Standards has been finalized and news were shared about departing colleagues.

- Last meeting of S&P Director, recruitment of new Director is on-going.

### **Item 3 – Standards Operating Procedure**

The S&P Director presented the background and explained that the Standard Operating Procedure (SOP) is designed in compliance with all requirements of the ISEAL Code of Good Practice for Setting Social and Environmental Standards. The SOP is to be revised every 3 years to ensure it reflects the actual standard-setting practices. The last revision of the SOP was carried out in 2016.

The results of the ISEAL evaluation was considered as input for the review of the SOP. The results of the evaluation are overall positive and only a few minor non-conformities were identified, therefore corroborating that Fairtrade International has a robust standards setting system closely aligned to the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

The SC received an overview on the few minor non-conformities and how they will be addressed by the Team, who has 12 months to correct them. A reflection on how the Standards Team sees the alignment of the existing practices with the ISEAL code was also shared.

One change to the SOP is proposed on alignment of practices regarding monitoring and evaluation (section 3.4)

#### **Decisions:**

The Standards Team proposed to delete the following text: “At the end of the standard revision where relevant, indicators to monitor the expected outcomes of the standard will be agreed upon with the Monitoring, Evaluation and Learning Team in order to build a learning cycle in the revision of standards” and to add the following statement: “Evaluations/impact assessments, carried out by Fairtrade or by external bodies will also be considered as input for future standards revisions. Moreover, interventions that are linked to standards will be monitored and evaluated as part of the framework to assess Fairtrade’s impact led by Global Impact”.

Discussion: The SC suggested to clarify what kind of evaluations/impact assessment would be considered as input for further revisions and suggested the following change:

#### **Decision 1**

Do you approve the proposed changes to the section 3.4 (approval) of the SOP?

The SC voted in favour of the proposal including a clarification of what studies should be considered as input for revision (7 in favour, one abstention).

### **Item 4 – Director’s decision**

The S&P Director informed the SC on the two decisions taken by her outside of project cycles.

- Recycled polyester certified under Global Recycled Standard developed by Textile Exchange (ISEAL member) has been added to the list of responsible fibres under the Fairtrade Textile Standard.
- The transition period for the implementation of SPO requirement 4.1.10 on Fairtrade Premium reporting has been extended to April 2021.

Fairtrade Germany has shared a request to suspend requirements on living wages and on ensuring subcontractors compliance. Their submission will be revised as it may be that a suspension is not needed on all cases. The SC suggested that the Head of Standards liaises with the Chair of the SC for the interpretation issues and that the suspension is brought to the September meeting.

### **Item 5 – Fairtrade Strategy 2020-2025**

The Senior Strategy Advisor presented the work on the strategy development that has been carried out in the last 16 months. This work is the result of engaging with external and internal stakeholders, developing

scenarios based on a contextual and external analysis. Fairtrade's promise and external commitments to 2030 were presented and their connection to the SDGs.

The strategy makes an explicit attempt in positioning Fairtrade to major drivers of change, such as the role of technology and climate change in achieving sustainable livelihoods, the role of women and youth in sustainable supply chains, working more collaboratively with others, changing the dichotomy of unfair trading through calling on system action for all actors to change their practices. The new strategy proposes a set of workstreams to achieve progress while also considering internal steps to become a fit for purpose organization (e.g. governance structure, organizational culture, digitalization and ways of working across Fairtrade.)

The implications on standards and pricing were presented and discussed. There is a vast number of topics that are relevant for S&P, including but not limited to the possible revision of environmental standards and implications for all actors in the supply chain, human rights due diligence, living incomes and living wages, Fairtrade's development approach, gender and youth issues, involvement of workers in certification follow up and workers in SPOs. In terms of growth and innovation topics discussed that are relevant to S&P include offers to commercial partners, Fairtrade local, traceability and different product and segmented product portfolio. Agility and innovation was also highlighted as needed to deliver change at the right speed.

The SC stressed how a successful implementation of standards is linked to capacity within organizations, capacity building programs, the ability of producers to access markets, and better prices, so they can receive revenue to invest in their organizations and farms.

Concern was raised to the subject of having stricter standards could have a negative impact on being a barrier for growth and therefore reduced impact.

Attention from SC was brought to the need of strong focus in advocacy aiming for changes in trade chains and governments to commit further more to Fairtrade. The Senior Strategy Advisor welcomed the comment and clarified that advocacy plays a very important role in the third pillar of the strategy even if not presented in much detail to the SC. Members also raised questions as to how living wage and living income could be achieved without fundamental changes in trade practices from influential actors of the trade chain within Fairtrade. The Senior Strategy Advisor emphasized that the strategy proposes interventions at different levels (producer capacity building, standards, advocacy, civil society and commercial partners) that are targeted to create long term change and that is fuelled by the expertise and progress that we have been building around LI/LW during this existing strategic period.

Questions were also raised if the current SC structure will remain the same in the future. The Senior Strategy Advisor explained that the strategy is not so detailed on practical implementation, but the current structure of the SC is viewed as to be maintained. On this point, the SC draw attention to external regulations for standard setting and implementation such as ISEAL and ISO codes which should be taken into consideration.

Further discussions are needed in terms of the role S&P and SC in the implementation of the different elements of the strategy as well as on the prioritization of the different topics.

**Next steps:**

- Senior Strategy Advisor to keep the SC updated on relevant progress
- Head of Standards, Head of Pricing and Assurance and Oversight Manager to share with SC plans for implementation as they become available.

**Item 6 – Fairtrade and the environment**

A representative of the Fairtrade the Environment and Climate Change Working Group shared how the environmental topics and climate are addressed by Fairtrade, including at standards level but not limited to it. Relevant studies highlight how Fairtrade performs on environmental outcomes, how Fairtrade Premium is used for investments on environmental topics and also how Fairtrade compares to other ethical schemes on environmental issues. A set of recommendations were presented to SC regarding how Fairtrade can improve/strengthen its work on environment and climate change.

The Head of Standards presented how the Team has considered to uptake the recommendations of the Environmental Study presented in March 2020, what areas of work have already been covered and how further suggestions can be addressed in the future.

The SC discussed the challenges and opportunities in improvement/strengthening the environmental requirements in the standard and agreed to have further discussions, in a workshop format for example, once the Fairtrade strategy 2025 has been approved.

### **Item 7 – Exceptions Committee composition**

Following the suggestion from the SC to achieve greater balance between different stakeholders in the Exceptions Committee (EC), modifications to their Terms of Reference were proposed and put forward for SC decision.

#### **Decisions:**

##### **Decision 1**

Do you agree to merge the consumer and commercial representatives with the market representative position?

The SC unanimously voted in favour of the proposal

##### **Decision 2**

Do you agree to add a trader representative position for certified members of the supply chain (trader or manufacturer)?

The SC unanimously voted in favour of the proposal, but it was requested by the SC members to add as guidance to the ToR regarding promoting alternation between importer, exporter and manufacturer, as well as regarding their geographical location.

#### **Next steps:**

- July 2020: Launch call for trader representatives
- September 2020: During the SC meeting, the candidates for trader representatives would be presented for the SC approval

It was mentioned by the Project Manager that the current Licensee representative has left the System, therefore an online approval for a new licensee representative will be sent for the SC consent before September.

### **Item 8 – Fairtrade and HRDD**

The Leader of the Center of Excellence (CoE) for Human Rights in Fairtrade, explained basic concepts of Human Rights and Human Rights Due Diligence (HRDD). She also explained that at the moment, the work is focused on developing a system wide approach to HRDD for Fairtrade, in the following work streams:

- Advocacy messaging and work
- HRDD related Offer to Business
- System development

In the future, Fairtrade should offer:

- 1) Certification that mitigates the key human rights risks in supply chains
- 2) Guidance & expertise on HRDD
- 3) Programmes to assess human rights in specific supply chains and/or mitigate human rights violations

The Standards Team, HRDD working group and HRDD CoE seek a coherent and swift incorporation of human rights and HRDD in Fairtrade standards: Dialogue and workshop between Standards Team and HRDD working group in 2020 (facilitated by HRDD CoE) will take place.

During the meeting, it was discussed that Fairtrade's approach to HRDD and environment should be aligned. There is collaboration and exchange between the related working groups.

During the discussion, it was identified that:

- There are still some gaps in the SPO Standard regarding HRDD processes and the system wide approach on HRDD is not implemented widely yet
- HRDD work needs to also be implemented through programmes and producer support, not only through standards
- A bottom-up approach should be implemented, a top-down approach should be avoided
- There is urgent need for Fairtrade to move forward on this topic
- Human rights are the same for all human beings, including everybody, also e.g. workers in SPOs

### **Item 9 – Mapping and contextual analysis workers in SPOs**

The mapping of the contextual analysis for workers in SPOs in bananas in Latin America (LA) and cocoa in West Africa (WA) is a study commissioned by Fairtrade to better understand the working arrangements between farmers and workers in banana in these regions. This study is an important step towards the development of a strategy for workers in SPOs. The report will inform interventions –not only at standards level but also beyond- in bananas in (LA) and cocoa in (WA) as a first step. A similar exercise is foreseen for coffee. Afterwards, a general strategy will be designed and implemented across interventions, products and regions.

Tulane university presented the scope, methods and draft recommendations of the study. The findings and recommendations have been discussed with different Fairtrade stakeholders. The researchers will consider the input received to issue a final report and recommendations.

#### **Next steps:**

The SC expressed desire to deepen the conversation and discuss the recommendations in an upcoming SC meeting. Moving forward the Global Products, Programs and Policy Unit at Fairtrade International will be leading the strategy work and will keep the SC informed of progress and liaising as relevant to involve the SC in next steps.

### **Item 10 – French legislation on Fair Trade**

French legislation on Fair Trade includes a requirement on long-term commitments defined as commitment of at least three-year duration. Only schemes that are in line with the legislation can make a claim on pack. The Fairtrade standards include a voluntary best practice on this topic, but with a shorter time frame. MH France put forward several proposals to address the gap and requested guidance from the SC on the way forward.

The SC recognized the importance of long-term commitments for the development of producer organizations and discussed the different opportunities and challenges behind the proposals. The role of retailers was also highlighted as key to ensure traders commit to long-term relationship with producers.

#### **Next steps:**

FI legal to explore this topic and based on their findings, the Standards Team to elaborate the proposals including risks for further discussion at an upcoming SC meeting.

### **Item 11 – Q&A on Project updates**

#### **Standards Projects**

- Cocoa standard review: project just began and for the moment no delayed.

- Coffee Standard review: on hold and finalizing the consultation document. Social and environment topics have been requested to be added to the scope of the project.
- Gold and associated precious metals: project on hold as mines are closed. For the preparation of the final proposal for standard requirements and final consultation document the Standards team is working together with a consultant.
- Living wages in Hired Labour (focus on bananas): launching on the 1<sup>st</sup> of September for 30 days. Preparatory documentations and webinars to be provided to stakeholders. Decision expected by the end of the year.
- Migrant Labour in Dominican Republic: Standards team updated the SC on the status of the project and recognized the relevance of the national election process to the work on advocacy to make progress on this topic.

#### **Pricing projects**

- Cocoa Pilots Farmers Income Household assessment: ongoing project, currently on the final stage revising the paper submitted by the consultants.
- Limes Price and Premium review: the first round of the consultation is finalized. Currently working on the 2nd round consultation. Decision expected by November meeting.
- Historical Evolution of the FMP and Market Prices for T1 Products: desk project to check among the Tier 1 how FMP has evolved against real prices. It is starting now and it will be finalized by September.
- Cocoa Household Income Study in Côte d'Ivoire: initial phase of the project. Pricing team together with consultants, FTA and GPPP Cocoa are defining SPOs that will take part in the study, the sampling strategy and final adjustment of the questionnaire. Data collection will start in July.

SC requested that the Advisor Sustainable Livelihoods in FI presents the methodology being used to calculated Fairtrade living Income prices and assure if it is aligned with Standards Unit price setting.

#### **Item 12 – AOB**

The SC was informed about the request from rice producers in Thailand to revise the Contract Production Standard. The Director of S&P explained that the concerns received are valid and explained the challenges that exist to address them at the moment due to the limited available resources, existing priorities and lack of strategic guidance at members' level on this topic.

#### Action points:

The SC Chair to liaise with the new Board Chair to receive guidance regarding the future of Contract Production.

The Head of Standards to respond to the subscribers of the letter about this discussion and to work with the members of the Committee who volunteered to co-develop a proposal for further discussion (to be presented to the Committee in November 2020).

An SC member brought to the attention of the Pricing Team a mistake in one of the values in the Pricing Table. There is no need for a change in the Pricing SOP to ensure mistakes are avoided but in the work instruction there will be a four eye principle to ensure the right values are published.

#### **Next meeting date**

23/24 Sept 2020 – to be confirmed if physical or virtual

25/26 Nov 2020

**The meeting was formally closed.**