

# **Oversight Committee Minutes**

## **Meeting 28: 27 September 2022**

### **Physical meeting**

#### **Present:**

OC members: Martin de la Harpe (virtually), Martin Boon, Jules Colombo, Theresa Glammert-Kuhr, Marike de Peña, Sugumar Raman, Iresha Sanjeevanie, John Young (Chair)

Excused: Richard Kwarteng (proxy vote to Iresha Sanjeevanie)

Fairtrade International Standards & Pricing: Eleonora Gutwein, Gudrun Schloepker, Christine Knickelbein

Contributing observer: Mona Wolf

#### **Disclaimer:**

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

#### **Item 1 – Opening**

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

Agenda: The agenda was agreed upon unanimously.

Conflict of interest: A conflict of interest was reported for item 4 and item 8. Respective member will abstain from voting on this agenda point and decision.

#### **Ground Rules:**

The chair reminded the OC about the ground rules for the meeting:

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

#### **Review of actions items:**

- FLOCERT's audit on the Requirements for Assurance Providers (RAPs) is on the agenda for this meeting (Item 4).
- Certifying in Conflict Affected Areas is on the agenda for this meeting (Item 8).
- 2nd instance complaint is on the agenda for this meeting (Item 3).
- Exceptions Reporting 2021 is on the agenda for this meeting (Item 7).
- Fairtrade Pilots Standard Operating Procedure (SOP) is on the agenda for this meeting (Item 2 - Updates).

## **Item 2 – Updates**

### ISEAL evaluation 2021

The independent evaluation of FI against the ISEAL Assurance Code is ongoing. FI submitted their assessment end of August 2021, the first evaluation from the independent evaluator was received in March 2022. The Assurance Manager (AM) and the evaluator met several times to clarify and agree on the non-conformities and their corrective measures since then. Once the corrective measures are accepted and approved by the ISEAL secretariat, FI will have to implement the corrective measure in 3 to 6 months. The result of the evaluation will be presented at the next OC meeting.

### Conducting Pilots in Fairtrade

The AM reported that the [Fairtrade Pilots SOP](#) has been published on FI's website and that the Pilot Development Facilitator is currently being recruited. The implementation time is until November, after that it will be mandatory. Still outstanding is the training of the system on the new SOP. The SOP has a narrow scope. Pilots are defined as testing ideas that have implications on certification, standard requirements and related procedures and policies, and licensing. It is always limited to a set of operators participating in the pilot and with clear timelines for closure.

### Certifying in Conflict Affected Areas

On the agenda as a separate item. (Item 8).

### Trading with Integrity Task Force

Trading with Integrity is a topic that gets a lot of attention in the Fairtrade system. Following up on the work and the actions agreed at the last workshop in December 2020, FI is relaunching the Trading with Integrity Task Force. A workshop is planned for November 2022 in Costa Rica, to follow up on actions agreed and to get a better understanding on what has been achieved in the main workstreams identified (Standard-setting, Monitoring and Auditing, Sanctions and Allegations, Capacity Building). The OC will be updated regularly on this workstream.

## **Item 3 – 2nd instance complaints (for information)**

The Assurance Provider (AP) gave an update on how they implemented the OC recommendations following the two 2<sup>nd</sup> instance complaints received in 2020 and 2021:

*Complaint against non-acceptance of allegation (interpretation of applicability of Standard requirements in the context of migrant workers in Dominican Republic) (from 2020):*

In its meeting in November 2020 the OC had made the recommendation to reopen and investigate the allegation once the interpretation notes for requirement 1.1.6 and 3.3.1 had been published. It further recommended to conduct an issue focused audit in cases where evidence was provided for reactive criteria after the audit was closed.

The AP implemented the following actions:

- a) The AP adapted the affected Compliance Criteria (CC) in line with the interpretation note published by FI at the end of May 2021 and informed the auditors.
- b) The topic has been assessed in the regular audits of the linked customers:
  - One customer remains decertified.
  - One customer was audited in 2021 according to the interpretation note. A non-conformity (NC) was identified with the new CC based on the interpretation note. The NC was closed. 2022 audit results were outstanding at the time of the meeting.
  - One customer was audited in 2021 and a related NC was found. The 2022 audit results were outstanding at the time of the audit.

c) Insights gained outside of the audit workflow are considered allegations and investigated as such. *Complaint against an immediate decertification decision (from 2021):*

In its meeting in September 2021 the OC had recommended that the time between the audit and decision for immediate decertification should be shorter and that there should be proper communication and feedback to the client if some of the evidence is not completely aligned with other components of the Fairtrade Standards. If it relates to severe cases, a desk check should be conducted as soon as possible.

The AP implemented the following actions:

- a) Auditors will be asked to flag if they consider any audit results as very severe. This would trigger prioritizing the evaluation of the audit report in questions. Instructions are included in the certification auditor work instructions that was published in September 2022.
- b) A process is in place to flag to customers if elements in the documentation they provided give a hint to a different problem. This is done as part of the evaluation workflow in the Intact Platform (Ecert), allowing the next auditor access to this information.
- c) (Remote) Unannounced Audit can be used to allow for ad-hoc follow-up of details that can be looked into remotely.

#### **Item 4 – Assurance Providers RAPs compliance**

The AM presented the result of FLOCERT's full assessment against the RAPs 2.0. The assessment was conducted in 2021 by an independent auditor, the audit result had identified NCs that have been discussed with FLOCERT, and corrective actions have been agreed by the AM and FLOCERT's Assurance Scheme Manager (ASM).

Objective Evidence (OE) was received and checked for 7 NCs so they could be closed. The 2 remaining NCs can be closed once the final documents are provided. The full audit report has been shared with the OC in advance.

#### **Discussion:**

There was a question about the credibility of the audit which was clarified: The auditor was a third-party auditor, the AM acted as the analyst and the OC is the decision taker.

It was felt that the audit process was very labour intensive as FLOCERT is ISO accredited as well and also conducts internal audits. There is a lot of overlap between Dakks requirements and the RAPs. An idea could be that they get audited together to reduce the workload. There is a need for lean and efficient processes while remaining credible. It was agreed to explore with Dakks if they could audit the additional RAPs requirements that are not in the scope of the Dakks certification (e.g., specific requirements for auditing the Textile, Climate and Precious Metals Standard).

Another point raised was the need for a root cause analysis for repeated NCs FLOCERT detects during audits. A root cause analysis is not only important for the customer but also for FLOCERT and FI as it gives a good indication if a standard is implementable or if it needs to be improved. FLOCERT is currently discussing to introduce a root cause analysis for NCs.

#### **Recommendation:**

- The AM concludes that FLOCERT has developed and implemented a robust system that is, once the approved versions of the draft documents (indicated above) are submitted, in compliance with the RAPs 2.0.
- The AM proposes to the OC to declare FLOCERT's conformity to the RAPs 2.0.

**Decision 1:**

*One member abstained from the vote due to a conflict of interest.*

FLOCERT's conformity to the RAPs 2.0 was declared unanimously.

**Decision 2:**

*One member abstained from the vote due to a conflict of interest.*

FLOCERT was unanimously approved as AP for Fairtrade International.

**Next steps:**

- October 2022: Inform FLOCERT of the outcome of the OC decision (official statement).

**Item 5 – Pilot approval request**

The project manager (PM) presented a proposal for a “Coconut for processing pricing for impact pilot”.

This pilot is following the recently approved Fairtrade Pilots SOP which defines FI's approach to testing and innovating within the scope of the Fairtrade Scheme. The presented pilot aims to test a new pricing mechanism, from the 'Pricing for Impact' toolbox. The PM presented the key elements of the pilot, expected outputs, risks and impacts and the benefits of the pilot.

**Background and introduction to the topic:**

There are two Fairtrade Minimum Prices (FMP) for conventional coconut for processing worldwide: One for the Pacific region and one for the rest of the world except the Pacific, the latest being from 2012. A recent rise in demand for coconut for processing products used mainly as replacement for palm oil and in vegan products has prompted a commercial request from a market partner and a member organisation for a new supply chain, sourcing coconut for processing from the Ivory Coast. As there is no specific price existing for this region but only the generic world price, it was discussed that this could be a good case to test the new pricing mechanism of setting an individual FMP for this supply chain following the new pricing for impact framework in a pilot.

Without this pilot, Fairtrade would miss out on sourcing high volumes of coconut for processing, as well as a new market opportunity for coconuts to become a palm oil substitute.

**Proposal:**

The pilot proposal utilizes the newly developed pricing for impact framework of setting an individual FMP only for the supply chain participating in the pilot based on the individual cost of sustainable production from their producers.

The new FMP would be set by FI based on the cost of sustainable production (COSP), reported by the producers with help from the producer network Fairtrade Africa (FTA). The data on the COSP is to be submitted by the producer annually.

**The Pilot:**

*Goal of the proposed pilot:*

To test a new pricing mechanism from the pricing for impact toolbox (presented and endorsed by the Standards Committee in July 2021, see Annex 1) negotiating an individual price based on COSP data and establishing an individual price suitable for both producer and trader while complying with Fairtrade standards.

Specific and focused objectives of the proposed pilot (what does the proposed pilot aim to prove through testing):

1. Is the individual FMP a beneficial addition to the regular FMP pricing?

2. Does the new pricing for impact strategy of setting a supply chain individual FMP via price negotiation on the base of COSP data work?
3. Identify challenges and opportunities of this approach

The market scope is the coconut for processing/ coconut oil market in West Africa, specifically Ivory Coast.

**Discussion:**

This pilot is an opportunity to test a model that does not yet exist. No standard change is needed, if producers cannot comply to standard, the pilot will not happen.

The OC highlighted the following points:

- The Individual Fairtrade Minimum Price (iFMP) could initially be based on previous COSP data submitted if producers agree. The new COSP data should be submitted as soon as possible after producers are certified, latest by September 2023, and the new iFMP negotiation for the individual FMP for 2024 should be based on this new COSP data.
- The producers should submit COSP individually, FI to propose new iFMP on COSP data basis and producers to negotiate new price with iFMP as safety net basis.
- The OC advises that the producers in this pilot should negotiate prices together (with a Fairtrade Premium of 15% minimum).

The OC was concerned about the ability of the producers to correctly report their COSP data and the risk that traders will influence the producers to report lower costs. They therefore strongly emphasised that FTA should give extra support to these newly certified producers (small-scale farmers and plantation) and make sure the whole service package is available for the producers. FTA should support the producers with COSP data during the 3 years.

Should such an attempt to influence the producers be reported, this would be a reason to stop the pilot. The OC will be updated about progress of the pilot.

**Decision:**

The OC unanimously endorsed the coconut pricing for impact pilot project as presented by the PM with the additional recommendation that FTA gives extra support to the newly certified producers of this pilot (small-scale farmers and plantation).

**Next steps:**

- Q3-Q4 2022: Signing of all stakeholders of the pilot agreement
- Q3-Q4 2022: Communication of the new individual FMP to FLOCERT
- Approximately Q1 2023: End of the certification process of the producers
- Q2 2023: Start of the pilot

**Item 6 – Assurance and Licensing Risk management plan**

The AM presented the current version of the FI Assurance and Licensing Risk Management Plan (ALRMP) for discussion and approval. ISEAL's Assurance Code requires the scheme owner to maintain a risk management plan that includes a list of the most significant risks to the integrity of the assurance system, a quantification of those risks, and a description of the strategies being employed to mitigate each of these risks. The plan has a revision schedule and has to be updated as risks arise or change. FI maintains its ALRMP to meet this requirement, to allow the system to identify opportunities for improvement and to develop and maintain a robust oversight system. The complete ALRMP was updated in August 2022. The SMART action plans were updated for the already identified risks and 2 newly identified risks were added to the plan, which are the following:

<b>Assurance principle</b>	<b>Risk or Threat</b>	<b>SMART action plan</b>
Credibility	The standards are not credible if the standard setting procedure is not followed.	a) monitor the implementation of the current standard setting procedure b) conduct webinar on the SOP of how prices and standards are set c) share recording with system and include in induction of new colleagues
Transparency	The certification system is not transparent if there is no alternative labelling solution found for innovation projects or new schemes	a) Participation in the brand architecture project b) Guide members on possible solutions and no-go areas c) SU to advise, participate in innovation project

**Discussion:**

There were suggestions about reviewing the plan to make it more user friendly. The goals and actions should be reworked to be more in line with the SMART methodology.

The topic of false claims about origin on packaging was brought up as a risk. It is due diligence from the Licensing Bodies (LB) side to doublecheck if claims are true during the artwork approval process as outlined in the RLBs. However, the RLBs seem not to be clear enough and the LBs do not have the capacity to check. They usually check the claims back of pack and the compliance to the artwork guidelines. FLOCERT is only checking if there is an artwork approval. It was agreed to look more into the topic of origin claims, to check the RLBs for clarity also addressing the capacity issue of LBs.

**Decision:**

The updated ALRMP was approved unanimously.

**Next steps:**

- Q3/Q4 2022: Update the ALRMP after the OC's review and approval.
- Ongoing but at least in Q2 2023: Update the ALRMP regularly when new risks arise.

**Item 7 – Exception reporting**

The [Exceptions Policy](#) defines FI's approach regarding exceptions against the Fairtrade Standards and standards-related policies and guidelines. APs and LBs are required to report to FI all the exceptions granted annually. This is part of their continuous compliance to the RAPs and RLBs.

The AM and the chair of the Exceptions Committee (EC) presented main findings and analysis of the exception report for 2021 as requested by the OC at its meeting in March 2022. The detailed report had been provided prior to the meeting.

The following were analysed, and actions proposed:

1. Food Composite Product Ingredient Exceptions: Existing exceptions in Connect regardless of when they were granted (September 2022) to detect all potential errors in exceptions, including errors from previous years.

The report identified many exceptions for natural flavours, a significant number of expired exceptions and a few exceptions that were granted choosing the wrong category. These exceptions will be followed up as agreed, either by the chair of EC or by the EC secretary.

The largest number of exceptions has been granted for unavailable ingredients.

2. Percent Fairtrade Composition Exceptions: These had not been reviewed before. The methodology for generating the number of exceptions still needs to be clarified.

According to the report some products were approved even though they did not meet the product composition rules. This type of exception will in future be granted by the EC to avoid inconsistencies. The report also indicated that the composition rules disadvantage products with dairy substitutes as they are not treated like water or dairy. It was suggested to investigate if amending the exception policy could make sense.

3. Packaging Artwork Exceptions: These had not been reviewed before. The methodology for generating the number of exceptions still needs to be clarified.

**Discussion:**

The packaging artwork exception analysis is not part of the role of the OC as it is monitored by the Brand Integrity Manager. Nevertheless, as the oversight body, the OC has to ensure that LBs are following the Exceptions Policy when approving artworks.

A new concept of “optionally Fairtrade” was proposed for natural flavours, artificial flavours, colourings etc. The proposed “optionally Fairtrade” category might be useful for seasonal products such as apples, blueberries, and raspberries for which it might not make sense to ship them from far away in order to include as an ingredient in a composite. There is currently a lot of exceptions like this. The OC recommended to look into this during the Trader Standard review considering what the impact on producers would be and if a change in the standard would make sense or if the procedure of giving exceptions for those cases should remain.

**Guidance:**

The OC endorsed the proposed follow up actions as set out in the analysis and to look into the product composition issue during the Trader Standard review.

**Next steps:**

- Q3-Q4 2022: AM to follow up action related to the S&P work.
  - Optionally Fairtrade
  - Review of “added water & dairy” rule for dairy substitutes
- Q3-Q4 2022: Chair of EC to follow up actions as described in the analysis.
- Q4 2022: EC secretary to publish the updated public exceptions report of the certification process of the producers.

**Item 8 – Certification in Eastern Congo**

During its meeting in September 2021 the OC decided to stop the pilot for Certifying in Conflict Affected Areas. A phase out plan for the pilot was also agreed and decided. The OC mandated FI to look for an alternative solution, e.g., a new model that would be suitable to address the needs of the producers in the Democratic Republic of Congo (DRC) and other conflict zones.

After the OC decision Max Havelaar Belgium and France reached out to FI to explore possibilities and next steps for solutions to keep the supply chains with their affected clients. Discussions happened with national Fairtrade organisations (NFO), FLOCERT on possible options to address the situation in conflict areas. It was suggested to use the pilot SOP to develop a different scheme for conflict areas with a limited set of requirements more fitting to their situation. The approach would be with a verification approach instead of a certification, including the use of a different logo. However, this option was not favoured by the NFOs involved, as supply chain partners want to be able to use the FAIRTRADE Mark.

In the meantime, the Director S&P received input from FTA Eastern region, that the affected producers in DRC were trying to be more proactive, wished to stay certified and to get physically audited instead of remotely. However, physical audits are currently not possible because DRC is considered a high-risk travel

area by FLOCERT. FLOCERT's travel policy requires that a risk-assessment is done before a trip to any country / area that has a travel warning from the Foreign & Commonwealth Office of the United Kingdom and the German Office of Foreign Affairs.

Several NFOs requested from the FI board the following:

- A 6-month project for experts across FT system to "find a solution for certification".
- Request FLOCERT to commit and to invest in finding a solution.

Additionally, DRC stakeholders (producers, trader, civil society) requested physical audits conducted by Congolese auditors, who would previously be trained by FLOCERT.

Following these recent requests, the Director S&P asked the OC to discuss their previous decision again and to assess if they want to re-endorse it.

**Discussion:**

The OC agreed that the Fairtrade as usual work is not a suitable approach in conflict affected areas and that hence to be able to work in these regions an alternate model needs to be developed to support producers. It was discussed that the problem is not the ability to conduct physical audits but the ability to comply with the full list of the standard requirements (see [OC minutes September 2021](#)). During the pilot operators were audited against a reduced list of requirements.

During the phase out time of the pilot, operators are audited remotely against all the standard requirements, to assess what level of compliance can be achieved.

The suggestion to explore the possibility of developing the new scheme with a new label was put forward again by the OC.

The Director S&P confirmed that developing a new scheme would be the task of the S&P unit but that it will be unlikely a solution be found within 6 months.

**Summary for the board:**

The OC recommends learning from the remote audits, to understand better the level of compliance that can be achieved by the operators. If results are positive, the OC recommends FLOCERT to explore a solution for physical audits. If the results are negative, FI S&P to develop a verification scheme for conflict areas, with an alternative label.

**Next steps:**

AM to draft letter to the FI Board and share with OC chair and Director S&P before sending.

**Item 9 – Q&A: FLOCERT reports**

Prior to the meeting, the AM had shared 2 reports with the OC: FLOCERT's Certification KPI Report 2021 and FLOCERT's Complaints Statistics 2021. This session was to answer questions regarding these reports.

**Discussion:**

The new format was developed based on recommendations from the OC and will be used for the future reports as well. The OC is satisfied with the new format and welcomes the possibility to ask questions.

The reports are considered a good indicator for the OC to identify trends and where risks. They offer a good way to understand how the system works and what can be improved to also reduce the number of credibility risks within the mandate of the OC.

#### **Item 10 – Chair and vice chair election**

The OC members re-appointed John Young as chair and elected Marike de Peña as vice chair for a one-year term. The next chair and vice chair election is due in September 2023.

#### **Item 11 – AOB**

- Jules Colombo was welcomed as new member to the OC. He is the Responsible of French Innovations for standards and sectors at Max Havelaar France and will serve as technical member representing Licensing Bodies.
- A request was made for a mapping of our standard requirements to the several guidelines they are based on: OECD guidelines, UN principles, ILO conventions etc. It was pointed out that it is of great interest for our clients where Fairtrade's link is to these guidelines/principles. Whereas such mapping is done in different workstreams (e.g., standard reviews), there is no consolidated list. It was suggested to have it on our website and maybe have a reactive communication piece about it. It was agreed the AM will follow up on this topic.

#### **Next Meeting:**

The next OC meeting is scheduled for **November 21-22, 2022**. It will most probably be a virtual meeting.

The meeting was formally closed.