

Oversight Committee Minutes

Meeting 30: 22 November 2022 Teleconference meeting

Present:

OC members: Martin Boon, Jules Colombo, Theresa Glammert-Kuhr, Martin de la Harpe, Richard Kwarteng, Marike de Pena, Iresha Sanjeewanie, John Young (Chair)

Excused: Sugumar Raman (substituted by Theresa Glammert-Kuhr)

Fairtrade International S&P: Eleonora Gutwein, Gudrun Schloepker, Christine Knickelbein (minutes)

Item 3: Presenter: Ruth Fernandez Audera (FLOCERT)

Item 4: Presenter: Jutta Goss (FLOCERT)

Item 6: Observer: Ruth Fernandez Audera (FLOCERT)

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: No conflict of interest was identified.

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:

- The status of Fairtrade Label Japan's (FLJ) compliance to the Requirements for Assurance Providers (RAPs) and their variation requests are on the agenda for this meeting (Item 2)
- An overview on FLOCERT's experience in combined certification is on the agenda for this meeting (Item 5)
- An update on the progress for Smart Assurance is on the agenda for this meeting (Item 3)
- An update on FI's ISEAL compliance is on the agenda for this meeting (Item 6)

Item 2 – Updates

Trading with Integrity Task Force

A workshop on trading with integrity was conducted in Costa Rica with The Latin American and Caribbean Network (CLAC). The first part of the workshop was a review of the results achieved over the last 2 years which had focussed on finding solutions to mitigate unfair trading practices in cocoa, coffee, and banana supply chains. In the second part, current unfair trading practices were discussed as well as their root causes and possible mitigation measures. It was discussed to extend the scope of the Trading with integrity workstream also to sugarcane and other fruits and juices. The outcomes of this workshop will be processed and consolidated. The Trading with Integrity Task Force will resume the work with a mandate to identify priorities and make recommendations on improving the Fairtrade Standards, certification processes, capacity building and training for the system and the clients.

The Assurance Manager (AM) will keep the OC updated on the progress.

FLJ's RAP's compliance status and the implementation of their variation requests

2 non-conformities (NC) had been raised during FLJ's onsite audit in 2020 which are the following:

- Licensing and certification activities were not separated sufficiently. To close this NC, FLJ have hired a licensing coordinator and separated the units, so these are now 2 independent workstreams.
- An exception had been issued to a certified operator to close a NC which is not permitted. To close this NC, auditors have been trained accordingly to avoid future instances of such error.

FLJ had requested 2 variations:

- To extend the period of permission to trade (6 months and followed by an audit) as traders in Japan usually join Fairtrade long before they plan to trade on Fairtrade terms and thus have no transactions in the first 6 months that could be audited. The variation was approved and has been implemented.
- FLJ had initially planned to transition their certification services to FLOCERT and had asked to skip the surveillance and recertification audits. The variation had been approved by the OC but is no longer relevant as they did not proceed with the transfer. The variation was never implemented.

Item 3 – Smart Assurance

FLOCERT gave an update on the progress in their Smart Assurance programme. This programme is part of FLOCERT's 2021-2025 strategy to become more data driven and technology proficient, moving from reactive to proactive assurance and to work in a non-disruptive and evolutionary path suitable for the Fairtrade multi-stakeholder environment. The programme consists of various projects selected based on their potential to either increase credibility, bring efficiency and/or add value to customers.

So far, the main achievements have been the implementation of automatic alerts, the design of digital audits and the design an e-learning induction for traders into the Trader Audit Programme (TAP). Also, dashboards have been created for auditors to give them access to information for more effective audits.

- The dashboards are live and accessible to all auditors since June 2022.
- The trader e-learning induction will go live in December 2022 and will be mandatory for all new trader customers.
- Following a detailed internal training and external communication plan, the TAP will come into effect on 1st July 2023.

Furthermore, FLOCERT has developed with the Producer Networks (PN) an innovative assurance model for the online Premium reporting platform (FairInsight) which will enable producers to share their premium information in a way that can be trusted.

Future plans include the design of a Producer Audit Programme similar to the TAP, the enhancement of the TAP and its functionalities, improvements to the Fairtrade transactions reporting tool (Fairtrace) and the development of new assurance schemes that the Fairtrade system requires: starting with an assurance model for the FairMarket tool that will also be collecting traceability information.

Discussion:

The OC positively acknowledged the progress made and the future plans for the Smart Assurance Programme.

The trader e-learning tool was found very useful. The question was raised if it could be made available for already certified customers and licensees to improve and maintain their knowledge. It was clarified that it is an assurance tool only meant for trader applicants as a prerequisite to receive the permission to trade. However, it is being investigated if it could be turned into a service available to all traders. The content of the tool (13 chapters) will be uploaded into the AP's/FLOCERT's stakeholder portal to make it available to the Fairtrade system. OC members and the Standards unit will be able and are welcome to access it there for review and can also feedback on what else could be incorporated (e.g., an introduction to Fairtrade, its mission, vision, and values).

Following questions were clarified concerning the dashboard:

- Only auditors have access to the dashboard. Detected issues during an audit will be added to the audit report which then can be accessed as usual.
- Issues that the dashboard flags will not be considered for the risk categorization, only if they have been analyzed and confirmed by the auditor.
- Quality claims are not covered by the dashboard.

Item 4 – FLOCERT reporting

The FLOCERT's Credibility Assurance Manager gave an overview on the impartiality guidelines, the current system in place, and presented the future plans:

The impartiality guidelines are based on the ISO/IEC 17065 requirements for bodies certifying products, processes and services and FI's RAPs.

FLOCERT safeguards impartiality by identifying risks through active whistleblowing, random case checks / internal audits and preventive and corrective measures related to the overall complaints system. These are documented in a central Impartiality log.

In addition, FLOCERT is reviewing their risk matrix on a regular basis (at least once a year) also to incorporate changes in the Fairtrade system. The results are used to update the AP's Standard Operating Procedure (SOP) on impartiality which is approved by their Managing Director.

Methods used to mitigate and remedy risks are training and awareness raising on impartiality, using the 4-eye principle in certification decisions, transparent documentation of decisions and imposing sanctions in case of violations.

Main risks on impartiality identified in the last 12 months were attempts of bribery by customers, no transparency regarding granting of exceptions for certified customers; pressure on scope of certification / certification decisions due to supply chain needs; unclear or not implemented rules of conflict of interests in governance structures; unclear/ non-transparent roles & responsibilities in the Fairtrade system.

After that, the AP presented the number of whistleblowing cases logged since 2014 which varied between 4 and 14 per year.

FLOCERT's plans and changes for 2023:

FLOCERT's Supervisory Board is currently acting as Impartiality Committee. Based on the decision taken by FI's General Assembly in 2022 this function will be taken over by a newly created Impartiality Committee which be completely independent.

The committee will consist of 5 members: an ISO expert and a Civil Society representative, a person representing consumer interests/protection, a producer and a trader representative. The recruitment process is ongoing and should be concluded by March 2023.

The selected candidates will be presented to the FI Board who will take the final decision. It is envisaged that the committee will be more active in risk management and that its independence ensured as it will have no reporting duty to the boards of FLOCERT and FI.

Other plans for 2023 will be to review the current impartiality system and to promote the use of whistleblowing.

The OC thanked the presenter for her excellent presentation and the excellent work done on impartiality and had no further questions.

Points raised during the presentation:

- It has turned out that the option of whistleblowing is a very valuable tool but that it is not sufficiently known. The OC was encouraged to use it.
- The presenter offered to present more details on FLOCERT's risk matrix in a separate meeting if the OC was interested.
- The presenter encouraged the OC to suggest candidates for the Impartiality Committee (especially for trader interests) as it is still open for applications.

Item 5 – Recognition

FI's Assurance Manager presented FI's Recognition SOP as a refresher to the OC. The SOP describes the steps on how to recognize other sustainability schemes.

There are three possibilities of recognition:

1. Certification acceptance
2. Declaration of equivalency
3. Combined audits

Depending on the objective, four aspects are assessed: i) the overall scheme, ii) the equivalence of the standard, iii) the assurance model equivalence, and iv) the equivalency of the oversight mechanism. The procedure determines that the Director of S&P makes a recommendation on the recognition of the scheme while the role of the OC is to issue a recommendation on both the assurance and oversight of the scheme assessed. The Standards Committee decides on the equivalency of the scheme and the standard and takes the overall decision on recognition of the scheme which can result in a full recognition of the scheme, a partial recognition (listing included and excluded sections) or no recognition.

FLOCERT's Assurance Scheme Manager presented their experience and learnings with combined audits:

Over the last years FLOCERT tried to work together with different sustainability schemes with the objective and expectations from clients to reduce onsite audit time by gaining synergies, to enable audit/certification at a reasonable cost, and to create one single point of contact. FLOCERT's expectations were increased

customer satisfaction and retention, decreased internal cost of auditing and increased institutional learning through exchange of best practices with other certification experts.

Unfortunately, this could not be achieved as many differences in terms of content, process and tools make it difficult to combine audits in a way that would create efficiencies.

On the contrary, these differences would cause increased effort and cost in the coordination of audit planning and auditing.

It was concluded that combining effort at an audit level is not meeting the customer need, nor the need of FLOCERT. It would rather require recognition at scheme / standard owner level to create efficiencies in audits.

Discussion:

The following points were raised during the discussion:

- As GLOBALG.A.P. is an important set of standards also for Fairtrade Standard producers it was suggested to investigate recognition possibilities between them. Currently, FI and GLOBALG.A.P. are interacting with each other in the Floricultural Sustainability Initiative (FSI 2025). Even though it was identified during the benchmarking activities that there wasn't any overlap between the two (GLOBALG.A.P. meets the good agricultural practices and Fairtrade the social aspects), it would be a good moment to review and discuss opportunities.
- So far, any recognition attempt with other schemes has been unsuccessful. A clear need would have to be received for further benchmarking exercises as they are very resource intensive. It would also depend on the willingness of other schemes to work together on recognition.
- Currently, it is not possible to consider a Fairtrade certified producer automatically compliant with Fairtrade's environmental requirements just because he has an organic certification. Fairtrade's environmental requirements still need to be checked by FLOCERT. It was suggested to explore if the Fairtrade Standards could be changed instead to allow that the organic environmental requirements could be accepted.
- Producers must comply to a lot of similar requirements from different schemes. Even if recognition is not possible, it is important to explore what simplifications can be done to reduce the burden to producers.
- It was suggested to engage with IDH and Solidaridad on what could be done to simplify without risking our credibility.

Item 6 – ISEAL evaluation

The AM presented FI's independent evaluation result against the ISEAL's Assurance Code:

FI met 41 of the 50 requirements of the Assurance Code, 7 requirements were met partially which led to minor non-conformities, and 2 requirements were not met which led to major non-conformities.

3 minor non-conformities were raised in the chapter "Efficiency and Improvement", 1 major and 3 minor in the chapter "Rigour and Impartiality" and 1 major and 1 minor in the chapter "Value and Accessibility".

The proposed corrective measures were discussed and confirmed with the independent evaluator that ISEAL had assigned to FI. Once the ISEAL secretariat accepts the proposed corrective action plan, FI will have 3 months to implement the corrective measures for the minor NCs and 6 for the major NCs. It is expected to have final closure at the end of 2023.

The OC had no further questions.

Item 7 – AOBs

- Certification in conflict affected areas (Democratic Republic of Congo):
The topic is on the agenda for the next FI Board meeting. A paper was submitted already which includes the outcomes of the discussion from the last OC meeting.
- An OC member followed up on his request for mapping of the Fairtrade standard requirements to the several guidelines they are based on: OECD guidelines, UN principles, ILO conventions etc. An assessment will be made once resources are available.

Next Meeting date:

The Oversight Committee meetings in 2023 will take place on

- March 20-21
- June 26-27
- September 18-19
- November 27-28

The meeting was formally closed.