

Standards Committee Minutes

Meeting 94: 25-26 November 2020 Teleconference meeting

SC members: Martin Boon, Jos Harmsen, Martin de la Harpe, Uwe Hoelzer, Richard Kwarteng, Marike de Peña, Iresha Sanjeevanie, Emilie Sarrazin (Chair).

Fairtrade International S&P: Alina Amador, Eduardo Bluhm, Kerstin Cron, Oksana Forkutsa, Ricardo Guimaraes, Eleonora Gutwein, Giovanna Michelotto, Ana Jordan Rosas, Sandra Yañez, Jebet Yegon

Contributing observers: Andreas Kratz - GPPP Director FI, Sugumar Raman - FLOCERT, Ludwig Tanchot – OC member, John Young - OC Chair.

Observers: Ute Baoum - FLOCERT, Conny Engel – FLOCERT, Wilbert Flinterman - Senior Advisor FI, Theresa Glammert - FLOCERT, Nicolas Léger – Consultant FI.

Full day observer: Gudrun Schloepker

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.

Abbreviations

CEO	Chief Executive Officer
COSP	Cost of Sustainable Production
EC	Exceptions Committee
FI	Fairtrade International
FMP	Fairtrade Minimum Price
FP	Fairtrade Premium
FT	Fairtrade
GPM	Global Product Manager
GPPP	Global Products, Programs & Policy
HL	Hired Labour
HML	Hazardous Material List
IDR	Indonesian Rupiah
LW	Living Wages
OC	Oversight Committee
PN	Producer Networks
S&P	Standards and Pricing Unit
SC	Standards Committee
SPM	Senior Project Manager
SPO	Small-scale Producer Organizations
ToR	Terms of Reference

Item 1 – Opening

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

The SC was informed that Gudrun Schlopker, the future S&P Director would be participating as observer

Declaration of conflict of interests:

The chair declared a conflict of interest for item 4 and 2 SC members declared a conflict of interest for item 12, therefore they won't be voting.

Review of actions items:

- The SPO interpretation note clarifying who can join as a member of an SPO, which included specifications for particular cases for example in the context of Mauritius; the explanatory document for the SPO standard is now available on the FI website
- The agreed conditions under which the exception for Methyl Bromide is granted for flowers imported for the Australian market was shared with the SC
- A communication on Bobby beans that will be circulated in mid-December and the timelines of the project will be updated accordingly

Item 2 – News session

News from CEO:

- The CEO of FI informed that the global strategy was approved
- He will be stepping down as the CEO and the Board will convene to discuss the next steps and make plans for a transitional CEO as well as the recruitment of the next CEO
- The Board welcomed 2 new members
- The CEO welcomed the incoming director of S&P and thanked the Heads of Standards and Pricing and the Assurance manager for the outstanding work done in the absence of a director

News from SC:

- The mandate of Iresha Sanjeevanie will come to an end in March 2021 and she has agreed to continue for a second term
- The worker representative elected sent his withdrawal from the SC and S&P is in the process of looking for a replacement

News from OC:

- The Assurance manager gave an update on the decisions made by the OC which included the exceptions reports and policy, compliance status of Assurance Providers against the RAPs v2.0, FLOCERT KPIs, the new grievance mechanism, remote auditing that will be extended to July and a case that was escalated by the EC regarding an exception granted.

News from S&P:

- Head of standards welcomed a SPM who just came back from maternity leave
- Head of pricing informed that the replacement of the 2 pricing PM has not started. The expectation is that the new team members will start in 2021.

Item 3 – Tea pricing review

Discussion:

SPM provided an overview of the project. The presentation will be based on the results of the second round of consultation. He mentioned the challenges faced which included: COVID-19 restrictions and its effects in the process of consultation, low number of participation from the trader side, lack of an alternative proposal and concepts for the values proposed. We have also a low rate of responses for some origins about FMP specific questions.

SC members wanted a clarification on whether the number of HL and SPO participation was known. SPM mentioned that HL set ups were prevalent in most regions.

SC member also wanted to know whether it would be reasonable for the SC to make a decision given the low number of response. SPM mentioned that another round of consultation would be exhausting for the participants and did not foresee a difference in the feedback that would be received.

SC member wanted to know whether there was a GPM for tea and it was mentioned that there is an appointed manager for tea, but also managing different other products without a consolidated global strategy.

As main outcomes, SPM mentioned that the current product classification is still preferred and that there is no sufficient support for the proposal to increase FMP and FP. He mentioned that stakeholders indicated that increasing the FMP and FP at this moment could have a negative impact to producers due to a risk of reduction in trade. There is also an indication that different consumer markets will react differently to the proposal.

Decision 1

Do you agree to the proposal of maintaining the FMP and FP at current levels and not implement any changes of values?

The SC unanimously voted in favour of the proposal.

Decision 2

Do you agree with the proposal that the Pricing team conduct a monitoring and consultation process with tea stakeholders leading to the assessment of the impact of current prices on producers and traders?

The SC unanimously voted in favour of the proposal.

A detailed proposal plan on how this monitoring and consultation will take place will be presented at the SC meeting in June 2021. The resulting information from this process will serve as the base for a decision to review or not the FMP and FP in 2023.

Decision 3

Do you agree to announce the decision immediately after the SC meeting in December 2020?

The SC unanimously voted in favour of the proposal.

Next steps:

- Communication to be prepared by pricing and S&P Director to finalise the wording of the announcement.
- For the monitoring, to develop a plan based on previous engagement with parties to understand better the challenges and present it to the SC in June 2021.

Item 4 – EC trader representative election and ToRs

In July 2020, the SC approved to create a new category of membership in the EC: Trader representative. It was estimated as essential that the representative should in all cases belong to a certified trader and

according to this an amendment of the TOR was prepared. Two applications were received by the Nominations Committee. Both applicants were from traders with strong commitment to Fairtrade values and a good understanding of the Fairtrade Standards.

During the discussion, it was identified the need to amend the EC ToR to establish the membership conditions for trader representatives.

Decision 1

The SC was asked to decide on the candidates proposed as Trader representative to the EC for a three-year term from the following applicants: Max Redher, Fruitag AG and Margaret Gosling, Flamingo flowers Ltd.

The SC elected Max Redher as a Trader representative in the EC for a 3-year term.

Decision 2

Do you approve to amend the EC ToR on membership conditions for trader representative, that if a trader gets de-certified there has to be a call for a new candidate drawn from certified traders?

The SC unanimously voted in favour of the proposal.

Next Steps:

- Inform the candidate and the EC about the decision.
- Update the members list and the ToR on the website.

Item 5 – Update on flexible premium use

SC was updated on the use of flexible premium during the COVID-19 pandemic. Information was collected from PNs and FLOCERT.

According to Fairtrade Africa, 32 Hired Labour organisations reported flexible premium for cash and in-kind benefits with more than 26241 beneficiaries.

Out of 100% using flexible premium:

- 100% HL (flowers)
- ✓ 93% from Kenya
- ✓ 7% from Uganda

Updated information from FLOCERT indicated a total of 34 organizations before the SC meeting.

Premium was spent mainly on purchasing food, protection equipment, such as hand soaps, face masks, also some amount was spent on measures taken to mitigate the economic pressure (ensure workers' salaries, cash payments, paid leave, etc.)

In the Latin American and Caribbean region, it was reported that average of 159 Producer organizations used the premium in 17 countries in 16 product categories. Out of 100% using flexible premium only 6,95% are Hired Labour organisations (fresh fruit and vegetables). The premium was mainly spent on purchasing protection equipment for workers and communities such as hand soaps, face masks, etc., also to purchase food for workers and the community. Some amount was spent for awareness raising of hygiene and protection methods against COVID-19, also for disinfecting of the organisations facilities and public spaces and roads. Some other expenditure was around preparation of biosecurity protocols for harvest, credit for partners, cash provisions for workers and COVID-19 tests for employees, partners and workers.

In the Asia Pacific region only 8 Hired Labour organisations used the flexible premium in total, mainly for in-kind benefits for workers, some cash provisions. The PN in the Asia/Pacific region provided examples from the organisations for the flexible premium use. Pineapple Growers in Thailand invested their Fairtrade Premium to provide supports to local hospitals and clinics looking after COVID-19 cases in the surrounding regions, by donating necessary equipment and medical supplies. A coffee cooperative in Indonesia conducted awareness programs and educated their farmers on the preventive and protective

measures. All the villages in the members' area have been provided with handwashing facilities. In July 2020, the cooperative distributed a Fairtrade premium amount of 200,000 IDR per member to 2157 members in the form of cash transfer. The cash has allowed the members to support their families and have more control over their lives during the crisis.

The SC reflected on the figures and acknowledged that the findings were somehow expected, also that indeed it was a good measure and they were glad premiums were used according to what they were meant to.

Item 6 – COVID-19 flex premium use

Following the presentation of item 7, an update of exceptions and premium usage from FLOCERT was described to the SC members. Following this presentation, the SC members were confronted with a request for decision.

Discussion:

During the discussion, the following possibility was raised: to delegate to S&P Director or SC Chair the decision making of any future COVID-19 related flexibility of premium use beyond December 31st. The SC members were partially against this proposal.

Members disagreed concerning the need of additional flexibility given that there are already existing requirements that treat exceptions of premium use, that there is perceived risk of unmonitored premium use given the difficulties at the moment to perform field visits and on-site audits, and that there was an absence of elements and criteria for individual-cases decision making.

Decision 1

Do you agree that the time frame for the flexible FP use for HL organizations of up to 100% is valid until December 31st, 2020

The SC unanimously voted in favour of the proposal.

At conclusion, the members agreed to maintain the flexibility of FP until December 31st, 2020 and asked that the S&P Director inform the SC in case any requests or needs are identified by the PNs.

Item 7 - Fairtrade Minimum Price historical analysis

The Pricing Team presented the results of the study assessing the evolution of FMP in real terms (without the influence of inflation) for bananas, coffee and cocoa. The study intended to answer if the FMP values historically has increased and guaranteed real purchase power gains for the producers.

Few members requested clarification and questions, for example, the point that organic bananas world prices are influenced by the Fairtrade prices but the organic bananas were not included in the study; that the information obtained for coffee provides inputs for the team for that fluctuation of coffee and cocoa prices are detached from COSP.

The Pricing Team informed that this was a short study with limited scope and resources but still provide valuable information for future price studies on the three commodities. Final results will be shared with the SC.

Item 8 – Workers in SPO

The presenter updated the SC about the Contextual Analysis of Workers in Small Producer Organizations in the Dominican Republic, Peru, Côte d'Ivoire and Ghana, relevant to banana and cocoa. The presentation contained all the work done until now and a brief overview of the work planned for early 2021. It also contained an outlook about the kick-off of similar research to be done in coffee.

Item 9 – S&P&A Workplan 2021

The Heads of Standard and Pricing Units and the Assurance Manager presented each of the main areas of work planned for 2021 and indicated some projects for 2022.

Many comments were made and concerns raised such as the need to review the Trader Standard to strengthen some requirements to avoid and to act on unfair trading practices; on how to review prices more efficiently and in an innovative way; on aligning standards and prices prior the start of the partial review of the SPO Standard to consider the results of the contextual analysis of workers in coffee.

Action point: The work plan will be reviewed together with the new S&P Director and presented during the next meeting in March 2021 as this first work plan was prepared in parallel with the strategy development and prior to the approval of the GA.

Item 10 - Implementation of FT Strategy 2021-2025

SC Chair presented the results of the consultation done internally with SC and OC members, in which 8 participants provided their feedback about the implementation of FT Strategy 2021-2025 for the SC and the OC. Feedback provided focussed on what will need to be maintained as it is, what will need to be changed and what will need to be stopped. Members provided also input on thematic workshops considered useful to have in order to better support the implementation of the new strategy, and listed on the questions to the FI Board that need to be raised and clarified. The Chair finalized presenting the next steps.

Members and the Heads of Pricing, Standards and Assurance shared several points of agreement about how to improve the way to define Standards, Pricing and Assurance during the next Strategy phase of FI.

Item 11 – Limes Price Decision

The presenter provided an overview of the global and Fairtrade Lime market situation as well as explained the challenges faced during the project. The SPM informed the main outcomes of the two rounds of consultation. The main topics covered in the consultation were:

- Product definition – stakeholders agreed on main traded varieties,
- Price concept based on costs of sustainable production (COSP): stakeholders agreed to have a full price review,
- Product scope definition: agreement on the regions and product forms to be used,
- Limes for processing: stakeholders agreed to set a FP and “commercial prices” only,
- Lime juice – absence of elements to sustain a proposal,
- Keep the FMP in Central America, Mexico and the Caribbean
- Keep the FMP and “Conventional” FMP in Colombia
- A different value from the consultation but within COSP in South America except Colombia
- A FMP for Southern Asia and worldwide
- FT Premium – preference for a unique and fixed value = 0.12 USD/kg
- FT Premium – differentiated approach for Brazil (South America except Colombia) = 0.07 USD/kg (increase from current value)

The SC members voted for the following 5 decisions:

Decision 1:

Do you agree to include the definition of limes to the section of “Product Description” in the fresh fruit standards?

The SC unanimously voted in favour of the proposal.

Decision 2:

Do you agree to include the definition of product form “unpacked” and “packed” for limes to the guidance text of the requirements 4.2.1 (SPO) / 5.4.1 (HL) of the fresh fruit standards?

The SC unanimously voted in favour of the proposal.

Decision 3:

Do you agree to implement the Fairtrade Minimum Price for limes according to the proposed table in the SC paper by the SPM?

The SC unanimously voted in favour of the proposal.

Decision 4:

Do you agree to implement the Fairtrade Premium for limes according to the proposed table in the SC paper by the SPM?

The SC approved the proposal (6 votes in favour and 1 abstention).

A discussion point took place concerning the differentiated values of FP proposed for the region South America (except Colombia). It was discussed the reasons and rationale of having a reduced value, the specific particularities of the collected COSP information, the challenges originated from the previous concept of FMP and FP of limes, and the results of the consultation.

One member requested an adjustment of the FP value of the Lime juice not from concentrate from 70 USD/MT to 80 USD/MT in order to present a uniform approach of FP values.

Decision 5:

Do you agree to communicate the decision for limes before the approval of the standards committee minutes and the changes proposed should become valid from the first of January 2021 onwards?

The SC unanimously voted in favour of the proposal.

Next steps:

- Announcement of the decisions
- Adjustment to the standards
- Monitoring of the transaction trade data to observe any eventual change of pattern, and monitor audit and member reports to understand if premium increases to Brazilian producers offers a risk to undermine improvement on workers' wages towards a living wage.

Item 12 - Living Wages in bananas

The Standard PM updated the SC about the timelines of the project starting from January 2019 and informed about the project steps that included the internal and external consultations processes. The following proposals were recommended to the SC after analysing feedbacks received:

- To implement a Fairtrade Base Wage as the lowest wage to be paid in banana plantations, regardless of FT sales, set as 70% of the Cash Living Wage. Important to note that together with this requirement, it was proposed that a roadmap per origin will be deployed. This work will be led by GPPP.
- To use 30% of the Fairtrade Premium as a bonus to support closing the wage gap
- To report data in order to support the assessment of the approach and better provide FMP that reflect sustainable practices

The feedback and concerns on proposed changes from the respondents in consultation was as followed:

- on base wage proposal: to take into account the in-kind benefits, low prices being paid for bananas, need for a shared responsibility along supply chain, challenges faced due to climate

change and COVID-19, lengthy process of collective bargaining negotiations and existing distinct differences in capacities of trade unions to negotiate better wage within the same country and between countries; the suggestion for implementation was to start as of January onwards (any year).

- on premium disbursement: concerns were raised on less money available for projects and community, creation of a false economy; some feedback suggested to fix the deadline to use FP to close the gap as it risks to be seen as an incentive for plantations to not commit to increase wages;
- on data reporting: to provide simple and quick tool, plantations to be trained, and to consider the gender gap and data protections, as well as IDH matrix.

Discussion:

On base wage

- on fixing the date of July 1st, 2021 which would be too short for organizations that are currently certified. An option proposed was to allow more time for these organization to implement, while keep the July 1st as a date for new certified organizations. It was clarified that this topic was in discussion already since 2018 so producers are aware, and date was agreed, and also to stick to this date to prevent negative message to the market for taking too long time;
- if COVID-19 impact was factored in when the implementation date was selected. The PM clarified that consultation was done during COVID-19 times and feedback from producers and traders was that 1st of July would be too soon, while also emphasized that due to market pressure and expectations this date was put forward for proposal to SC;
- the risk if retailers would be willing to remain in the system with increased prices and importance to involve them in the roadmap development on changes towards the Living Wage;
- the price setting approach for banana was based on realities of small holders and not plantations, because plantations have not actively participated in COSP collection; with stronger pressure from LW implementation the price setting approach could get improved on this regard.

On Fairtrade Premium

- in case of potential tax deductions, FP would have to be disbursed in format of vouchers.
- feasibility of the date of January 1st 2021 for 30% of FP to be mandatory distributed in cash; PM clarified that it's up to FPC to decide how they would do, but as of January 2021 they would have to consider it in their planning;

On data reporting:

- the reason why In-Kind Benefits are not proposed as a parameter to be included in the reporting tool is that it might be challenging to verify during the audit. Further it was discussed that the 'in-kind benefits' as element is more complex and not easy to add now, without consultation and analysis of what type of benefits would be counted in and what not and how this would be validated. This requires a stand-alone process or consultation through the steering group to make a robust proposal. The discussion concluded that S&P director is therefore delegated to finalize the wording of 'proposal on data reporting' factoring in this feedback and considering to allow more flexibility when fixing the minimum set of parameters/data to report on, assuming more elements could be added over time.

Decision 1

Do you approve the proposal above for the Fairtrade Base Wage?

As of July 1, 2021 base wage does not fall below 70% of the cash living wage (with support of roadmap of interventions with new approaches to close the gap according to each origin)

The SC approved the proposal (4 votes in favour and 1 against)

Decision 2

Do you approve the proposal above for the Fairtrade Premium?

Considering the sales (resources generated) as of 1st January 2021, 30% of the Fairtrade Premium is mandatorily distributed in cash as an additional contribution for household incomes if the relevant Living Wage Benchmark is not reached.

The SC approved the proposal (4 votes in favour and 1 against)

Decision 3

Do you approve the proposal above for the Data reporting?

As of 1st January 2021 data on number of workers, lowest wages, area size and production harvested, sales volumes and benefits is to be reported on an annual basis by banana plantations to Fairtrade International

The SC unanimously voted in favour of the proposal.

Decision 4

Do you agree to delegate final wording to the Director S&P?

This decision extends to the proposal on type of data to be included in the reporting tool.

The SC unanimously voted in favour of the proposal.

Decision 5

Do you agree to announce the decision immediately after the SC meeting in December 2020?

The SC unanimously voted in favour of the proposal.

Action point for SC:

To keep in the agenda of upcoming meetings to follow up and decide on the issue of fixing the period until when the portion of FP would be allowed as cash distribution. Not having a fix date would undermine the capacity of trade unions to bargain.

Next steps:

- December 7th: Standard PM to inform NFOs on the SC decision on Dec 7th
- December 14th: Standard PM to send the announcement to stakeholders on approved changes with information on the roadmap
- GPPP: to develop the roadmap on changes towards the Living Wage

Item 13 - Approval of the Oversight Committee Representatives' terms

Decision 1

The SC has been requested to approve the extension of John Young's membership as the NFO assurance provider representative

The SC unanimously voted in favour of the proposal.

Decision 2

The SC has been requested to approve the extension of Han Hoogvliet membership as the substitute for the licensing body representative

The SC unanimously voted in favour of the proposal.

Item 14 – S&P Project Updates

Due to the scarcity of time, this point was reduced and SC members were given the opportunity to ask questions to specific topics. A short presentation of the Standards project related to young plant material was provided to members on the status of the pilot project.

No further questions raised by SC members.

Item 15 – AOB

No AOB were raised.

Next meeting date

The S&P Team proposed a series of dates for the SC and OC in 2021. A proposal was introduced to have the SC meetings with three half days of duration instead of two half-days. The members were in agreement as long as the meetings are conducted in remote form. In case the SC meetings return to the on-site meeting format, then the SC will be taking place with two full days.

The proposal of meeting dates was the following:

OC March 22-23 / SC March 24-25-(26)

OC June 28-29 / SC June 30-01-(02)

OC September 27-28 / SC September 29-30-(01)

OC November 22-23 / SC November 24-25-(26)

The minutes of this SC meeting will be published in January 2021.

The meeting was formally closed.