

**Standards Committee
Minutes
Meeting 95: 24, 25 & 26 March 2021
Teleconference meeting**

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

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

Contributing observers: Samantha Dormer – GPM Cocoa, Melanie Dürr - GPM Flowers, Wilbert Flinterman - Sr. Adv. Workers' Rights and TUs, Theresa Glammert-Kuhr – ASM FLOCERT, Peter Kettler - GPM Coffee FI, Michael Kitetu - FT Africa, Andreas Kratz - GPPP Director FI, Tytti Nahi - HRDD CoE, FT FI, Johanna Schmidt - GPM Cocoa FT Germany, Juan Pablo Solis - Sr. Adv. Climate Change FI, Martin Schüller - FT Germany, Stephany Tamhouo,- FLOCERT, Sybhra Tudu - FT NAPP, Jon Walker - Sr. Adv. Cocoa, Amy Collis | Supply Chain and Programme Manager FTF, Lokesh MS – Regional Manager Asia Pacific, FLOCERT; Tim Aldred, Advocacy FTF

Observers:

Sajindranath A. K. - FLOCERT, Ute Baoum – FLOCERT, Arpana Basaapa – FLOCERT, Andrew Giacalone - Sr. Advisor Media Relations FI, Lokesh M. S. – FLOCERT, Patricia Magaña-Spiegel - Brand Integrity Manager FI, Phoebe More Gordon – FLOCERT, Bronwyn Page-Ship, FLOCERT, Emily del Riel - Comms Manager FI, Chris Schmelling - FLOCERT, Alison Streacker - Coffee Coordinator FI, Juliana Wachtmesiter - ASM FLOCERT, Johannes Wolpert - ASM 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. The following points were highlighted for the AOB session:

- The greenpeace report
- Changes in the EU organic regulations

Chair officially opened the meeting and officially welcomed the new director of Standards Pricing and Assurance.

Declaration of conflict of interests: No conflict of interest was identified.

Agenda was officially approved by the SC members.

Review of actions items:

- The communication and the November decision of the SC regarding tea price review has been published.
- The phasing out of premium flexibility is closed, two PO requests were addressed by information.
- The base wage requirement for bananas has been published and the roadmap process that is led by the Global Products, Programs & Policy unit has started.
- In the March SC 2020 it was agreed to revisit the definition of the term “significant number of workers” for SPO after one year. Due to additional workload caused by COVID, the evaluation of this point is not ready and this item will be addressed asap.
- The FSI extension for coffee and bananas will be consulted as soon as the project team finds consensus on last pending items. The results should be presented during the next SC meeting after the consultation

Item 2 – News session

News from SC:

SC Chair welcomed the new SC member Gustavo Lopez who will be the representative of workers in the SC mandated by the WRAC. Uwel Hoeltzel, the Board member who was appointed as a contact person between Board and SC is no longer able to fill this position due to time constraints. The FI Board will decide during the GA whether to elect a new member as specific contact person for the SC. A report from the SC will also be presented during the next GA. Trader representative Martin de la Harpe will be going for his third term as SC member.

News from OC:

The OC was updated on parallel work streams including: Unfair trading practices, New certification requirements coffee and cocoa and ISEAL evaluation for 2021.

- The grievance mechanism has been approved.
- The exceptions report from Licensing Bodies and Assurance Providers was presented
- The revised exceptions policy was presented and approved
- Status of the North to North Pilot project was presented.
- FLOCERT presented the smart assurance project as a new way of certification. The topic was for information and will be brought for decision during the next OC meeting.

News from S&P:

- 14 staff members currently employed in the S&P unit. 2 new Project Managers joined in January.
- Technical Assistant will be moving to a new department. Position to be filled as soon as possible.
- There will be a new position for an Assurance coordinator who will work closely with the Assurance manager.

Item 3 – Director decisions

The transition period for the premium reporting requirement in the SPO standard will be extended to October 2021 because the reporting tool is not yet ready. The communication has been sent to all relevant

stakeholders. Additional guidance for requirement 1.1.3 in the SPO standard was added to clarify the role of the Producer Networks. All other decisions are referred to in the relevant SC paper.

Item 4 – Cocoa Standard Review & Outlook on Price Review

The project manager together with cocoa experts from the project team introduced the Fairtrade cocoa market, the political background of the cocoa standard review, as well as the content and process of the review and key challenges. The regulatory initiatives such as e.g. the African Regional Standard by Cote d'Ivoire and Ghana, as well as pending EU regulations, etc., make many of the suggested changes and new areas in the standard mandatory in order to continue trading Fairtrade certified cocoa from this region in the future.

The team seeks to introduce many ground-breaking changes with strategic relevance within the portfolio of Fairtrade standards going forward, such as e.g. stricter requirements on deforestation, agronomic requirements, promoting living income goals etc. Some of the suggested changes will be implemented regionally only.

One of the key challenges of this review is to secure funding for implementation of a monitoring and remediation system on child and forced labour in Cote d'Ivoire and Ghana, in order to create a viable model for SPOs. The project team seeks to start public consultation towards end of May 2021.

Discussion:

SC members asked to take into account that funding was needed for SPOs to implement so many new requirements. They also questioned if one phase of consultation would be enough to sufficiently discuss the proposals with stakeholders. Furthermore, it was suggested to carry out a feasibility study in CLAC for any additional HRDD requirements, should they be suggested for global application.

Pricing Projects Updates relevant to Cocoa:

Although the following Pricing projects are not part of the Cocoa Standard review, the Pricing PM gave a short overview of the cocoa projects that are most relevant for the Cocoa Standard review:

- **Cocoa HH Income Study in Côte d'Ivoire:** the consultants finalised the data collection phase. We are working with the consultants to discuss preliminary results and provide feedback. The final deliverables are expected for the end of April 2021.
- **Price Model Review Discussions:** we are having regular meetings to define the scope of the upcoming cocoa price review which is planned to take place in 2022. We are addressing all the cocoa issues we discussed in today's SC session and looking for new concepts for price innovation.
- **Cocoa Cost of Sustainable Production (COSP) Model:** We want to review and improve the current model we have to collect cost data at SPO and farm level for digitalisation purposes. This project is at very initial stage. We will inform you about this initiative in the coming months.

Next steps: This topic should be brought to the SC for further discussion as soon as possible.

Item 5 – Coffee Standard Review

The Head of Standards presented an overview on the consultation process that had started 2019 with a strong focus on strengthening fair practices and traceability in the Fairtrade Coffee trade and that then incorporated in the second round of consultation feedbacks of the first round along with additional proposals with regards to HRDD and environment as stakeholders identified a gap in the attention of Fairtrade to these topics. The project manager from the Standards Unit presented the results of the consultation and the proposals. The proposals for changes and addition of requirements in the Fairtrade Coffee Standards were clustered to eight decision blocks to reduce the number of voting processes. There are changes proposed in 22 requirements. It was agreed that on request every requirement can be voted on individually.

Decisions' block on Entry Requirements

Introduction:

The unbalance between supply and demand of certified Fairtrade coffee has been identified as a root cause of unfair trading practices. In addition, it is very important that Fairtrade certified SPOs are established with good governance and that exporters do not take export business from capable SPOs. Two changes in the general requirements are proposed to address this need.

Aim of the proposal:

- R1: entry requirements for Producer Organisations: To maintain alignment with the current SPO Standard requirements (SPO Standard requirements 1.1.3, 1.1.4 and 1.1.5) and provide precisions to them.
- R2: entry requirements for exporters: To regulate the participation of exporters in Fairtrade coffee, emphasizing they are bound to the need of the producer organisations for the services of an export service provider.

Discussion:

A member inquired about the description of the proposal of requirement R2, in which the member commented that the request of documents might not be sufficient to show a stable trade relationship. Members provided additional comments concerning the recommendation letters that were provided or not provided by the Producer Networks.

Decision 1

Do you approve the proposals on: R1: entry requirements for POs, R2: entry requirements for exporters?
The SC unanimously voted in favour of the proposal.

Decisions' block on Traceability

Introduction:

The improvement of traceability of Fairtrade coffee is necessary to strengthen fair trading practices and to be a credible partner for endbuyers and Fairtrade consumers. Traceability is best assured via use of digital tools which Fairtrade is still developing.

Aim of the proposal:

- R3. Include FLOID and volumes in sales documents: To improve transparency of the supply chain by sharing information about the origin of the coffee, the actors in the supply chain through their FLOID and the volumes traded in each step.
- R4. members' information on production and sales: To ensure that members are in all cases correctly declaring and selling the volume available as Fairtrade.

Discussion:

With regards to R3 it was questioned why a requirement of a tripartite agreement was removed from the proposal.

One member highlighted the risks to require to include the FLOID and volumes traders from each FLOID in sales documents. GPM stated that traders can see this point as extra work without benefit, with the effect to reduce purchases in FT coffee. Other schemes as Rainforest Alliance do not ask that extra info. Traders might perceive as unnecessary and cumbersome to report. It represents extra paper work and additional administrative work. Requirement traders to do extra work comes from FT inability to provide a technological solution towards traceability. Suggestion to strength digital tools and capture data with Fairtrace.

A member stated that a producer network is planning to use the data obtained from commercial documents. If the data does not end in a digital tool, asking for extra documentation might not be coherent. The member highlighted the need for a digital tool where producer have access and traders can see the data.

It was also mentioned that the traceability component included in this proposal is important, since traceability is a market issue. It would be relevant to make accessible the information regarding coffee origin. The member supported the point that the market can be reluctant to implement the requirement due to the additional the report of data. The member stated that Fairtrace is not a tool that can be currently used to support this requirement.

One member mentioned that the proposal did not have clarity on who will report the information. There was a doubt as well regarding how to include producers who are directly exporting. It was explained that this requirement applies for traders and producers who export. Buyers report the volume at the end. One modification should be included for the Standard in this point: The requirement includes producer organizations who do exports.

One member's comment was regarding the way of reporting the data, whether digital or in paper, a member stated that would be good to explore the option to add a traceability component into Fairtrace. Another member added into the point that there are other digital platforms adaptable to gather data, which was the member's recommendation.

Another concern from a member was regarding verification mechanisms and measures to make sure that the reported data is accurate. The member stated that then FloCERT could check from the exporter or trader point.

Decision 2

Do you approve the proposals below on FLOID in sales documents and on members' information on production and sales, both of them following 6-months transition period for currently certified operators after the publication of the revised standard?

This decision was divided into R3 and R4.

R3. Addition of FLOID and volumes in sales documents

The SC members voted 3 in favour, and 5 abstentions and therefore the requirement was not approved.

R4. Members' information on production and sales
The SC unanimously voted in favour of the proposal.

Decisions' block on Compulsory Aspects for Fairtrade contracts

Introduction:

Unfair and dishonest practices are shaped in different forms, at times those are identified in unclear contracts and definition of roles and responsibilities, lack of transparent agreements and excessive pressure on producer organisations on conditions and price. Examples of such practices are: unclear responsibility of price and premium payment, excessive deduction on FOB prices due to unclear cost breakdown in contracts, and coercion to enter into fixed-price contracts with producer organisations.

Aim of the proposal:

- R5 Role of exporters: To define the role of the exporter service provider and specify their responsibility in the supply chain.
- R6 Contracts following national and industry regulations: To complement TS requirement 4.1.2 and align coffee contracts according to the Green Coffee Association (GCA) and European Standard Contract for Coffee (ESCC).
- R7 Price breakdown: To provide a detailed breakdown of the price calculation by including deducted or added cost items and their value, and conversion rate in the case of processing in coffee contracts.
- R8 Price-to-be-fixed contracts: To clarify the requirement by only allowing fixed-price contracts in specific situations under certain conditions.
- R9 Price risk management costs: To make sure buyers assume the costs of hedging as it is imposed by price risk management strategies, or at least share it with POs.

Discussion:

Few comments were made, but one member raised a question concerning how negative coffee price differentials should be interpreted in the proposal for the requirement 9. The project manager indicated that the answer of the limits of applying negative differentials is included in the requirement text.

Decision 3

Do you approve the proposals below on - role of exporters - contracts following national and industry regulations - price breakdown - price-to-be-fixed contracts - price risk management costs all of them following 6-months transition period for currently certified operators after the publication of the revised standard?

The SC unanimously voted in favour of the proposal.

Decisions' block on aspects of Fairtrade price and Premium

Introduction:

Price volatility in the coffee industry is particularly high, affecting SPOs that remain in a vulnerable position. The Fairtrade Minimum Price (FMP) is a safety net on which they can rely. The higher the difference between market price and FMP, the higher the pressure on FMP and Fairtrade Premium, as the opportunity cost for Fairtrade increase as compared to the conventional market.

High price pressure can result in different practices intended to circumvent Fairtrade standards. A set of proposals was developed to be able to detect and act on those practices.

Aim of proposal:

- R10. Market price reference: To provide clarity on the existing requirement 4.3.1 and to include in the requirement relevant content that was previously guidance.
- R11. Contract conditions: To make clear that bonded contracts being imposed by the traders are not allowed as they impose disadvantageous conditions to POs.
- R12. Fairtrade Minimum price along the supply chain: To level the playing field for all stakeholders in Fairtrade coffee, by ensuring all coffee is sold and bought at least at the Fairtrade Minimum Price.

Discussion:

No significant comments were made during the discussion time. One member made the suggestion to improve the wording of the requirement 10 concerning the use of the market price reference and the boundaries on the application of negative price differentials.

Decision 4

Do you approve the proposals on: - R10. market price reference, - R11. contract conditions, - R12. Fairtrade Minimum price along the supply chain? All of them following 6-months transition period for currently certified operators after the publication of the revised standard?

The SC unanimously voted in favour of the proposal.

Decisions' block on Timely payment

Introduction:

Delayed payments are very often the case in the coffee industry particularly in a highly concentrated market where large corporations handle bulk volumes with complex financial structures targeted to maximize profits of shareholders. In such situations, the likelihood of having delayed payment terms and passing on financial costs to suppliers which end up being passed on to SPOs is high. Producer organisations may have limited access to financial options, and may face liquidity problems particularly in harvest times leaving them in a vulnerable situation until outstanding payments are settled.

Aim of the proposal:

- R13. Timely payment: To make clear that long-term payment schemes between traders and their customers is not to be imposed and trickled down to producer organisations.
- R14. Payment terms: To clarify the text in the current requirement and add in the guidance that electronic documentation is also feasible.

Discussion:

No comments were made during the discussion time.

Decision 5

Do you approve the proposals on: R13. Timely payment and R14. Payment terms, both of them following 6-months transition period for currently certified operators after the publication of the revised standard?

The SC unanimously voted in favour of the proposal.

Decisions' block Access to finance:

Introduction:

Providing pre-finance to SPOs is already a requirement existent in the Trader Standard (4.4.1) and it is an important financial tool that enables POs to better perform their activity.

Aim of the proposal:

- R 15. pre-finance: To align the current requirement with the latest changes in the TS requirement 4.4.1. Stakeholders are asked to consider the current pre-finance requirement and to indicate if the amount (at least 60%) and time-frame (at least twelve weeks prior to shipment) for pre-finance can remain as it currently stands in the current requirement 4.2.1.

Discussion:

One member commented that keeping a fixed pre-finance support of 60% might lead to non-conformities for traders or that producers are limited to only one value of pre-financing. Some members stated that the percentage and time might be lower for producers on the field, and valued might depend of the producers. The suggestion was to enable more the values considering producers' requests. Due to the comments, there was a suggestion to work on the wording of this section. Another comment was that a 60% of pre-finance support should be revised, considering the potential interest rates that producers might face. Therefore, a member suggested a need of data from Flocert to define the criteria in terms of compliance of this point.

Regarding the time period of 12 weeks, one member stated that for cooperatives getting the coffee from individual members, this time period might not be accurate or perhaps limiting the possibility of pre-financing.

A SC member stated that for contractual agreements, pre-finance is not always a reality. One comment pointed out that traders at NAPP do not perceive a need for pre-finance. Therefore, the SPO agrees on no pre-finance in order to warranty sales.

Decision 6

Do you approve the proposals on R15. pre-finance, following 6-months transition period for currently certified operators after the publication of the revised standard?

The SC approved the proposal (7 votes in favour and 1 abstention)

Next steps: S&P Director will review the final wording of the requirement.

Decisions' block on HRDD

Introduction:

Human rights have always been relevant in Fairtrade. The more recent HRDD developments are reflected in the Fairtrade Strategy as a key objective. The Coffee Standard should be aligned with the intention to strengthen HRDD and therefor three changes were consulted in the second round of consultation.

Aim of the proposal:

- R16. Policy and procedures: To prevent, monitor and remediate child labour, forced labour, human trafficking, discrimination and workplace violence and harassment:

- R17. Risk assessment: To request producer organisations to conduct proactive periodic risk assessments for child labour, forced labour, human trafficking, discrimination and workplace violence and harassment.
- R18. Monitoring and remediation system: for child labour, forced labour, human trafficking, discrimination and workplace violence and harassment, and support the remediation with local authorities.

Discussion:

A member inquired what is meant in the proposal by “support”, or how the requirement indicates how support is done?

The standards project manager and the HRDD specialist indicated that templates and guidance materials should be made available for producer organisations, nevertheless there is a challenging element regarding the financing of actions.

One member indicated that producers might have responded to the consultation without understanding exactly the implications of the proposed changes for their organizations.

Another comment indicated that there are existing requirements about policies, but there is a concern when the requirement mentions “remediation”. This can have significant implications for producer organisations. It was discussed that prior to establishing a policy, the risk assessment should be done, as this would be more aligned with usual SPO practice and logic. On the other hand, the UNGP states differently (first policy and then risk assessment).

Another member raised the question about the shared responsibility of the remediation and how remediation should be audited, the support needed for producer organisations, how trade partners should be supporting and suggests that a link with the trader standards should be in place to address the issue of support.

Decision 7

Do you approve the proposals below on:

- policy and procedures to prevent, monitor and remediate child labour, forced labour, human trafficking, discrimination and workplace violence and harassment
- risk assessment for child labour, forced labour, human trafficking, discrimination and workplace violence and harassment
- monitoring and remediation system for child labour, forced labour, human trafficking, discrimination and workplace violence and harassment

all of them following 1-year transition period for currently certified POs after the publication of the revised standard?

The SC approved the proposal (7 votes in favour and 1 against).

The SC member that voted against, informed that more guidance is needed as well as a definition of support

Decisions’ block on Environmental requirements

Introduction:

Sustainable agricultural practices are increasingly important in order to fight climate change and enable farmers to be more resilient to extreme weather. Sustainable agriculture also helps improve soil fertility, nutrition and productivity, reduces costs and increases incomes. In addition, there is gradually more demand and upcoming legislation for environmentally-friendly and zero-deforestation supply chains. Unfortunately,

Fairtrade International does not count yet with a strategic position on how to tackle deforestation and does not count with any technological solution to track it. Therefore, the proposals for this revision were limited to sustainable agricultural practices. It is important and urgent for Fairtrade to define its position towards the type of agricultural model it aims for and its strategy on remote sensing. Once there is more clarity on these definitions, Standards will be able to better integrate proposals to improve agricultural practices and tackle deforestation during the next Trader and SPO Standard revision.

Aim of the proposal:

- R19. Environmental risk assessment: To identify environmental risks producers are facing that affects productivity and/or damage the environment
- R20. Training in Sustainable Agricultural Practices: To train POs' members on different sustainable agriculture practices, provide alternatives to cope with the challenges faced and guide them to engage towards a more sustainable path
- R21. Adoption of Sustainable Agricultural Practices: To improve agricultural practices towards a more sustainable pathway in order to increase member's resilience against climate change and better respond to market demands.
- R22. Extended the use of the earmarked Fairtrade Premium: To extend the Premium earmarked to support investments related to proposed requirements 2.1.1, 2.1.2 and 2.1.3 above.

Discussion:

There were multiple comments from the members regarding a willingness to strength the environmental scope. Some comments were directly related to deforestation legislation, saying that it should be more actively considered. Another point was made, regarding the need to increase attention in agroforestry to fight deforestation. There were some comparisons, saying that 4C and the global coffee platform are more engaged with the environmental component.

One SC member suggested a global approach to engage producers for agro-ecology practices, implementing better practices in agro-ecology. It was highlighted that a particular national Fairtrade organisation is actively promoting agro-ecology. Another member stated that the progress from environmental topics might be followed with a sustainable agriculture plan.

Another contribution highlighted the need for action and clear points of action for deforestation, agro-ecology and agroforestry, developing activities that can be replicated. For this decision, a follow-up work will be done with FT senior advisor for climate and environment, taking into considerations the need to keep balance the activities to implement for environmental protection and the trade off with living wage and living income. A member said that the implementation of strict measures will be difficult for compliance for SPOs, if there is no a clear road map including resources, capacity and support.

Decision 8

Do you approve the proposals below on:

- environmental risk assessment
- training in Sustainable Agricultural Practices
- adoption of Sustainable Agricultural Practices
- extended the use of the earmarked Fairtrade Premium

all of them following 1-year transition period for currently certified POs after the publication of the revised standard?

The SC members unanimously voted for abstention of the proposal.

During the voting session the member's stated that the topic requires further development and discussion before approval.

Next steps: it was decided to re-work on the proposals, slightly changing the wording of the requirements, and on developing a plan to support PNs and producers. This is to be brought for SC decision during the meeting in June.

Decision block on next steps

Decision 9

Do you approve the delegation of final wording to the Director S&P?

The SC approved the proposal (7 votes in total, one SC member was no longer in the meeting)

Item 6 – Reduced wages at flower farms

S&P senior PM presented the case on exceptional conditions under which flower farms would be allowed to pay reduced wages to workers given the economic challenges that some plantations are facing due to the COVID pandemic. The Standards Committee is requested to endorse the decision taken to allow the reduced wages under specified conditions as set out below. S&P together with Global Products, Programs and Policy (GPPP), FLOCERT and Fairtrade Africa (FTA) jointly recommend that this option is provided in order to set clear rules under which further reduced payment is allowed and a clear deadline on how long Fairtrade will allow this without certification consequences. With flower markets recovering, the Fairtrade system needs to ensure that workers on Fairtrade certified farms are back to their previous salary levels.

The SC is informed on the exceptional circumstances under which flower farms are allowed to reduce wages below the floor wage (requirement 3.2.1 in the flower and plant standard) and rates in the collective bargaining agreement (requirement 3.5.1 in the Hired Labour standard) during the Covid19 pandemic. There is an economic hardship due to COVID pandemic, wages are either reduced or workers are placed on unpaid leave. Since the start of the pandemic, FLOCERT have given non-conformities to the farms if wages were reduced or if workers were placed on unpaid leave, but did not give a suspension in case the farm could show a written agreement from a trade union, however, FLOCERT has requested for additional guidance on this topic and on how to proceed.

The proposal is to issue an interpretation note and to allow the reduced wages when certain conditions are met. The interpretation note sets the following conditions under which Fairtrade will allow reduced payment of workers:

- Evidence of decrease of flower volume sales at the Fairtrade flower farm of more than 20% in relation to the previous year (data will be validated in detail by FLOCERT during the next audit).
- Level of wages: Exceptions may be granted to flower farms paying workers at least 50 % of their contractual agreed net wage between 1st March – 31st May and will be phased out as follows:
- April 1, 2021: All workers will earn at least 75% of the Fairtrade floor wage
- May 1, 2021: All workers will earn at least 85% of the floor wage and by
- June 1, 2021: All workers will earn at least 100% of the floor wage or their contractual salary whichever is higher.

- The exceptions cannot be applied retrospectively.
- Flower farms decreasing wages unilaterally without a previously signed written agreement with a union, owe workers that amount and shall pay it back to them in full by December 31, 2021.
- Flower farms that have reduced wages below floor wages and CBA rates are required to negotiate with a trade union representing workers or, in their absence, elected worker representatives, a schedule for retroactive payment of unpaid wages since March 2020.
- Any agreements between employers and unions offering rights more favorable to workers supersede these requirements.
- Workers maintain their existing employment contract and associated entitlement – no termination of contracts and rehiring against less favorable terms.
- A previously signed wage agreement between the company and the union that represents the workers of the company. In the case that the company is not unionized but follows the wage rates of a sectoral agreement, that sectoral agreement is also valid
- During the next audit all the data and information related to this topic should be prepared and ready for the auditor.
- This exceptional approach is strictly limited to the COVID pandemic.

So far feedback from Fairtrade Africa indicates that flower farms are slowly starting to recover, exceptions may not be actually used, FLOCERT also confirmed that there is so far no application for this exception. However, it was found that a regulated process has to be in place for such cases, as COVID pandemic is unpredictable, and further hardship might be possible.

The flower product manager also confirmed that the situation is currently stable, but the crisis was really difficult, no one really realised the full extent of it, big farms paid their workers 50% of their salaries, sent them on leave, it was clear that there was a need on the way forward, to be clear on how Fairtrade react to situations like this.

Decision

Do you agree on endorsing the decision taken as an urgent measure to address the situation in flower farms as explained above?

The SC approved the proposal (7 votes in favour and 1 abstention)

Next step: Update all the Stakeholders involved on the SC decision.

Item 7 - S&P Project Updates

The session was re-schedule for the next SC meeting and the time was used to finalized the item 05- Coffee Standard Review.

Item 05 - Coffee Standard Review

Head of Standards summarized the decisions taken on the previous day and opened the floor for questions and comments from the SC members. The decision on the environmental due diligence was discussed as the SC members were not satisfied with this decision as the revision of the standards should already include this topic. The Head of Standards expressed the need of collecting the specific expectations of the SC in this regard. Regarding traceability, Head of Standards recognized the need to engage actively with the

coffee GPM to find a solution, as changes in standards will not be enough. Concerning the environmental issues, S&P will need to go back to the Senior Advisor Climate and Environment to look into this. Head of Standards explained that internal discussions are needed to see which changes are feasible and what can be proposed. S&P Director to prepare some initial ideas to address those issues, tentatively to be presented in the SC June 2021.

Coffee Projects updates

The Head of Pricing shared the following with the SC members:

- **Deductions of coffee FOB prices:** It was decided to have a common guideline document containing the FOB deductions and values for each of the producer countries. Currently Pricing Unit is working on the project assignment and engaging in discussions with CLAC and producer.
- **Study on Cost of Production:** the last price review was in 2011, and the last cost data collection was in 2007-2008. Although there is some research on costs of production, there is not a system-wide study that assess costs of production globally. During the last 3 years, people have been questioning why coffee prices have not been revised. This topic should be part of a permanent discussion with CLAC. This is the reason why S&P decided to have the coffee dialogue in 2018 to have a space for discussion. The first step is the current revision of the standards, and after that the discussion on having or not a price review could be initiated.

Item 8 – News from global CEO and FI ED

Nyagoy Nyong'o and Melissa Duncan presented themselves as the current Global CEO and FI ED. The Global CEO explained the logic behind the decision taken by the Fairtrade Board of splitting the leadership of the Fairtrade System and FI in 2 positions: Global CEO and Fairtrade International Executive Director (ED). The Global CEO shared the background of the creation of the Fairtrade Executive Team (FET) its purpose and members. The Global CEO will be dealing with global matters and will be acting as a Global spokesperson and as a representative of FT with international partners. Additionally, the Global CEO will lead the implementation of the global strategy.

The FI ED explained that as the work related to Standard is such an important and strategic part of the FT system, both the Global CEO and FI ED will have oversight over the work of S&P. The FI ED expects that the SC will provide valuable input for the several relevant processes and to implement the new strategy in relation to Fairtrade Standards.

It was explained that the Global CEO and FI ED report to the board and are part of the board committees. Lastly, it was mentioned that the Global CEO and FI ED are currently occupied by Nyagoy Nyong'o and Melissa Duncan correspondently, until October 2021 when the permanent hires for both positions are expected to be in place.

Item 9 – Review of the Fairtrade Standard for Tea for SPO, HL and Traders

The Director of S&P, representatives of FLOCERT and Fairtrade Foundation provided key highlights on challenges in Fairtrade tea at the onset of the project on Tea standards and prices review from advocacy, assurance and commercial perspectives.

The Project Manager (PM) introduced the contributing observers in the meeting and presented a recap of the objectives and goals of the Tea standards review which started in 2018 as the Tea standards and prices review project, embedded in the broader Fairtrade tea strategy to improve the situation for workers on Fairtrade certified tea estates and for smallholder tea growers. In particular, the main focus for Tea HL standard review included topics on worker's representation and participation, decent housing & sanitation, occupation health and safety, and to improve worker incomes. Overall there are 29 decisions in 10 topics for the SC to make decision. In this SC meeting 16 decisions from 4 topics were presented for SC decision.

Topic 1. Gender equality and women's empowerment

Introduction:

In Fairtrade, the highest proportion of women work in the tea sector (26% in SPO and 43% in HL). More than 108,000 women work in Fairtrade tea plantations or registered as farmer members of small-scale tea producer organizations. Whilst women are heavily involved in the production processes (growing, harvesting and processing), their work is often not fully recognized and rewarded. Women often suffer from domestic violence, rarely occupy leadership positions and their needs and voice are often not heard.

Aim of the proposal:

To strengthen Fairtrade's approach to gender issues to promote women's empowerment, make gender equality an explicit part of the Tea HL Standard and to enhance protection from gender based violence and other forms of harassment by introducing requirements that include compliance to have procedures in place to ensure safe withdrawal and continuous monitoring to prevent Gender Based Violence (GBV).

Discussion:

The SC members highlighted the importance to consider PNs capacity for support in implementation of these changes, and that proposed requirements should be made applicable to all HL organizations.

Decision 1

Do you agree to introduce new requirement in Tea HL standard, Core / Year 0 on HL not to tolerate GBV and other forms of harassment and abuse?

Decision 2

Do you agree to introduce new requirement in Tea HL standard, Core / Year 1 on HL to remediate in case GBV was identified?

Decision 3

Do you agree to introduce new requirement in Tea HL standard, Core / Year 1 on HL having a gender policy?

The SC unanimously voted in favour of the proposals for decisions 1, 2 and 3.

Topic 2: Anti-modern slavery. No Forced Labour/ No Child Labour

Introduction:

In the current HL Standard the requirement 3.2.1 'No forced labour' lacks examples of indicators for assessment of forced labour risk. Further, it is not clear how producers can remediate (withdraw and prevent) if there is forced labour occurring or what producers need to do to ensure forced labour is not occurring in their operations. In addition, it is important to introduce modifications in the scope of HL requirement on child protection that prevents from labour that is damaging to children through better alignment with terminology of ILO C 182 convention. Also, following the ILO global initiative on decent youth employment that aims to scale up action and impact on youth employment in support of the 2030 Agenda for Sustainable Development, Fairtrade would like to address the topic of youth employment under decent conditions in the Tea HL standard more explicitly. Further on the topic of anti-modern slavery the review aimed to address the terms and conditions of providing contracts to temporary workers.

Aim of the proposals:

- To provide more clarity in the guidance to the requirement 'No forced labour' through examples of indicators for forced labour risk assessment. Further to this, to introduce a new requirement on remediation should forced labour be identified, to require companies to ensure safe withdrawal and continuous monitoring that prevents forced labour from happening.
- To address the working conditions for youth, ensuring decent employment when it is legal to employ as of age of 16 what would also complement to important modifications in the requirement on protection of children from worst forms of child labour and hazardous.
- In the requirement on temporary worker contract, to consult on introducing the thresholds referring to the reduced fixed period / number of days after which a worker has to be offered a temporary worker contract or an employment contract, and ensure that this is feasible to implement from legal perspectives in different regions

The PM highlighted that all topics will require capacity building and resources for the PNs for implementation.

Discussion:

- on Forced Labour: the SC member recommended that such change (on Forced Labour) should be introduced also in the generic HL standard to avoid similar future discussions for other products under HL standard. The S&P unit will follow up on this request.
- on Temporary worker contract: The issue of temporary work is riskier in India than Africa. There is a problem of legal enforceability as in-kind benefits are by law only an arrangement for permanent workers. In Africa, the issue is concentrated on subcontracting. It is key to support the implementation of the proposed changes and the PM mentioned that there would be clarifications recommended to the compliance criteria on housing and on "equitable remuneration". Fairtrade needs visibility of temporary workers to enhance their employment conditions and have possibility to check this in audits.

The SC members recommended that the definition of 'temporary worker' has to be aligned with national laws and contracts have to be adequate for the particular region. The PM explained that the proposed

changes are intended to reduce the risk of hidden labour and to allow audits to be more precise and allow more clarity of terms and conditions to workers by HL.

Additionally, SC members commented that for equal work, the company should guarantee equal salary/ in-kind benefits paid to temporary workers as to permanent workers, keeping it proportional to the time worked. It should be possible as well to hire workers for seasonal work.

Decision 4

Do you agree to include in the Tea HL standard the requirement 3.2.1 'No forced labour' with modified guidance that provides forced labour risk indicators?

Decision 5

Do you agree to include the new Core/Year 0 requirement in Tea HL standard on remediation in case forced labour is identified?

Decision 6

Do you agree to introduce modifications to the HL standard requirement 3.3.1 and include it in the Tea HL standard?

Decision 7

Do you agree to introduce a new Core/Year 0 requirement on decent youth employment into Tea HL standard?

The SC unanimously voted in favour of the proposals for decisions 4, 5, 6 and 7.

Decision 8

Do you agree to include the requirement 3.5.7 on temporary worker contract in Tea HL standard with modifications that stipulate the threshold as of when the temporary worker contract must be provided and what elements this contract have to include with a clarification in the guidance to refer to the existing requirement 3.5.22 that regular work can not be substituted by the temporary workers.

The SC approved the proposal (7 votes in favour and 1 against)

A SC member explained the reason for not being in favour on this decision, due to the fact that written contract will be unpractical and producers have addressed this concern. Nevertheless, the decision remains with strong support by the SC and will be addressed again, should there be a need for reformulation.

Topic 3: Terms and conditions of employment

3.1 Freedom of Association and Collective Bargaining:

Introduction:

Apart from the existing trade union organizations, Human Rights / Labour Rights NGOs could also be an effective resource for workers - providing services to workers for capacity building and worker education on and rights in the workplace. Therefore, the scope and limitations of NGOs activities could be clarified in the request that is sent to the management of the estate. For example, a specialized Human/Labour Rights NGOs could help to educate workers on how to best organize themselves in trade unions, or other worker

committees, engage in social dialogue and negotiate with their employer on terms and conditions of employment and housing. The proposed requirement would be built on and expand the Core/Year 0 requirement in the HL standard, allowing trade union representatives to meet with workers. Also this change would be even more relevant in places, where Trade-Union activities and representation are impaired. In the first consultation round stakeholders expressed concerns in relation to the scope and limitations of NGOs activities on premises of plantations. One of the suggestions was to modify the text of requirement so that it is checked reactively in the audit.

Aim of the proposal:

Introducing a new requirement, that would be checked reactively in case the request or notification for Human Rights / Labour Rights NGOs to meet with workers was denied and introduce clarification in the guidance on the cases when a notification is not needed. The PM highlighted further close monitoring would be required for potential risks related with implementation.

Discussion:

SC members exchanged their views and considered collectively which positive and negative consequences the implementation of the proposal could have. It was explained that for the region of NEI the complexity comes from the fact, that workers live on the company grounds, which has a potential for conflict between the right of workers to meet with whom they wish and the right of tea estates to decide who can access company grounds. All tea estates have to respect freedom of Association and allow registered Trade-Unions to access. It was discussed how and under which circumstances NGOs could be granted a similar right on Fairtrade certified estates. There was a view that it is relevant to recognize that management is accountable to the local government for consequences and problems which could arise by unrest in the workplace. One member stated that especially in situations close to international borders, NGOs could have political agendas. It therefore was stressed by observers as well as SC members that the management should approve of the organizations visiting. The Fairtrade staff clarified it is important to recognize fundamental human rights of the freedom of access in the residential area.

Decision 9

Do you agree to accept the revised recommended proposal to introduce a new Core/Year 0 for HL companies on the access for workers to meet with Human Rights/Labour Rights NGOs that will be checked by auditors reactively in case of indications when this access was denied?

The SC did not approve the proposal (3 in favour, 4 abstained and 1 against)

3.2 Minimum wage for the tea sector:

Introduction:

Fairtrade accepts that using a single World Bank Poverty line for some countries, e.g. a country the size and diversity of India, is complicated to implement. However, not using a common Floor Wage as a benchmark, would require another more fitting benchmark to be elected in order to deal with the issue like in India, where on all tea estates in North East India, including the few Fairtrade certified estates, workers earn less than the World Bank Poverty line. Applying the proposed Floor Wages as a benchmark for analysis of daily wages paid in other Fairtrade tea producing regions, showed that currently paid wages on tea plantations are above, except for North East India and Bangladesh. Since wage setting in North East India tea sector has been ineffective to lift workers from severe poverty and a solution is not imminent, the

proposal is that requirement 3.5.1 in HL standard is implemented with more explicit reference regarding the term 'similar occupations'. The initial aim in the consultation was to improve cash wages paid to workers which required a facilitation through sector dialogue across different origins and all involved supply chain actors. However, over the time of the standards review there was no positive progress in this regard and no support from stakeholders in consultation. Another challenge is due to recent changes in India on labour following introduction of Wage Codes, which at this point does not have a fixed date for implementation. Overall it is not a suitable environment to introduce changes in the standard on the topic of minimum wages in India.

Aim of the proposal:

The aim is not to introduce any change in the standard in the current SC meeting allowing the window for monitoring of the situation in the next months of 2021 to come up with the decision when situation in India changes.

Discussion:

The PM presented the challenging situation due to recent changes in India on labour following introduction of Wage Codes, which at this point does not have a fixed date for implementation. Overall it is not a suitable environment to introduce changes in the standard on the topic of minimum wages in India. It was suggested that the S&P team keeps monitoring the situation in the next months of 2021 and that the SC reconsiders this decision during the upcoming standards committee meetings.

Decision 14

Do you agree not to introduce any change in Tea HL standard requiring an increase in daily cash wage?

Addition: *Until the situation is revised.*

The SC voted in favour of the proposal (7 voted in favour and 1 abstained)

3.3 Occupational health and safety:

Introduction:

Efforts and developments on occupational health and safety by estates have brought many improvements. Some of these positive changes are related to preventive measures towards handling and use of hazardous materials. Fairtrade's requirements on occupational health and safety include prevention of accidents and elimination/reduction of hazards in the work place, following the ILO regulations and recommendations (ILO Conventions C155 (Occupational Safety and Health Convention), C184 (Safety and Health in Agriculture Convention), ILO Recommendation R164 (Occupational Safety and Health Recommendation), ILO C077 and C078 (Medical Examination of Young Persons (Industry and Non-Industrial Occupations) Conventions), and R102 (Welfare Facilities Recommendation).

There are still gaps on provision of health and safety services. Thus, further improvements on the topic of health and safety of workers on tea plantations are necessary.

Aim of the proposal:

To improve the occupational health and safety conditions for workers through strengthened requirement on health and safety risk assessments (HL, req 3.6.4) strengthening it's application moving from Dev/Year 3, to Core / Year 3. Further to this change, to introduce a new Core/Year 1 requirement on treatment and compensation if workers suffer from a work-related illness or injury.

Decision 15

Do you agree to modify the existing requirement 3.6.1 to require H&S risk assessment at least once a year, also moving this from Dev/Year 3 to Core/Year 1?

Decision 16

Do you agree to introduce new requirement in Tea HL standard on treatment and compensation, requiring companies to compensate workers in case of work-related illness or injuries?

The SC unanimously voted in favour of the proposals for decision 15 and 16

Topic 4: General Requirements and Commitment to Fairtrade**4.1 Social development****Introduction:**

Requirement 2.2.4 in the existing HL Standard focuses on training the representatives of the trade union/elected worker representatives on labour legislation and negotiation skills. This requirement is currently a development requirement, applying from Year 3, and does not include clarity or guidance on how the quality of the training.

Aim of the proposal:

To strengthen the applicability of the requirement on training for trade union / elected worker representatives, and modify the guidance to that could ensure a better training quality provided and bring more alignment with the other changes proposed for the standard, e.g. compliance committee.

Decision 10

Do you agree to strengthen and modify the requirement on trade union/worker representatives training moving it from Dev/Year 3 to Core/Year 1 and expanding the scope of training topics?

The SC unanimously voted in favour of the proposal

4.2 Fairtrade Compliance Committee (FCC)**Introduction:**

The purpose of proposal to introduce a compliance committee was to strengthen the role of workers in the implementation of the Fairtrade standard. Currently according to requirement 1.2.1 in HL standard, every plantation has to appoint a Fairtrade officer who is responsible for Fairtrade matters. However, in addition to this, active participation of workers' representatives in the implementation of standard would help to make workers central actors in Fairtrade's compliance scheme as opposed to beneficiaries with a marginal role. It would therefore contribute significantly to Fairtrade's fundamental goal of empowering workers. It would help Fairtrade standards to drive more impact than conventional social codes.

To support the implementation of these requirements Fairtrade International will work on developing the guidance and training materials with purpose to build capacity of Fairtrade Compliance Committee

Aim of the proposals:

To introduce requirements that define the compliance committee's role and structure considering the existing workers' committees in place. Further to this change the experience in tea with the Compliance Committee could later on serve to strengthen existing requirements in the generic HL Standard. The implementation of requirements on the Compliance Committee is aligned with related activities required to be carried out by companies. This includes changes in requirements on shared of audit results with workers (HL req.1.1.2), scope of general assembly (HL req. 2.1.16) and raised awareness about Fairtrade (HL req. 2.2.1).

Discussion:

Contribution from observers highlights the importance of these new requirements at the core of the new tea standard however the increased compliance costs were also mentioned. This requirement "places workers at the heart" of Fairtrade through empowering them by making them more familiar with Fairtrade roles, their position and ability to influence employment conditions. Further the SC members stated the following:

- expressed concern that interest of workers may decrease with an increasing number of meetings.
- trade unions should be part of the compliance committee that are representing the organized workers and who are often able to read and write and empower their members in relevant topics.
- these requirements should be made part of the general HL standard
- expressed strong support towards the proposed change highlighting that the voice of workers might be structurally underrepresented, which these requirements aim to fix.
- this should not be a new committee but rather a sub-committee for existing committees.
- The change will bring high costs for tea estates and the benefit is not clear

Decision 11

Do you agree to include in the Tea HL standard 2 new Core/Year 1 and Core/ Year 3 requirements on Fairtrade Compliance Committee and a modified requirement on scope of General Assembly?

The SC voted in favour of the proposal (6 votes in favour and 2 abstained)

Decision 12

Do you agree to include in the Tea HL standard a modified requirement on shared audit?

Decision 13

Do you agree to include in the Tea HL standard a modified requirement on raising awareness about Fairtrade?

The SC unanimously voted in favour of the proposals for decisions 12 and 13

Item 10 – S&P Workplan 2021

This session was postponed for the next SC meeting.

Item 11 – AOB

AOB

- A SC member expressed that FI needs to have a clear response to the Greenpeace report. Concrete steps to develop a response should be in place. A holistic approach is needed to tackle the main issues, this approach must allow improvement and should be feasible to implement. The director explained that a response has been shared with Greenpeace. The SC members agreed that they should be informed of relevant updates.
- As agreed the S&P team will organize an additional SC session to allow for decision making on the rest of proposals for changes in the tea standard. In that session there shall also be room to talk about the Workplan 2021 and the vision for Fairtrade Standards in the frame of the new strategy period. A doodle will be sent to the SC to decide on the date for the next SC meeting in May 2021
- SC members jointly reflected on how to improve the quality of conversations in remote meetings. It was generally agreed that more time for the discussion of specific proposals is needed.
- Because of lack of time the AOB on EU organic regulation could not be addressed. It shall be attended in the next SC.

The meeting was formally closed.