



Standards Committee Minutes Meeting 101: March 23 and 24, 2022 Teleconference meeting

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

Excused: Martin de la Harpe was excused on March 24 and 25, he gave his proxy vote to Iresha Sanjeewanie

Observers: Fairtrade International and FLOCERT staff members have permanent observer status

Other Observers: We do not display the full names of observers and contributing observers to comply with 'The General Data Protection Regulation (GDPR)¹'. If you need additional information about the observers or contributing observers of this meeting, please contact standards-pricing@fairtrade.net

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

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| CEO | Chief Executive Officer |
| CLAC | The Latin American and Caribbean Network of Fair Trade Small Producers and Workers |
| CoE | Centre of Excellence |
| COSP | Cost of Sustainable Production |
| EC | Exceptions Committee |
| FET | Fairtrade Executive Team |
| FI | Fairtrade International |
| FMP | Fairtrade Minimum Price |
| FOB | Free on Board |
| FP | Fairtrade Premium |
| FSI | Fairtrade Sourcing Ingredient |
| FT | Fairtrade |
| FBW | Fairtrade Base Wage |
| GPM | Global Product Manager |
| GPPP | Global Products, Programs & Policy |

¹ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). <https://eur-lex.europa.eu/eli/reg/2016/679/oj>



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|-------|--|
| HL | Hired Labour |
| HML | Hazardous Materials List |
| HREDD | Human Rights and Environmental Due Diligence |
| IDH | The Sustainable Trade Initiative |
| LAC | Latin America and the Caribbean |
| LI | Living Income |
| LIRP | Living Income Reference Price |
| LW | Living Wage |
| NAPP | Network of Asia & Pacific Producers |
| OC | Oversight Committee |
| O2B | Offer to Business |
| PM | Project Manager |
| PN | Producer Networks |
| S&P | Standards and Pricing Unit |
| SC | Standards Committee |
| SM | Salary Matrix |
| SOP | Standards Operating Procedure |
| SPM | Senior Project Manager |
| SPO | Small-scale Producer Organizations |
| ToR | Terms of Reference |

Item 1 – Opening

The Chair officially opened the meeting.

Agenda: The Agenda was approved, and ground rules were read.

Declaration of conflict of interests: No conflict of interest was identified. The SC members gave their proxy votes in the event of connectivity challenges.

Review of actions items:

Actions items were reviewed and addressed; evaluation of the SC (point 2.3 of the ToR) is planned for the second half of the year, an information session on Living Income is planned for Q2-Q3 2022.

Item 2 – News session

News from FI and the Fairtrade System:

- Dr. Nyagoy Nyong'o, the Global CEO, ends her term at the end of March, a new global CEO will join Fairtrade in April.

The Global CEO gave updates on the following points:

- She described the priorities of the FT system
- She gave updates of two projects: Fairshare, a project carried out together with FLOCERT, and the project 'Shift to the South' led by CAN.
- The Fairtrade General Assembly 2022 will be held in Nairobi on June 22 and 23.
- NAPP has a new governance structure and a new CEO.

- FTA has a new Executive Director
- FT is working on a Disaster Policy Strategy
- The Board decided to introduce a Fairtrade global system award scheme which recognises leading licensees who are at the vanguard, supporting to achieve the FT vision and mission

The SC Chair, on behalf of the SC, thanked the Global CEO for her engagement in the work of the SC during her period as interim Global CEO.

News from SC:

- NFO seat call for candidates planned for June 2022

News from OC:

- The Fairtrade Pilots Standard Operating Procedure was approved
- The FairInsight Assurance model to support the implementation of the requirement on Premium Reporting was approved
- Guidance was given for exceptions for the use of HML red list materials

News from S&P:

- A Senior Project Manager in Pricing and the Assurance Coordinator are leaving FI
- The Head of Standards will be on parental leave
- Currently open positions for Senior Project Manager and interim Head of Standards

Item 3 – Director’s Decisions

Two decisions have been made since the last update in the 99 SC.

The S&P Director approved the publication of an [SPO Interpretation Note](#) to adapt a requirement to the Cuban national legislation.

Following a request from an NFO, the Head of Pricing approved the inclusion of a new product ‘Cashew Apple’ in the list of [secondary products](#).

Item 4 – Cocoa Standard Review

The PM presented an outlook on the future structure of the standard. The discussion and decisions points for the SC were on the topics : Trading Practices, Sharecroppers and tenant farmers, and Living Income.

The PM presented the results of the first phase of consultation, which took place from the end of August until October 2021. The participation was considered good taking into consideration the difficulties because of the pandemic; out of the total responses, 40% were from LAC, 32% from Africa, 23% from Europe and 5% from North America. According to the role in the supply chain, 69% of the participants were producers, 18% had a commercial role, 8% others and 5% were from the FT system.

Topics for decisions:

Topic 1: Trading Practices

This topic covered the entry requirements for producers, entry requirements for exporters and a new requirement that provides transparency and reliability in volume allocation.

The proposals intend to create a permanent solution for the issues of supply and demand of cocoa for increasing the proportion of cocoa sold under Fairtrade terms by certified producers. The 3 requirements presented for decision are the following:

1) Entry requirement for producers (applies globally this year)

The requirement asks SPOs to demonstrate that they have been an established organization during at least 2 years prior to their request for certification. SPOs must have an administrative, technical, commercial, and financial capacity. The SPOs are also asked to demonstrate that they have market potential for trading under Fairtrade terms.

2) Entry requirement for exporters (applies globally this year)

The criteria requires exporters to demonstrate that their assistance as an export service provider is required by a producer organization to undertake Fairtrade exports. Exporters have to demonstrate a record of prior transactions and / or a commitment for 2 years including indication of volumes to be sourced.

3) Transparent processes for Fairtrade volume allocation (will apply globally in 2023)

This requirement intends to create more transparency for producers on the purchase decisions by traders. The producers will be able to understand the purchase decisions of buyers. The requirement requests Fairtrade payers and conveyors to have a publicly available, documented process in place to allocate the purchase of Fairtrade cocoa volume to producers supplying to them. The documentation includes the principles and / or conditions relevant for purchase decisions. The requirement should be applied from 2023.

Discussion

An SC member asked about the implications of the entry requirements approved for the coffee standard; it was agreed that the implications will be shared in a future SC meeting.

There was comments on point 3 and the relevance of the requested document; a Project Team member answered indicating that the document is intended to provide transparency for producers and to enable them to understand how traders make volume allocation decisions.

An SC member asked why the consultation point about long term partnership based on mutual commitments (point 7.1.5) was not presented for decision. The PM explained that this proposal had a strong support from SPOs, however, the feedback from commercial partners was not clear and many disagreed with the proposal. This point was delegated to the Trader Standard Review.

The SC highlighted that long term commitments are crucial for producers, she pointed out that it can not be delegated to another standard review.

An SC member commented that long term commitme should be clarified since trade is unpredictable and, even if there is a law for commitment, it does not mean that it can be implemented.

SC members proposed to discuss and decide on this point (7.1.5) in the second phase of consultation of the cocoa standard review and decide on the first 3 points mentioned above in the current meeting, everyone agreed.

Decisions:

Block decision:

Do you approve the following requirements?

- **Decision 1:** Entry requirement for producers (applies globally this year)
- **Decision 2:** Entry requirement for exporters (applies globally this year)
- **Decision 3:** Transparent processes for Fairtrade volume allocation (will apply globally in 2023)

The SC unanimously voted in favour of the proposal.

Topic 2: Sharecroppers and tenant farmers in SPOs

The PM informed the SC about the three requirements under this topic: 1) records of farm operators; 2) formal agreements between farm owners and farm operators (sharecroppers, tenant farmers, caretaker farmers); 3) SPO reporting. These requirements aim to create visibility for all persons that operate farms registered with Fairtrade certified SPOs, to register farm operators (sharecroppers, tenant farmers, caretaker farmers) and their families so that they can be brought under the remit of Fairtrade standards, especially re Human Rights related requirements, to enable a more equitable division of Fairtrade benefits between farm owners and farm operators and to introduce reporting indicators which are to be shared with Fairtrade International annually.

Further on the evaluation of producer reality, the PM mentioned that in Ivory Coast and Ghana sharecroppers/tenant farmers contribute to Fairtrade cocoa production but their inclusion in and benefits from Fairtrade certification are informal and at the discretion of the landowner, most landowners live in poverty themselves, and that sharecroppers/tenant farmers are usually not listed in SPO member registries, so are not included in internal management systems.

1) Requirement: Records of farm operators

The requirement has regional applicability, in Côte d'Ivoire and Ghana. It requires SPOs to keep records and to update them regularly.

2) Formal agreements between farm owners and farm operators (sharecroppers, tenant farmers, caretaker farmers)

The requirement has regional applicability in SPOs in Côte d'Ivoire and Ghana; it states that when members provide or rent their land to a farm operator such as a sharecropper, tenant and/or caretaker farmer to produce cocoa on their farms, or when members are farm operators and not landowners, SPOs should ensure that legally binding written contracts are in place which detail the arrangements between the farm operator and the farm owner. SPOs ensure that operators are aware of their rights and responsibilities, have a signed copy of the contract and that they understand the content by providing it in a format and language they understand.

The requirement is to be applicable from 2025, as of Year 3 after certification.

3) SPOs reporting

The requirement has regional applicability in SPOs in Côte d'Ivoire and Ghana, it is to be applicable from 2025, as of Year 3 of certification

SPOs will report data to FI every year using the available template.

Discussion:

An SC member asked if the use of sharecropping constitutes a violation of the SPO definition on smallholders. A project team member replied that SPO members are not living in the communities and can not take care of their farm and thus they share the costs with someone who takes care of the farm, which is a common practice in Africa and the change proposed will help to integrate sharecroppers better in the practices as per standard and help to address risks (child labour, use of chemicals and other) and improve their situation. An SC member further highlighted that it should be clear if it is applicable only to coca and only in specific regions.

SC members discussed with the PM and PN experts the rationale for the implementation timelines and the applicability proposed. It was confirmed that with timelines proposed FTA will be able to support SPOs to comply with the requirement and to integrate learnings from ongoing experiences.

An SC member expressed it is very relevant that fairtrade benefits always go to producers, to those that work on the land.

A project team member agreed with the comment on the requirement and mentioned that, for this purpose specifically, it was clarified that in the guidance, SPOs should enable membership of sharecroppers / tenant farmers, given the cultural background a stepwise approach was chosen.

Decisions

Block decision

Do you approve the following requirements?

Decision 1: Records of farm operators (will apply regionally in 2024)

Decision 2: Formal agreements between farm owners and farm operators (will apply regionally in 2025)

Decision 3: SPO reporting (will apply regionally in 2025)

The SC unanimously voted in favour of the proposal.

Topic 3: Living Income

The PM informed the SC about the five requirements under this topic that aim to enable SPO members to manage their farms more efficiently based on: 1) Farm record keeping (revenues and expenditures); 2) assess the net income of members against living income benchmark; 3) support smallholders including Income resilience and diversification; 4) providing farmer business training; 5) requiring SPOs to understand farmer Financing Needs;

1) Requirement on farm record keeping

The requirement has regional applicability in SPOs in Côte d'Ivoire and Ghana; it is applicable as of 2024, development requirement on Year 3 of certification.

SPOs will implement a farm book system on farm income and production costs to enable members to improve their farm yields and calculate their net income.

2) Requirement on living income benchmark comparison

The requirement has a regional applicability in SPOs in Côte d'Ivoire and Ghana; it is applicable as of 2025, development requirement on Year 3 of certification.

SPOs to collect and record member farm book data to assess the net income of members against the Living Income benchmark for the country.

The requirement will have a gradual implementation. The rationale is this requirement will allow making progress towards Living Income visible and measurable.

3) Requirement on income resilience

The requirement has global applicability as of 2024; development requirement on Year 3 of certification.

SPOs to support its members with income resilience strategy including income diversification; the requirement will have gradual implementation. The rationale for this requirement is to make cocoa producers less dependent on cocoa and cocoa price fluctuations.

4) Requirement on farmer business training

The requirement has global applicability as of 2025; development requirement on Year 3 of certification.

It requires SPOs to support members in analysing their production costs and provide business and finance training; the requirement will have gradual implementation. The rationale is to improve farm efficiency and build entrepreneurial skills.

5) Requirement on farmer financing needs

The requirement has regional applicability in SPOs in Côte d'Ivoire and Ghana as of 2025; development requirement on year 6 of certification.

It requires SPOs to support its members with their financing needs. The rationale for this requirement is that access to finance/credit is an important element of Fairtrade and relates to Fairtrade's strategic approach on Living Income which includes providing adequate services to members.

The requirement SPO reporting was not proposed to the SC for decision.

Discussion:

An SC member mentioned, that SPO reporting - farm record books (*the one that was not introduced for decision*) is a very relevant tool on the roadmap to a LI and that needs a well elaborated rollout plan which should be feasible for SPO's and PN's. The member asked if the rollout plan was already drafted and about the reasons why this requirement was consulted and is currently not proposed for decision. It was explained that as the collection of fam book data should be supported by FairInsight as digital, inclusive Fairtrade tool, the feasibility of implementation timelines has to be determined with Global Impact, the responsible FI unit and is rather to be expected mid to longterm.

An SC member expressed discontent that the reporting requirement is not included in the standard because LI is important in Fairtrade and its strategy.

There was a question about why farm record books are not a core criteria and the reasons of regional applicability. An SC member clarified that regarding LAC region, in LAC they are currently discussing with FI how to respond to the LI strategy and build an alternative for farm bookkeeping.

The PM clarified that the requirement was first consulted as Core and now it is Development following the input from consultation and concerns provided by stakeholders highlighting that the cost implications are not feasible.

An SC member expressed concern since the implementation of requirements will add cost for SPOs, but implications for traders are not seen.

A project team member mentioned that a price component for this topic will be addressed in the next price review, for newer /modified adjusted prices to know how to contribute better to Living Income.

Another project team member clarified that this is also a reason why a long-term commitment was pushed.

The senior advisor mentioned that this topic will be addressed in detail in the trader standard review.

The PM reminded about the applicable timelines - 2024 and 2025 which should give enough time for both PNs and SPOs and to develop guidance to ensure that there is collective support to all members.

An SC member highlighted that implementation should be clear and that it is important that SPOs supports members to implement requirements, and to ensure that there is a collective support to all members.

An SC member highlighted that those requirements represent huge efforts and investments for SPOs, and implementation would be only possible with strong trader commitments, if not, it would only be another burden for SPOs, and represent a higher risk to fall into non compliances.

Decisions

Block decision:

Do you approve the following requirements?

- **Decision 1:** Farm record keeping (will apply regionally in 2024)
- **Decision 2:** Living Income benchmark comparison (will apply regionally in 2025)
- **Decision 3:** Income resilience (will apply globally in 2024)
- **Decision 4:** Farmer business training (will apply globally in 2025)
- **Decision 5:** Farmer financing needs (will apply regionally 2025)

The SC unanimously voted in favour of the proposal.

Prior to the next decision, the S&P director agreed with SC members that on the final decision, final changes would still be checked with the SC members.

- **Decision 6:** Do you approve the delegation of non-substantive changes and date of applicability to the Director of Standards and Pricing?

The SC unanimously voted in favour of the proposal.

Next steps

- Prepare entry requirements for implementation
- Continue to prepare synopsis
- Continue to prepare topics for the second phase of consultation
- Prepare topics for decision by SC in September 2022
- Review point 7.1.5 of the consultation and discuss it in the cocoa standard review – second phase of consultation. SC to discuss and decide on the results in the SC in September
- Share implications of the entry requirements for coffee

Item 5 – Outcome Based Standards

The ten basic principles and the roadmap for Outcome Based Standards (OBS) were presented to the SC. Outcome Based Standards integrate outcome-based elements into the Fairtrade standards as key interventions to deliver impact. In addition, they define the accompanying structures for sound assurance, reporting and monitoring schemes.

The OBS project has been launched by the SU, GI team and FLOCERT Assurance team. A survey which was conducted in September 2021 identified an approach that was preferred by most members and experts. It was agreed that the workstreams of the OBS project have to be closely aligned with the ToC.

The project set out 10 basic principles, which should guide the development of upcoming Fairtrade Standard revisions.

Discussion

The 10 OBS principles overall received a positive assessment from the SC. Some comments made during the session highlighted the importance of maintaining simplicity in the standards, to enable the future participation of producers without increasing burdens for them.

Regarding the roadmap of the project, OBS principles will be incorporated as a fundamental part into each standards development. The reviews of the Trader Standard, Fresh Fruit Standard (SPO and HL), as well as the Hired Labour Standard aim to incorporate the OBS principles.

One SC member highlighted the need to ensure PN participation in the next steps of the OBS project. She also pointed out the preference for an approach in which the outcome-based requirements are developed first by one separate project team, before being implemented into individual standard reviews.

Endorsement

Do you endorse the Outcome Based Standards Principles and Roadmap?

The SC endorsed the Outcome Based Standards Principles and Roadmap (7 votes in favour, 1 abstention)

Item 6 – Project Updates

The members of the SC welcomed the newly introduced written format to present project updates. One SC member commented that the written version should be shared as early as possible, to enable proper analyses by the members. Another SC member expressed her preference to directly contact the relevant project manager if there is a specific question for clarification.

Item 7 – Trader Standard Review

The objective of the slot was that the SC is informed about timelines, topics and scope of the review and provides guidance on key topics. The PM presented the project timelines. These can be found also in the public [Project Assignment](#).

The PM presented the work steps that have been finalized:

- In depth non-compliances analysis
- Supply chain mapping
- Internal survey assessment (system-wide)
- Analyses of Inputs from workshops and studies, highlighting the following learnings:
 - the TS scope should cover all supply chain actors; to ensure the scope of HREDD includes big and small companies, requiring them to manage human rights risks; strengthen the LW topic as core requirement, strengthen requirements on environmental impact.

Further, the PM guided the conversation with the SC members in the areas of commercial actors/trader organizations categorization, their roles and responsibilities and changes in the standard that would support stronger incentives for traders along the supply chain to comply with Fairtrade standards and to improve their trading practices.

The PM introduced the following questions for discussion on the topic of **HREDD**:

- How could Fairtrade cluster the trader organizations meaningfully?
- How can the standard incentivize traders to actively participate and to be willing pay more?
- How do you see the role of retailers and or/ brand owners and how could they be included in the standard's scope?

The PM introduced the following on the topic of **Sourcing plan**:

- How to make the tool of the sourcing plan work well?

The aim of the sourcing plan is to enhance the trader's accountability, to grow the commodity areas, and to support diversification, it is now a VBS from vulnerable groups.

Currently, there are different periods depending on the product. To be included in the contract under the different options (1) long term frameworks; 2) tripartite agreements; 3) reinforce grievance mechanism), type of requirement (core, development, progressive requirements).

The topic was discussed and explored by the SC.

The PM introduced the following to support the discussion on **Pre finance**:

Prefinance should be offered to both SPO and HLO's. Moreover, a tripartite agreement could be a solution if end-buyers can facilitate, and interests can be considered; agreements would be defined among the three parties.

The topic was discussed and explored by the SC.

As the Trader standard review is in its research phase and confidential information was shared; the detailed discussion and recommendations are captured as internal notes and can be shared upon request to the S&P Unit, at discretion of the S&P Director.

Next steps:

The project team will analyze topics on environmental protection and contract and traceability

- April/May: work on the proposals for the first phase of consultation with the Project team. Have a workshop with the SC in May to discuss topics included in the consultation,
- May/June: 1st phase of consultation. The approach agreed for the first phase of consultation is an exploration approach, where the scope and the direction of the different topics is consulted.

Item 8 – Banana Price Review and Cost update

During this session, the Head of Pricing explained the new approach for Banana price reviews.

He indicated that until 2021 the price reviews included a full price research that consisted of data collection of costs of production. He mentioned that a new approach is necessary to enable quicker COSP updates in the face of continuous increase in costs of production derived from the pandemic and additional challenges associated with the Russia-Ukraine war.

This new approach will consider a full price review every three years. For the rest of the years, the price review will be based on partial cost collection. This methodology uses economic indicators such as the exchange rate and the consumer price index to update costs.

In the full price review, FT invites all certified banana producers and exporters to fill in the cost sheet; due to the low response rate in the past, in the future, the Pricing Unit and Producer Networks will carry out country workshops to collect and validate cost data.

In the partial price review, the pricing unit will only collect incremental costs of inputs and services that represent more than 80% of the total cost (Ex Works or FOB-Ex Works differential, as applicable) from a representative sample of producers and exporters. The technical team has identified 8 cost items. In both the full and partial price reviews, there will be an extensive stakeholder consultation as usual.

Banana price review 2022

The 2022 price review process started in February and will finish in October, according to the current timeline.

The Pricing team will develop the price proposal for consultation with banana stakeholders and then develop proposals for decisions for the SC.

Discussion

SC members consider that partial reviews with a sample of producers and validation of the outcome are a good practice.

An SC member highlighted that the technical roundtables should be formed with stakeholders such as producers, exporters, etc; banana experts, and researchers to validate the data and results of the partial review.

Item 9 - Coffee COSP Study

In this session, a PM gave an update on the Coffee COSP study; she presented the objectives, timelines, samples size and main challenges of the project.

As a background, the PM mentioned that the last price review in coffee took place in 2011 and that given the current high price market situation and the increases in the costs of coffee production, it is a good time to review the prices.

The goal of the Coffee COSP study is to collect COSP values of key Fairtrade coffee origins. The resulting COSP data will enable the upcoming global Coffee Price review. The activities in the study include reviewing the COSP tool, data collection, data analysis and drawing conclusions at EXW and FOB level.

The PM presented the timelines of the project, it started in January 2022, and it is expected to conclude in December of this year.

Among the challenges, the incorporation of concepts such as LI, HREDD, and compliance costs, which are still not completely defined might cause delays, moreover, there is low staff capacity; the risk would be not to complete the study by the end of the year as planned and therefore not to conduct a Price Review next year.

There is an alternative approach to overcome better the current challenges. A hybrid approach proposes to use the COSP data collected in 2017 and develop a methodology to update the data and integrating additional elements as required. This methodology would allow to conclude the project on time and consequently carry out a Price Review next year. The PM explained the advantages and disadvantages of the hybrid approach.

The PM pointed out that to decide which approach to take, priorities should be considered. The PM also presented the feedback from the project team to the hybrid approach; CAN and Global coffee group. CAN propose to conduct the hybrid approach in two phases.

The Head of Pricing highlighted how phase 2 of the hybrid approach is connected to other projects in the Pricing unit such as the online tool to collect COPS and LI workstream.

Discussion

An SC member clarified what the role of the consultant and the technical round table in the phase one of the hybrid approach would be. The hybrid approach as proposed was seen by the SC as a good way forward.

Item 10 – AOB, next meeting date and closing

AOB

- 1) The S&P Director shared a proposal on how to combine the process of development and consultation of Deforestation requirements for cocoa and coffee.

Currently, deforestation requirements in cocoa are being drafted, the suggestion is that the project team takes into consideration coffee when drafting the proposals. After the second phase of the cocoa consultation and once the requirements are approved by the SC, the deforestation requirements will be shared for consultation in a reduced scope for coffee following the SOP point 2.7 'Urgent revisions.'

SC members agreed to the proposal and suggested to include coffee experts in the cocoa project team when reviewing and drafting the deforestation requirements. By CLAC it was also suggested to organize workshops/webinars to inform producers about these requirements as a preparation for the consultation, to ensure a good level of understanding of the requirements before the consultation phase. S&P will proceed with a combined approach if it is seen as a practical suggestion and if the project team is able to agree.

- 2) An SC member suggested to discuss and consult topics (such as deforestation) in one go for all or many products to be efficient.
- 3) An SC member asked for an update on the North-north pilot in the next meeting; the Director indicated that S&P could reach the project leads to invite them to give an update in an SC meeting.

Next meeting date

There is a possibility to have an onsite meeting this year, the meeting will be when there are more topics for decision on the agenda. S&P will review its workplan and propose the dates for an onsite SC meeting

The next meeting will be in May, focused on the Trader Standard Review, the date to be confirmed.

The meeting was formally closed.