

**Standards Committee
Minutes
Meeting 102: May 13, 2022
Teleconference meeting**

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

Excused: Jos Harmsen

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

CEO	Chief Executive Officer
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
HL	Hired Labour
HML	Hazardous Materials List

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>



HREDD	Human Rights and Environmental Due Diligence
IDH	The Sustainable Trade Initiative
ILO	The International Labour Organization
LI	Living Income
LIRP	Living Income Reference Price
LW	Living Wage
O2B	Offer to Business
PM	Project Manager
PN	Producer Networks
RAP	Requirements for Assurance Providers
S&P	Standards and Pricing Unit
SC	Standards Committee
SPM	Senior Project Manager
SPO	Small-scale Producer Organizations
ToR	Terms of Reference
TS	Trader Standard

Item 1 – Opening

The Chair officially opened the meeting.

Agenda: The Agenda was approved by the SC members and ground rules were read.

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

Item 2 – Trader Standard Review

The SC participated in a Trader Standard review workshop, to exchange and provide guidance on ways forward in 1st consultation round.

The discussion of the SC members including comments and questions was registered during the meeting in an interactive Miro Board and then shared with the SC members as Internal Notes.

The SC discussed ways forward in the first consultation round, following the sequence of proposed topics:

Section 1: Supply chain traceability and transparency.

Topic: “Human Rights and Environmental Due Diligence (HREDD)”

The current TS version requires all certified traders to be aware of and not violate the applicable labour laws in their country and fundamental ILO conventions and compliance is audited backed on a reactive assurance approach when it is checked only if there are indications of non-compliance. Some product specific standards already require certified producers to carry out risk assessment, develop and implement relevant policies and procedures, and establish a monitoring and remediation. Therefore, through the

introduction of more explicit requirements on HREDD in the trader standard the aim is that the standard as a tool supports:

- a level playing field among all supply chain actors
- cooperation on due diligence work by traders and producer organisations
- market access for producers in market areas where brands and retailers (are legally required to) expect due diligence throughout their supply chains
- a fairer competitive landscape in processing activities, i.e. Fairtrade standards would not create different cost implications for the same activity, depending on whether it is done by a producer or a trader
- to maintain Fairtrade's credibility and legitimacy

Section 2: Commitment to sustainable production and business

Topic: Environmental protection

On environmental protection, the trader standard includes a mix of core (mandatory) and Voluntary Best Practice requirements with the aim to outline areas where traders are willing to go beyond the standard requirements in terms of fair trading practices. Currently the core requirement on compliance with environmental law is audited following a reactive approach (similar to those related to labour rights and compliance to International Labour Organization conventions).

The analysis of non-compliance has shown requirements on environmental protection were audited as compliant (voluntary) on average by 30%- 40% of trader organizations.

Following the internal research, Fairtrade member organizations expressed the need for the trader standard to include concrete metrics as well as alignment with product specific standards, and to avoid duplication and additional costs. Another suggestion was to consider introducing requirements that would support the approach of shared responsibilities with producers, specifically on the implementation of good agricultural practices and other production related investments. Alternatively, to explore how the trader standard could promote financial participation of traders when sourcing from environmental hotspots and consider how this would also allow better alignment with environmental risks assessment carried out by producers.

Topic: Living Wage and Living income

The points of discussion during this topic were:

- The lack of access to living incomes for farmers one of the most salient sustainability risks
- Purchasing practices as well as pricing, could contribute to negative impacts
- Companies to support and work collaboratively with their suppliers to develop time-bound and measurable actions towards enabling access to living incomes and wages for the farmers and workers they source from.
- Fairtrade's approach in standards on LW and LI – product specific, with an ongoing progress and intention to cover full product and producer areas
- On Living Wage: plantations would commit to a higher base wage and workers could choose to pay out more of their Premium as cash payments.

Session 3: Role of trader

Topic: Sourcing Plan, Pre-finance; Payer – Conveyor

The sourcing plan after the last standard review was kept in the standard with further clarity focussing on providing relevant and realistic information on sales prospects, rather than just a sales figure. Also, a new requirement on providing sourcing plan information applying to the whole supply chain gives a signal that the whole supply chain needs to be more transparent and make early commitments for the producer to be able to plan his production better. Therefore, the consultation aims to explore how standard as a tool could:

- recognize existing challenges of sourcing plan as a tool to build security for the producers to plan
- consider purchasing pattern in long term relationship – sourcing plan redundant
- consider options combining this tool with other concepts
- enhance the importance of sourcing plan for sustainable business practices, and for producers important to have a framework of what they could expect and have better connection to end buyer
- include an actor with new role – the end buyer – to, whose one of the areas would be to enhance shares responsibilities.
- unplanned purchase

Topic: Pre-finance

The intention of pre-finance is for small producer organizations to gain access to finance, to enable them to purchase from their members, but also to cover other types of financial needs. The standard is not explicit regarding the consequences of provided pre-finance in the case when producer organizations get decertified. Also, the standard does not stipulate that it's not applicable to provide pre-finance to HL organizations. The aim of the consultation is to explore how pre-finance as a mechanism is improved and is more efficient.

Topic: Role of payer and conveyor

In the annex of the Trader Standard, the roles and responsibilities of payer and conveyor are provided with a split into specific details per specific traded Fairtrade products. Following the last review, some inconsistencies in definitions have been captured and thus improvement of these have to be aligned with producer and product reality. In most cases, exporters are audited as price payers (exporters should not transmit the price paid by the importer) and premium conveyors. The consultation aims to explore with stakeholders on their specific challenges in relation to their role and consider how this could be addressed in the tripartite contracts. Further internal research indicated that transparency on agreed services provided from exporters to producers was reported as problematic.

Section 4. Other topics

The Project Manager briefed the SC on the key points and indicated which topics require more internal exchange and consultation between all member organizations.



Item 3: AOB, next meeting date and closing

Next meeting date and closing

- The next meeting will take place on June 29 and 30 at 14:00 (CEST)

The meeting was formally closed.