

**Standards Committee  
Minutes  
Meeting 107: March 22, 23 and 24, 2022  
Teleconference**

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

Stijn Decoene gave his proxy vote to Emilie Sarrazin in item 14.

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)'<sup>1</sup>. If you need additional information about the observers or contributing observers of this meeting, please contact [standards-pricing@fairtrade.net](mailto: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
CLAC	The Latin American and Caribbean Network of Fairtrade Small Producers and Workers
CoE	Centre of Excellence
COSP	Cost of Sustainable Production
DRC	The Democratic Republic of the Congo
EC	Exceptions Committee
FET	Fairtrade Executive Team
FI	Fairtrade International
FMP	Fairtrade Minimum Price
FOB	Free on Board
FP	Fairtrade Premium
FPC	Fairtrade Premium Committee
FSI	Fairtrade Sourcing Ingredient
FT	Fairtrade
FBW	Fairtrade Base Wage

<sup>1</sup> 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>



GA	General Assembly
GPM	Global Product Manager
GPPP	Global Products, Programs & Policy
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
PT	Project Team
SA	Senior Advisor
S&P	Standards and Pricing Unit
SC	Standards Committee
SM	Salary Matrix
SOP	Standards Operating Procedure
SPO	Small-scale Producer Organizations
ToR	Terms of Reference
WRAC	Workers Rights Advisory Committee

### **Item 1 – Opening**

The Chair officially opened the meeting.

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

**Declaration of conflict of interests:** There was no conflict of interest identified.

### **Item 2 – News session**

#### **News from FI and the Fairtrade System:**

The Global CEO briefs the SC regarding the status of strategy implementation and current topics relevant for the FI Board and the FET and CEO Forum.

#### **News from the OC**

Two main topics were discussed during the last OC meeting, the first one was the pilots' procedure and the way it was introduced to the system. The OC gave guidance to the Pilot Facilitator on how the OC would like to be informed about the pilots. The second item was on the status of the

exceptions for some of the red list materials, PN's informed about how they are supporting producers to phase out red list materials.

#### **News from SC**

The Governance Committee unanimously endorsed the amendments to the SC TOR and recommended them for Board approval. It also recommended to strengthen skills and qualifications description for the SC members in the next ToR revision.

As Martin Boon's term ends in May, there is a call for applications for the FTO seat in the SC.

#### **News from S&P**

3 new colleagues joined the unit, 2 Projects Managers in Standards and a Pilot Development Facilitator.

#### **Item 3 – Director's Decisions**

The following decisions were made since the last update in the 105 SC.

- Change of the Fairtrade Minimum Price to a commercial price plus 15% Fairtrade Premium for rice from Sri Lanka. A consultation on changing the FMP to a commercial price plus 15% FP has been carried out to mitigate the currently high inflation in Sri Lanka. All participants were in favour of the change.

#### **Item 4 - Approval of a change in the ToR of the Oversight Committee**

In the course of the ISEAL Independent Evaluation against the Assurance code, it was detected that the OC ToR is not explicitly reflecting the actual practice that in case a decision constitutes a conflict of interest the member is excluded from the voting.

The Assurance manager proposed the change in the wording in the clause 5.8 'Conflicts of interest' of the Terms of Reference version v2.2 to adapt the text to the OC practice.

#### **Decisions**

**Decision 1:** Do you agree with the suggested change to the Oversight Committee Terms of Reference version 2.2?

The SC unanimously voted in favour of decision 1

#### **Item 5- EU Regulation on Deforestation**

The Senior Advisor Climate and Environment in FI and an expert from the Fairtrade Advocacy Office in Brussels (FTAO) presented the EU regulation on deforestation and its implications for Fairtrade. They explained how the EU regulation follows a number of global discussions that started since 2010, highlighting the Glasgow Leaders' Declaration on Forests and Land Use in 2021.

FTAO explained the context and objectives of the EU regulation as well as the market requirements and timelines. Products covered by the legislation are only allowed to enter the EU market if:

- They are deforestation-free
- They are compliant with the relevant legislation of the country of production
- They are covered by a due diligence statement

The regulation makes a distinction between operators and traders and this distinction impacts their respective due diligence obligations. The principle is that companies understood as operators have the highest level of obligations. They are requested to fulfil the full due diligence procedure (information requirements, risk assessment, risk mitigation, and due diligence statement). The first step of due diligence for operators is the collection of mandatory information such as geolocation data. In the second and third steps, the risk assessment and risk mitigation need to be done.

The role of certifiers was explained; Certification or other third party verified schemes can be used in the risk assessment procedure, but that they cannot substitute the operator's responsibility regarding the due diligence, this means that the use of certification systems is without prejudice to the legal responsibility and obligations of operators and traders to exercise due diligence. The deforestation monitoring programmatic response from Fairtrade is currently explored in 3 piloting models for deforestation monitoring.

The SC discussed the presented contents and analysed the implications of the regulation for Fairtrade certified entities and for Fairtrade standards.

#### **Item 6. Project Updates**

No questions on the document.

#### **Item 7 - Trader Standard- Consultation Review (Synopsis, on HREDD)**

The purpose of this project is to review the Trader Standard, as part of the regular standard monitoring and review cycle. The overall objective is to ensure that the standard continues contributing to the Fairtrade 2021-2025 strategy. The first round of consultation followed an explorative approach to engage with stakeholders when instead of concrete technical proposals, the consultation shared the description of a topic statement with stakeholders and then posed questions for discussion on a diverse but interrelated set of topics. The intention is to propose a more technical proposal for the second round of consultation.

The PM presented the main consultation outcomes regarding HREDD:

#### **Discussion**

An SC member pointed out that it is important that traders are able to put HREDD into practice. He mentioned the many possible situations where one trading company has several different roles in the value chain and that this challenge would be present throughout the whole implementation of HREDD topics in one, or more standards.

An SC member commented that during workshops with producers, they expressed their concern about all the burden on HREDD compliance would be borne by producers alone as the role and responsibilities of traders and other commercial partners are not visible nor clear.

An SC member commented that a general agreement for HERRD is clear, but the issues of cost, compliance, guaranteed sales, and duplication are concerning.

An SC member suggested defining applicable responsibilities based on different types of relations between producers and traders, e.g., differentiating big traders sourcing directly from producers and the cases when there are intermediate supply chain actors that are involved in transformation of raw material.

A member mentioned that highlighting benefits for traders in implementing the HREDD requirements is crucial. He pointed out that if the standards are improved and strengthened, the new requirements should be able to be implemented in a practical way with a clear understanding of the implications.

An SC member commented that it would be useful to conduct a benchmark analysis on HREDD requirements that are currently implemented by traders for compliance with other certification standards (VSS), with the aim to assess the gap to what extent requirements in Trader Standard would overlap and if there is a gap in required measures, systems, or activities.

#### **Item 8 - Concept paper on HREDD in Fairtrade Standards**

The Director of the CoE HREDD presented a concept paper that proposes how Fairtrade shall strengthen HREDD requirements in the generic standards.

The goals include strengthening the Fairtrade system, influencing laws and business practices, empowering producer organizations and maintaining markets.

The Fairtrade HREDD logic will be in line with the UNGP and will mean to set higher requirements for large traders and HLOs than for small traders, SPOs, and CP set-ups. In addition, transition time for requirements could be different depending on their role in the supply chain and their capabilities. Definitions of 'small' or 'large' traders are going to be clarified. A key topic is how increased compliance are covered. Additional costs can be expected for setting up a due diligence system, for running it and for remediation of cases of human rights violations. In addition, Fairtrade producer networks will have costs for supporting POs in being compliant with HREDD requirements. It is key that all Fairtrade members are aligned about sharing such costs.

#### **Discussion**

The main points of discussion were centred on how to develop standards that motivate traders to contribute to HREDD compliance and make them see compliance as a win-win situation as following the standards would make them able to comply with EU legislation. Moreover, it was highlighted the need to distribute responsibility and costs among the whole supply chain. Practicality was a point of discussion where it was suggested to have core and development requirements as well as realistic transition periods.

### **Item 9 - Consultation implications on HREDD in Generic Standards.**

There is a need to include HREDD requirements into all generic Fairtrade Standards as soon as feasible. This has implications for the ongoing work on standards and for the way consultations are prepared and assessed and SC decisions are supported. Two options were presented to the SC on how S&P could work on the inclusion of HREDD requirements into the generic standards. The implications and timelines of the two different approaches were presented and the SC was asked to indicate its preferred approach and give guidance. The main implications are changes in the current workplan, both options would mean postponing some product standards reviews and work on requirements other than HREDD. Moreover, as including HREDD requirements is urgent, the speed at which feedback is analyzed and the alignment process would have implications for the level of participation and the detail of work on each requirement.

**Option A:** Consult the HREDD cycle requirements for the Trader, Hired Labor and Small Producer Organization Standards in one global consultation period, consult the Contract Production Standard when the scope is clarified and the documents are prepared for a holistic consultation, most probably in 2024.

**Option B:** Consult the HREDD cycle requirements for the Trader Standard and the HREDD cycle requirements and wage measurement for the HL Standard in 2023 and consult the HREDD cycle requirements for the Small Producer Organization Standard and the Contract Production Standard in 2024.

S&P recommended Option B as SPOs are the most relevant stakeholder group and option B allows time to have more solid proposals for this group and would allow to include learnings from ongoing pilots and from the implementation of the new cocoa Standard.

#### **Discussion**

An SC member indicated that she would support rather option B since the workload of option A is not feasible for PNs. She highlighted that SPO consultations take time as physical meetings are needed during the process.

#### **Endorsement**

Which option would you endorse?

The SC unanimously endorsed option B

#### Next steps:

- S&P to share final version of the concept paper HREDD once endorsed by the FET.

## **Item 10 - Cocoa Standard Review**

In this presentation, the SC was given a summary of recommendations for decision on requirements related to the topics “Internal Management Systems”, “Human and Environmental Rights and Due Diligence”, “Addressing Deforestation Risk”, as well as “Traceability and Transparency”. The SU proposes 26 requirements based on the outcomes of the consultation phase two from August to November 2022 within the review of the Fairtrade Standard for Cocoa. It is important to note that some requirements were consulted in all regions, and others for Latin America and Caribbean as the consultation and decision related to HREDD and deforestation was done in 2021/2022 for Africa and Asia, hence the applicability is recommended accordingly. The consultation had very good participation rates, the response rate was higher than in the first phase of the consultation in 2021.

During the meetings in March and September 2022 the SC had already taken decisions on the cocoa standard related to Trading Practices, Farm Operators (sharecroppers, tenant & caretaker farmers), Living Income, HREDD (Africa & Asia), Traceability and transparency and addressing deforestation risk.

The following topics were presented for decision:

### **Global Topic: Internal Management Systems (IMS)**

The 12 requirements under this topic aim to strengthen producers’ capacity to better manage their organisations and provide benefits to members and commercial partners.

#### **1. Management system and data**

The requirement is recommended as year 3 requirement for SPOs globally, becoming applicable in 2025. SPOs will operate management systems and have access and user rights for the farmer data collected, processed, and shared via these systems in accordance with local laws.

The rationale of the requirement is to ensure that SPOs have management systems and access and user rights to its data, therefore having more control and oversight.

#### **2. Sharing Management System Data**

The requirement will apply to payers and conveyors globally, and is proposed to become applicable in January 2025. Payers and Conveyors shall grant to the producer organizations they are sourcing from access to farmer data that their organization collected and processed about their members only, and within four weeks of the request.

The rationale of the requirement is to ensure that the extensive data that Traders (payers/conveyors) often collect on SPO members and their farms, should be shared with their SPO partners, so that SPOs can analyse this data and gain additional insight about their membership.

#### **3. Management Capacity Assessment**

The requirement shall apply to SPOs globally and on year 3 of certification. SPOs to ensure their organization assesses its ability to comply with Fairtrade Standards and to drive organizational change and development. The assessment (self-assessment) is to be conducted at least every 3 years using the Management Capacity Assessment Tool; with the goal to identify areas of weakness (which need improvement) through evaluation of the capacity and systems of the organization in several key management areas such as: strategy, financial management, member engagement, sales and marketing,

service provision, IMS, etc. The rationale is to support SPOs in recognizing their strengths and weaknesses regarding the implementation of Fairtrade Standards and organizational development and to encourage progressive improvements in the effectiveness of the organization.

#### **4. Regular staff training**

The requirement shall apply to SPOs globally as on year 1 of certification. It asks SPOs to ensure their staff receive regular training and are up to date on Fairtrade Standards, their organization's internal policies and procedures, the products and activities of the organization and relevant regulatory requirements.

The rationale is that successful work with the Fairtrade Standard requires constant follow up on developing and maintaining internal policies.

#### **5. Communicating organizational structure**

The requirement shall apply to SPOs on year 3 of certification. SPOs to communicate organisation roles and associated responsibilities throughout their membership by developing and publishing an organogram that will show the management structure of the organization, including the assigned roles and responsibilities for the management system. The rationale is to improve communication and collaboration across employees and the wider membership thereby, promoting transparency and inclusivity and reducing duplication and silos.

#### **6. Cost Benefit Estimate**

The requirement has global applicability to SPOs, core requirement on year 3 of certification. It requires SPOs to estimate the cost of Fairtrade compliance and the financial benefits of Fairtrade, at both an organization and average farmer level. The estimated costs and benefits per farmer to be then shared with existing and prospective members. The estimation is to be repeated at least every three years.

#### **7. Financial Agreements**

The requirement applies to SPOs globally as a core requirement on year 1 of certification. It requires SPOs to share with members and on an annual basis, details of financial and commercial agreements such as: committed Fairtrade volume purchases and actual Fairtrade sales, premiums and FMP differential received (when applicable) per season; cost of services provided such as training or other support activities to SPOs; pre-finance and/or loans/credit arrangements. The rationale of the requirement is to improve the understanding at farmer level of their SPO's financial/commercial agreements (e.g., committed sales, joint programs, performance indicators, etc,) supporting transparency and increasing farmer knowledge of the organization's business.

#### **8. Member Information**

The requirement applies to SPOs globally as a core requirement on year 0 of certification. It requires SPOs to update records of their members on an annual basis.

#### **9. Digital Member Information**

The requirement applies to SPOs globally as a core requirement on year 3 of certification. It requires SPOs with more than 500 members to implement on a gradual process, a digital system to record the member, farm, and internal inspection data.



### **10. Strengthen requirement 3.1.5 Member Agreement**

The requirement applies to SPOs globally as a core requirement on year 0 of certification. It requires SPOs to have an agreement in place with each individual member which specifies the rights and obligations of each party in relation to Fairtrade certification.

### **11. Strengthen Requirement 3.1.3 Compliance Management**

The requirement applies to SPOs globally as a core requirement on year 3 of certification. It requires SPOs to implement an Internal Management System (IMS) to manage compliance with Fairtrade requirements for all cocoa producers of the organization. Data composition of the IMS will include: a documented description of the IMS procedures, a documented management structure which includes plans and policies, an IMS Manager responsible of the IMS, regularly updated member records, an internal inspection system (identified internal inspectors, annual inspections, and reports), and a risk assessment to address risks and threats to the integrity of the IMS, including possible conflicts of interest. The SPOs are further required to retain documented information as evidence of internal audits and ensure members undertake any necessary corrective actions within a reasonable timeframe as well as to ensure their internal inspection system also identifies opportunities for improvement.

### **12. Internal Inspection**

The requirement applies to SPOs globally as a core requirement on year 3 of certification. It requires SPOs to ensure that the number of internal inspectors is adequate and proportional to the type, structure, size, products, activities and output of your organization, as well as Internal inspectors to receive training at least annually on Fairtrade standards, organization's internal policies and procedures, products and activities and relevant regulatory requirements. The rationale is to strengthen SPO internal management systems.

#### **Discussion**

During the discussion about the 12 requirements on Internal Management System topic, the following points were discussed:

An SC member expressed concerns over the management systems and data requirements being a year 3 of certification, which they further expressed that if the requirement is put for year 3, it will make it weak. It was further asked if the data management system was to be only in digital form. It was then explained and recommended that the management systems and data should be a year 3 to give enough time for SPOs to learn and take over the system. The PM further added that for the two requirements there is no need for the digital system hence it can be any system that is appropriate.

There was another concern about the management assessment tool under the management capacity assessment requirement. SC suggested changes to the wording "the management assessment software" in the requirement to be "a management assessment tool" as well as to remove the whole phrase of management assessment tool from the requirement to guidance given that the tool is just a process of demonstrating a criteria hence should not be part of the actual requirement. In the guidance the wording "please see SPO guidelines" was pointed out to be more adequate and less directive as the initially proposed text. It was then agreed that the management assessment tool be moved to the guidance and the new way to refer to the guidelines was agreed too.

SC members stated that they agree with the financial agreement of the financial agreement's requirement, but they found it challenging that estimating the cost of compliance is done after the organization became certified, and they suggested that it should be done prior to certification. Another member added that SPOs need a template and capacity building so that they will know which elements of the cost should go into the calculation.

Commenting on the data required for compliance under the member information and digital member data, SC agreed that the data on household members and farm operators should be applied in regions where risks exist only adjustments should be made. It was further agreed that household member data and farm operators' data to be mandatory only for Africa and as a development requirement for the rest of the regions. An SC member highlighted that Internal Inspection is an essential tool for continuous improvement, for organic compliance and also for Fairtrade compliance and that guidance and support from PN's is crucial to be able to handle this.

### **Decisions**

The SC was requested to vote on these requirements, with decisions made in blocks.

Block decisions:

**Decision 1:** Management system and data (Global applicability 2025)

**Decision 2:** Sharing Management System Data (Global applicability 2025)

The SC approved decisions 1 and 2 (7 votes in favour, 1 abstention)

**Decision 3:** Management Capacity Assessment-SPOs globally (core requirement on year 3 of certification)

**Decision 4:** Regular Staff Training-SPOs globally (core requirement on year 1 of certification)

**Decision 5:** Communicating Organizational Structure -SPOs globally (core requirement on year 1 of certification)

The SC unanimously voted in favour of the decisions 3, 4 and 5.

**Decision 6:** Cost Benefit Estimate– SPOs globally (development requirement on year 3 of certification)

**Decision 7:** Financial Agreements– SPOs globally (core requirement on year 1 of certification)

The SC unanimously voted in favour of the decisions 6 and 7.

**Decision 8:** Member Information – SPOs globally (core requirement on year 0 of certification)

**Decision 9:** Digital Member Information– SPOs globally (core requirement on year 3 of certification)

**Decision 10:** Strengthen requirement 3.1.5 Member Agreement (core requirement on year 0 of certification)

The SC unanimously voted in favour of the decisions 8, 9 and 10.

**Decision 11:** Strengthen Requirement 3.1.3 Compliance Management-SPOs globally (core requirement on year 3 of certification)

**Decision 12:** Internal Inspection– SPOs globally (core requirement on year 3 of certification)

The SC unanimously voted in favour of the decisions 11 and 12.

**Regional Topics: Addressing deforestation risk & first mile traceability in LAC**

With the EU deforestation regulation published, the need to implement this regulation is confirmed for all SPOs exporting to Europe, independently of their Fairtrade certification. The consultation feedback shows that SPOs in Latin America have some divided opinions about the proposal of including this regulation into the Fairtrade standards. There were concerns about timelines, technical difficulties, and costs of implementation. Just like in HREDD the answers received on the consultation were varying strongly among countries. In the consultation feedback presented, Trader and NFO feedback is not included in the percentages of responses as these parties were consulted in phase 1 and gave their inputs then. From the 1<sup>st</sup> phase consultation results, we know that traders and NFOs were supportive of the requirements. This overall support was considered in the development of the proposals for SC decision.

**14. Geolocation data of farms**

Geolocation data has to be provided for all farm units, so that forest cover loss monitoring can be carried out, and also to enable traceability. Overall, this will mean better deforestation risk management. After the period of consultation, the EU has published the EU deforestation regulation. It is in line with the draft text that Fairtrade was aware of when doing the consultation, with one relevant addition: The regulation asks for polygon mapping for farms over 4 hectares. This regulation means that it will be mandatory starting latest in January 2025 for any cocoa entering the EU to come from farms that have a geo location point. In addition, if farms are bigger than 4 hectares, they need to provide a polygon mapping.

The requirement applies to SPO's and states that geolocation data is available for 100% of SPO's members and for farm operator units cultivating cocoa. SPOs identify and prioritize for which farm units this should be in the form of GPS polygons based upon area risk of deforestation and adopt a phased approach. For all other farms, geolocation data can be provided in the form of location points. SPOs use the data to further inform their procedures to prevent deforestation.

**15. Sharing geolocation data**

The requirement applies to Fairtrade payers and conveyors and indicates that Geolocation data is available for 100% of the farms they are sourcing from. This can be in the form of GPS polygons and/ or geo location points. They share this data with SPOs so that they can use it to inform their procedures to further prevent deforestation.

**Discussion**

An SC member requested strengthening the proposal 15 to guarantee financing from the payer/conveyor. It was recommended not to change the text as it has already been published like that for Africa and Asia.

An SC member is concerned that the requirement is year 0 making it difficult to comply. It was clarified that there is a transition time to comply with the requirement. An SC member asked if it is possible to move the applicability date to a later point in time to give SPOs more time to prepare. It was answered that this is a judgment call of the SC whether to make the requirement applicable prior to the EU regulation coming into force, or at the same point in time.

The EU law is mandatory in 2025 and 2024 is recommended to provide a learning curve enabling SPOs to be ready for the law. It was pointed out that the timelines were already published for Africa and Asia and suggested keeping the timelines for consistency and alignment in all regions.

An SC member suggested looking at the system in general and taking into account that other regions would need to be compliant by 2024, this gap year would allow the system to get information, learn and be better prepared to comply with the law in 2025.

### **Decisions**

**Decision 13:** Should Fairtrade require all SPOs to polygon map farms bigger than four hectares?

The SC approved decision 13 (6 votes in favour, 2 abstentions)

**Decision 14:** Geolocation data of farms – year 0 – LAC– from January 2024 or January 2025?

6 votes for **2025**, 1 vote for 2024

**Decision 15:** Sharing geolocation data (traders) – sourcing from LAC – from January 2024 or January 2025?

7 votes for **2024**, 1 vote for 2025

### **16. SPO Reporting (Updated requirement 3.4.7 Reporting on Deforestation Prevention)**

The requirement is for SPOs to report data to Fairtrade International every year. SPOs should present the data in the templates and formats provided.

### **17. Trader Reporting**

The requirement is for Traders to report data to Fairtrade International every year. SPOs should present the data in the templates and formats provided.

### **Decisions**

**Decision 16:** SPO reporting – year 1 – LAC–from January 2024 or January 2025 depending on previous geolocation data decisions.

**Decision 17:** Trader reporting – sourcing from LAC origins– from January 2024 or January 2025 depending on previous geolocation data decisions.

The SC unanimously approved the decisions 16 (2025) and 17 (2024)

### **18. Product Tracing Solutions**

The requirement applies to SPOs to deploy digital solutions that support their organization to trace the cocoa beans sold by their organization back to their members' farms or fields. The rationale behind this requirement is that HREDD and deforestation regulation increase the need to achieve first mile physical traceability from the cocoa farm and the farmer to the SPO to meet market demands.

### **Discussion**

An SC member mentioned that it is not clear what is meant by digital solutions and that such digital tools are not made available for SPOs. It was clarified that any tool could be used, for example, Excel.

### **Decisions**

**Decision 18:** Product Tracing Solutions – year 3 – LAC– from January 2025

The SC approved decision 18 (7 votes in favour, 1 abstention)

### **Regional Topic: HREDD for LAC**

#### **19. Commitment to Respecting Human Rights and the Environment**

This requirement applies to SPO's for them to produce a written signed commitment to respect Human Rights and Environmental Sustainability which:

- Stipulates that your organization avoids causing or contributing to adverse human rights and environmental impacts, whilst also ensuring that if any such impacts occur, they will be addressed
- References the ILO conventions as mentioned in the SPO standard chapter 3.3 and UNGP for Business and Human Rights.

#### **20. Awareness raising**

The requirement applies to SPO's to inform and educate their key stakeholders to raise awareness of human rights, environmental sustainability and their organization's commitment.

### **Decisions**

**Decision19:** Commitment to Respecting Human Rights and the Environment – year 0 – LAC– from July 2024

**Decision 20:** Awareness raising – year 0 – LAC– from July 2024

The SC unanimously approved decisions 19 and 20.

#### **21. Risk assessment**

This requirement applies to SPOs; they should conduct a human rights and environmental risk assessment at least every 3 years.

- Map all the risks and challenges in their country and field of production, considering available external data and research.
- Through engagement with farmers, farm workers (if applicable) and others, prioritize and further assess at least three challenges that are most salient to their operations. Include child labour and forced labour in their priorities if Fairtrade or another reliable source has indicated these as a risk in their country and areas of production.
- Identify and focus on the most vulnerable groups of people that are or could be impacted because of the risks and challenges identified.

## 22. Grievance Mechanism

This requirement applies to SPOs, SPOs organization should have an inclusive grievance procedure in place that allows individuals and groups, including third parties, to anonymously raise complaints of injustice, harm or fraud linked to the organization. The procedure:

- Is accessible in local languages and supports both written and verbal complaints.
- Respects anonymity and protects people who file complaints from retaliation, threats or harm.
- Abides by national laws and, when relevant, reports human rights violations to relevant national agencies.
- Ensures human rights violations are remediated in collaboration with your organization's trained Grievance, Protection or Gender committees and in accordance with Monitoring and Remediation System Guidelines, as appropriate depending on the case.
- Ensures decisions are taken by an impartial, competent, and diverse Grievance committee and follow up actions are made and implemented in a timely manner.

SPOs should seek to raise awareness about their grievance procedure among all stakeholders.

### Discussion

One SC member expressed concern with the grievance mechanism and requested a review of it as it would conflict with other mechanisms in place in LAC.

An SC member expressed concern about the term "grievance committee" in the requirement 22; and it was suggested to remove it. The member also indicated that the requirement is too explicit and prescriptive. Moreover, it was mentioned that additional bodies duplicate the work of other social compliance and protection committees that are already in place in LAC region.

A member suggested to change the requirement from year 1 to year 3, it was then mentioned that other regions have year 1 in this requirement. It was also clarified that the proposed applicability timeline would allow full compliance in 2026, timeline needed to comply with EU regulations.

### Decisions

**Decision 21:** Risk assessment – year 1 – LAC– from July 2024

The SC unanimously approved decision 21.

**Decision 22:** Grievance mechanism – year 1 – LAC– from July 2024

The SC approved the decision 22 (7 votes in favour, 1 against)

## 23. Human Rights and Environmental Policy and Procedures

This requirement applies to SPOs for them do develop and implement policies and procedures to mitigate, prevent and remediate the three most serious human rights and environmental risks or challenges they have identified through their risk assessment.

SPOs communicate the policies and procedures to their management, staff, members, farm operators and workers, buyers, suppliers and any job brokers and contractors they use.

SPOs review and revise the policies and procedures as often as required, but at a minimum every six years.

#### **24. Action Plans**

The requirement indicates that SPOs develop and implement an action plan to prevent, mitigate, cease and remediate the most serious risks identified by their risk assessment and enacted by their policies. SPOs keep the plan up to date by revising it annually.

#### **25. Supporting producers with Action Plans**

The requirement indicates that Traders support the action plans of producer organizations by collaborating on at least one activity that supports the prevention and mitigation of the most serious risks identified. Trader's support is either direct or through a partnership. It is in the form of funding, training, facilitation of partnerships, advocacy with government, or other ways.

#### **Discussion**

An SC member expressed concern about the timelines of applicability, she explained that the applicability year for policy development and actions plans should not be the same. There was a comment indicating that time applicability should remain as proposed to keep alignment among all regions.

#### **Decisions**

**Decision 23:** Human Rights and Environmental Policy and Procedures – year 1 – LAC– from January 2025

**Decision 24:** Action Plan – year 1 – LAC– from JULY 2025

**Decision 25:** Supporting Producers with Action Plans (Traders sourcing from LAC) – JULY 2025

The SC unanimously approved decisions 23, 24 and 25.

#### **26. Monitoring and Remediation for Child & Forced Labour**

SPOs should implement a monitoring and remediation system to regularly check for and respond to cases of child labour and forced labour if Fairtrade or SPOs risk assessment has indicated these as a high risk in SPOs country and area of production. SPOs facilitate and support the remediation of any case found.

SPOs may establish and operate this system by themselves or in partnership with others, including relevant government agencies, expert human rights NGOs, traders, or others. SPOs Monitoring and Remediation system documents, stores, and assesses the type and number of cases identified and responded to on an annual basis. SPOs handle the data in a manner that ensures no further harm comes to impacted and involved persons.

#### **27. Supporting Producers to Address and Remediate Child Labour and Forced Labour**

This requirement asks Traders to provide resource and support to producer organizations who have identified they are operating in areas of high risk of child labour and/or forced labour. This contribution is in addition to the Fairtrade Premium paid to the producers. Trader's support is either direct or through a partnership. It is in the form of funding, training, facilitation of partnerships, advocacy with government, or other ways.

#### **Discussion**

An SC member pointed out that the pilots show that establishing a monitoring and remediation system has a high cost and therefore the introduction of this requirement represents a financial burden for producers. It

was also mentioned that it is challenging to vote on requirements that mention protocols or tools when those are not yet developed.

It was requested to keep the requirements as simple as possible and have them broader for SPOs to decide on the systems they could put into place according to their resources. For requirement 26, it was agreed to move part of the text from the requirement to the guidance, so that the requirement is less prescriptive regarding the “how”.

### **Decisions**

**Decision 26:** Monitoring and Remediation System – year 3 (development) – LAC– January 2025

**Decision 27:** Supporting Producers to Address and Remediate Child Labour and Forced Labour (Traders sourcing from LAC) – July 2024

The SC unanimously approved decisions 26 and 27.

### **28. Trader Reporting**

This requirement asks Traders to report data to Fairtrade International every year. Traders should present the data in the templates and formats provided.

**Decision 28:** Trader reporting – from January 2024 for those sourcing from Africa/Asia, January 2025 for those sourcing from LAC.

The SC unanimously approved decision 28

**Decision 29:** Do you approve the delegation of non-substantive changes and date of applicability to the Director of Standards and Pricing?

The SC unanimously approved decision 29.

### **Next Steps:**

- Address concerns related to data protection laws and word the requirements accordingly
- Finalize requirements and publish revised standard towards end of Q2 2023
- Revise explanatory note, create guidance material, train stakeholders
- Contribute to drafting Compliance Criteria
- Address remaining concerns for SPO HREDD reporting, prior to the SC decisions on the reporting requirements

### **Item12 – Coffee Price Review**

The Project Managers introduced the project. During the preparation for this review, the Pricing Unit carried out a Cost of Production study in 2022 involving 12 countries in 3 regions. The findings in the cost of production study were validated and endorsed by national roundtables, composed of Fairtrade coffee producers, exporters, traders, Fairtrade representatives and research institutes. The outcome of the Cost



of Production study served as the basis to shape proposals for the public consultation. The proposals were developed by the Pricing Unit together with a very active project team with representation of all producer networks and some of the main markets. The public consultation took place from 12 December 2022 to 05 February 2023. Specific price values were proposed for stakeholders' comments. All Fairtrade coffee stakeholders were invited to provide their inputs via an online questionnaire, online webinars for Traders and via producer workshops. In total 544 valid responses, from 40 countries, were received, with higher participation rates in producing countries. The respondents include stakeholders who produce and/or trade Arabica and Robusta coffee with different functions in the supply chain, such as producers, producers who also export, exporters, importers, roasters, retailers, licensee, as well as Fairtrade system. The feedback from the consultation was the basis for the Project team to develop final recommendations for SC decision.

### **Arabica Coffee**

The methodology of price calculation and the consultation feedback were presented, as well as the rationale behind the price proposal. The producers, traders/licensees who supported increase outlined that the new price should aim to provide financial sustainability to producers, given the increase in costs and the delay to update FMP for a long time. The new FMP should cover at least the cost of production for conventional washed Arabica which intends to address global and regional situations, such as climate change, high inflations, oil and energy prices,

### **Discussion**

There was a question about how the proposed values were calculated; it was answered that the prices proposed in the consultation were the outcome of a COSP study carried out in 2022. Fairtrade adopted a hybrid approach using data collected in COSP 2017 and data from small scale data collections where needed. Data validation was carried out estimating the current cost of production for coffee farmers in Latin America, Africa, and Asia, based on the COSP data from 2017 project and taking into account key production and economic indicators to update values for values of 2022. Regional. Consultants from different producing regions were hired to support this work. As part of validation process, final updated values were reviewed and endorsed by the responsible National Roundtables, which consists of Fairtrade coffee producers, exporters, traders, Fairtrade representatives and research institutes. The prices proposed for SC decision are based on those criteria and the consultation feedback. The next phase of the work on coffee is to develop a new COSP framework for coffee, which will include new types of costs related to HREDD compliance and climate change amongst others. In future, price reviews for coffee shall be conduct more often.

An SC member expressed his concern about the feedback of traders as the consultation showed that they did not fully agree with higher prices. He indicated that more frequent price reviews are important for price increases to occur more gradually. He also suggested highlighting in the communication that despite of the price increase there is still much to do to reach Living Income Prices. Finally, he asked about the status of the country differentials, it was answered that country differentials are not for SC decisions and therefore not presented in the meeting.

A member highlighted the importance and need for the price increase; she suggested having strong communication to justify the increase mentioning for example that as a result of the last coffee standard review more requirements for producers were introduced and that living income is not yet achieved.

### Decisions

**Decision 1:** Do you agree to set a FMP value for conventional washed Arabica coffee at 1.80 USD/lbs?

**Decision 2:** Do you agree to set a FMP value for conventional natural Arabica coffee at 1.75 USD/lbs?

The SC unanimously approved decision 1 and 2

### **Robusta Coffee**

As for arabica coffee, the methodology of price calculation and the consultation feedback were presented, as well as the rationale behind the price proposal. It was clarified that a COSP study was not conducted for washed Robusta coffee as there are not many producer countries and therefore not enough data. The proposal in the consultation was to maintain a 4 cents differential above natural. Nevertheless, it is recommended by the project team to adopt 5 cents differential for Robusta, to keep the differential value consistent between washed and natural, across Arabica and Robusta. In other words, the proposal is to set the price for conventional washed Robusta at 1.20 USD/lbs, 5 cents above natural.

### **Discussion**

An SC member asked the rationale behind the price proposal for washed Robusta as no COSP study was conducted for this; it was answered that despite of not having conducted a COSP study, market price trends were taken into account justifying the proposed differential above natural.

### Decisions

**Decision 3:** Do you agree to set a FMP value for conventional natural Robusta coffee at 1.20 USD/lbs?

**Decision 4:** Do you agree to set a FMP value for conventional washed Robusta coffee at 1.25 USD/lbs?

The SC unanimously approved decision 3 and 4

### **FT Premium**

The FT premium for coffee represents between 14% and 20% of the FMP, which is relatively high compared to other Fairtrade products. During the consultation stakeholders were asked to whether to maintain the current FT premium (0.2 USD/Lb) or to have another value. The majority of respondents was favouring to keep the current premium as it is.

### **Discussion**

An SC member mentioned that there was an understanding among producers to not increase the premium under the condition to conduct a deeper COSP study including costs of compliance.

**Decision 5:** (Only for information and feedback): the project team proposes to maintain the current FP value, applicable for both Arabica and Robusta, of 0.2 USD/Lbs.

As no change is proposed, no decision is needed.

the link to join the meeting

### **Organic Differential**

More than 50% of FT coffee volume is organic; the vast majority of respondents to the consultation requested to amend the value of the organic differential. A minority advocated to keep the current differential. The project team proposes to the SC to increase the organic differential since organic production have higher cost of production due to specific agricultural, environmental practices and labour intensity for organic production, lower yields, compliance with new European market regulations and overdue price increase. The consultation also showed the different opinions of traders as they see the increase as a market risk and expect a drop of sales for FT organic coffee.

### **Discussion**

Some SC members indicated their concern about the increase as the consultation results show the increase would represent a big market risk. It was answered that the system is aware of the risk, but the increase is very much needed for producers. Another member commented that increases are important to first cover Cost of production fully and also as a path to reaching living income reference prices. It was highlighted that a strong communication campaign should come to explain why the increases are very much needed for producers as they strongly voiced, they could not continue producing organic with the current values.

### **Decision**

**Decision 6:** Do you agree to set an organic differential value, applicable for both Arabica and Robusta, of 0.40 USD/Lbs?

The SC approved decision 6 (4 in favour, 2 abstentions)

### **Validity**

**Decision 7:** Do you agree that all changes to Fairtrade Coffee prices will become mandatory for all regions as of 1st August 2023?

The SC unanimously approved decision 7

**Decision 8:** Do you approve the delegation of non-substantive changes to the Director of Standard & Pricing?

The SC unanimously approved decision 8

### **Next Steps**

- Price announcement on March 30

### **Item14 – COSP Guidance**

The PM presented the project on the review of the COSP guidance document. She first gave an overview of the project including the scope, goals, and timelines. The aim of the project was revisiting the methodological approach and procedures for the collection and calculation of Fairtrade certified producers'

costs of production for all agricultural products. She highlighted that the COSP constitutes the base for the FMP, the COSP guidance document and template hence build the base for all price reviews.

For the review, research was carried out by the Impact Institute following the research questions put forward by PU and resulting in recommendations for the new COSP guidance document and template. A major component of the review was a literature review containing existing, best practice approaches for calculating agricultural costs of production and comparison to the old COSP methodology as well as expert interviews. An important objective was to address new cost items such as external costs, compliance costs with the Fairtrade Standards, specifically HREDD and environmental cost items. The research also explored COSP data needs for Living Income Reference Price (LIRP) and how they are related to the COSP of the FMP. Moreover, the assessment included knowledge and guidance from experts inside the Fairtrade system, gathered through six in-depth interviews.

The main changes in the guidance document include language simplification, introduction of extensive versus light templates, definition of SPO and HL approaches, division of template structure into farm level and central structure, introduction of different measurement units for reporting and additional costs items such as compliance costs and HREDD.

The SC discussed the proposed methodology and clarified questions for understanding the scope and the next steps.

### **Decisions**

**Decision 0:** Do you approve to delegate the last changes to the head of Standards and Pricing?

The SC unanimously approved decision 0

**Decision 1:** Do you approve the new COSP guidance document as presented in annex 1?

The SC unanimously approved decision 1

**Decision 2:** Do you approve the new COSP template as presented in annex 2?

The SC unanimously approved decision 2

### **Next steps:**

- Announce and communicate the new COSP guideline document
- Inclusion of new cost templates in product specific price reviews
- Review of the Standards Operating Procedures (SOP) document
- Align COSP templates for FMP and LIRP calculations
- Follow up on ongoing discussions for HREDD and environmental cost items
- Possible studies on different applications of the COSP concept

**Item 15 – AOB**

**AOB**

- In the next review of the SC TOR the conditions for being a trader representative coming from a Fair Trade Organization shall be reviewed and spelled out more clearly.
- As the contract production item was taken out of the agenda because of time constraint, SU will reach out the SC for written feedback on the scope of the CP review.
- The presentation from Freshfel is postponed for one of the next SC meetings.
- It was the last official meeting of Martin Boon as a member of the SC as his term ends in mid-May.

**Next meeting date:**

- June 28, 29 and 30 from 14:00 to 18:00 CEST - Teleconference

**The meeting was formally closed.**