



Standards Committee Minutes Meeting 108: June 28 and 29, 2023 Teleconference

SC members:, Martin de la Harpe, Ben Huyghe, Stijn Dicone, Richard Kwarteng, Gustavo Lopez, Marike de Peña, Iresha Sanjeevanie (Chair), Emilie Sarrazin.

Gustavo Lopez was excused on June 28 and gave his proxy vote to Richard Kwarteng.

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
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
FTO	Fairtrade Organizations
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

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>

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. The SC welcomed the new FTO representative in the Standards Committee, Ben Huyghe.

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 Executive Director briefed the SC about the main outcomes and activities of the Global Assembly week, the Board meeting, and the CEO Forum that recently took place in Bonn.

News from the OC

During its last meeting, the OC took two decisions: one regarding trader audits in Australia and New Zealand and one about the FI Oversight procedure. Other points of discussion were the Exceptions report and updates about the Brand architecture pilots.

News from SC

- The Board has appointed Ben Huyghe as a new member in the SC representing the Fairtrade Organizations as of May 15, 2023.
- The SC was informed that Marike de Peña 1st term in the SC ends on September 1 and that CLAC is leading the process of her term renewal with the PC.
- SC Chair and Vice Chair elections will take place in September.

The SC Chair briefed the SC about her report to the GA on June 22. During the report, major SC decisions and highlights of the years 2022 and 2023 were presented to the GA. Moreover, recurring topics of SC discussion and the current and future topics for decisions were explained. It was agreed that this kind of report should also be included in the GA 2024.

News from S&P

- A new student assistant joined the Standards Team.
- The S&P Director will move at the beginning of August to another position outside of Fairtrade. The recruitment of a new Director is ongoing.

Item 3 – Director’s Decisions

One minor decision was taken since the last update in the 107 SC.

A guidance text to the requirement 3.6.28 was added to the [Fairtrade Textile Standard](#); the guidance indicates that workers should be free to move in the factory so they can use the sanitary facilities.

Item 4 - Precious Metal Standard Review - Background Information

The objective of this session was to inform the SC about the status of the Gold Standard review, provide an overview of the Gold and precious metal sector, explain the role of Gold as a product in the FT system as well as to provide in-depth information about the situation and challenges of Artisanal Small Scale Mining Organizations (ASMOs) certified as Fairtrade as a basis for enabling the SC to have a good decision when the topic will be brought to the SC meeting for decisions in Q1 2024.

Discussion

An SC member inquired about the reason of low interest among miners to become Fairtrade certified as an ASMO; it was explained that the main issue is not lack of interest but the huge investment ASMOs need to incur to become certified. Another SC member asked about the cost benefit analysis of certification; it was explained that the benefits can be seen when analysing the situation pre and post certification, it was indicated that the FT premium supported the building of facilities, access to education and health systems. Examples of projects financed by the FT premium were mentioned, such as facilities for workers, protective equipment, and community campaigns during the Covid pandemic.

An SC member asked about compliance level of certified mines on HREDD, it was answered that requirements on due diligence are a relevant topic in the sector and the current standard offers a good basis. HREDD requirements will be strengthened further via the ongoing review.

It was highlighted that the review should focus on improving the living conditions of producers and sustainability.

Item 5- Cocoa FMP Differential CDI

Following the evaluation of the results of the public consultation, changes to the Fairtrade minimum price (FMP) differential calculation for cocoa from Côte d'Ivoire were proposed for decision. The FMP differential for Côte d'Ivoire has been very volatile over the past years, in the last main cocoa season from October 2022 to March 2023, the highest ever FMP differential for a main season resulted in critical market feedback, the highest ever differential was due to a strong US dollar exchange rate in the context of ongoing unfavorable economic conditions in Europe.

The proposed changes aim to reduce the effect of strong exchange rate fluctuations on the FMP differential for Côte d'Ivoire and to better adapt to trading realities. This is intended to mitigate market risk and a step towards securing sales for Ivorian producers.

The proposals were to change the currency of the FMP and the Fairtrade Premium (FP) for Côte d'Ivoire from USD to Euro and to use the pegged exchange rate between Euro and the Ivorian XOF when calculating the FMP differential. In a stakeholder consultation, most stakeholders were in favour of changing the currency and using a stable exchange rate.

Discussion

An SC member asked about the risk of arbitrage; it was answered that different currencies might imply a risk of arbitrage and that arbitrage in cocoa pricing, anyway, has been present in the past due to the fact that the FMP works differently in the different cocoa origins. It was added that Côte d'Ivoire is the only origin that had active FMP differential in the last seasons while in Ghana there were hardly ever FMP differentials; moreover, in Latin America cocoa origins, average prices were higher than the FMP due to their focus on organic cocoa and higher quality. In this context, there has always been an uneven price situation in cocoa. It was explained that a change in currency will not change this situation and further analysis of arbitrage could be taken up in the next cocoa price review.

There was a question about a scenario where the Central Bank in West Africa changes its exchange rate policy regarding the EUR; it was explained that the exchange policy in this region regarding the EUR has been stable during the last decades and, if it were to change, the whole cocoa sector would have to adapt and take measures. It was added that different scenarios could be considered in the next price review.

Decisions

Decision 1: Do you agree to change the currency of the Ivorian FMP differential to euro?

The SC unanimously approved decision 1

Decision 2: Do you agree to implement the proposed approach B and hence, to introduce a FMP of 2,206 EUR/MT, a FP of 221 EUR/MT and an organic differential of 276 EUR/MT for Côte d'Ivoire, alongside a FMP of 2,400 USD/MT, a FP of 240 USD/MT and an organic differential of 300 USD/MT for all other cocoa origins?

The SC unanimously approved decision 2

Decision 3: Do you agree that the pegged exchange rate* will be applied when calculating the FMP differential? * current rate since 1999: 1 EUR = 655.957 XOF

The SC unanimously approved decision 3

Decision block:

Decision 4: Do you agree that all changes to the Fairtrade pricing for Côte d'Ivoire will become mandatory as of 1 October 2023?

Decision 5: Do you agree with an early communication of the decisions made on 28 June 2023, that is, before the approval of the SC minutes? That would include the price announcement by S&P, the update of the pricing table and external (b2b) communication.

Decision 6: Do you approve the delegation of non-substantive changes to the Director of S&P?

The SC unanimously approved decision 4, 5 and 6.

Next Steps

- Communication of the decisions to the stakeholders
- Publishing the price announcement and new prices
- Cocoa Price Review in Q2 2023

Item 6. Contract Production Standard Review

The status of the project was presented, including the objectives of the review and timelines.

The project assignment draft published at the beginning of the year received conflicting feedback about the main objectives of the review, therefore the SC was asked to give strategic guidance on how to proceed with the Contract Production Standard review.

A survey was carried out among key stakeholders and the results were presented, members answered and commented on questions about the objectives and scope of the standard and transitioning timelines from CP setup to SPOs. The SC was asked for guidance based on 3 scenarios where in one scenario the standard could be ceased, another scenario where it rather would be strengthened to make it fit for the purpose of supporting small holders in contract production set-ups to transition to democratically organized

small producer organizations, and a third scenario where the standard would be amended to serve a different purpose and to be applicable potentially to more products and in more regions.

Discussion

SC members asked about the bottlenecks preventing CPs from transitioning to SPOs, it was mentioned that one of the challenges is the high dependency on traders. SC members highlighted the importance to achieve as much as possible empowered and independent SPOs set-ups. Therefore, it was requested to explore and understand the challenges and reasons for CPs to remain in the CP structure and the support organizations need to achieve the transition to an SPO set-up. The PM indicated that the challenges of CPs to transition to SPOs will be further explored in the research phase and in the consultation.

SC members indicated the importance to take into account the guidance from NAPP, as they probably are the best in place to support and make the standard fit for purpose in strengthening its content but maintaining the ultimate goal to transition into a SPO.

The SC gave guidance on keeping the CP Standard, moreover they indicated that the purpose of the Standard of serving as a transitioning platform for small holder farmers from a contract production set-up to a more empowering and independent SPO set-up should be maintained and the tools to achieve it need to be strengthened via the standard review; clear timelines and guidance for the transition should be included. As to the idea of broadening the possibility for small holders and their traders to become certified as Contract Production to other regions and/or products, the SC had consensus that this intention should not be pursued in the upcoming review project.

Next Steps

- Start the project officially with the project team and consultant.
- SC members will be informed about the results of the research phase.

Item 7 - Integration of new COSP elements to global products

The SC was informed about the steps to integrate the new COSP guidance and templates into global products. As background information, the main changes introduced to the COSP methodology were presented. Main changes were the introduction of additional cost items for HREDD and LIRP. Currently, the Impact Institute is integrating the COSP for cocoa, the next product will be coffee.

Discussion

An SC member pointed out that three cost “levels” should be considered in the template, i.e., farm, SPO (or central) and export, as many SPOs do not export directly, she also asked about how the HREDD costs are planned to be included. It was explained that export costs are included at SPO level (EXW) and if the SPO sells at FOB, then more (cost) items have to be reported. It was also clarified that HREDD costs are found in an annex 8.1 of the new COSP template and that the cost items were reviewed by the HREDD Centre of Excellence prior to SC decision in March.

Item 8 – Project Updates

The SC received a document with the projects updates and had the opportunity to share questions during the session.

During the session, the SC was informed about the status of the HREDD in generic standards project. The content of the consultation documents for the Trader and the Hired Labour Standards was based on the HREDD CoE concept paper; the consultation was launched on June 19 and will be open until August 17. Consultation workshops will be carried out on site in different regions as well as in webinars.

The SC was also informed about the status of the Flower Standard review, which due to the priority of the HREDD review project and due to the currently difficult economic environment is delayed and a new timeline will be proposed.

The SC was also informed about the start of the project about a limited review in the Standard for coffee regarding requirements on deforestation and use of geolocation points and polygon mapping. This review is urgent to enable Fairtrade certified coffee SPOs to be prepared for the new EU regulation on deforestation.

Item 9 – Freshfel Input

The SC members were informed about the EU approach in carbon footprint measuring across all sectors. A guest from Freshfel, the European fresh produce association, presented the topic on product environmental footprint in the fresh produce sector which consists in the development of a harmonized methodology for the calculation of the environmental footprint of products and organisations.

It was explained that the methodology is based on Life Cycle Assessment (LCA) and aims to provide detailed technical guidance on how to conduct a product environmental footprint study, to complement general methodological guidance for environmental footprint by providing further specification at the product level and, to increase reproducibility and consistency in product environmental footprint studies. The methodology was explained in detail and the presenter indicated the advantages and reasons to follow this methodology.

Discussion

The SC asked about the implication of this methodology for voluntary standards, it was answered that carbon reporting and environmental reporting of products will have to be followed according to EU regulations and having a clear methodology would be important for consistency.

An SC member highlighted the importance to harmonize tools and methodologies and the importance to simplify the approach for producers.

The Senior Advisor on Climate and Environment explained that Fairtrade is already working on this topic, implementing CMD and Kyoto protocol methodologies to calculate carbon footprint, which are methodologies accepted by the UNFCCC convention.

Item 10 – Update on pilot projects following the New Economic Mechanism approach

The SC was updated about the New Economic Mechanisms approach. This approach was developed to enable producers to take a more active role, report and propose their own COSP and FMP. The scope of the approach was clarified and the process on how to apply for pilots to test the approach was explained.

As an example, updates on the pilot project coconut for processing in Ivory Coas was presented. It was highlighted that for the approach to be successful, the system should take initiative and be active.

Discussion

An SC member mentioned that there is a lot of interest in CLAC to test the economic mechanisms in some products and indicated that more clarity and strong rules are needed about the difference if organizations apply individually or collectively. She also mentioned taking into consideration the workload for the parties involved in the pilots such as the PNs and that clear decisions mechanisms are needed.

It was answered that a more detailed document about the mechanisms and process will be developed and shared. It was also clarified that the mechanisms could be applied to different types of products and that minor products are the focus. As part of the Fairtrade procedure with pilots, the OC is regularly updated on the status of all pilots. For information of all SC members, there is a map available, where all pilots are included.

Item 15 – AOB

AOB

- The SC thanked the S&P Director for her work and commitment to the Standards & Pricing Unit and to the Fairtrade movement.

Next meeting date:

- September 20, 21 and 22 (tbc) from 14:00 to 18:00 CEST - Teleconference

The meeting was formally closed.