



Standards Committee Minutes Meeting 109: September 20 and 21, 2023 Teleconference

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

Marike de Peña was excused on September 20; Gustavo Lopez was excused half of the session on September 21.

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

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>



FBW	Fairtrade Base Wage
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: 2 SC members, Marike de Peña and Ben Huyghe declared a conflict of interest for the session on the banana price review.

Action items SU head updated on the status of action point regarding the SOP for standard setting .Due to the change of work plan the topic was deprioritised and the feedback will be presented to the SC next year.

Item 2 – News session

News from FI and the Fairtrade System:

The Executive Director briefed the SC about the following topics:

- Governance meeting: The Fairtrade International Board held a meeting on 3 August to discuss the governance matters following the resignation of the former Chairperson, Ms. Lynette Thorstenson. The Board elected Ms. Laurence Tanty as the acting Interim Chair of the Board. The Board also appointed Mr. Claus Wecker as the Chair and member of the Review and Mediation Committee. The Board confirmed the appointment of Mr. Charles Chavi as the Producer Network representative on the Finance and Audit Committee (FAC). NAPP Singapore have connected their operations and are back in the membership fold.
- Mid-Term Strategy Review – The board has asked for the mid-term review of the strategy for assessment purposes. The document will be presented to the Board in October.

News from the OC

During its last meeting, the OC discussed the following topics:

- Pilots - The following pilots were approved: Sourcing gold for electronics (FTF), Retro-certification in potatoes supply chains (MHCH). Two pilot closures on voluntary organic differential cotton India and south to south sugar India were approved.
- Sugar exceptions - *Flexible like for like rule*: collective exception to temporarily allow the sourcing of white refined sugar to mass balance unrefined brown sugar without restrictions was approved. *Flexible Mass Balance Rule for SSMB*: Collective exception to the single site mass balance rule, to allow traders to buy Fairtrade sugar without the physical delivery of this same Fairtrade sugar to the processing unit was also approved.
- FLOCERT KPI report was presented.
- OC ToR proposed to be changed to align with SC ToR to allow technical members to serve 3 consecutive terms (currently it is restricted to 2 consecutive terms in the OC ToR).
- Chair/Vice chair election postponed to November OC

News from S&P

- Currently open position for Project Manager –Standards.

News from S&P

- Marike de Peña was appointed by the Board for her second term in the SC as of 31/08/2023.

Item 3 – Director’s Decisions

The following director decision were taken in the standards unit: Implementation dates rescheduled for few requirements in the cocoa standard; the applicability date of requirements 3.2.7, 3.3.3, and 3.4.4 was moved to July 2024. Regarding requirement 3.3.4, the applicability was moved to July 2024 as Global Impact is piloting reporting.

The applicability of requirement 3.5.3 was also moved to July 2024.

The approved requirement for retro-certification for young plants and young plants material will be put on hold until the Toom young plant material pilot comes to an end. Retro- certification will therefore only be applicable for cut flowers. Additional guidance for requirement 2.1.15 in the Hired Labour Standard was provided to ensure that FPCs have the option to save any additional premium received until the next Fairtrade Premium Plan.

One director decision was taken in the pricing unit to introduce organic hazel nuts from Georgia into the standard. The quick entrance request was brought forward by MHCH.

An SC members asked where the demand for hazelnuts comes from, the PM mentioned that the demand came from a big partner that works with MHCH and is highly engaged with the producers in Georgia.

An SC member asked whether the scope could also be extended to Turkey. It was answered that the decision follows the geographical scope that defines where Fairtrade can source. Any discussions on Geographical scope needs to go through the Board.

Item 4 - Review of the Fairtrade Standard for Gold

The PMs brought to SC attention the key points on the content of the Gold Standard Review. The proposed standard draft includes new and amended requirements and chapters follow the structure as outlined:

- General Requirements (requirements on scope of standard, certification of ASMO and mining operators)
- Trade (requirements on selling Fairtrade certified gold and precious metals)
- Production (requirement on ethical and sustainable production practices)
- Business and development (requirements on empowerment and development)

Discussion

SC members found the presentation clear and in discussion covered the following points:

-importance of quality criteria for health and safety procedures, due to hazards related to the nature of the product (production). The PM referred to the requirement on H&S committee and on relevant policy in place.

-standard to stipulate explicitly there is no tolerance on use of mercury because it is very harmful and polluting to environment and health of workers. It was mentioned that Mercury use is currently legal in Peru and they are following up with legislations on responsible trade of metals, also the standard includes some elements from OECD and other related regulations. Most of the producer organization countries have strict regulations on use of these materials and producers comply with those regulations.

- on what key difference in requirements related to labour conditions and HREDD are proposed when compared with generic SPO and HL standards. The PM mentioned it is the heightened HREDD requirements.

- if the impact of Fairtrade certification was found through research or third-party evaluations. The PM referred to some materials from GIZ, and as part of the monitoring and evaluation research some findings are that Fairtrade certified ASMOs often referred to as an example to set and improve working conditions.

Next steps:

- 2nd consultation round in the end of October 2023
- SC Approval of new standard in March 2024

Item 5- Tea Situation in Sri Lanka: wage adjustments in high inflationary period

The objective of this session was to inform the SC about wage adjustments in a high inflation context in the specific case for tea in Sri Lanka.

The requirement 3.5.4 on wage level increase ensures that wages are continually increased to meet the Living Wage. Currently, the inflation crisis leads to real wages declining if nominal wages are not kept at pace. This situation was especially severe in Sri Lanka between September 2021 and December 2022 and the tea sector was heavily impacted.

FLOCERT, the S&P Unit and NAPP are exploring solutions to address this challenge.

Discussion

An SC member commented that the situation in Sri Lanka is very complex as the inflation was really out of control. Part of the concern behind raising wages is that companies are afraid of having to pay higher wages after the inflation stabilizing again. It was mentioned that government plans to change the wages in December – a discussion where the tea estates will be included. It was indicated that NAPP will facilitate the compliance, but time will be needed.

Next steps

The requirement 3.5.4 will be revised to mirror the complex and diverse reality of different origins.

Item 6. Project Updates

The project 'Coffee Standard Limited Review' was presented, the PM gave a summary of the proposed changes and timelines, the decision on the new requirements will be presented to the SC in November. It was asked if the implementation of the standard would be feasible within a year, it was answered that it is feasible as there is progress already on this topic in other products.

Item 7 – SC chair and vice chair election

The SC elected Martin de la Harpe as Chair and Stijn Dicone as vice Chair of the Standards Committee, the next election will take place in September 2024.

Item 8 – Banana Registry

This session was confidential, in case of questions contact standards-pricing@fairtrade.net

Item 9 – FOB 100 and Living Wage Reference Price

The objective of this session was to inform the SC about the Future for Bananas (FOB 100) and the Living Wage Reference Price (LWRP). It was explained that this Initiative (that comprises 4 different Projects/components) will be a new offer and a service that it's closely related to the FMP / FP work, and that FI is testing a new concept. The service ideation started in June and will be launched at the Fruit Attraction event in October 2023 to commercial partners, Fairtrade producer networks and others.

The S&P Unit presented the Project 1 which is related to the Pricing Unit work. The offer has two main components: **Living Wage Reference Price** as a new and unique concept to serve as the industry reference, enabling negotiations between actors, and the **Living Wage Differential** that refers to the amount of money that a commercial partner voluntarily pays in addition to the FMP and the FP to contribute to close the Living Wage gap.

Item 10 – Banana Price Review

The background of the review was explained, the current events that have had an impact on banana cost of production, such as the Russian-Ukrainian conflict, decrease on volumes produced due to adverse weather conditions, and the slight reduction of energy prices and inputs were described.

In order to calculate the banana prices, the Pricing Unit conducted partial data collection of the cost of production from January to May 2023. This data collection included 14 SPOs, 19 HL organizations and 10 exporters. The data collection was followed by a consultation period from July to August 2023 to obtain feedback with a high response rate.

S&P implemented a partial data collection for eight inputs and services. In average, the Ex Works-Fairtrade Minimum Prices increased by 2.1% (with price increases from 0.05 to 0.35 USD/box), explained from wage increases and reductions of fertilizers and fuel costs. The PM mentioned that 50% of Ex Works costs come from wage costs and therefore, wage costs affect the banana box cost.

Regarding FOB-Ex Works differential, the PM reported an average increase by 3.5% (with price variations between -0.75 and 0.20 USD/box). It was mentioned that 40-50% of FOB-Ex Works differential comes from the cost of the carton box. The cost study showed a price reduction of the carton box.

The PM explained then the details of the data collection process, consultation, and findings of the cost analysis.

Discussion

There were questions and comments regarding ports of origin, the PM explained that traders are the ones who define the export port. An SC member suggested the revision of Nicaraguan port names and it was considered as a modification for decision 3.

There were comments about the banana prices for Africa. The PM commented about limitations from the data collected from African producers. A SC member proposed a field visit to corroborate the situation of the producers..

Decisions

Five decisions were requested:

D1: Approval of Ex Works FMPs for conventional and organic banana

D2: Approval of FOB FMPs for main ports for conventional and organic banana

D3: Approval of FOB FMPs for secondary ports for conventional and organic banana.

D4: Approval of FOB FMPs for additional secondary ports for conventional and organic banana for Cameroon and Ecuador and for organic banana for Ecuador

D5: Approval of the publication of the new FMPs for banana that will apply between 1 Jan 2024 and 31 Dec 2024. Date of publication: 02 Oct 2023

The SC unanimously voted in favour of the five proposals. Two SC members did not vote in any decision due to potential conflict of interest. For D3 in was agreed and adjusted to modify the Nicaraguan port names.

Next steps

- Continue the work on FOB 100
- Price announcement
- Update price table
- Communication work with Comms

Item 11 – Living Income Reference Price - Methodology & Procedures

Living Income (LI) and Living Income Reference Price (LIRP) have been discussed in Fairtrade for over five years. Last year, this methodology was presented and endorsed by the FET and represents the key to the Living Income strategy. The next step is the transition of the country LIRP establishment from GPPP to the Pricing unit. Proxy or offer to business (O2B) LIRPs are excluded and will remain with GPPP.

The formal approval of the SC for the setting of the country LIRP methodology and procedures is required, so it can be integrated into the Standard Operating Procedures (SOPs) of the Pricing Unit and be aligned with the Fairtrade Minimum Price (FMP) Cost of Sustainable Production (COSP) data collection.

The PU will include the process to establish country LIRPs into the revision of the Standard Operating Procedures (SOP) and include the first testing for LIRP data collection for Cocoa and Coffee in the unit's planning and budget for next year.

It was highlighted that the data collection process will be based on resources, product realities, and timelines from PT and PNs.

The first test of LIRP data collection will be done for cocoa and coffee.

Discussion

One SC member agreed to shift the calculations to the Pricing unit and make the best use of the COSP data collection. The SC member requested that the parameter “viable farm size” should be revised, as the current definition is in their opinion not applicable for bananas.

To the opinion of the SC member, there is a need to revise the parameter ‘viable farm size’, as it gives a *wrong outcome*, particularly in crops that are labour-intensive, such as in bananas. For example, in a country with efficient labour, the viable farm size would be bigger than in a country with inefficient labour, which will have a smaller farm size. It was added to decision 1 that the *technical correctness* of the viable farm size definition is checked by the PU.

Another SC member asked about how the challenges of benchmarks getting outdated or changes in inflation are tackled. It was answered that inflation correction is done on yearly basis. The cost of living is simple to update, based on the consumer price index and there is also a need to adjust the cost of production to inflation.

An SC member asked about the use of regional vs national benchmarks. It was answered that the benchmark selection procedure (guidance document) had been shared with the SC. This document explains the methodology to adjust a country benchmark to a particular region whenever a regional consumer price index is available. If there is no regional benchmark, but there are other studies from a country, then the studies are compared, and the values are validated in the stakeholder workshop.

PU wrapped up the discussion and reminded that only country LIRPs, not O2B, will be integrated into the Pricing unit workstream. For the time being, only cocoa and coffee LIRP data collection will take place, and in the future data collection for banana will also be considered. The challenge the unit is working on now is to align the data collection process of the country LIRPs with the FMP COSP, meaning to collect the data using the same process and in the same period of time.

Decisions

Decision 1:

Do you approve the LIRP methodology as described in chapter 4 of this paper? Under the condition that the definition of the viable farm size is checked for technical correctness and applicability in banana.

The SC unanimously voted in favour of the proposal (8 votes).

Decision 2:

Do you approve the new procedures to set a LIRP (together with the FMP) as outlined in chapter 5 of this paper?

The SC unanimously voted in favour of the proposal (8 votes).

A discussion on setting country LIRPs at farmgate or ExW/ FOB level will follow.

Next steps

- Price review for Cocoa including the new LIRP setting procedures
- Inclusion of the LIRP key parameters into the Coffee COSP template
- Price review for Coffee including the new LIRP procedures
- Inclusion of the new LIRP procedures into the Pricing SOPs and presentation to the SC for decision.

Item 15 – AOB

AOB

Members of the S&P thanked the current chair of the SC, Iresha Sanjeewanie, for her work during these two years. The SC Chair thanked for the opportunity and support from the S&P unit, particularly to the former S&P Director.

The SC Chair warmly welcomed the new SC Chair, Martin de la Harp, and new Vice-Chair, Stijn Dicone.

Next meeting date: in-person meeting in Bonn from 29 November to 1 December 2023.

The meeting was formally closed