

# Fairtrade Standard-setting Public System Report

November 2016

## Introduction

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fairtrade offers consumers a powerful way to reduce poverty through their every day shopping.

When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade Standards. The Fairtrade Standards are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade.

This report describes the scope of the Fairtrade standards and summarizes the key features of its standard setting process. It has been developed as part of Fairtrade's compliance with the ISEAL Standard-Setting Code. Any questions regarding the content of this report, or regarding Fairtrade's standard setting in general, should be addressed in the first instance to [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net)

## Scope

Fairtrade International develops producer standards for different categories of producers, a trader standard and product specific standards. These Fairtrade Standards are the collective requirements that producers and traders must meet, as applicable, to be certified as Fairtrade. In total there are currently 27 Fairtrade Standards applicable to small producer organizations, hired labour and contract product situations, mainly (but not only) in the agricultural sector including Fairtrade standards for coffee, cocoa, bananas and the recently approved Fairtrade Climate Standard. Over 1.5 million small farmers and workers in 74 countries benefit from Fairtrade, in this [link](#) you can find a detailed list of the geographical scope of Fairtrade.

## Sustainability outcomes

The Fairtrade Standards establish the 'rules' for fair trading practices and engagement in Fairtrade for producers and traders. The standards include rules for supply chain businesses which wish to trade in Fairtrade products (including Hired Labour companies and Promoting Bodies in contract production systems), and rules for small producer and worker organizations. They codify key principles of Fairtrade, including: sustainable and equitable trading relations; good governance in organizations (democracy, participation and transparency); respect for human rights (particularly labour, child and gender rights) and protection of the environment.

## Why is it needed

In spite of global progress in various social and economic indicators, income inequality continues to widen over time. Policymakers are recognizing the need to focus on the poor and middle income class. Trade can be a powerful tool for the development and empowerment of producers involved but only if there is a level playing field. Fairtrade aims to readdress the power imbalances in the supply chain that prevent producers from reaping fair benefits from international trade while at the same time promoting more socially and environmentally sustainable production practices.

## Performance level – core and development requirements

Fairtrade standards distinguish between core requirements, which producers must meet to be certified, and development requirements that encourage producers to continuously improve and to invest in the development of their organizations and their workers. This concept is developed for the target group of Fairtrade; disadvantaged producers and workers. It encourages sustainable, social, economic and environmental development of producers and their organization. For traders all requirements in the Trader Standard must be complied with; they are minimum requirements, meaning that traders have to comply with all of them upon first certification. In addition, the Trader Standard recently included voluntary best practices, that are not compulsory for Fairtrade certification but that are recommended as best trading practices.

## Adaptations

Fairtrade Standards are international standards developed through global and open consultation processes. Particular efforts are taken so standards reflect the reality of small scale producers and agricultural workers and the context in which they operate. As needed the guidance in the requirements offers additional information on how the standards should be interpreted in particular cases.

## Standard-Setting and Revision Process

### First Fairtrade Standard

The first set of Fairtrade product specific standard were developed around 1998-1999, while the first set of generic standards (Small Producer Organizations and Hired Labour standards) were developed around 2001. Fairtrade Labelling Organizations (today Fairtrade International). Standards & Pricing is the unit within Fairtrade International leading the development and revision of Fairtrade Standards.

## Stakeholder categorization and geography

The main stakeholder groups within Fairtrade are producers, producer networks, traders (exporters and importers) and licensees and national Fairtrade organizations. Civil society, labour rights' groups and independent experts are also important actors in Fairtrade. On the producer side, producer networks are regional associations that Fairtrade certified producer

organizations may join if they wish. They represent small-scale producers, workers and other producer stakeholders. There are producer networks in three continents, Africa, Asia and Latin America and the Caribbean. On the consumer side, national Fairtrade organizations license the FAIRTRADE Certification Mark on products and promote Fairtrade in their territory. Depending on the product or standard being revised, the specific stakeholders change although the categories are roughly the same.

## Summary of the revision process

The steps that Fairtrade International carries when developing or revising standards are described in detail in our [SOP](#). Stakeholders can engage in a revision process by triggering it (submitting a standard request), commenting on the project scope and planning but most importantly through the consultation process. All affected stakeholders are approached through on-line survey and (as much as possible) workshops in the different regions (particularly in producer countries, where workshops are organized in collaboration with the producer networks to capture producers' input). This is particularly important given Fairtrade's mission and raison d'être. When new standards are developed, field testing takes place to assess how close the standard is to the producer reality.

## Governance

Decisions about Fairtrade Standards are taken by the Fairtrade International Standards Committee (SC). Members are appointed and its [Terms of References](#) are approved by the Fairtrade International Board. The SC consists of at least 5 and a maximum of 11 members. The membership mandate is for a period of 3 years. The composition must be balanced between producer-facing and market –facing actors and as applicable independent expertise. Producer-facing member(s) are drawn from producers and workers. The producer networks shall ensure that the proposed candidates represent both farmers and workers of their specific territory. Member drawn from workers are by preference linked to Trade Unions. Market facing member(s) are drawn from national/regional Fairtrade organisations: candidates shall represent market side including supply chain/ trading and consumer interests. Member(s) drawn from traders shall represent a range of core Fairtrade commodities if possible. If more than 1 representative has a seat one of them shall represent the Fair Trade Organizations.

There is the aim to achieve gender balance on the SC. Additionally, independent external experts may also be nominated only for specific issues to the SC or only to SC's working groups or subcommittees.

## Decision-making process

The SC takes decisions based on papers submitted by S&P and other facts and evidence available as well as taking into account the discussion happening during meetings. Decisions are taken by careful consideration of all available evidence and all members' perspectives on it. When making decisions, all members are responsible for considering what is in the best

interests of the Fairtrade system as a whole. This must be considered before the interests of a single stakeholder group or their own constituency.

The SC seeks to achieve decisions by consensus, defined as decisions taken with no votes against. If the SC chair feels that consensus is not achievable, the chair will ask the SC members whether further discussion and alternative wording of the standard could lead to consensus. In particular, if the most affected stakeholders are in opposition to the proposal they actively propose options that are more likely to reach consensus. If this evaluation does not lead to any solution, the majority decision making procedures should be used. In this case, decisions can be taken by simple majority. Abstentions are not counted as votes. Secret voting by ballot is only done on demand of a member. In other cases, voting shall be by show of hands. The quorum of 2/3 (two third) of its members including the chair or the vice-chair has to be respected. Every member has one vote. Proxy votes are possible. However, one person may only assume one proxy vote. Proxy votes needs to be presented to the chair in writing. In case of a tie the vote of the chair will decide. In case of a tie and of absence of the chair, the vote of the vice chair will decide. In case of a tie the chair or (in his/her absence) the vice chair cannot abstain. When a decision the SC has to take constitutes a conflict of interest for one of its members, the member will be excluded from voting on this decision without affecting quorum. Click [here](#) for additional information on the Terms of Reference of the SC.

## Review and Revision process

S&P undertakes a standard-setting or review project upon receipt of a formal request, and once it has been included in the S&P work plan. This request can come from any stakeholder and/or interested party. Routine work planning of S&P may also lead to a project proposal. Projects are added to the S&P work plan, for example, as a result of adherence to normal review cycles (see below), through the monitoring and analysis of standards or receipt of a complaint against how a standard was developed. The S&P work plan is developed on a yearly basis and regularly updated.

Usually, S&P will undertake a review of all standards at least every five years. The expected date of the next full revision of a standard is stated on the standard's cover page. S&P takes into account requests from stakeholders and the public for the review of a standard. The review cycle will also consider the results from the monitoring and evaluation activities if they have not already been followed up on earlier. A review study may lead to a project proposal for the revision of a standard. For more information on how Fairtrade International sets standards click [here](#).

Any relevant stakeholders can submit a complaint against the setting of a standard. Standards & Pricing (S&P) receives complaints and forwards them to the Quality Manager, who follows a formal procedure to deal with them. Complaints must be sent to the S&P by submitting the properly filled in 'complaint form' via [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net). More information about the Complaints SOP can be found [here](#).