

Standards Committee Minutes

Meeting 80: 26-27 June 2018

Physical meeting

Present:

SC members: Doreen Chanje, Emily Sarrazin (via teleconference), Iresha Sanjeevanie, Martin Boon (Chair), Martin de la Harpe, Martin Schüller, Miguel Mateo Sebastián

Fairtrade International S&P: Alina Amador, Andreas Kratz, Eleonora Gutwein, Ester Freixa Serra, Gelkha Buitrago, Jebet Yegon, José Angel Paredes, Leonie Netter, Maria Steenpass, Miguel Alva, Oksana Forkutsa, Ricardo Guimaraes, Yun-Chu Chiu

Observers:

Carla Veldhuyzen (Senior Advisor Sustainable Livelihoods, FI), Carlos Villalobos (Regional Manager, FLOCERT), Chris Schmeling (Regional Coordinator Eastern Africa, FLOCERT), Chris Oluoch (Head of Region– East & Central Africa Network, Fairtrade Africa), Debora Rosado (Certification Scheme Manager, FLOCERT), Esteban Badilla (Certification Analyst, FLOCERT), Greg Brown (Chief Operating Officer FI), Harveen Kour (Monitoring Evaluation & Learning Manager, FI), Kerstin Cron (Assistant GLT, FI), Lanette Chiti (Senior Advisor Climate Change, FI), María Trinidad (Standards Coordinator CLAC), Marike Peña (Chair Board of Directors CLAC), Martin Blaser (Banana Product Manager, FI), Melanie Duerr (Global Product Manager Flowers (Fairtrade International), Dr. Rossitza Krueger (Textiles Manager, FI), Sara Lagente („*Responsible relation producteurs, programmes et impacts*“, Max Havelaar France), Shivaprasad Shethy (Consultant Textiles), Silvia Campos (Global Product Manager Bananas, FI), Sonja Altrock-n'Cho (Legal Advisor, FI), Stephany Tamhouo (Certification Manager, Africa - FLOCERT), Wilbert Flinterman (Senior Advisor Workers Rights & TU Relations)

Disclaimer:

The Fairtrade International (FI) 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.

Item 1 – Opening

The chair welcomed the members and participants to the 80th Standards Committee (SC) meeting and shortly introduced the new members.

Agenda: An “any other business” (AOB) point was brought in by a SC member, which was addressed under Item 11. The agenda was approved.

Declaration of conflict of interest: No conflicts of interest were declared.

Review of action items:

- Fresh Fruit Standard: was updated and announced in March
- Appointment of new committee members: new members were formally appointed (including their

designation to the OC, a sub-committee of the SC)

- Pineapple price review: announcement of new prices was published in March
- Fairtrade producers and workers from Latin America and Caribbean (CLAC) request on orange juice price review: Standards & Pricing Unit (S&P) is in contact with CLAC on this issue, will be discussed under Item 5 – Project Updates
- Trader Standard and Group Mass Balance: revised Trader Standard will be published end of July

Item 2 – News session

The COO informed about **news from Fairtrade International (FI) and the Board:**

- FI updates: Financial year 2017 had an operating surplus. Overall it was a good year with significant progress in improving financial management across Fairtrade International.
- FI Staff: In the coming days the new Director of S&P will be announced.
- General Assembly (GA): Participation in the FI GA June 2018, in Costa Rica. The CEO-forum discussed the new membership fee model for Fairtrade Sourced Ingredient (FSI). The Fairtrade Intelligent System presented a recommendation on the development of a data warehouse system. One important resolution passed was on safeguarding and compliance related to the need of overall legal compliance. Besides, CEOs agreed on reviewing and enhancing existing principles for avoiding fake producer organizations joining Fairtrade. Another topic was the progress of the commercial strategy, led by the Chief Value Officer at. Two resolutions were standing from the GA 2017: one on territorial rights and another on member participation in long term strategic plans; for both scenarios the Governance Committee developed procedures, which were unanimously agreed. A number of constitutional changes were passed. As for new Board members, five new members were elected, of whom three are producer representatives. Otherwise, the GA resolved on all the constitutional matters relevant for the GA.
- Board: At the Board meeting FLOCERT was approved as the sole certifier for the system.

News from the SC:

- The chair welcomed the new SC members and confirmed that the present meeting is the last one for the current Director of S&P.

News from the OC:

- The Oversight Committee (OC) chair provided an overview about the last OC meeting.

News from S&P:

- Besides the departure of the current director to a new position within FI, a new Director of S&P will be appointed as from July 1. There will be a transition period with support from the current Director.
- Regarding the work streams, there is a coming standard and price revision of tea (starting in September); further project updates are provided during the meeting.

Item 3 – Welcome of new SC members

The SC Chair and the Director of S&P welcomed all the SC members and introduced the newly appointed SC members: Iresha Sanjeevanie (new), Emily Sarrazin (new) and Martin de la Harpe (re-elected)

Item 4 – Working ways of the SC

The SC Chair provided a general introduction to the ways of working of the SC and the expected participation and challenges faced by SC members. SC is a special technical body in Fairtrade and a sub-committee of the Fairtrade Board. The mandates of the SC and of the Board are clearly separated. The SC chair explained how topics are introduced in the SC agenda, how the agenda is crafted and the discussion involved in the preparation of the agenda and decision-making process. The SC topics are usually divided in “for information” and “for decision”. The meetings are either virtually or physically.

The S&P Director explained the existing procedures and project phases leading to the SC decision including the different project steps and the time lines for submitting papers to enable a good preparation of the SC members and the minute takers. The minutes are shared with SC members for comments and approval. All SC members are expected to provide feedback from the minutes taken by S&P. The minutes from the past 5 meetings are available on the website. Older minutes can be requested from S&P.

Other SC members provided their personal feedback on the way of working in SC. A SC member stressed that SC members benefit from the experience of sitting and participating in the discussion and this experience if brought back to SC discussion. Another member pointed out that the documents provided by S&P are very clear and have made sure that the taken decisions are well informed and objective. It was also remarked by a member that the ways of working of SC members are different and their relations with their constituencies are different too.

Item 5 – Project Updates

S&P Director Decisions

There are no Director decisions on Standards to report. The Director decisions on Pricing can be found as price announcements on the website and concern the following products: snake fruit, rambutan, langsat and mangosteen (worldwide), coconut (South-Eastern Asia) and three new additions to the herbs & spices list.

Coffee pricing model dialogue

The overall aim of this project is to assess how Fairtrade’s pricing scheme operates in practice, in order to make adjustments and improve where feasible. The dialogue maps and collects feedback from different stakeholders in a consistent way, and it includes, at the end of the process, a plan for the next price review. Currently, the project engages with supply chain partners, from producers to roasters, to understand their selling, purchasing behaviour in the market place and in Fairtrade in particular. The presenter provided some more context regarding compliance criteria on topics such as contracts, Premium payment, trading with integrity, and the non-conformities related with both Small Producer Organizations (SPOs) and traders. An example of how the dialog can help to understand better, for example, the market prices trends was presented. Finally, the project timelines were provided, it is expected to have concrete recommendations by November.

Cocoa price review

The drafting of the proposal for the second consultation round is being finalized and the consultation is scheduled for July-August 2018. The topics covered by the consultation are price level, value of Fairtrade Minimum Price (FMP) and Premium (FP), organic pricing, currency, prices along the supply chain, and date for implementation. The living income topic will be dealt with in another separate project –led by the Senior Advisor Sustainable Livelihoods– with a different work stream running in parallel to the cocoa price review. On deforestation, although this topic is out of the project scope of the price review is included in



the SPO review. If endorsed only by cocoa stakeholders it will be then included in the Fairtrade Standard for Cocoa. Lastly, the timeline was presented, and a decision in November on this project is expected.

Textiles Standard

Published in 2016, it was considered as a standard plus a training program (as there was a general perception that the standard is too demanding). There has been interest from UK, the US, and the German markets, where in particular there is a project on private public partnership with the BMZ (Federal Ministry for Economic Cooperation and Development), Fairtrade Germany and three German brands. Six factories are expected to achieve certification. Currently, there are two factories in the application process. In general, so far the preferences of the industry are more on trainings and not on choosing the Fairtrade standard –living wages as a critical element of this choice. However, the uptake can increase due to the interest/scrutiny of human rights along the supply chain, which so far is voluntarily in Germany, but the regulatory landscape is changing.

Climate Standard

Currently there are three certified producer organizations. The interest and promotion by National Fairtrade Organizations (NFOs), after publication in 2015, was reduced because of a lack of coordination to connect the standard with the climate program (which now is covered by a senior advisor). There is an ongoing engagement with NFOs to revise the strategy in this area. There are some concerns from licensees about buying carbon credits, as they may be perceived as being polluters. At the same time, there are various projects for climate change adaptation supported by licensees. Projects on afforestation/reforestation are not embraced by some stakeholders; however, they are the relevant for different regions.

Orange juice

A letter was sent to CLAC in April, answering to a request by CLAC to include an orange juice price review into the work plan for 2019. So far, no answer to this letter has been received, and a follow up to it is noted down.

Item 6 – Fair Wear Foundation recognition

The Fairtrade Textile Standard and Program are based on a collaborative approach with workers organizations, local civil society players and businesses to improve the working conditions in the producing countries and reduce duplication of efforts.

The Fair Wear Foundation (FWF) was identified as one of the organizations to explore collaboration. The Textiles Manager presented the results of a formal process that started 2016 to assess the recognition of the FWF Code of Labour Practices (CoLP) and scheme assessed against the Fairtrade Textile Standard v1.0_2016.

The FWF is a multi-stakeholder initiative based in Amsterdam with roots in the Trade Union/labour rights movement. The FWF has a code of labour practices (CoLP) based UN's Declaration on Human Rights. The CoLP is applicable to CMT (cut/make/trim) or tier 1 activities (garmenting) only. FWF engages with over 80 member companies representing over 120 brands based in Europe, member's products are sold in over 20,000 retail outlets in more than 80 countries around the world. FWF focus is in 11 production countries. . Based on a continuous improvement and verification model, the FWF provides support to brands and factories to improve continuously their management systems/implementation of the CoLP



with a strong focus on engagement with local stakeholders. Although not a consumer facing label there is an increased use of the FWF logo in products in stores.

It is important to mention that as a scheme, the FWF was compared in terms of equivalency from a third party certification point of view. Therefore the potential for recognition is looked at from a very particular point of view and does not make an assessment in terms of how effective is the FWF in terms of achieving its mission.

The procedure to recognize a sustainability scheme developed by Fairtrade International assesses four aspects: i) the overall scheme, ii) the equivalence of the standard, iii) the assurance model equivalence, and iv) the equivalency of the oversight mechanism. The assessment was carried out through desk research, exchanges with the FWF staff and an on-site verification of an audit. The procedure determines that the Director of S&P makes a recommendation on the recognition of the scheme while the role of the Oversight Committee is to issue a recommendation on the of both the assurance and oversight of the scheme assessed. The Standards Committee decides on the equivalency of the scheme and the standard and takes the overall decision on recognition of the FWF scheme.

For the recommendation of the Director of S&P, the FWF was evaluated against a list of ISEAL credible practices. While the FWF scheme scored 64% in this area, the minimum score to issue a positive recommendation is 75%. The areas where differences were found are: keeping independence between the companies audited and the oversight in assurance, lack of independent accreditation, lack of procedure for the revision of the CoLP and some divergence between policies and the CoLP (e.g. living wage). In consequence, the recommendation of the Director of S&P is not to recognize the FWF scheme. This recommendation is done from a third party certification point of view. Fairtrade recognizes the best practices that FWF carries out in different areas but the recognition is not recommended since there has to exist an equivalence between the Fairtrade and FWF schemes on assurance, oversight and standards. The Director of S&P acknowledges that the recognition process has been an important learning process for both organizations and shows potentials for collaboration in other areas.

Decision 1:

The SC agrees with the S&P Director recommendation to not recognize the FWF scheme from a third party certification point of view.

All votes in favour.

For the recommendation of the OC on the equivalency of assurance, it was looked at whether the assurance model used by FWF whilst not being equal to the Fairtrade assurance model described in the Requirements for Assurance Providers is sufficiently similar as to consider them equivalent. From 43 assurance principles, 25 were found equivalent (58% while for equivalence a minimum of 75% is required). The reason for the low overlap is that FWF considers compliance as a responsibility of members and concentrates more on verifying efforts by members to implement the CoLP. Their step-by-step approach to implementation, flexible timeframe for compliance, scoring system for performance, no requirements for audit of full supply chain amongst others are the main differences to the third party and regular assurance system that Fairtrade implements. On the other hand, the following strong areas of the FWF were highlighted: involvement of buyers in improving labour conditions of the suppliers, complaint hotline and complaint handlers, close involvement with local stakeholders and off-site interview with workers.

The OC recommends to the SC that the FWF scheme is not equivalent in terms of assurance, from a

certification point of view.

Decision 2:

The SC agrees with the OC recommendation that the FWF scheme is not equivalent in terms of assurance.

All votes in favour.

For the recommendation of the OC on the equivalency of oversight, it was looked at whether the oversight used is fully robust and therefore Fairtrade's oversight can rely on their conclusions without having to apply own oversight. This is demonstrated by using a national or international accreditation body. The FWF doesn't have ISO17065 or equivalent national accreditation. The oversight is done by the board and expert committee which has members which are the businesses audited with 50% voting rights. This has the potential for a conflict of interest in decision-making. There is no oversight procedure available in the public or documents provided by FWF. The score for equivalency in oversight is 43.75%.

The OC recommends to the SC that the FWF scheme is not equivalent in terms of oversight.

Decision 3:

The SC agrees with the OC recommendation that the FWF scheme is not equivalent in terms of oversight.

All votes in favour.

For the recommendation on the equivalency of the standard, the Fairtrade Textile Standard was translated from 183 requirements into 63 essential principles. The desktop evaluation and onsite evaluation of the FWF CoLP against the Textile Standard resulted in 33 equivalent principles and 30 not equivalent. The main gaps were found on the lacks of an interpretation/guidance document as well as an audit checklist with clear compliance requirement, also there were major differences observed in the interpretation of the CoLP in the policies as well as interpretation during an onsite audit (e.g. while the code requires living wages to be paid, the policy requires only minimum wages to be paid and work on improvements, while freedom of association policy is detailed, the auditors instructions diverge).

Considering the high level of non-equivalency in most principles, S&P recommends non-equivalency on the standard.

Decision 4:

The SC agrees with the S&P recommendation that the FWF CoLP is not equivalent to the Fairtrade Textile Standard.

All votes in favour.

Considering the high level of non-equivalence that included the recommendation of the S&P Director on non-recognition of the FWF scheme, the recommendations of the OC on equivalency of assurance and oversight and the recommendation of S&P on equivalency of the respective standards, S&P recommends

that the assessed scheme is not recognized.

Decision 5:

The SC approves the non-recognition of FWF scheme as equivalent to the Fairtrade Textile Scheme.

All votes in favour.

The SC reflected on the strong focus on recognition based on certification systems and on whether after a first assessment the process could have been stopped. It was noted that the going thought full process was important to assess other forms of collaboration.

Next steps

- The SC decision will be communicated to FWF, with an opportunity to comment, and potentially re-tabled should FWF comments lead to any substantive changes in our assessment.
- Identify other areas of collaboration beyond the recognition process. The Textiles Manager identified other areas of collaboration like allegation procedures, living wage incubator, joint trainings program development and exchange at auditor's level. Additionally, the Textiles Manager will explore the interest of the FWF in recognizing Fairtrade trainings for brand performance ratings.

Item 7 – Living Income strategy and progress

The Senior Advisor Sustainable Livelihoods (SASL) introduced the Living Income (LI) strategy, a roadmap for improving farmers' income, which includes three key components: i) sustainable pricing and market development, ii) sustainable yields and cost efficiency and iii) advocacy for an enabling environment. The living income benchmark is consistent with the methodology of Living Wage. The SC and the SASL discussed Fairtrade's Living Income strategy and acknowledged that FI is pioneer in this subject. The SASL explained that the concept of Living Income and the benchmark methodology are in line with ISEAL and other organizations who are actively engaged in this subject. However, FI is at the forefront of implementing LI. The ambition of FI will be achieved through the roadmap presented.

In the discussion, the SC suggested that the terminology used to define the living income reference price should be reviewed and improved to avoid confusion with the current use of the terms in the system, e.g. hired labour (HL), sustainable pricing, etc. One of the SC members mentioned that workers hired by farmers are not only paid with legal tender but also in-kind. Therefore, it should be reflected in the living income calculations. The SC members also discussed and commented that the model builds on theoretical assumptions and the methodology is generalised to a single crop scenario, which does not address necessarily reflect the reality of producers. The SC advised that a pragmatic approach should also be considered. The SC and the SASL all recognised that achieving LI needs broader collaboration and partnership, internally with NFOs and externally with NGO networks.

Another concept introduced as part of the LI strategy is the Fairtrade Living Income Reference Price (FLIRP). The FLIRP still needs to be further explained and the methodology for its calculation and implementation needs to be developed. Therefore, The SASL is setting a methodological project with the objective to define the concept, principles and methodology for calculating and implementing a FLIRP.

The project specific objectives are:

- The identification and description of the variables to be considered as part of the reference price calculation (i.e. cost of decent living, farm size, productivity, diversification level, Fairtrade sales);
- Methodology for calculating the FLIRP as well as data requirement for running the calculation;
- Definition of the formula to calculate living income reference prices;
- Definition of procedures for consultation and decision making related to the establishment of living income reference prices (“regular” price setting procedures or others);
- Development of implementation guidelines.

The following activities are part of the scope of the project:

- The project will follow the S&P procedures and the final recommendation will be presented for SC decision;
- Development of models and research approaches for the establishment of living income reference prices;
- The Living income Working group is the key working group to develop the methodology and the concept but it is also responsible for further consultation within stakeholder groups;
- Development of guidelines for implementation of living income reference prices;
- Pilot projects to test methodologies for specific product categories and regions: In West Africa for cocoa, in Madagascar and Uganda for vanilla, a new method of collecting data is tested, Fairtrade needs to learn and try out different approaches, to understand which is the most viable way;
- Identifying how it affects standards, changes in standard requirements or in audit procedures that need to be addressed;
- Incorporating this new tool in the Pricing SOP.

Establishing a Living Income Reference Price for cocoa

A household income study in Cote d’Ivoire (CDI) was carried out and with this it was possible to arrive at a proxy of living income benchmark and calculate the actual income cocoa farmers receive in CDI.

Major findings of the study include:

- 58% of households in CDI live in extreme poverty
- Only 12% of households earn a living income in CDI
- Average income is 2707 USD which is 44% of a living income
- A productivity benchmark helps us to understand what feasible yields are. In CDI, 76% of farmers are in low productivity, 22% in middle productivity, only 2% in high productivity range. This was followed by a workshop with lead farmers, to ask what is realistic for them. Their response was in the mid yield range.

The SC commented that the high productivity is probably not the optimal sustainable use, as this likely includes pesticide and fertilizer use and dependence on high quality seeds.

Cocoa price review consultation

In the 1st round of consultation, it was asked about the concept of a living income reference price, and what would be a viable way to implement this. The results of the consultation were:

- Overall agreement that morally Farmers should receive a LI. However, the implementation or imposition of a LI now would come with a big risk of losing market share. As a first step, Fairtrade should first increase the FMP in the current cycle of review
- Important advocacy tool for awareness rising.
- Preference for a mandatory approach

Pilot projects

Pilots are part of the scope of the FLIRP project lead by the SASL. Pilots aim at the implementation of a multi-dimensional LI approach with commercial partners willing to pay the differential on a voluntary basis where Fairtrade aims to demonstrate what is needed to deliver on living incomes.

It is still in discussion who these commercial partners will be. SC commented that it will be important to include the whole supply chain, especially taking into account the Oxfam report from last week emphasizing the power of retailers.

At the moment, there are only pilots for cocoa, because there is a farmer income baseline data. The aim is to extend to bananas and coffee in the coming years. Pilots are supposed to contain the whole elements of the living income implementation strategy. However the different parts can already be implemented in different crops in different realities. Strategic Premium investment is also an issue in the current SPO review.

With the living income benchmark, the needed productivity, which leads to farm income, and the needed farm gate price, can be calculated.

Living income activities in coffee

- Design and testing of farm record keeping tool in Colombia, Guatemala and Nicaragua for improved data collection of cost of production and farm income;
- Basis for building farm management capacity of producers: informed decision making for optimizing profitability;
- Enables gap analysis in comparison to LI and productivity benchmarks;
- Input for establishing Living Income Reference Prices.

Sustainable pricing for vanilla

The objective of this project is to reduce vanilla price fluctuations and consequently stabilize the supply of good quality vanilla, through establishing a reference price which enables vanilla farmers to achieve sustainable livelihoods (make a living income).

Fairtrade was approached by a group of traders and also the GIZ (German Corporation for International Cooperation GmbH). Reference farmers are committed to keep records and they are representative of the vanilla farmers in Madagascar, enabling reliable data. One focus is to especially involve younger farmers (e.g. through digital tools). In the vanilla sector, there are currently extreme price and quality fluctuations.

Fairtrade's offer is to determine key household income parameters of vanilla farmers, based on existing and complementary industry and research data, and establish a living income reference price for sustainable vanilla.

Currently, the market price is 10 times higher than the FMP; a crash of the price is expected anytime.

This also opens a different view on services that Fairtrade can develop in the future.

Decision making

The SC is asked to agree on the decision making procedures, not the concept or price as such. This is about setting a concept and methodology to calculate FLIRP. It is a methodological project like quick entrance or price extension which are eventually tools for pricing team to implement in all products.

The SC agreed / approved with the following procedures to be followed:

- The SC is responsible for approving the concept and methodology for calculating the Living Income reference price following the S&P procedures as outlined in section 3 of the paper presented to SC.

7 in favour, approved unanimously

- The Pricing Team will be applying the approved methodology to develop its pricing proposals as part of regular price reviews going forward.

7 in favour, approved unanimously

The project will follow all procedures in place, but not consult necessarily all the producers, targeting some representative groups. It is pointed out by the SC that it is important to connect this to standards work as this likely involves requirements and tools to be implemented in the (SPO) standard. If this is not approved in standard consultations, this might lead to problems. It is again mentioned that data collection is always challenging for producers.

An open question is that once there is a methodology, and the pricing team develops FLIRP, what type of decision making exists for these prices. S&P asks for guidance by the SC, this is not for decision. This is similar to the Living Wages (LW) approach last year. S&P works on the price, SC decides, the Director of S&P points out that there is no real alternative to this and this is acknowledged by the SC.

Next steps

SC requests to be updated regularly, twice a year, through a project update.
SC to receive the presentation (for internal use).

Item 8 – SPO review

The objectives of the session were:

- Recap of project to bring new members up-to-speed
- Update on second round of consultation
- Present key features of main proposals
- Present next steps

Approach 2nd round - development of technical proposals:

After analysing the results of the 1st round, for each topic the Standards Team put together the aim of the proposal, the proposed changes, how it would look like in the Standard and the implications. The proposals were discussed in a 3 day meeting with the extended project team (including Producer Networks, PNs and NFOs). Guidance by the SC was also received.

For the 2nd round, no workshops organized by the Standards Team will take place, but bilateral meetings can happen on request. Additional supporting material provided by the Team consists of an introductory video available on the website, webinars (PNs, NFOs, FI) to inform stakeholders, and a document comparing the existing standards with all the proposed changes.

PNs lead consultation through workshops (CLAC) and the Network of Asia and Pacific Producers (NAPP) and Fairtrade Africa (FTA) through their operations.

Update from 2nd round:

The consultation is likely to be extended by one week. The Team shared their concern about the low response so far. It is usual to have lower responses for second rounds (compared to the 1st round) but the numbers are not too high and the Team is reaching out to the PNs on this matter.

CLAC reported that they are currently processing the information from the workshops (20 workshops in 15 countries). NAPP shared that workshops were conducted in Sri Lanka, Indonesia, Philippines, and half of India. The data is already gathered and being processed by an internal SPO working group. FTA will follow up on this.

Workers in SPOs

The topic of Workers in SPOs was not covered in the 1st round of consultation. For the second round a proposal including some changes is included and a full review of the chapter on labour conditions will follow once the results of a mapping and contextual analyses are available. A [call for tender](#) for this study is now out.

National legislation

Item 10 - Discussion on the Dominican Republic interpretation today in the SC meeting is relevant for this topic.

Trading with integrity

A new requirement is proposed to prevent bad faith practices. It was difficult to define a requirement that covers all cases, so this is subject to change based on stakeholder feedback. SC asks the Standards Team to take into account the European Union (EU) policy on unfair trading practices.

SPO definition

Proposed changes are to increase the number of members that have to be small farmers to 75% and introduce a maximum land size (proposed is 3 times the average of the SPO).

Head of Standards confirms that this could mean that SPOs are asked to phase out big members. The Standards Team is also looking into member lists to understand the implications of the changes, and there will also be the results of the consultation as a basis for decision making. A new idea to explore input from auditors is explored and a short survey asking about the land size and number of workers will be sent to auditors.

The suggested transition period for this requirement is 2 years. SC asked the Standards Team to make sure to not exclude (large) members that reached living income. The SC raises concerns that if the average size is very low, farmers cannot be sustainable, and SPOs might exclude very small members to have a higher average and include bigger members. The SC signalled to the Standards Team the potential for manipulation of averages. It is also a concern for the PNs that SPOs with very small averages can only include small land sizes, while for SPOs with a high average it is possible to include very big members, this might be disadvantaging for some producer groups. Asian producers suggest indicators per region. NAPP also puts forward the difficulty for SPOs that are certified for several products in case different averages apply.

With the increase from 50% to 75% for the Fairtrade volume to come from small members, there is no possibility to assess the implications based on the information from the members' list as this information is checked by the auditor on site.

Development potential

The introduction of entry requirements lead to a risk to work with best of class only and this is made clear in the consultation proposal. The NAPP raised concerns that if the organization has to exist for 2 years, the market will not wait. It was suggested to work with field program officers instead to assess if producers are ready for certification.

The Standards Team is happy to receive ideas on how the PNs could play a role in the process of certification, e.g. NFOs/PNs receiving information from FLOCERT on applications.

Fairtrade Premium

The main features of the proposal are:

- Needs assessment put from Year 6 to Year 1
- Premium reporting on a regular basis
- Additional guidance on premium, in line with Living Income strategy

There were different views from members of the SC on the need of a Premium Committee. While some members expressed that regardless of the number of members, this committee is important for the governance of Premium, others expressed that it may not be practical in the case of smaller SPOs.

While in HL, 20% of FP can be distributed in cash, Standard provides clarity there, in SPO there is a lot of freedom on FP use and there have been cases where the Premium has not been used appropriately. A member suggested to include a threshold or guidance on how much can be distributed as cash. The Standards Team explained that as per the results of the 1st round of consultation, the freedom on Premium use is kept as it is now for the proposal as this is seen by stakeholders as the key of the empowerment in Fairtrade. However, it is complemented with additional guidance on how the Premium should be used and requirements on transparency of Premium.

The following suggestions were given for further consideration:

- Mismanagement of FP should be year 1 or when they receive Premium
- Land and water rights: the two issues should be separated
- Water for irrigation: Suggestion to not put emphasis on quality, but on no-contamination, take into account that this requirement could be non-applicable

Transition period: It is not yet defined for all requirements, usually the Standards Team makes a proposal and then it is decided by SC. If a longer transition period helps to accept the requirement, then this is further assessed. This will be included when the topic is presented for decision.

Item 9 – 20% premium cash distribution

Introduction/ background

The discussion was brought to the SC as a result of a discussion that SC member had with FTA regarding requirement 2.1.20 of the HL standard on optional distribution of Fairtrade Premium to workers. It was mentioned that the 20% cash distribution is a welcomed element; however the part in guidance section that states that it is encouraged to consider distributing cash distribution on a needs basis could lead to a potential contradiction, as some stakeholders understand this as a must. The presenter suggested that this part needs to be deleted to avoid the confusion. It was also suggested to change the word equitable to equal.

Discussion

An SC member mentioned that it is important to give more guidance so as to have more clarity on how the FP should be used. Another member felt that the workers would need to be consulted as this affects them. Another SC member said that in practice it is very difficult to distribute premium on a needs and equitable basis. It was added that there have been some challenges in interpreting the requirement especially because of the seasonality of the workforce. The senior advisor for workers' rights briefly presented a paper that gave a summary of feedback from workers and management in 2016 flower and banana study for African origins regarding FP. He mentioned that there will be more attempts to capitalize on how to maximize FP to use to fill the living wage gap.

It was agreed that the Standards Team will revise the guidance of the requirement to reduce the potential discussion. The revised guidance will be shared with FLOCERT and FTA to make sure that the organisations understand the requirement.

Next steps

The Standards Team to provide an update in the next meeting.

Item 10 – Dominican Republic interpretation

Introduction/ background

The topic is brought to the SC for information and guidance. The aim of the session is for the SC to be informed on the background of the topic, the legal opinion and the different points of view of Fairtrade actors.

The Director of S&P acknowledged that the legal opinion is a predominant input for the discussion and that although this is relatively new for SC discussions, it can be expected that to happen more often in the future as legal compliance is one of the attention areas of the FI Board. This may create challenges because historically FI had followed a more rights based approach.

The Head of Standards gave a brief background regarding why the DR policy was established: following the request from HL companies in the DR and due to the lack of a sufficient legal framework that guaranteed the regularization of migrant workers in the DR, FLOCERT developed the Policy on Migrant Labour in the Dominican Republic for HL companies in 2008. This policy was extended to SPOs in 2014. The FLOCERT policy which sets the criteria for compliance with the Fairtrade Standards' requirements on freedom from discrimination was updated over time to respond to the changes in the context and legal framework in the DR and was translated into compliance criteria (CC). The last update took place in 2014. Changes to the FLOCERT policy were done in consultation with FI and relevant stakeholders. Instead of requiring full and immediate compliance with the national legislation, which would require employing only workers with a valid working permit, the FLOCERT policy is more flexible as the producers can employ and start the regularization process after having employed the migrant workers.

In 2017 FLOCERT asked FI to take ownership of this policy. As part of the review process to convert the FLOCERT policy into an interpretation note, S&P gathered various inputs (e.g. legal opinion) and consulted with the different stakeholders (CLAC, GPM bananas and Senior advisors). The views of the stakeholders are presented for information and as input for the SC guidance.

Discussion

Regarding the implementation of the current FLOCERT policy, the CLAC noted the progress that the banana sector has done in regularizing the migrant labour force but observed that challenges remain. In particular, to regularize the new migrant laborers who arrive to the DR undocumented. To document these workers is a process that may take more than a year and is out of the hands of the organizations as it depends on governmental authorities. GPM bananas emphasized that, contrary to the situation prior to 2014, there is now a sufficient legal framework to regularize workers, which makes the FLOCERT policy obsolete and highlighted that the market expects Fairtrade to act accordingly. FLOCERT staff also confirmed the progress made by Fairtrade organizations in this area and highlighted that if the policy is phased out an increase on non-conformities can be expected. At the same time, FLOCERT also expressed concern of keeping a policy that is not in-line with national legislation and acknowledged its legal risk.

The legal opinion outlines the risks of the current policy and recommends the phase out of the policy. The Senior Advisor on Workers' Rights and TU relations expressed his concerns regarding Fairtrade becoming a mere enforcer of national legislation in particular in countries where legislations do not uphold human rights. His recommendation is that the phase out of the policy should give sufficient time to regularize their migrant labour force, that the rights and needs of the workers that are currently employed in Fairtrade organizations are considered and that any future consultations on this matter should involve the agents of this group of workers (e.g. local trade unions).

The Standards Team presented the 2 options: (a) To keep the FLOCERT policy via an interpretation note revising the compliance criteria or (b) to phase out the FLOCERT policy. Pros and cons for both options

were presented for the SC to give guidance the way forward.

Guidance from the SC

There were different views among the SC. On one hand, the members cautioned that FI should seek to reduce the reputational and legal risks. It was acknowledged that modern slavery legislations are relevant for this discussion and therefore a phase out of the policy is desired. A suggestion was given to comply with the legal requirements but allowing a transition phase for a period of time, differentiating between the existing migrant workers employed in Fairtrade organizations and new migrant workers.

Next steps

The Standards Team to convene a group of key stakeholders to assess/agree next steps. SC will be updated in September. The next revision of compliance criteria takes place in Q4 and suggestions for changes could be sent to FLOCERT by mid-October.

Item 11 – AOB, Next meeting date, Closing

Hazardous Material List (HML)

Background

In 2016 the list then called Prohibited Material Lists (PML) was revised and the SC approved a new set of criteria and revised Hazardous Materials List (HML). An explanatory document was due and just recently released as part of the set of supporting materials. In the meantime some of the materials of the Orange List have been prohibited by the EU (e.g. neonicotinoids) and others like glyphosate are under discussion. Concerns were expressed that materials prohibited by the EU are not part of the red list. The Head of Standards clarified that materials listed in governmental regulations were purposely not listed as criteria to classify materials as often the lists are compromises of political process and FI opted for an approach based on intrinsic risk. Also, materials in the Orange List can be used but under restricted conditions including a phase out plan. However, it was acknowledged that the developments in the regulatory scope are relevant and a revision of the HML with focus on neonicotinoids will be considered in the planning process for 2019.

Next Steps

The SC recommended having a closer monitoring of this topic, at least once a year.

AOB

The current Director of S&P announced that Gelkha Buitrago had accepted the role as the new Director of S&P.

Request for revision of prices of coconut blossom sugar under H&S. NAPP to liaise with Head of Pricing.

Dates for next meetings

27th and 28th of September for SC

25th and 26th September for OC

Towards the end of July it will be communicated to SC members on whether the meeting is physical or virtual.

Director of S&P to present proposal for dates in 2019