



# **Standards Committee Minutes**

## **Meeting 81: 27-28 September 2018**

### **Physical meeting**

**Present:**

SC members: Martin Boon (Chair), Martin de la Harpe, Miguel Mateo Sebastián, Iresha Sanjeevanie, Emilie Sarrazin, Martin Schüller

**Remotely:** Doreen Chanje

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

Fairtrade International Monitoring, Evaluation and Learning: Harveen Kour

**Observers:**

Sonja Altrock-n'Cho (Legal Advisor, FI), Monika Berresheim (Global Product Manager, Fairtrade International), Martin Blaser (Banana Product Manager, FI), Silvia Campos (Global Product Manager Bananas, FI), Felipe Cavallini (FLOCERT), Melanie Duerr (Global Product Manager Flowers (Fairtrade International), Wilbert Flinterman (Senior Advisor Workers Rights & TU Relations), Theresa Glammert-Kuhr (Certification Scheme Manager, FLOCERT), Sarah Koegh (FLOCERT), Andreas Kratz (Director of Global Products, Policy and Programmes), Nicole Michelbach (Head of Global Planning & Board Support, Fairtrade International), Marla Naidoo (FLOCERT), Chris Schmeling (Regional Coordinator Eastern Africa, FLOCERT), Anita Sheth (Fairtrade International), Anneke Theunissen (CLAC), Johannes Wolpert (FLOCERT).

**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.

**Item 1 – Opening**

**Agenda:** The Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC) sent a letter requesting that the item 6 on rogue trade is not discussed in this SC meeting. SC discussed the objections raised by CLAC and decided to keep the discussion in this SC as planned. An official response to the letter will be sent to the CLAC.

The agenda was approved.

**Conflict of interest:** a conflict of interest was declared by the representative of traders in the discussion on the flower Premium.

**Review actions from last SC:**

- Changes in the Hired Labour (HL) Standard regarding guidance on cash distribution were published.
- The changes in the Trader Standard on the group mass balance deadline were published.
- A project on orange juice and limited review of hazardous materials list has been included in the draft work plan of S&P for 2019.
- The topic on the FLOCERT interpretation in Dom Rep is tabled for discussion in this meeting.
- A proposal for dates for SC/OC meetings has been shared with the SC members.
- Progress on living income work will be shared with the SC in future meetings.
- The Fair Wear Foundation was informed about the results of the recognition process.

## **Item 2 – News session**

### **News from the Board**

- There is no news from the Board.

### **News from SC**

- Warm welcome to Emilie Sarrazin to her first physical meeting.

### **News from OC:**

- The Chair of the Oversight Committee (OC) shared the main points discussed during the meeting, including a decision on Fairtrade Canada as assurance provider, an update on rogue trading and label integrity and a session to define training needs and priorities.
- It was suggested to have a closer look to the topics on the OC and SC agendas to avoid duplications.

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

- First meeting for the new Director of Standards and Pricing (S&P)
- In the Standards Team, a colleague was promoted to a Senior Project Manager position and a new Standard Project Manager was appointed. The Assurance Manager is now working full time.
- In the Pricing Team, a new Pricing Project Manager will work on tier 2/3 price reviews for a period of a year.
- A Technical Assistant is being recruited for a period of 12 months.
- S&P is currently developing plans for 2019. Next week Fairtrade International will have 2 away days to discuss plans for the coming year, amongst other topics.

Action point: To share an updated organigram from the whole organization and from S&P.

## **Item 3 – S&P Director's Decisions**

The SC was updated about the decisions taken since last SC meeting. These included changes in the HL, cereals and oilseeds and oleaginous fruit standards and setting a premium for flaxseeds.

## **Item 4 – Banana Price Review (BPR)**

### **Introduction/Background**

The Banana Price Review started in January 2018, with the cost data collection taking place from April to July, and the public consultation on the price proposals from August to September. The collection of cost data lasted three months, when in previous price reviews the time needed to collect costs was only one

month. As consequence, consultation period was reduced to three weeks even though the Standard Operating Procedure (SOP) for the development of FMP and FP requests as minimum one month for consultation.

There were 12 workshops held by CLAC in seven countries in LAC with a total of 68 certified producers, this resulted in seven consolidated cost sheets that were sent to S&P.

There were no workshops in Africa. Max Havelaar France helped to organize meetings with companies that have vertically integrated supply chains in Africa so that the feedback on costs was received. This helped to build trust and enabled sharing of useful data.

S&P additionally collected 12 cost sheets from individual producers. In total, there were 19 collected cost sheets –including the consolidated ones-, which means a response rate of 35%.

During the consultation round Fairtrade International received responses from 17 certified producers, nine exporters (double number of responses compared to previous years), and four importers. This is a response rate of only 10%. A possible explanation for the low participation is that the consulted values were in line with what producers suggested in the data collection.

### **S&P proposal**

The Project Manager explained in detail how price proposals were made based on the data collection and consultation, with the example of Dom Rep (EXW and FOB differential).

Discussion points were for example on figures for pesticide inputs as it is not possible to assess the extent of pesticide input and if this is still in line with sustainable production principles. Another point was the costs of transport to the feasible ports, especially in Ecuador, Dominican Republic, Costa Rica and Panama. These points need a deeper analysis in the next review (see next steps). Some costs could be amended as soon as it is clearer that they should be entered in the tool, e.g. it should be entered the whole production volume and not only for the Fairtrade banana production; the need to be aligned with the standard packing materials that are defined in the Fairtrade Standards for Fresh Fruits, the number of workers per hectare.

The prices for African, Caribbean and Pacific Group of States (ACP) and non ACP countries are based on the average of the country-specific prices. It was clarified that the S&P does not differentiate prices for banana for SPO and HL. For the moment the biggest amount of bananas come from SPOs. However, this might change as there is more importance attached to risk management to create due diligence in the supply chain and compliance with national laws. Also, it is important to note that there are some supermarkets switching to 100% Fairtrade bananas.

The SC commented that there should be a plan to build the capacity of all producer networks to be more active in supporting the consultation process.

### **Points for decision-making by the Standards Committee**

#### **Decision 1: Approve the proposed 17 EXW FMPs**

**The SC approved the proposed 17 EXW FMPs.**

All votes in favour.

#### **Decision 2: Approve the proposed 17 FOB prices (EXW-FOB differentials)**

**The SC approved the proposed 17 FOB prices (EXW-FOB differentials)**

All votes in favour.

#### **Next steps for S&P:**

- Send price announcement, update the price table and include examples on how to prorate the FOB FMP to different presentations than the ones defined in the standard.
- Provide FLOCERT the table with the price of the standard carton box of 18.14 kg
- Discuss with CLAC on the possibility of setting FOB prices per port in the next banana review
- Raise awareness in CLAC and other producer networks of the importance of high participation in consultations.
- Pricing Team to provide a market overview for banana with focus on the impact of prices. To be presented prior to the meeting where results of the banana price review are presented.

#### **Item 5 – Project Updates**

##### **Tea Pricing and Standards Review**

The Project Manager introduced the project to the Standards Committee.

The request for the Tea Standards review came from the Tea Global Product Management (GPM) in December 2017. This request was put through as one of the actions to respond on the issues with worker's occupational conditions in Tea estates in North East India (NEI). This response was initiated by the NEI working group and was approved by the NEI Steering Committee as part of the Global Tea Strategy. This strategy comprises of work streams through engagement with various teams: communications, engagement with producers and workers, MEL, advocacy and standards and pricing.

The Tea GPM engaged with S&P to define the best option for the scope of the Tea Standards and Prices review. One of the main objectives for the price review is to include the costs of sustainable tea production (COSP) in the Fairtrade Minimum Price (FMP) calculation and revise the Fairtrade Premium (FP). The main objective for standards review is to seek solutions for improvement of social and economic benefits for workers working on the plantations and in the small producer organizations. A project team for this review was been set up. The revised project assignment was published on the website of Fairtrade International. The project aims at having new standard and prices published by end of 2019.

The following steps are: to develop the COSP tool and collect data in all regions (Africa and Asia) and to develop the proposals for consultation taking place in Q1-Q2, 2019.

##### **Fairtrade Premium for potatoes**

Potatoes are considered a minor product. For minor products, according to S&P procedures, the decisions are delegated to the Head of Pricing or S&P Director and only reported after taken to the SC. However, given the stakeholder input on the proposed change, the topic is brought to the SC for guidance.

Usually, when introducing new minor products, a quick entrance (QE) model applies (commercial price + default FP percentage 15%). Then, when stakeholders requested a review of prices for potato (set before QE model was set for minors) the Pricing Team proposed a QE model. The difference is that the stakeholders requested to set a FP level different (lower) than 15% (in this case, 8%). Given there is no specific limitation to 15% level, the Pricing Team took this proposal and consulted with the certified producers and traders and relevant stakeholders. Key stakeholders were against the proposal as they were concerned about creating a precedent for lower premium levels and questioned the impact this reduced premium would have on workers. Given the lack of support for the proposal the recommendation

of the Pricing Team is not to change the current level of Premium. The presenter also highlighted that this case emphasizes the need to work on Fairtrade Premium guidelines.

The SC endorsed the recommendation from the Pricing Team to not accept the request for decreasing the Premium value. However, they asked to consider the possibility setting a pilot with success indicators to test whether a lower Premium still brings substantial impact and to check whether the volumes previously committed are indeed confirmed.

### **Item 6 – Rogue Trading / Label Integrity**

The project lead on rogue trading presented an update.

Rogue Trading has been identified as an issue of concern for the Fairtrade system. In May 2017 a report was issued compiling information on dishonest trade practices and possible solutions with focus on banana and coffee. The main recommendations covered the following areas: standards, certification, oversight, NFOs and PNs. Label integrity has been recently highlighted as an area of interest by members and work on both rogue trading and label integrity has been merged under one project.

In the area of standards, based on the recommendations of the rogue trading report changes were introduced in the Fresh Fruit Standard. Other changes are being considered in the ongoing review of the SPO Standard.

In the area of oversight, the 2.0 RAPs that will be published in early October also includes changes for assurance providers so they can have better tools to identify dishonest practices like a stronger sanction policy, risk based policy and additional requirements for re-certification.

In the area of assurance, FLOCERT has implemented various measures to address dishonest trading practices, this includes: focused audits, risk based auditing, training to auditors, strengthening of allegation procedures and unannounced audits. Mid-term FLOCERT is considering partnerships with governmental bodies and producer networks (PNs), amongst other measures. Long-term new assurance models are being looked into.

Communications is the last work stream of this project, looking into revising our messaging on key topics but also developing new messaging on Fairtrade's response if dishonest practices are found.

The topics of role of traders and supply chain engagement are the areas for further work.

The SC suggested that the role of PNs should be more visible in the proposed way forward/planning, as well as role and inputs from NFOs.

#### Next steps:

- Standards: Monitoring review of Trader Standard to identify areas of improvement of requirement on trading with integrity; finalize proposals for changes in SPO Standard and present to Standards Committee in November 2018; coffee review in 2019 to address product specific practices.
- Oversight: publication and implementation of RAPs for Assurance Providers in October.
- Assurance: Continue implementation of on-going and planned measures.
- Communication: work on development of additional messaging on rogue trading practices.
- Round table discussions (per product, on a year basis) to assess if the tools that are being developed are fit for purpose and make changes accordingly.



### **Item 7 – Cocoa Price Review**

The Project Manager (PM) provided an update on the second round of Cocoa Price review consultation.

The goal of this project is to review the Price and Premium and explore ways to optimize the household income, in line with Fairtrade's living income strategy.

The 2<sup>nd</sup> consultation seeks to: propose FMP and FP values for both conventional and organic cocoa, and to propose a pricing model which is relevant for all countries including those with government pricing systems and those without. The consultation was carried out through an online survey in three languages, regional producer workshops and trader interviews with key accounts. In total 250 responses were received from 32 countries, of which 195 responses were considered complete and valid.

The consultation includes the topic of the price level and the proposed prices for conventional and organic cocoa. In particular, two options were consulted for price regulated markets: a specific percentage of 95% or 100% of free on board (FOB) differential payable at farm gate. With the 100% option, a full amount of FOB differential is distributed to the members while the other option, 95% of differential is distributed to the members while 5% retains at the SPO to cover administrative costs.

The PM explained how the proposed prices for conventional and organic cocoa were established based on the results of the COSP study. Another option and its rationales on setting the organic FMP was also presented in the meeting: "Introducing an organic differential of 300 USD on top of conventional price/market price which is highest". The proposal for Fairtrade Premium was to either maintain 200 USD/MT, 240 USD/MT or a different amount. Other topics in consultation were on premium payment reporting along the supply chain, implementation date of prices changes, currency and price review cycles (from the current 5 years to 3 years). The preliminary results of the consultation were presented. Overall the proposed changes were well supported. For the next steps a compilation of all inputs and more detailed analysis will be completed. The final proposals will be presented for approval in the SC meeting in November.

The SC suggested incorporating the element of living income reference price (FLIRP) for decision making for cocoa in the November SC meeting. However, the approval of living income methodology is planned for the end of 2019. Thus the Pricing Team highlighted the challenge to incorporate a final FLIRP to support decisions for approval of revised cocoa prices. S&P will engage with the Sustainable Livelihoods Senior Advisor and provide available information on the Living income project at the time of decision making in the SC meeting in November 2018.

### **Item 8 – SPO Study**

Fairtrade International Monitoring, Evaluation and Learning (MEL) Unit presented the preliminary results of the study "Small Producer Organization (SPO) development, strengthening and resilience" done by KIT (Sustainable Economic Development & Gender) started in 2016.

The session focused on sharing the preliminary findings of the study, including specific interpretation made by MEL team. The specific results of the study are still in draft and will be published by the end of 2018. Other next steps are to prepare 2-pager summary of the study, and internal documentation (Q&A and Fairtrade management response).

### **Item 9 – Premium use Study**

Fairtrade International Monitoring, Evaluation and Learning (MEL) Unit presented the preliminary results of the study “Participatory Analysis of the Use and Impact of the Fairtrade Premium” done by LISIS. Many questions raised by the researchers were discussed with the SC. Questions such as: What is most of the Premium used for? How decision-making processes are embedded in the organizations? Awareness levels of members/workers about premium spending?

The specific results of the study are still in draft and will be published by the end of 2018. Other next steps are to prepare 2-pager summary of the study, and internal documentation (Q&A and Fairtrade management response).

### **Item 10 – FLOCERT policy on Dominican Republic**

#### **Introduction/Background**

Due to restrictions in the legal framework that sufficiently guaranteed the regularization of migrant workers in the Dominican Republic (DR), FLOCERT developed a certification policy in 2008 to interpret the Fairtrade Standards’ requirements on freedom from discrimination, first for HL companies and subsequently for SPOs. In 2017 FLOCERT requested FI to take ownership of this policy and in Q4 2017 S&P led an effort to update the policy. During this process it became clear that the positions of the relevant stakeholders on the topic were too far away to reach an agreement. The SC discussed this topic during its June 2018 meeting and provided guidance for the way forward.

S&P presents to SC a recommendation for the phase out of the policy and suggest next steps. The purpose of the discussion is for the SC to make a decision on the way forward for the phase out of the FLOCERT policy.

#### **Discussion**

S&P gave a recap of the background of the FLOCERT policy and presented the proposal for the phase-out of the policy. The reasoning behind the phase-out is because the policy was designed as an interim measure until sufficient legal framework was put in place, which now exists. In addition, compliance is one of the top priorities of the Fairtrade International Board and therefore the legal and reputational risks identified in the current FLOCERT policy provide the necessity of a phase-out of the policy. The phase-out will need to be conducted in the most responsible manner possible and the transition timelines will also be as reasonable as possible.

S&P also presented to the SC the SPO and HL requirements that would be applicable in case the policy did not exist. These requirements would be auditable after the phase-out of the policy.

The proposal for the phase-out of the policy was presented to the SC. One of the key elements is that for HL companies, as of the announcement of the phase-out of the policy, only workers with a contract that provides the worker access to social security can be employed by HL companies. For existing workers, a transition period of 3 months is proposed to give flexibility to the HL companies to ensure the regularization of their migrant workforce. Assistance from trade unions can also be organized in case employers chose not to support the documentation of their migrant workforce. The flexibility that exists on Premium use for purposes related to documentation of workers is proposed to be maintained until end 2019.

Similarly, for SPOs it is suggested that as of the announcement of the phase-out of the policy, only workers with a contract that provides the worker access to social security can be employed by SPOs. However, a longer transition period (9 months) is envisaged for SPOs to document their migrant

workforce.

The CLAC provided their comments to the proposal. In their views, the implementation of the proposed changes is not possible as obtaining the relevant documentation is not always possible for the employers/workers and depends highly on the Dom Rep and the Haitian governments and also due to the high rotation of workers in the sector. CLAC is working closely with the Dom Rep government to ease simplify the documentation needed to employ migrant workers but this process is complex and takes time. CLAC agrees that the policy should be phased-out but it should be done in a way that is feasible. There is a commitment from the POs and HL companies to further advance in this area but the timelines proposed will be a challenge and this needs to be taken into account. The CLAC also highlighted that ensuring the prolonged safety of the workers is important.

From the GPM perspective, the phase out of the policy is long due as the regularization of the workforce is possible. GPM highlighted that if the policy is kept, migrant workers without documentation face discrimination and the risk of being deported. Lastly, it was added that the phase out of the policy is needed to ensure a playing level field among different origins in Fairtrade.

#### **Points for decision-making by the Standards Committee**

##### **Decision 1: Approve the phase out of the FLOCERT policy for HL companies**

**The SC approved the phase- out of the FLOCERT policy for HL companies as presented in the paper with the following amendments:**

- Assistance from the trade unions and human right organizations should be organized
- 3 months transition period. In case NCs are identified, the regular timeline for correction of a maximum of 4 month applies.

6 votes in favor and one against.

##### **Decision 2: Approve the phase out of the FLOCERT policy for SPOs**

**The SC approved the phase- out of the FLOCERT policy for SPOs as presented in the paper with the following amendments:**

- 9 months transition period. In case NCs are identified, the regular timeline for correction of a maximum of 4 month applies.
- Assistance from the trade unions and human right organizations should be organized

4 votes in favor, 1 against and 2 abstain

#### **Next steps**

- Fairtrade International to instruct FLOCERT to make the corresponding changes in their compliance criteria as per the SC decision – Oct 2018
- Fairtrade International to develop joint communication with FLOCERT to inform relevant stakeholders
- FLOCERT to make the corresponding changes in their CCs/ workflow/ audit or staff instructions as needed
- Keep the SC informed about the progress in the phase-out of the policy

#### **Item 11 – Fairtrade Premium Sugar Pilot timelines extension**

The PM recapped the background information of the previous SC decisions on the Sugar premium pilot project. In September 2017 the decision was taken by the SC to extend the deadline of the pilot for 18 months from December 2017 to May 2019. The PM updated the SC on the current progress of the pilot project with a specific supply chain in India. The rationale of further extending the deadline included the

interest of one licensee to participate in the pilot. The terms and conditions of the pilot project were spelt out during the meeting, emphasizing the importance that the licensees participating in the pilot keep clear records of purchases and sales of sugar under the pilot conditions.

### **Discussion**

A SC member asked whether the model will be replicated in other countries if it is successful. S&P responded positively. It was further mentioned that this model could be used for thinking on “South to South” trade.

One SC member pointed out that the messaging in the packaging of the products sourced under this scheme need to present the right messaging; considering the current pricing scheme for sugar with no Fairtrade minimum price, only a fixed Fairtrade Premium. This will be dealt with by GPM and Fairtrade India. The SC member also mentioned calculating sugar COSP for India as the FP for pilot seems to be very low in comparison with regular sugar FP – it appears to be only 1/5 of the regular premium. The PM clarified the next revision for sugar price/premium is not planned yet, but that it could be assessed before coming back to the SC with a decision in 2020 taking into account the learnings from the pilot project.

### **Points for decision-making by the Standards Committee**

Scope: Fairtrade Premium level for Fairtrade sugar sales within India

Premium level: The FP level for Fairtrade sugar that is produced and sold to consumers in India is INR 1.000 per Metric Ton of conventional (non-organic) Fairtrade sugar. The FP for India will apply to the EXW level at the sugar mill. This does not imply any changes to the premium amount, as the premium is fixed

Timeline: This extension of the pilot project is proposed for 24 months from the date of expiry (May 2019) and until 31<sup>st</sup> May 2021.

**Additional requirements for participants:** In case the licensee sells in the retail market in India as well as outside, separate records should be kept for:

- Sugar bought with the differentiated FP for sugar sourced in India for sugar sales in India; and
- Sugar sourced in India with the regular FP (60 USD/MT or 80 USD/MT for conventional or organic respectively) for the export market

**The SC approved the terms and conditions of the extension of the pilot project for the FP for Fairtrade sugar sales in India, as detailed in the paper and presented in this session.**

All votes in favour.

Next steps: The S&P will continue monitoring the pilot project for sugar in India based on the sources of information for monitoring of the project (FLOTIS and MEL).

### **Item 12 – Preliminary results Coffee pricing model dialogue**

In this meeting, the PM updated the SC on the progress and the learnings gained so far. The PM recapped the preliminary learnings of the coffee pricing model and next steps. It should be noted that the last review took place in 2011 and that the FMP is currently active. The learnings of this project will inform any future pricing work in coffee.

The PM presented the Fairtrade coffee context, illustrating the coffee market prices in the past decade compared to Fairtrade Prices; the diverse supply chains in coffee which face different challenges in our context; as well as the concentration of the market power per buyer, exporter and producer organisation.

The PM presented the issues identified during the coffee dialogue, e.g., one size fits all model, quality, hedging- price risk management, Fairtrade losing or gaining attractiveness depending on the market prices , impact of FMP at farmer level. Considerations and recommendations are being drawn in the context of the project by the PM into different scenarios, such as when market prices are below FMP, market prices are above FMP. Some points mentioned and part of the coffee pricing model dialogue will fit into the next Coffee Standard review, and at a later stage when agreed, in a future price review. A key message is to have the dynamics of the price model for Fairtrade in practice clearly understood in the different market price scenarios; which will set the basis for any future work on coffee. In the meantime, supporting work can be done for example facilitating generic guidelines on Fairtrade price setting and guidance documentation like providing country guidance on FOB price deductions.

The PM explained the timelines and mentioned more insights will be shared in the November SC meeting. The next Coffee review is planned for next year, in parallel to the Trader Standards monitoring work. In March 2019, the review of the Coffee Standard will be started including scoping and feedback compilation.

### **Item 13 - SPO review**

#### Introduction and recap of project timelines, process, stakeholder participation

An introduction and a recap of the project so far were presented. After this SC meeting, the Standards Team will be drafting the final proposal to be presented to the SC for decision during their meeting in November 2018. The Standard is planned to be published in Q1 2019.

The 2nd round of the SPO review commenced on the 3rd of May 2018 and concluded on the 3rd July 2018 with a total of 373 stakeholders participating via the online survey. Overall the CLAC organized 20 workshops in 16 countries in Latin America region with over 300 organizations participating. The 2nd round of the consultation took a more technical approach as compared to the first round of the consultation and a total of 12 topics were consulted on.

It was noted that no workshops had been held by Fairtrade Africa and the Network of Asia & Pacific Producers (NAPP) during the second round of consultation. Therefore the SC asked that in future consultations, workshops should be organized evenly across the regions. However, the NAPP representative in the SC clarified that some of the countries in the region held workshops and the responses sent via the online survey/word document were collective input.

Due to time constraints, not all the topics of the consultation were presented for discussion and guidance of the SC. For some selected topics, the Standards Team presented the results of the second round of consultation and the thinking for the final proposal. Below a summary of the main points raised per topic discussed.

#### SPO definition

The following proposal was presented:

- Increase the percentage of members that have to be small farmers according to Fairtrade's definition to 2/3 of the members (>66%)
- To keep the differentiation between highly labour intensive products and those that do not depend on hired labour
- Less labour intensive products: adding the family farming definition and clarify that seasonal workers are allowed
- Highly labour intensive: 30 has limit (exceptions possible with an individual application)

- Indicators for fruits/vegetables, sugar, and tea
- Leave the 50/50 share for the volume

The SC suggested having a closer look at how medium scale producers can be considered and at the actual classification of labour intensive products. On the latter it was mentioned to consider whether a definition of seasonal and highly intensive products is needed. It was also shared the need to consider non-Fairtrade producers when developing indicators. A concern was raised on whether the proposal presented could lead non-fulfilment of contracts. A longer transition period for fulfilment with this requirement was recommended. Regarding the limit of land size, it was proposed that this also covers non-labour intensive products.

#### Management of production practices

Inclusion of the COSP as a requirement: it was presented that the proposal is not to include COSP as a requirement. To retrieve this information in the needed quality it is necessary not only that producers are trained on this topic, but also that Fairtrade International has a platform that enables to collect and the capacity to process and aggregate this information. It was added that indeed producers need to be aware of their costs to make good business decisions but that adding this as a requirement would have a limited added value and could tackled also through capacity building.

Internal Management Systems (IMS) for organizations with more than 100 members: it was commented that this requirement should be applicable as of year one to all organizations regardless of the number of members and that it could be implemented earlier. It was also noted that it is important to precise that this does not require a full time person but that a person responsible for IMS could also be responsible for other activities. Along the same lines, that it is important to clarify that this does not mean that a particular software has to be purchased.

#### Environmental development

Implementation of climate change adaptation activities: it was highlighted that the approach proposed was seen as too complex by some stakeholders. It was also shared that licensees are increasingly investing in climate change adaptation projects and that therefore it is important to know where exactly the problems are in terms of climate change so producers can take advantage of market opportunities. The suggestion is to provide additional information in the guidance documents. It was also highlighted that if organizations have already carried out training on climate change they do not need to do it again. Lastly, the need to work closely with FLOCERT to ensure that the intention of the standard is understood and evaluated accordingly was stressed.

Addition of water quality assessment as a topic for trainings: it was suggested to consider that assessment of water quality as more than an awareness raising issue.

New requirement on efficient water management practices: it was suggested that it should be clarified that the practices should be relevant and specific to the crop (crops (e.g. tea does not need irrigation) and assessed on whether this proposal needed a longer transition period. Lastly, it was again highlighted the need to work closely with FLOCERT so the requirement is understood correctly.

Reactive requirement on land and water use and land tenure: it was suggested to look into the UN declaration of the rights of peasants as food for thought and alignment with international conventions.

Centralized purchase of pesticides and chemical materials: it was suggested to clarify who should authorize pesticides.

Deforestation: the SC discussed the requirement and also whether to add a timeline as of when it should be introduced in the past (e.g. no deforestation since 200X). It was highlighted that the requirement needs rewording and clear definition on what deforestation is. It was also noted that there are different governmental initiatives interested in zero deforestation supply chains.

#### Development potential

The SC acknowledged that it has to be very clear what is required to show that the SPO is operational and that the definition of what is operational is challenging. For new SPOs there might be no transactions yet and a letter of intent should be sufficient.

It was suggested by the SC that a letter of intent should be required together with an additional assessment by PNs. This is an added task but it is difficult for someone who is not in the country to assess if an organization is operational or not.

#### SPO governance

Additional guidelines separating the role of Board members from that of management: the SC questioned why the requirement to separate the roles and responsibilities between the Board and management should be applicable for organizations with more than 100 members only. It is suggested that this could be an issue for organizations with less members as well, as it is also about the amount of money involved. The SC suggests it should be applicable to all organizations, regardless of the number of members.

Double membership: it is flagged by SC members that some producers (e.g. coconuts) are members of different SPOs, and double membership should be allowed if producers have more capacity than what can be absorbed by one SPO. Transparency needs to be ensured. The SC also questions how it can be controlled that one single producer is only selling to one organization and acknowledges that there is a big risk that transparency is not ensured. Objective evidence and transparency is needed

Additional guidance on defining Board term limits: it was highlighted that in some national legislation, as long as members are voted for, they can stay in the Board so this practice should be clarified in the requirement.

Limitation on non-members in the Board to reduce external actors' (e.g. traders) influence over organizations: the SC expressed that any non-members should only have an advisory role and should not have voting rights. Any advisory role to the Board should only be allowed if general assembly approves this. The Board should be for members, and if needed, advisors can be hired in an advisory capacity.

Sharing audit results with members from Dev to Core requirements: the SC suggested that it is added to the guidance that sharing of audit results is also possible verbally.

Surveillance committee to oversee the overall administration of the organization (including the use of Premium) on behalf of the members in order to enhance members' control over the organization: the SC flagged concerns that in order to establish such a committee, knowledge is needed, and questions how the capacity in the community is evaluated. However, it is also acknowledged that the introduction of such a requirement only makes sense if the committee is also functioning and does not only exist on paper. It was suggested that this requirement should be for all organizations, not only for the ones with more than 100 members. The requirement needs to be shortened and the guidance needs to be revised. If there is a good system already in place, it should not be an added burden.

#### Fairtrade Development Plan and Premium use

The Premium committee proposal received mixed feedback in the consultation. To apply the requirement only starting from a certain Premium amount (more than 150 K– external financial auditors and 750 K to have premium committee) would not make much sense as not many SPOs have such high Premium amounts, and most of them would be in bananas. SC argued that for those amounts, it would be enough to hire an external auditor.

It was also shared that the practice proposed is how it is being done, but that it does not need to be mandatory as transparency and democracy are already covered in the standard, corruption has to be found by auditors. A financial report does not necessarily guarantee transparent use of the Premium.

It is suggested that the number of members is not relevant, it is more about the amount of Premium.

The SC suggested having the amount of 150 K to require a Premium committee or equivalent system for transparency. SC also recommended looking into the issue of worker participation in relation with the findings of the study presented by MEL and evaluate what can be used for the standard. A SC member also suggested that SPOs should have a separate bank account for the Premium.

On Premium reporting the SC requested that it is ensured that Fairtrade International has the internal capacity to process all the Premium data if it is required from producers to send their data.

#### Workers in SPO

Reduction of significant number of workers from 20 workers to 10 permanent workers or equivalent worker days: it was expressed that it is important to clarify if this applies to workers at SPO level or member level but also to understand the implications of this change. Also, that it should be clear to which type of workers this requirement will apply. Another suggestion was to align this requirement with the definition of the SPO where number of workers would be affected by the size of the land and make a clear distinction between seasonal and permanent workers, since definition of 'seasonal workers' seem to be missing. Lastly, the need to understand the living income work stream linkage with issue of workers was raised.

Access to clean drinking water for field workers -to be applicable to all producers regardless of the significant number of workers: the SC members agreed with this change but suggested to improve wording.

#### National legislation

It was highlighted that in some countries legislations are not really up to date with the reality and that the wording in the requirement is slightly vague e.g. 'topics covered by this standard'. Thus to avoid misinterpretation it was suggested to explicitly list which topics (e.g. environment, labour).

#### Fostering continuous improvement

There was an overall agreement with suggestions from SC on further work: i) to drop the proposal to introduce a new requirement for organizations that have been in the system for more than six years to foster continuous improvement and ii) to rethink on how to reword the development requirements requirements improvement and development of guidance document

Action Point: For November 2018 the Standards Team to present an overview of the changes including changes in core vs development requirements and the timelines.

#### **Item 14 - Flower premium review**

The PM presented the intent of the meeting as well as the project process including the background of two previous studies on costs of production and flowers value chain. The PM introduced the FP options consulted in the consultation, stakeholders' participation during the consultation and further analysis on the responses. The PM highlighted the relevance of the participation by comparing the Premium amount received/paid and the percentage of participation at country level.

The feedback received was presented during the meeting, including opinions about the proposed schemes of setting fixed FPs, suggestion on the use of Premium, implementation date and currency. The results on FPs for cut flowers were presented in detail with the inputs collected during the consultation, including the ranking of the stakeholders' preferences.

GPM flowers reported the concerns from Kenyan producers about their low participation in the consultation, and their request for further consultation before a SC decision. Likewise it was reported the position of Fairtrade Africa regarding their work and their follow up done during the consultation. The request was discussed and finally it was considered not necessary, as the extension in consultation does not ensure higher response rates from Kenya. The discussion included comments about the best periods for launching consultations, and improvements of the structure of the consultation and the language for boosting response rates. Additionally, Global Products, Programs & Policy (GPPP) recommended that there should be clear assignment to PNs for the consultation. The S&P team also clarified the process and the challenges faced overall during the project.

The main changes proposed are the following: i) maintain the same FP approach for cut flowers, cut foliage, and ornamental plants; and ii) setting in EUR a fixed value of FP for young plant material.

#### **Points for decision-making by the Standards Committee:**

Note: One of the SC members was not part of the voting process to avoid a conflict of interests.

#### **Decision 1: FP with regard to cut flowers, cut foliage, and ornamental plants**

- Keep the current approach: 10 percent of the commercial price at FOB level

**The SC approved to keep the current approach (10 percent of the commercial price at FOB level) regarding cut flowers, cut foliage, and ornamental plants**

6 votes, all in favor

#### **Decision 2: FP with regard to young plant material**

- New FP €0.010 per unit at FOB level

**The SC approved the proposed new FP of €0.010 regarding young plant material**

6 votes, all in favor

#### **Decision 3: Implementation date**

Given the feedback from the consultation and the scope of changes, S&P recommends implementing the new FP as of 1<sup>st</sup> June 2019. The director of GPPP suggested a revision of the date, as it seemed to be long for a minor change. The SC decided to delegate the final decision on approving the implementation date to the director of S&P. The PM will revise the implementation date together with GPM flowers, to be as early as possible with the latest deadline by June 2019.

The PM presented the next steps and thanked the work of project team members and staff from CLAC, Fairtrade Germany and S&P who contributed to the project.

### **Item 15 - SC chair/Vice chair election**

Martin Schüller and Iresha Sanjeevanie were elected as SC chair and vice-chair respectively. This decision is valid for one year with the option of renewal and starting from next meeting in November 2018.

### **Item 16 - SC dates for 2019**

After discussion with the different SC members, below the dates for the upcoming OC and SC meetings in 2019.

#### **March 18-21 (Monday to Thursday) (tentatively teleconference)**

- Monday 18<sup>th</sup> and Tuesday 19<sup>th</sup>: 14<sup>th</sup> Oversight Committee meeting
- Wednesday 20<sup>th</sup> and Thursday 21<sup>st</sup>: 83<sup>rd</sup> Standards Committee meeting

#### **June 3-6 (Monday to Thursday)**

- Monday 3<sup>th</sup> and Tuesday 4<sup>th</sup>: 15<sup>th</sup> Oversight Committee meeting
- Wednesday 5<sup>th</sup> and Thursday 6<sup>th</sup>: 84<sup>th</sup> Standards Committee meeting

#### **September 23-26 (Monday to Thursday)**

- Monday 23<sup>th</sup> and Tuesday 24<sup>th</sup>: 16<sup>th</sup> Oversight Committee meeting
- Wednesday 25<sup>th</sup> and Thursday 26<sup>th</sup>: 85<sup>th</sup> Standards Committee meeting

#### **November 25- 28 (Monday to Thursday)**

- Monday 25<sup>th</sup> and Tuesday 26<sup>th</sup>: 17<sup>th</sup> Oversight Committee meeting
- Wednesday 27<sup>th</sup> and Thursday 28<sup>th</sup>: 86<sup>th</sup> Standards Committee meeting

Action points:

- Send confirmed dates to OC members
- To publish the dates for the SC and OC

### **Item 17 – AOB, Next meeting date, Closing**

**Next meeting date:** 22<sup>nd</sup> and 23<sup>rd</sup> of November 201, physical meeting in Bonn.

**AOB:** One SC member brought to attention of the Pricing Team a request for price reviewing prices for Pineapple from producers from the Philippines.

**Action point:** Pricing Team to follow up with the PN representative.

The meeting was closed.