



Standards Committee

Minutes

Meeting 82: 22-23 November 2018

Physical meeting

Present:

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

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.

Observers: Daniel Castro (Data Operations Manager, Monitoring Evaluation and Learning unit), Melanie Duerr (Global Product Manager Flowers, Fairtrade International), Wilbert Flinterman (Senior Advisor Workers Rights & TU Relations), Theresa Glammert-Kuhr (Certification Scheme Manager, FLOCERT), Andreas Kratz (Director of Global Products, Policy and Programmes), Marla Naidoo (FLOCERT), Chris Schmeling (Regional Coordinator Eastern Africa, FLOCERT)

Active observers: Susanne Boetekees (Max Havelaar Netherlands, Policy, Campaigns & Communication), Samantha Dormer and Jon Walker (Fairtrade International Global Products, Policy and Programmes)

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

Approval of agenda

The agenda was approved.

Declaration of conflicts of interest

No conflicts of interests were declared.

Review of action items

- An official response to the letter from the Latin American and Caribbean Network of Fair Trade Small Producers and Workers (CLAC) on the discussion on rogue trading at the SC meeting in September was 2018 sent. No further communication on this topic has been received.
- An updated organigram of Standards & Pricing (S&P) was shared with the SC members.
- The reviewed banana prices were communicated.
- Following the guidance of the SC the outcome on a potential review of the premium for potatoes was communicated. The member interested in this review expressed their wish to not follow up with a pilot.
- An announcement of FLOCERT on the Dominican Republic was sent to the relevant organizations and companies.
- The updated list of the new chair/vice chair was shared on Fairtrade International's website.
- The SC meeting dates in 2019 were shared on Fairtrade International's website.
- Follow up of other actions points to be discussed under different sessions in the meeting.

Item 2 – News session

News from Fairtrade International and the Board

The CEO recognized the relevance of the topics in the agenda today for Fairtrade.

The last Board meeting took place in London in October and one main outcome was the approval of the implementation roadmap to achieve living wages. This includes three value pots: base wages, increased use of premium as cash and Fairtrade Minimum Price.

The next Board meeting will take place on Dec 3rd. One of the topics is a first conversation about the strategy 2021-2025 and its implementation. Other topics include relations with other schemes and support to our members in governance issues. A Fairtrade organizational code – a framework on roles and responsibilities of members covering policies and procedures – will be consulted with members in February and March 2019. The aim is that it will be endorsed by the General Assembly in June 2019. The SC will receive the draft and will be given the opportunity to comment on the organizational code.

Fairtrade International is closely monitoring the registration of the Fairtrade Mark as a certification mark with the European Union (EU).

The CEO also recognized and thanked Standards & Pricing (S&P) for their hard work and brought to the attention of the SC that any request or ideas on innovations should be rationalized properly in terms of feasibility and availability of resources for implementation. A SC member suggested exploring new models of innovation where for example a National Fairtrade Organizations (NFOs) could lead the work as an



incubator in coordination with S&P so the team in the Fairtrade International can focus on tier one products.

For the next SC meeting in March 2019, it was suggested to add to the agenda an update on living wages as follow up of the Board discussion. The S&P mentioned that the process of moving this forward would need to be aligned with standards and pricing.

News from SC

Doreen Chanje's second term ends in Sept 2019 and she has expressed that unfortunately she will not be pursuing a third term. Therefore, the Director of S&P will liaise with the CEO of Fairtrade Africa to launch a call for candidates.

Three important documents were brought to the attention of the SC for information. First, the EU unfair commercial practices directive. Second, the revised Fair Trade Charter that was launched together with the World Fair Trade Organization (WFTO) on the 25th of September 2018 by issuing a reference document on what is Fair Trade. The document is available online and gives more clarity on distinguishing Fair Trade from other standard systems. Lastly, the new declaration on peasants' rights that was recently approved by the United Nations assembly.

News from OC

The chair of the Oversight Committee (OC) updated the SC on the topics that were discussed during the OC meeting: confidentiality and Terms of Reference (ToR), FLOCERT Code of Conduct and impartiality policy, exceptions report and a training on ISEAL in general and on the ISEAL assurance code in particular that was given by two ISEAL staff.

News from S&P

A new Technical Assistant is joining as of December 2018.

The Director of S&P informed the SC that the team reflected on their practices to classify and share SC papers. S&P will have from now onwards a more harmonized approach in line with the Terms of Reference of the SC. The Director reminded the SC that those practices also apply to them and that as a good practice the level confidentiality of topics/papers will be mentioned in the beginning of SC meetings.

Item 3 – S&P Directors decisions

The Head of Pricing presented the pricing decisions taken and announced on minor products since last SC meeting: cascara has been added as secondary product of coffee, jackfruit has been added to the price table following a Quick Entrance (QE) procedure and carob bush has been added to the Herbs and Spices list.

The SC discussed the QE procedure and how it fits into the Fairtrade principles since products entering through the QE procedure do not have a Fairtrade Minimum Price. The SC showed interest to know how many products are classified as QE, how many producers are affected and how much time is allocated by the system to follow up these products.

Actions and next steps

The SC suggested a conversation on the Fairtrade products portfolio at an upcoming SC meeting.

Item 4 – Project Updates

Review of Fairtrade Standards for Gold and Associated Precious Metals for Artisanal and Small-Scale Mining

The Standards team introduced the project of review of the Fairtrade Standards for Gold and Associated Precious Metals for Artisanal and Small-Scale Mining. The Standard was due to be reviewed this year and it is finally starting with extra-funding from a bilateral agreement with NFOs. The main objective of the review is to align the Standard with the producer realities and market expectations. The project assignment draft for comments has been published in Fairtrade International's website for stakeholders to comment during two weeks. Moreover in the following weeks there is a workshop to kick off the project. More updates on this project will be given to the SC in due course.

Textiles

The Textile Manager gave an update on the Fair Wear Foundation (FWF) recognition process and final feedback from FWF. In general the FWF agreed with the "non-recognition" discussion and provided specific detailed feedback on some of the differences both schemes have. As the FWF is currently also updating their verification approach, Fairtrade will continue to follow their work and seek for cooperation on trainings and the Living Wage Incubator.

Also the Textile Manager provided update on general work done related to the Fairtrade Textile Standard and Program:

- The development of a Textile Standard licensing contract is by Fairtrade Germany is almost completed.
- A contract is being drafted to work on the operationalization of the recognition with SAI/SAAS (SA8000).

- There is a new fibre class in process of being classified as Responsible Fibre and to be included in the Standard scope: Enka Viscose.
- PPP (public private partnership) project for six certifications running, two audits in December 2018 planned.
- There are a total of 29 factories in the textile program with running activities.
- Trade unions training trade unions: IG Metal (the biggest Textile trade union in Europe) and INTUC (Indian trade union) project running with focus on grievance handling, INTUC will train one more Indian trade union (HMS) together with IG Metal in December financed through funding by the German Federal Ministry of Economic Cooperation and Development (BMZ).

LW / LI proxies benchmarks

The Pricing Team gave an update on the Living Wage (LW) and Living Income (LI) proxy estimates project. The work is ongoing and some deliverables have been already received. A technical meeting took place in the second week of November 2018 with the researchers, Fairtrade International staff, and representatives from the German Corporation for International Cooperation (GIZ) and Producer Networks (PNs). In the meeting the researchers presented the main challenges already identified, and how the proxies' estimation might differ from a full in-depth study on LI or LW. More technical issues were also discussed (calculations, variables used, etc.). The main purpose of the meeting was to explore how the final output can be developed in order to get the overall acceptance from different stakeholders. The final deliverables are expected by February and March, and a project update will be presented again in the March 2019 SC meeting.

Item 5 – S&P Work plan 2019

The S&P Director, Head of Pricing and Assurance Manager informed the SC about the key projects undertaken during 2018, and the key projects/ work streams planned for 2019. The work plan 2019 is still a draft and will be published early 2019 on the Fairtrade website.

For Standards, the implementation of the SPO standard is one of the main projects next year, together with the revision of the Tea and Gold Standards, and the work around LW for workers in Hired Labour (HL) with focus on banana plantations. The importance of articulating how the Fairtrade standards respond/include human rights due diligence was brought to the attention of the team by the SC. The SC also requested more information on the status of offer to business initiatives.

For Pricing, the main projects are linked to tier one products and LI and LW. It was noted that further studies on true cost accounting are not included so far in the work plan 2019.

Lastly, as for Assurance, the main focus in 2019 will be the new ISEAL Assurance code 2.0 and the assessment of the Assurance Providers against the Requirements of Assurance Providers 2.0. The revision of the Requirements of the Licensing Bodies is also planned, as a part of the scheme oversight and control mechanism for the certification mark regulations.

Item 6 – Coffee pricing model dialogue

The Pricing team brought this project for information to the SC. The final report of the full project is being prepared. The report will include an analysis of the challenges and opportunities of the current Coffee Price model, with initial recommendations, while organizing and summarizing all stakeholders views provided. The report was supposed to be presented to the SC members for this meeting, but representatives of the CLAC were concerned that not all views have been included (producers' response was low in LAC) and they want to make sure they can still capture their views. There are also concerns on the diverging opinions and findings, so they propose to look at it in more detail and bring it to the SC meeting next year March 2019.

Actions and next steps

- Set a meeting with CLAC early 2019 and see how to include the producers' views. One limitation on the planning side is that there are no resources allocated for this work in 2019, as the project was supposed to finish this year. However, the work can feed already the Coffee Standard review planned for 2019, and conversations can help scoping the project.
- Then the final presentation of the draft is delayed to next year (before the SC meeting in March).

The SC and S&P discussed on the challenges to engage with producers in order to have their input timely. However, it was recognized that with the additional conversations the final study will be broader and it will be a good starting point for the upcoming Coffee Standard review project.

Item 7 – Premium Young Plant Material

Introduction

In the last SC, the committee approved an increased Fairtrade Premium (FP) for young plant materials. On 11 October 2018, S&P announced the decision. Following the announcement, members involved in the Cents Pilot called for the withdrawal of the announcement given a proposal to scale the Fairtrade Cents Pilot from a pilot with one company to a LW approach in which the entire young plant sector would be engaged. The announcement was withdrawn on 23rd October 2018 to allow for sufficient time to work out this proposed initiative.

Background

To advance in the LW agenda in the young plant sector, in 2017 a Cents Pilot was initiated on a poinsettias cutting farm in Uganda with the aim to increase the salaries of workers with a Fairtrade bonus. The pilot was launched in 2018. In the pilot, the importer pays a fixed Fairtrade Cents Bonus of 4.5 eurocents per cutting, on top of the regular FP. The FP finances projects, decided on by a committee of workers, in accordance with the Fairtrade Standards. The bonus of 4.5 cents goes into a Fairtrade Cents Bonus Fund. The revenue is paid out to the workers directly and raises their income. The aim is to double the salaries of workers by 2019. Now, an initiative is being proposed that looks into the possibilities to explore how to scale this model from one supply chain (poinsettias) to the entire young plant sector.

Discussion

There was a discussion and reflection on the process of both the price review and the development of the pilot with the aim to understand and learn from the missed opportunities for coordination or collaboration, in particular when innovations projects are involved. The team working on the cents pilot clarified the questions raised by the SC. It was for example asked how much this additional bonus for the workers is helping in closing the LW. The Senior Advisor Workers' Rights and Trade Union Relations explained that there is no information yet on the gap and that research is planned for 2019, but that Uganda and Ethiopia are countries with very low wages. Even with the additional bonus it is probable that the gap would still be significant. Therefore more innovative approaches are required to address this issue in general. If a proposed approach would have implications on the implementation of the Fairtrade Standards, it will be brought to the SC for approval.

Decision/Recommendation

It was noted that innovations should continue, but it was also highlighted that they have to be carried out in a structured way involving the relevant stakeholders. It was agreed that the withdrawal of the announcement of the new Fairtrade Premium review for young plant material will be maintained until there is a clear proposal on how to scale the Fairtrade Cents Pilot from its current pilot form to include the entire young plant sector. Depending on the timelines, the SC may be convened before the next SC meeting.

Item 8 – Cocoa Price review

Introduction

The Project Manager (PM) introduced the observers in the meeting and presented a recap of the objectives and goals of the project.

The objectives:

- Provide adequate benefits to producers in times of high and low market prices
- Minimize the barriers for producers to increase Fairtrade sales
- Optimize household income for cocoa farmers

The project goals:

- Propose Minimum Prices and Premium values for both conventional and organic cocoa
- Propose a Pricing Model relevant for all countries including those with government pricing systems (i.e. Ghana and Côte d'Ivoire) and those without

The Global Project Manager (GPM) Cocoa provided an overview since the last price review, the evolution of costs of production, the reforms in the Ivorian cocoa market and highlighted LI as an strategic topic for Fairtrade in general and for cocoa in particular. GPM Cocoa also provided information on the evolution of the International Cocoa Organization (ICCO) prices in the last ten years, the current worldwide regional conventional/organic production volumes and the worldwide Fairtrade market sales figures.

The PM presented the background on previous SC decisions, as well as a brief overview of the consultation process and updated on the first and second round of consultation responses.

Decisions (12 topics, 8 decisions):

1. Fairtrade Minimum Price (FMP) level at Free on Board level (FOB) worldwide: The consultation responses indicated that the majority agreed maintaining the FMP at FOB. However, the producers from the price regulated markets also requested to set a form of farm gate price.

A question was raised reflecting on the case of banana pricing scheme with country specific prices, compared to cocoa. It was clarified that the main difference is that for cocoa there are international market prices used as benchmarks, whereas bananas is a product that cannot be stored and is traded differently in comparison with cocoa and coffee. No decision required from the SC.

2. Implementation of farm gate price in the price regulated markets: West Africa requested a farm gate price and the consultation asked how to distribute the difference between the prices set by the government and the FMP.

A question was raised by one of the SC members on the distribution of the FMP differential to the individual farmers, whether it should be distributed amongst the farmers who supplied the Fairtrade volume or equally across all members. The response was the SPOs could democratically define how to distribute the FMP and Fairtrade Premium (FP) amongst the members when receiving the FMP differential.

The regulated pricing system, specifically in Ghana and Ivory Coast, was presented by the GPM. The two countries are price regulated markets, with fixed prices setting at different levels. The cocoa is sold forward before the harvest and the price is set based on the average price of contracts. The role of the government regulatory bodies and the responsibility of exporters/importers in both countries as well as the current Fairtrade's economic intervention were also explained.

The Senior Advisor Cocoa further explained the decree distributed by the Ivorian government which is with the intent of regulating the sustainability schemes as one of the aims to empower SPOs/farmers. This could be very positive to Fairtrade in particular when implementing the FMP differential where transparency is the focus.

Decision 1: Do you approve the requirement for SPOs to transfer 100% of the FMP (FOB) price differential to farmer members in price regulated origins, when the FMP is activated?

The SC unanimously voted in favour of the proposal.

3. Export deductions: Exporters are not allowed to make deductions on the FOB price which was part of the consultation. Most of the SPOs in Ivory Coast do not export and there is no obvious push back identified through the consultation responses. Therefore, the Fairtrade's current position remains unchanged. No decision required from the SC.

4. Conventional FMP value: The PM presented the COSP collection process, including the revision of the COSP tool and countries where COSP collection took place. The proposed FMP was concluded based on the results of the COSP analysis. The proposed FMP was then compared with the international market prices to test the market acceptance. The results of the consultation were presented to the SC as well as the analysis of the consultation responses per producer and market.

GPM provided some insights on the interviews where the NFOs were also heavily involved. The ones who supported the increase to the FMP mentioned that it would be an extra benefit going to the

farmers, given historically low prices and the situation of farmers living in extreme poverty. Some stakeholders were against, considering the market acceptance but also mentioned the increased importance of LI. There was a further discussion on why some traders were concerned about Fairtrade becoming less competitive than other certification schemes. Some traders see the benefit on the ground, but voiced that Fairtrade should not be priced out compared to other schemes.

Decision 2: Do you approve a new worldwide Fairtrade Minimum Price for conventional cocoa of 2400 USD/MT, at FOB level?

The SC unanimously voted in favour of the proposal.

5. & 6. Fairtrade Premium setting and Fairtrade Premium value: When presenting the FP, the topic of the price escalation of the FP along the supply chain was also discussed. This happened primarily with the semi-processed products (i.e. liquor, powder and butter). The overcharged FP is the main reason for some licensees who are not in favour of any increase in the FP. The price escalation topic was addressed in the consultation with the intention to require more transparency in contracts. In addition, the Pricing Team added that the work plan for 2019 includes a project to revise the semi processed products.

One of the SC members mentioned that the proposed FP is considered as a reasonable increase in the Premium to 240 USD/MT with the rationale that the historical prices plus increased FP will just cover the COSP. Some comments were made on the effect of inflation especially in some African countries and how this would affect the increase in prices. It was also clarified that there is no concrete guidance on how to calculate the FP. In summary, the SPOs were in support of an increased FP whereas very little support was shown from the market. The review cycle was also discussed. The proposal is to move from a five year review to a three year thereby shortening the review interval.

The potential market loss vs the need of strengthening SPOs was also discussed and recognized. SC members exchanged views on the future market prices in the cocoa market and price-elasticity on the buyers' side. The FP may be used to achieve a LI, through investments in areas like better production practices and productivity if SPOs decide to do so. A decision on Fairtrade Premium Setting was not required as a fixed value is kept.

Decision 3: Do you agree to set the Fairtrade Premium for conventional and organic cocoa at? Proposal A: 200 USD/MT Proposal B: 240 USD/MT

4 SC members voted in favour of proposal B and 3 in favour of proposal A.

The SC approved Proposal B.

It was suggested to closely monitor market developments to observe the reactions to the increases in FMP and FP.

7. Fairtrade organic setting (Premium setting and Premium value): The PM presented the consultation question and the analysis of the responses. The responses of producers and commercial partners were split. The responses per stakeholder group were also presented to support the SC in decision making. The rationale and the risks of the proposal were also further explained. The SC was asked to, firstly, decide on the model to be adapted in Cocoa and secondly vote on the value. The SC discussed the cost factors of organic production in relation to the organic market price.

Decision 4.1: Do you agree to adapt the Fairtrade organic coffee model for cocoa? Adopt the same

FMP and FP as Fairtrade conventional but introduce a mandatory Fairtrade Organic Premium, to be paid on top of the FMP or the market price

The SC unanimously voted in favour of the proposal.

Decision 4.2: Do you agree to set the organic differential at 300 USD/MT?

The SC unanimously voted in favour of the proposal.

8. Currency: The PM presented the question on the currency consulted as well as the responses. The intent of the proposal is to provide the most stability and clarity for all actors in the supply chain, reducing the risk of dealing in multiple currencies. The comments from the stakeholders for each option were highlighted in the meeting.

Decision 5: Whilst maintaining the FMP and FP in USD for all regions, do you agree to fix a USD-EURO exchange rate twice a year (applicable to Côte d'Ivoire only) to tie in with the government price announcements in West Africa? The technical details on defining the exchange rates (USD-EURO) and how it will apply in Côte d'Ivoire will be delegated to the S&P director.

The SC unanimously voted in favour of the proposal.

9. Fairtrade Prices further along the supply chain: The variation of semi-processed products and their FP allocation were discussed. The GPM clarified that liquor, powder and butter are the focus of this topic and it is not feasible to extent the proposed requirement to chocolate bars. The GPM clarified the current requirement specified in the cocoa standard and mentioned that the proposed requirement will apply to all traders along the supply chain even if the processed products are manufactured in the producing countries.

Decision 6: Do you agree to introduce a new requirement in the Fairtrade Standard for Cocoa for purchase contracts between suppliers and buyers, specifying that the amount of Fairtrade Premium payable and Fairtrade Organic Differential when applicable, must be indicated separately from the price of Fairtrade cocoa products?

The SC unanimously voted in favour of the proposal.

10. Implementation date: Contracts are already agreed before the main season, normally in October. Instead of contract signed date, the implementation for the price regulated markets is for delivery as of 1st of October. In the regulated markets, it will be overruling what is indicated in the Trader Standard.

Decision 7: Do you agree that any changes to Fairtrade Cocoa Pricing, as a result of this FMP and Premium review, should become mandatory for all contracts signed as of 1st October 2019? For price regulated markets (Ghana, Cote d'Ivoire), the changes will come into force for all deliveries (SPO to 1st buyer) from 1st October 2019.

The SC unanimously voted in favour of the proposal.

11. Pricing review cycle: From the responses received in the 2nd round, it was clear that stakeholders are in support of a more frequent review. This will be included in the Pricing Standard Operating Procedure. The SC made it clear that a more frequent review and monitoring are necessary and this should be included in the communications materials.

The SC endorsed a three year cycle review, in spite of the size or items to be reviewed.

12. Delegation of final wording and endorsement of communication: An early announcement by the Communication team is planned to ensure the correct messaging, especially when comparing FMP to FLIRP (Fairtrade Living Income Reference Price). Therefore a proactive communication is essential that highlights this as a critical step towards LI. The communications draft was also shared with the NFOs and there will be a coordinated release on 3 December 2018. Also some civil society organizations will be briefed on the decisions.

The formal announcement from S&P will be launched in Feb 2019 together with supporting documents.

Decision 8: Do you approve the delegation of non-substantive changes to the Director of Standard & Pricing and endorsement of the communication?

The SC unanimously voted in favour of the proposal and endorsed the communications plan.

Item 9 – Cocoa and Ivory Coast

The Senior Advisor Cocoa (SAC) presented an overview of the Fairtrade sales figures, growth of certified SPOs as well as existing training interventions. The growth of the sales data is based on the FLOTIS figure and it shows a clear trend of increased Fairtrade cocoa sales in the last five years.

The SAC also mentioned the Ivorian government's review and position on the Fairtrade sales in relation to the impact at farmer level. The growth of Ivorian Fairtrade certified SPOs was also presented. The margins for cooperatives and businesses' role in formation of the SPOs were also mentioned and discussed with the SC.

The impact of Fairtrade given the high growth rate of Ivorian SPOs could potentially be diluted when the FP spreads across many SPOs. The ability of FTA to provide capacity building is also challenged with a high growth rate of SPOs.

The West Africa Cocoa Program was presented, including the level/type of support, training to the different SPOs, training themes and ratio of field staff to SPOs.

The impact of recent Ivorian regulations on Fairtrade's certification and operations in the country was then explained in detail. The clauses of the regulation / decree, the applicable party and the actions to be taken by Fairtrade were also explained. A discussion took place between the SC and the SAC on the role of licensees and implications of failing to comply with the decree. This information was shared as it is an important background to understand better the basis of some of the proposals that will be presented to the SC in the SPO review item.

Item 10 – SPO review

The Director of S&P introduced the project background and then presented the number of SPOs in the Fairtrade system, including the growth of certified SPOs in the past years and the number of the SPO members. She then acknowledged the hard work and contribution of the project team and the various persons who contributed to the proposals presented in the meeting. Various elements were considered in this review, like alignment with Fairtrade Strategy, Fairtrade's Theory of Change and Fairtrade's approach to environmental issues. Also the cost-efficiency vs the expected outcome of the proposals was considered.

47 decisions in 14 topics are presented to the SC for their decision. After a pause, the project was resumed in 2017 and had two rounds of consultations. Both rounds included a high level of participation, in particular from SPOs. In total, 18 new requirements are proposed and 12 requirements are proposed to be strengthened. It was noted that although the overall number of requirements was not reduced particular efforts will be put in the publication phase to present the standard in a simplified format or additional infographics summarizing the requirements.

Topic 1 – SPO definition

Introduction

The current requirements in the SPO Standard allow larger members or even plantations to be members of Fairtrade certified SPOs, as long as a majority of members still fall under the small producer definition. Therefore plantation-size farms can enter and benefit from Fairtrade, even in products that are only open to small producers (like sugar), increasing inequality among and within SPOs and leading to an uneven level playing field. However, large members can also play an important role as they enable SPOs to offer greater supply and quality of products. Also workers employed at SPOs appear to receive less economic and social benefits than workers in hired labour settings. Both elements present reputational risks for Fairtrade.

Aim of the proposal

- Emphasize that the scope of the standard is for small-scale and family farming by increasing the percentage of small-scale members that fall under Fairtrade's definition of a small-scale producers' organization and by reiterating that an individual small-scale farmer is one that relies mainly on family work.
- Exclude large farms within small producer organizations but allowing for medium sized farms.
- Adapt the definition of small-scale producers to existing realities while leaving space for product-specific rules as needed.

Decisions

Decision 1.1: Do you agree to increase the share of members of one SPO that need to be small farmers according to Fairtrade's definition to 2/3 of members (66%)?

The SC unanimously voted in favour of the proposal.

Decision 1.2.1: Do you agree to have a maximum size of the land where each member cultivates a

Fairtrade product equal to or below 30 hectares, with the possibility of individual exceptions on application to the certification body in the case of oranges for juice/ orange juice and wine grapes?

The SC voted in favour of the proposal (4 in favour, 2 against, 1 abstention).

Decision 1.2.2: Do you agree to implement the possibility of individual exceptions for oranges for juice/ orange juice and wine grapes on application to the certification body as of January 2019?

The SC voted in favour of the proposal (6 in favour, 1 abstention).

Decision 1.2.3: Do you agree to not introduce a maximum number for the land size of members in case of exceptions to the 30 Ha maximum land size?

The SC voted in favour of the proposal (5 in favour, 1 against, 1 abstention).

Decision 1.3: Do you agree with the following changes leading to the requirement 1.2.1 as stated:

- Reiterating that an individual small scale farmer of less labour intensive products is one that does not rely on permanent hired workers but clarifying that seasonal workers are allowed in peak seasons.
- Introducing the definition of family farming and emphasizing that this means that the farm is managed and operated by a family and predominantly reliant on family labour, both women's and men's.
- Recognizing that it may be that due to the current realities small scale producers face (single head households, elderly farmers) most of the time may not be spent on the farm and they may need permanent hired labour.
- Developing indicators for highly labour intensive products and keeping the existing indicators that define small producers in bananas (Colombia, DR and Ecuador), wine grapes (Brazil, Chile, Argentina) and citrus (Brazil) will remain. Indicators to be included in product specific standards.
- "Own account" definition introduced (ILO definition)

The SC unanimously voted in favour of the proposal.

Decision 1.4: Do you agree that the current requirement 1.2.2 remains as it is with a 50% share of a Fairtrade product that is sold as Fairtrade per year must be produced by small scale farmers of the organization (according to Fairtrade's small scale farmer definition)?

The SC members argued that the percentage for the volume originally suggested (50%) should be in line with the percentage of small-scale producers (see decision 1.1) so that medium-sized producers do not have an advantage over small scale producers. Therefore, the percentage of required volume was raised to 66%.

The SC unanimously voted in favour of an increase from 50% to 66% share of a Fairtrade product that is sold as Fairtrade per year must be produced by small scale farmers of the organization (according to Fairtrade's small scale farmer definition).

Decision 1.5: Do you agree with a transition period of 2 years starting at the end 2019, meaning that all changes regarding the SPO definition only come into effect beginning of 2022?

The SC voted in favour of the proposal (6 in favour, 1 against).

Actions and next steps

Maximum land size for all members

S&P will work on indicators for highly labour intensive products in the first half of 2019. This also allows working on the maximum land size for e.g. sugar and seeing if other figures are needed for some products/regions.

Once sufficient data will be available, an analysis of exceptions and reasons will be provided to the Standards Committee.

The approved maximum land size may respond more to the particular realities of Latin America than Asia and Africa. If needed, the S&P will explore a regional approach.

Transition period

SPOs which newly join the Fairtrade system during the transition period will be certified against the new requirements once Compliance Criteria are in place, likely middle of 2019. For existing SPOs, the transition period applies as agreed.

Topic 2 – Management of production practices

Introduction

The lack of effective management tools affects the efficiency and effectiveness of SPOs, which in turn limits the benefits for producers and reduces the impact of Fairtrade. An Internal Management System (IMS) enables SPOs not only to manage compliance of their members but also to deliver them effective services. Thus the aim of proposed changes for decision is to change the focus of the section from only compliance to management, highlighting that sustainable practices also include management practices and that a management system not only enables better compliance of members but also is a tool to support the mission of the organization to deliver economic and social benefits to the farmers.

Aim of the proposal

- Change the focus of the section from only compliance to management/monitoring of compliance
- Strengthening the requirements on management of production practices and provide additional guidance on how the different requirements support each other to improve management production practices through a stepwise approach and recognition of existent equivalent practices.

Decisions

Decision 2.1: Do you agree to change the focus of the section from compliance to management of compliance?

The purpose is that compliance is not perceived as something required externally, and that organizations see the value of monitoring their members as this would be reflected in improved social and environmental outcomes in the short run and improved livelihoods in the long run.

The SC unanimously voted in favour of the proposal.

Decision 2.2: Do you agree with the additional guidance that helps connecting different requirements in the standard on IMS?

In requirement 3.1.1, clarifying how to use the list of members to inform and explain the standard to members; in requirement 3.1.2, addition of a recommendation to use farm assessment tools as best practice to identify risks of compliance of members against the standard and in requirement 4.2.2, connect the requirement with the IMS through reference to 3.1.1 and 3.1.2. Connecting different requirement provides clarity on how they relate to each other and recommendation for best practices allows producers to assess their own practices against ideal scenarios.

The SC unanimously voted in favour of the proposal.

Decision 2.3: Do you agree to change the requirement 3.1.3 and 3.1.4 from Development to Core?

To strengthen the requirements on members compliance and improved performance without requiring to have an internal management system / internal control system and thus fewer resources to oversee the compliance, through the change in requirement 3.1.3 from Development/Year 3 to Core/Year 3 on identification of risks at a minimum every 3 years.

The SC unanimously voted in favour of the proposal (6 in favour, 1 against) to change the applicability of requirement 3.1.3 on repeated identification of risks, at minimum every 3 years, from Development/Year 3 to Core/ Year 3.

Requirement 3.1.4, on implementation of procedures to monitor and evaluate the performance of members, the proposal is to change from Development/Year 3 to Core/Year3. The SC members suggested to improve wording, replacing 'to evaluate' with "to self-assess".

The SC unanimously voted in favour of the proposal to change requirement 3.1.4 from Development/Year 3 to Core/ Year 3 on implementation of procedures to monitor and self-assess the performance of members.

Decision 2.4: Do you agree to change the requirement 3.1.5 from Development/Year 3 to Core/Year 3 for 2nd and 3rd grade organizations and introduce a stand-alone requirement on Internal Management System for 1st grade organizations with more than 100 members as Development/Year3?

Lack of formal structures in large organizations brings challenges to monitor the compliance and improve the performance of members and also to make informed decisions on planning, trainings, Premium use and other. Thus there were two proposals for decision: to strengthen the 3.1.5 requirement changing from Development / Year 3 to Core/Year 3, to shift from ICS to IMS and for 2nd and 3rd grade organizations to have the IMS in place; and to introduce a new stand-alone requirement Development / Year 3 for 1st grade organizations with more than 100 members to have the IMS in place.

The SC members questioned the applicability of the requirement to organizations with more than 100 members only, as the IMS is also important for smaller organizations. A suggestion was made to reassess this after a certain time and come back to the SC (i.e. analyze NCs and see at what size they start). Also, it was suggested to add in guidance that an IMS it is recommended for all organizations, but

required for SPOs with > 100 members.

The SC unanimously voted in favour of the proposal to change the requirement 3.1.5 from Development/Year 3 to Core/Year 3 for 2nd and 3rd grade organizations.

The SC unanimously voted in favour of the proposal to introduce a stand-alone requirement on Internal Management System for 1st grade organizations with more than 100 members as Development/Year3 and add in the guidance that it is recommended for all organizations, but required for SPOs with more than 100 members.

Actions and next steps

To develop the explanatory/guidance document supporting the implementation of the Production Management chapter with focus on support for implementation of Internal Management System, highlighting the following: no particular software is needed, no full time equivalent person is required, any existing internal management system that allows to achieve similar results can be used.

Topic 3 – Environmental Development

Introduction

The proposals for changes in the requirements under the “environmental development” section were presented in the following order: 1) approach to environmental requirements, 2) natural resource use, and 3) climate change.

1) Approach to environmental requirements

Fairtrade’s approach to environmental requirements is to focus on protecting the health of farmers and workers while improving production practices and use of natural resources. The aim of the proposal was therefore to strengthen the standard on handling the pesticides and chemical materials and introduce a requirement on prevention of deforestation. Deforestation contributes to climate change and decreases the availability of natural resources (like water and soil) and threatens biodiversity. The need to address the topic of deforestation was endorsed by many stakeholders. One of the changes on pesticides and chemical materials consulted upon (to introduce a requirement on a centralized purchase of pesticides and chemical materials) was not endorsed by stakeholders due to its impracticality (i.e. it could also lead to the need of having centralized storage and makes less viable that the producers would have the products they need in a timely manner).

Decisions

Decision 3.8: Do you agree to move requirements 3.2.6, 3.2.11 and 3.2.14 from Development/Year 3 to Core/Year 3 and the requirement 3.2.10 from Core/Year 3 to Core/Year1 and not to introduce the requirement on centralized purchase of pesticides and chemical materials?

The SC unanimously voted in favour of the proposal to change requirement 3.2.6 on awareness raising about risks and hazard of chemical materials among all members and workers even if they are not directly handling these materials, from Development / Year 3 to Core / Year 3.

The SC unanimously voted in favour of the proposal to change the timeline of requirement 3.2.10 on storage of pesticides and chemical materials with minimized risks from Core/ Year 3 to Core

Year 1.

On labelling of pesticides and hazardous materials (req 3.2.11) the SC recommended, that in addition to the change from Dev to Core, to bring forward the timeline from Year 3 to Year 1, to align with requirement 3.2.10.

The SC unanimously voted in favour of the proposal to change the requirement 3.2.11 requirement on clear labelling the pesticides and chemical materials, from Development / Year 3 to Core/ Year 1.

The SC unanimously voted in favour of the proposal to change requirement 3.2.14 on proper handling of containers and equipment that was in contact with pesticides and chemical materials, from Development / Year 3 to Core/ Year 3.

The SC voted in favour of the proposal (6 in favour, 1 against) to NOT introduce a new requirement on centralized purchase of pesticides and chemical materials but to recommend it as a best practice in the guidance / explanatory document?

Decision 3.9: Do you agree to introduce a new Core/Year 0 requirement on prevention of deforestation activities?

The SC suggested improving wording and splitting the requirement on prevention of deforestation activities, separating out the prohibition of deforestation activities and having a procedure in place ensuring the success and maintenance of relevant activities that do now cause deforestation or degradation of vegetation. In order to enable a more harmonized implementation of these two requirements, to follow a step-wise approach in terms of timelines of applicability.

The SC unanimously voted in favour of the proposal to introduce a new Core/Year 0 requirement emphasizing that members are not to cause deforestation.

The SC voted in favour of the proposal (5 in favour, 2 against) to introduce a new Core/Year 1 requirement on awareness raising and action plan towards prevention of deforestation.

2) Natural resources use

The aim to address this topic is to increase producers' resilience to climate change and ensure better management practices of natural resources. In particular there is a need to emphasize the importance of not only the amount but also the quality of land and water used, via the changes in the existing requirements and introduction of new topics in the standard, such as: the reactive requirement on land tenure, land and water use rights as currently the standard is silent on this topic; as part of the ecosystem approach to move from addressing the importance of 'water availability' towards use of production and processing practices that consider 'water quality', ensuring the sustainable way of resources use.

Decisions

Decision 3.4. Do you agree to change the requirements on identification of land at risk of soil erosion and listed water sources for irrigation and processing, from Development to Core?

Strengthening these requirements will contribute to producer resilience and a step-wise approach on implementation of activities related to climate change adaptation.

The SC unanimously voted in favour of the proposal.

Decision 3.5: Do you agree to add the topic of water quality for irrigation or processing in the existing requirement 3.2.26, Development/Year 3 on trainings for members on measures to use water resources efficiently?

The SC suggested that in addition to “water quality” as a topic for trainings, the assessment of water quality can be suggested as a best practice in the guidance of the requirement.

The SC unanimously voted in favour of the proposal.

Decision 3.6: Do you agree to introduce the new Development/Year 3 requirement on improved water resources management that could be achieved by members following the suggested practices?

This requirement is the follow-up of introduction of water quality as a topic for training. The SC suggested improvements to the wording in the guidance of the requirement, using the term “best” instead of “better”.

The SC unanimously voted in favour of the proposal.

Decision 3.7: Do you agree to introduce a new Core/Year 0 requirement on legal and legitimate right to land and water use and land tenure?

This requirement would be checked reactively. In case there are indications of conflicts of members’ legal and legitimate right to land and water use and land tenure, then these are resolved transparently and before granting the certification. For those organization that are already certified, this requirement allows to check the evidence of having an active resolution process by legal authorities in the country, in case land claims and disputes are on-going. The SC suggested adding “the pertinent authorities” in addition to the “legal authorities” in the requirement.

The SC unanimously voted in favour of the proposal.

3) Climate change

Climate change is one of the main challenges producers face. Although the standard promotes the use of sustainable agricultural practices, the proposed change on this topic aims to enable producers to be more resilient to environmental risks cause by climate change while recognize the limits of human and financial capacity of producer organizations.

During the consultation the suggestion to address this topic in the standard was through three requirements that followed a step-wise approach: i) requiring producer organization to first identify risks caused by climate change as a Core/Year 0, ii) a follow up with requirement on providing trainings to members based on outcomes of identified risks as a Core / Year 1 and iii), to require the implementation of adaptation activities as a Core/Year 3. The proposal to the SC was to merge first two requirements into one Core / Year 3 requirement on climate change adaptation trainings with recommendation to carry out identification of risks as a best practice. The requirement on implementation of climate change adaptation was proposed as a Development / Year 6 requirement, with a rationale of giving more time and flexibility to producer organizations building up enough capacity to carry out activities on adaptation to climate change by all members of the organization.

Decisions

Decision 3.1: Do you agree to not introduce a stand-alone requirement on identification of risks?

The SC unanimously voted in favour of the proposal.

Decision 3.2: Do you agree to introduce a new requirement Core/Year 3 on climate change adaptation training that includes the identification of risks on climate change as a best practice element?

The SC members highlighted the fact that trainings or raising the awareness are not always efficient and instead suggested to focus on implementation of activities, which should be applicable before Year 6.

The SC unanimously voted in favour of the proposal to NOT introduce a new requirement Core/Year 3 on climate change adaptation training that includes the identification of risks on climate change as a best practice element.

Decision 3.3: Do you agree to introduce a new requirement Development/Year 6, on the implementation of climate change adaptation activities at the organization level supported by a corresponding guidance document.

The SC recommended that adaptation activities are implemented before year 6.

The SC unanimously voted in favour of the proposal to introduce a new requirement Development/Year 3, on the implementation of climate change adaptation activities at the organization level supported by a corresponding guidance document.

Actions and next steps

- Together with PNs to develop the guidance document on Environmental Development chapter, with practical examples that support newly introduced requirements, such as: efficient water management, prevention of deforestation, implementation of climate change adaptation activities with key indicators for climate change risks identification for preliminary assessment of the production area.
- Add in the guidance document the topic of land disputes, in particular on land and water right, aligning it with the UN Declaration for the Rights of Peasants and Other People Working in Rural Areas (<https://www.ohchr.org/EN/HRBodies/HRC/RuralAreas/Pages/5thSession.aspx>).

Topic 4 – Gender

Introduction

The vast majority of Fairtrade production is male dominated and even though women are frequently heavily involved in the production processes (growing, harvesting and processing), their work is often not fully recognized or rewarded. In the case of smallholder production, women and girls often work as unpaid labourers on family farms, they rarely occupy leadership positions, and their needs and voices are often not heard. Also, as in some countries women frequently do not own land titles, they may be unable to join producer organizations and access the services they provide.

The aim of the proposal was therefore to increase women's active and equal participation in Fairtrade in

line with the Fairtrade's Gender strategy and the Theory of Change.

The proposal is to introduce a new requirement on SPOs having a gender policy. The idea is to enable each organisation to decide on which areas of gender equality and women's empowerment they would like to focus on. This will be a Year 3 development requirement.

Decision

Decision 4.1: Do you agree to introduce a new development requirement for year 3, on SPOs having a gender policy?

The SC unanimously voted in favour of the proposal.

SC members suggested that a template could be developed to support the implementation of the requirement. An SC member raised the question on how to guide the SPOs in the process of the gender development due to different status in the country or each SPO. The PM clarified this is a development requirement and the SPOs could prioritize according to the needs.

Actions and next steps

- S&P will develop templates and provide support to PNs as needed

Topic 5 – Development potential

Introduction

The current requirements allow SPOs to enter certification at a very early stage of development. These requirements aim to keep the balance between market access to disadvantaged producers and the potential to benefit from Fairtrade for the organizations that join the system. The system has limited resources to provide support to the SPOs at their early development stage. This may cause false expectations and frustrations for producers who invest to comply with Fairtrade Standards and yet do not benefit as expected.

Aim of the proposal

- Ensuring the decision to join Fairtrade Certification is an informed and democratic
- Discouraging organizations with limited market potential to join Fairtrade

Decisions

Decision 5.1: Do you agree to introduce a new, Core, Year 0 requirement to ensure that the decision to join Fairtrade was a democratic and informed decision taken by the GA and not to develop a new self-assessment tool?

The requirement proposed to be introduced and the self-assessment tool are both instruments to ensure farmers joining Fairtrade are informed and aware about what it entails. The self- assessment tool would be more effective if developed by PNs and managed for them, therefore the proposal is to keep the requirement only.

The SC unanimously voted in favour of the proposal.

Decision 5.2: Do you agree to introduce two new, Core, Year 0 requirement requiring organizations to demonstrate market potential/demand and that they are an established organization?

It was noted that the proposal was to include the requirements in the application process. Also that the organizations should demonstrate that they have been established for two years. This timeline was considered discriminatory and against the mission of Fairtrade.

On the need to demonstrate that the organization is an established organization as they join Fairtrade, an SC member raised were concerns that this would be a bar too high for organizations in some regions to comply with and that in different contexts there are different understandings of what is an established organization, in particular where the cooperative model is not well known or well developed. Therefore, it was suggested that a recommendation of the PN could be sufficient evidence to demonstrate that an organization has been established.

The SC unanimously voted in favour of the proposal bearing in mind that a PN recommendation can also be evidence that demonstrate that an organization is an established association.

Decision 5.3: Do you agree that for cocoa in Ivory Coast as a temporary measure (one year), market potential should be demonstrated by a two years contract from a buyer, to be implemented as of January 2019?

Given the conjunction of different singularities in Ivory Coast the measure proposed is temporary and will be closely monitored.

The SC unanimously voted in favour of the proposal.

Topic 6 – SPO governance

Introduction

The democracy, participation and transparency requirements in the SPO Standard do not fully deliver the intended impact in the areas of good governance practices, true member ownership, adequate accountability and internal control.

The aim of the proposal is to improve good governance practices, true member ownership, adequate accountability and internal control in SPOs.

Decisions

Decision 6.1: Do you agree that the role of Board members should be separated from that of management while catering for cases where this might not be feasible for smaller organisations?

The SC voted in favour of the proposal (6 in favour, 1 abstention).

Decision 6.2: Do you agree to include an explicit definition of the frequency of updates and information to be kept, a link to an IMS, and to allow double membership for as long as special attention is paid to the traceability of products coming from those members?

The SC was suggested to change the term “gender” to “sex” in regards to record collection. On double membership it was mentioned to add dishonest practices associated with double membership as an example to the requirement on trading with integrity. It was also pointed out by the SC that double membership could lead to difficulties for the SPO definition if bigger members sell in two SPOs and thus

increase their overall Fairtrade volume. SC requested to add that in case of double membership, the SPO has to clearly allow this in its statutes; it has to list all the members with double membership and ensure traceability.

The SC unanimously voted in favour of the proposal.

Decision 6.3: Do you agree to introduce a board term limit for SPOs?

The SC unanimously voted in favour of the proposal.

Decision 6.4: Do you agree to keep the requirement that allows external actors in the SPOs' Board as long as they have no voting rights but only an advisory role?

On non-members on the board, the SC made a suggestion to improve the wording and to refer to "if there are persons on your board that are not members of your SPO".

The SC unanimously voted in favour of the proposal.

Decision 6.5: Do you agree to change requirement on sharing audit results with members from Dev Year 3 to Core Year 3?

The SC unanimously voted in favour of the proposal.

Decision 6.6: Do you agree to introduce a new requirement on having a 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?

It was suggested that the composition of the surveillance committee and what its functions are should be explained in the guidance document. It was also suggested as a recommendation (not mandatory) to have one worker representative on the surveillance committee.

The SC voted in favour of the proposal (5 in favour, 2 against).

Topic 7: Fairtrade Development Plan and Premium use

Introduction

SPOs have many and diverse needs and, with limited resources, it is hard to decide where to invest first in order to make the best use of the Fairtrade Premium and maximize its impact. A relatively large share of the Premium is currently spent to cover operational costs, certification fees, etc. Therefore it is important to follow a proper planning process, in which the longer term effects of an investment are thought through. However, conducting a needs analysis only comes into effect as a development requirement in year 6 of certification. In practice, comprehensive planning and prioritization processes rarely take place before deciding on the use of the Premium.

The impact generated by the Premium is in many cases below market expectation. Tangible impact is the main driver for commercial partners and civil society to engage with Fairtrade.

Aim of the proposal

- Providing additional guidance on Premium use in line with the Fairtrade International Board approved strategy on LI. The purpose is to help organizations to invest more strategically in a way

that it contributes to achieving its long-term development goals and sustainable livelihoods for their members.

- Facilitating the communication on Premium use to commercial partners, civil society and other relevant stakeholders.
- Strengthening the requirements on misuse of Premium

Decisions

Decision 7.1: Do you agree to the following recommendation:

- **Requirements related to premium use should be applicable once the organization has sold under Fairtrade terms and received Fairtrade Premium?**
- **That it is best practice to prioritize resources to strengthen an organization so that it can effectively serve its members when allocating premium?**
- **That organisations receiving a premium of over 150,000 EURO/USD should have an independent financial audit?**
- **That it is best practice especially for larger SPOs to have a premium committee?**

The SC provided input to improve the guidance: i) to add suggestions on premium use which could be helpful for SPOs should be included in an explanatory document, ii) organizations receiving less than 150,000 EURO/USD can still have independent financial audits if they decide so by themselves, this should be mentioned as best practice, iii) as best practice in the guidance or explanatory notes it should be mentioned that it is best practice that decisions on premium use are not taken during the General Assembly but in a separate process, iv) include in the guidance that premium can be used to reach a LI.

The SC unanimously voted in favour of the proposal.

Decision 7.2: Do you agree to change the requirement on needs identification from Development Year 6 to Core Year 1?

The SC unanimously voted in favour of the proposal.

Decision 7.3 Do you agree to introduce a new requirement on Premium reporting on an annual basis?

Information on premium use is of big value for licensees and is needed to better communicate the impact of Fairtrade to consumers. The lack of a direct link between producers and buyers was highlighted. The SC raised concerns that this requirement becomes an added burden to producers and suggested that the PNs are involved from the start in the development of the reporting tool. Also, it was suggested to include a more general wording giving the option that the information is reported to FI or PNs. The template to share this information should be very practical; it should not form an added burden for producers and should consider that in some regions multiple languages are spoken.

The SC unanimously voted in favour of the proposal.

Decision 7.4: Do you agree to introduce a new requirement on responsible management of Fairtrade Premium?

The SC unanimously voted in favour of the proposal.

Topic 8: Workers in SPOs

Introduction

This topic was not included during the first round of consultation as stakeholders felt the complexity of the topic requires deeper analysis before concrete interventions are consulted upon. Therefore a thorough contextual analysis will be carried out during 2018, aiming to understand the different arrangements between farmers and workers that currently exist within SPOs as well as the implications that any standard related changes or other measures may have. The contextual analysis will help to understand on-the-ground labour realities, in order to be able to:

- identify and define challenges
- make concrete proposals to improve labour conditions and workers' wellbeing

The results of this contextual analysis will inform Fairtrade's intervention in the area of workers in SPOs, including a broader review of the standard's chapter on labour conditions of workers in SPOs but also the implementation of actions beyond the standard. Depending on the duration of the contextual analysis and other factors, the review of the particular labour chapter might be done after the overall standard review, requiring an additional update of the standard.

While the contextual analysis is looking at the situation in its complexity, there are some aspects that don't require the results of the contextual analysis and can already be consulted upon in the second round of consultation. It is worth noting that other proposals in this consultation (e.g. SPO definition) would also have an impact on the number of workers in SPOs.

The aim of the proposal is to strengthen the assurance framework in the chapter on labour conditions of the SPO standard and taking a first step in improving the working conditions of workers in SPOs.

Decisions

Decision 8.2: Do you agree to set the significant number of workers to 10 permanent workers or equivalent worker's days?

The presenter confirmed that the intention of the change is to increase the number of workers that are covered by the requirements that are applicable to SPOs and members that employ a significant number of workers as defined by FLOCERT. The proposal put forward in the paper (10 permanent workers or equivalent workers' days) would basically reduce this coverage. Therefore the proposal to the SC is to align with the definition of FLOCERT. FLOCERT defines significant number of workers as workers that are present for one month or more during a year. If needed a reference can be made on how this relate to the permanent number of workers.

The SC voted in favour of the proposal to align the definition with FLOCERT (4 in favour and 3 abstentions).

Decision 8.3: Do you agree to merge the two requirements on contracts in one and to change them from Dev/Year 3 to Core Y1?

This includes to:

- Change the requirement on written contracts for permanent workers (applicable only if the organization or members employ a significant number of workers) from Development Year 3 to Core Year 1.
- Change the requirement that requires that copies of contracts are given to permanent workers from Development Year 3 to Core Year 1. The requirement is applicable only if the organization or members employ a significant number of workers.

Additional guidance is provided, that oral contracts are accepted in case it is accepted by the national legislation.

The Senior Advisor for Workers Rights and Trade Unions relations (SAWR) suggested that this requirement should cover all workers regardless of whether they employ a significant number of workers or not and advocated for not allowing oral contracts as usually the countries in which we operate do not have strong enforcing frameworks to implement their legislation.

There were also different views within the SC on whether the oral contracts should also be allowed or not. It was also suggested to add a definition of permanent workers in the guidance section.

The SC voted in favour of the proposal as presented in the SC paper (6 in favour, 1 against).

Decision 8.4: Do you agree to add a new requirement Core, Year 0 on access to clean drinking water applicable to all organizations regardless of the number of workers?

A concern was raised by the SAWR regarding the quality of the drinking water saying that it should be accessible in sufficient degree to all workers and be clean and safe to drink. An SC member however suggested that it would be unrealistic to ask members to provide their workers with better quality water than what they themselves drink (e.g. bottled water). It was therefore agreed that the quality of the water provided should be similar to the one the members drink themselves.

The SC unanimously voted in favour of the proposal.

Topic 9: National legislation

Introduction

This topic was not included during the first round of consultation but is relevant to some of the proposals for the second round (for example workers in SPOs and environment).

The aim of the proposal is to enable Fairtrade to act in case violations to national law take place. The purpose is not that auditors check proactively compliance of organizations against all labour or environmental laws, but to have a tool to react in case of risk or indications of non-compliance. Also, it aims at providing clarity to organizations on how to act in case of contradiction of the standard with national law.

Decision

Decision 9.1: Do you agree to add a new requirement on compliance with national law to be

checked reactively?

There was a question whether this would only be relevant only for the labour conditions and the environmental section and it was clarified that this would be applicable only to the topics covered by the standard.

The SC voted in favour of the proposal (5 in favour, 1 against, 1 abstention).

Topic 10 - Fostering continuous improvement

Introduction

This topic was included to find out how the standard can best encourage SPOs and foster their continuous improvement. The presenter recap the structure of the standard (core and development requirements and 0, 1, 3 and 6 years timeline) and how it is reflected in the compliance criteria.

Decisions:

Decision 10.1: Do you agree to reword the requirements with focus on reporting, moving towards implementation of measures?

An example was given in the consultation, soil fertility, to support the stakeholders to understand the concept of the proposal. For the final version of the standard it will be looked into how a separation of the requirements from the development requirements could best be work visually. The requirements will be redrafted in active language so there is more clarity on the action needed. Requirements that have a focus on reporting will be redrafted to change the focus to the actions, providing additional guidance/examples so it is clear that organizations have freedom to choose what it is the best course of action.

The SC unanimously voted in favour of the proposal.

Decision 10.2: Do you agree to not introduce a new requirement on fostering continuous improvement?

While the proposal in the consultation to introduce a requirement on continuous improvement for year 6+ was supported by stakeholders, the proposal to the SC is not to include the proposed change. Continuous improvement can only take place if there are steady Fairtrade sales overtime and continuous capacity building. Also the standard already has an embedded system of continuous improvement (core vs dev, different timelines). Last but not least, every revision of the standard introduces more demands on SPOs and therefore fosters continuous improvement. The SC suggested to clarify to what it is referred when the term “you” is being used in the standard.

The SC unanimously voted in favour of the proposal.

Topic 11: Role of traders

Introduction

There is no requirement on the role of traders in the SPO Standard. Although the Trader Standard already recognizes that traders play an important role in SPO capacity building, the SPO Standard does not provide a clear framework on how SPOs must engage with traders in fairer trade relationships.

In some cases traders invest resources to get farmers organized, apply for Fairtrade certification and provide market access to the SPOs. On one hand it may help SPOs to start Fairtrade businesses but on the other it can also cause SPOs to rely on traders' support and it poses challenges to the organization to grow as a self-reliant organization. Elected SPO leaders may be bound to follow the trader's interest as they may fear losing market access and if the situation persists, preventing the empowerment of producers in the long run.

A larger discussion on the role of traders will be included in the next revision of the Trader Standard. However, from the 1st round of consultation there was a call to increase transparency on the services the traders provide to organizations that was included in the second round of consultation.

The proposal aims at increasing transparency and ensuring that SPOs can decide for themselves on the services provided by traders to their members and on the use of the Fairtrade Premium.

Decision

Decision 11.1: Do you agree to introduce a new Core, Year 0 requirement in the Trader Standard on transparency of services offered by traders to SPOs?

The SC unanimously voted in favour of the proposal.

Topic 12: Trading with integrity

Introduction

Unfair trading practices mostly occur in cases of imbalance between trading partners, which can happen anywhere in the chain but most frequently at the expense of producers. In the last revision of the Trader Standard a new requirement on trading with integrity was added to tackle unfair trading practices (TS requirement 4.1.8). The question is now if and how unfair trading practices should be captured in the SPO standard. This topic was a new topic in the second round of consultation.

The aim of the proposal is to prevent unfair trading practices at producer level and aligning the standard with the compliance criteria.

Decisions

Decision 12.1: Do you agree to introduce a new Core, Year 0 requirement to prevent dishonest practices?

The SC suggested not using the word "circumvent" in the requirement and using instead "by-pass". As this requirement does not imply a change in practice this requirement should also be added to other generic standards.

The SC unanimously voted in favour of the proposal.

Decision 12.2: Do you agree to introduce a new Core, Year 0 requirement on honouring contracts?

The SC unanimously voted in favour of the proposal.

Topic 13 – Modern Slavery

Introduction

This topic was consulted on during the first round of consultation but it was not included during the 2nd round because despite the fact that stakeholders acknowledged the importance of the topic, they were not in agreement with the methodology proposed.

The proposal aims at addressing the changes in the legal environments in different countries on forced labour without endorsing a particular methodology and at aligning the forced labour section with the child labour section.

Decision

Decision 13.1: Do you agree to introduce a new Core, Year 1 requirement that ensures that in case forced labour has been identified, then the SPO needs to remediate and ensure the prolonged safety of the vulnerable adult?

The SC suggested improving the guidance section of the requirement, and a clear link with the internal management system. Some concerns about assuring the compliance of the requirement are expressed by SC members. The Standards Team will follow up jointly with the Senior Advisor on Social Compliance to improve wording.

The SC unanimously voted in favour of the proposal.

Topic 14 - other changes

Decision 14.1: Do you agree with the change in the title of the standard from “Fairtrade Standard for Small Producer Organizations” to “Fairtrade Standard for Small-Scale Producer Organizations” and to delegate the final title in other languages to the Director of S&P?

The SC unanimously voted in favour of the proposal.

Decision 14.2: Do you agree with the transition periods proposed and to delegate to the Director of S&P the final decision on dates of applicability?

Overview of proposed transition periods		
Topic	Transition	Applicable as of
Additional entry criteria in cocoa in Ivory Coast		1 Jan 2019
Fast track implementation	Timeline to be confirmed depending on how soon FLOCERT is able to introduce in audits (compliance criteria developed and auditors trained)	tbc
Requirements in Topics 2 to 13	2 years	March 2021
Requirements in Topic 1 (SPO definition)	2 years and 9 months	January 2022

The SC unanimously voted in favour of the proposal.

Decision 14.3: Do you agree to the delegation of approval of non-substantive changes and final wording of the standard to the director of S&P?

The SC unanimously voted in favour of the proposal.

Item 11 – AOB Next meeting date Closing

AOB

A member of the SC raised concerns about the use of the proxy votes. Members of the SC should strive to be present during the meetings, in particular when decisions are being taken.

Next meeting date

20th and 21st March 2019 (tentatively teleconference)

Closing

The meeting was formally closed.