



# ***Oversight Committee Minutes Meeting 16: 23-24 September 2019 Physical meeting***

**Present:**

OC members: Martin Boon, Doreen Chanje, Theresa Glammert-Kuhr, Miguel Mateo Sebastian, John Young, Sugumar Raman

OC members participated remotely: Martin de la Harpe, Ludwig Tanchot, Iresha Sanjeevanie

Fairtrade International S&P: Gelkha Buitrago, Eleonora Gutwein, Ana Jordan Rosas

**Disclaimer:**

The Fairtrade International Oversight Committee (OC) aims to reach consensus, but decisions may not always reflect the opinions of all people.

**Item 1 Opening**

The chair opened the meeting and stated that the quorum was met.

Agenda: The agenda was agreed unanimously.

**Conflict of interest:**

A conflict of interest was reported for *Item 12 and Item 14* by one member of the Committee. This member will abstain from the voting on this agenda point.

**Ground Rules:**

- All information shared within the committee is confidential and should not be circulated or disclosed outside the committee. This does not apply to the public minutes.
- All decisions will be based on consensus whenever possible

**A&O News:**

- This was Doreen Chanje's last meeting. The Committee thanked her for her contributions over the past 6 years, and introduced the new OC member as of 1<sup>st</sup> November 2019.

**Review of Action Items:**

- Assurance Manager (AM) and Director Standards and Pricing (S&P) has been requested to keep the OC informed on the Rogue Trading/Label integrity work. An update on the project is scheduled for this meeting.
- The follow-up with FLOCERT on additional trainings on the impartiality procedure to be offered to the PN's is ongoing.
- The Oversight Procedure v2.0 was published in June 2019.
- Revised Requirements for Licensing Bodies final draft is scheduled for decision for this meeting.
- A NFO representative amended the International Licensing Working Group ToR and it was shared with the licensing community. The topic is on the agenda for this meeting for OC's endorsement.

- An update is scheduled for this meeting for FLOCERT to explain the changes in the KPI figures presented at the June OC meeting.
- The research to explore the feasibility of the recommended actions by the Workers' Rights Advisory Committee (WRAC) to the RAPs v2.0 in order to improve assurance's providers' allegation procedures or to formulate an independent grievance procedure has started. Also, exploring the possibility of WRAC representation in the OC is in process. Topic planned for March OC 2020.
- The log of complaints and allegations was sent by FLOCERT to the AM for further analysis as part of the reporting requirements in the RAP 2.0. A discussion on this topic is planned for March OC 2020.
- Fairtrade Label Japan's revised corrective action plan for the non-conformities identified during the self-assessment is scheduled for this meeting.

## **Item 2 – Updates**

### **Rogue Trading project**

In coffee, the topic of dishonest trading practises is included in the coffee standard review, and roundtables are planned in producing countries to better tackle the challenges producer face. In Banana, a roundtable was organised in June in Ecuador, a report is being finalised by the CLAC and another roundtable is planned in producing countries in November.

On oversight and at assurance level several measures are being implemented, mainly in areas of sanctions and re-entry requirements. Also, the self- assessments of assurance providers against the revised RAPs are being finalised, improvements to the oversight system are being identified in order to strengthen the integrity of the scheme further.

### **ISEAL Peer Review**

Fairtrade International is required to conduct a Peer Review against the ISEAL Assurance code 2.0, as part of its membership compliance. Fairtrade International is being reviewed by IFFO RS, and at the same time Fairtrade International is reviewing FSC. Results and findings will be shared with the OC at an upcoming meeting.

### **Collaboration with the Workers' Rights Advisory Committee (WRAC)**

A project has started on exploring the ways of collaborating with the WRAC, to strengthen assurance providers' allegation procedures and/or to transition to a grievance procedure. The project is led by the Senior Advisor Workers' Rights and Trade Union Relations at Fairtrade International in close collaboration with FLOCERT and the AM.

## **Item 3 Outbreak of Fusarium (banana plant disease)**

FLOCERT presented information on the outbreak of Fusarium (Wilt Tropical Race 4 (TR4)) in Colombia, a banana plant disease, and explained what implication it has for FLOCERT's work on affected farms.

Fusarium is a fungus destroying banana plants, it infects the plant through the roots and can stay dormant in the soil for decades. There are very few possibilities to control the disease, therefore many fields could be destroyed.

Colombia declared a national state of emergency on August 8th, 2019, since a total of 175-200 hectares have been identified to be infected with the fungus and 165 hectares have already been destroyed (figures from August 2019). Peru, Ecuador and Costa Rica have published national resolutions in order to prevent the entrance of the disease.



#### What is FLOCERT's approach

FLOCERT developed a biosecurity protocol that addresses the special steps and precautions to be taken in relation to audit activities in regions affected with the disease. Customers were informed about the protocol and that affected farms must inform FLOCERT immediately of the presence of the disease. As physical access is not recommended to audit sites with high risk of Fusarium contamination, FLOCERT will apply the remote audit approach that is under pilot for such cases.

#### Next Steps:

Monitor the situation of the disease and explore additional ways for addressing the issue. FLOCERT is requested to regularly update the OC about the situation.

#### **Item 4 Summary of FLOCERT's KPIs**

As a follow-up of the last OC meeting in June, when the FLOCERT's KPI report was presented, as part of their compliance to the RAP v2.0, the OC requested to have the figures for decertification separated by type of decertification (e.g. non-payment vs. compliance) and an update for the figures with large differences between 2017 and 2018.

FLOCERT Assurance Scheme Manager presented their updated figures, and provided an analysis by the types of clients and reasons for de-certification, also on the reasons for the large differences in the data in the number of suspensions. The OC suggested to include further analysis on the data for the next reporting period to better understand the figures and identify risks and opportunities.

#### Next steps:

AM to collect input from the OC and work with FLOCERT to develop the key indicators for the next reporting period. New template to be presented to the OC for guidance in Q1 2020.

#### **Item 5 ISEAL's Assurance Code – Global Data Governance Group**

FI's Data Operations Manager presented the work of the Global Data Governance Group (GDGG), its purpose and objectives.

The GDGG is a group delegated by and accountable to the FairLens Steering Committee and its purpose is to support and drive the data governance agenda and provide the FairLens Steering Committee with assurance that data governance is in place; to implement strategic decisions and submit recommendations on data and information quality, to ensure alignment on data governance and quality among all stakeholders.

Data governance is a data management concept that ensures that data quality exists throughout the complete lifecycle of the data. Its focus areas are availability, usability, consistency, integrity and security of the data. It helps establishing processes to ensure effective data management throughout the organization.

The GDGG is composed of six members: two members from the Producer Networks, two members from the National Fairtrade Organizations, one from Fairtrade International and one from FLOCERT.

Several decisions were made in the past months on topics related to the FairLens development work, such as decisions on aggregation levels, premium use definitions, currencies, etc.

The work of the Global Data Governance group is a core part of FI's compliance to the ISEAL's assurance code.

### **Item 6 Assurance Risk Management Plan**

ISEAL's Assurance code requires the scheme owner to maintain a risk management plan that includes a list of the most significant risks to the integrity of the assurance system, a quantification of those risks, and a description of the strategies being employed to mitigate each of these risks. FI developed the Assurance Risk Management Plan in November 2016, not only to meet this requirement but also to allow the system to identify opportunities for improvement, to develop and maintain a robust oversight system.

The Assurance Risk Management plan was updated every year, last time in June 2019 based on the 2018/2019 data, OC reports and discussions. There were two newly identified risks added to the plan, threats to credibility and accessibility of the system. Also, a revision schedule and change history table was added to the plan. In June 2019 two newly identified risks were added and the SMART action plans for the existing risks were updated.

According to ISEAL's Assurance Guidance Note, an effective risk management builds on the organizational commitment to risk management and a good information management system. Therefore, the FI Assurance Risk Management Plan, and the most significant risks to the assurance system are planned to be reported to FI's Organizational Risk Management Committee (ORMC). An information management system is planned to be ensured by Fairlens (a platform that incorporates all the data sources within the Fairtrade system).

The OC reviewed the Assurance Risk Management Plan, reflected on all the threats identified, on the rating methodology and the strategies to mitigate them. It was requested to add the risks related to licensing activities to the plan, also to clarify some of the SMART action plans, define more specific timelines and roles for the mitigations, describe the colour coding in details, especially in regards to the actions needed to achieve the highest progress category.

The OC asked to have an update on the Organisational Risk Management Committee's work at the next meeting.

#### **Decision:**

The Assurance Risk Management Plan was approved unanimously with the guidance provided in the meeting.

#### **Next Steps:**

AM to update the Assurance Risk Management Plan as recommended by the OC and to explore new strategies for mitigating the risks with slow progress, e.g. recognition of other schemes and accessibility. Also, AM to inform the Organizational Risk Management Committee of the approved plan and update the Assurance Risk Management Plan regularly when new risks arise, at least once a year.

### **Item 7 System review – Requirements for Licensing Bodies v2.0**

The AM presented the revised Requirement for Licensing Bodies v2.0 (RLBs) to the OC for decision.

The RLBs are a set of rules defined by Fairtrade International and approved by the OC that all Fairtrade licensing bodies must follow to ensure that the FAIRTRADE Marks and claims are adequately and appropriately used.

The aim of the revision was to align the current RLBs requirements with the new regulations, to maintain the credibility of the FAIRTRADE Mark and to develop a list of requirements which are widely accepted by the Licensing Bodies. The revision included a consultation with stakeholders to ensure that the revised

requirements reflect Fairtrade International's strategic objectives and are based on certification and licensing realities as well as on consumers' expectations.

The objectives of the revision were:

- To develop licensing requirements that are fit for purpose and support licensing bodies in their effective daily operations.
- That the requirements are widely accepted and licensing bodies are committed to implement and be held accountable for any non-conformity.
- Strengthen Fairtrade International's oversight over the licensing activities to maintain consumer's confidence in Fairtrade and the integrity of the system.
- Harmonize operational policies and tools in licensing to enable effective global operation, maximizing the opportunity to use shared software.
- Align licensing activities with the EU Certification Mark Regulation to ensure legal compliance.
- Align licensing requirements with the ISEAL Assurance code 2.0 to ensure membership compliance.
- To develop a system for collecting quality performance data and other licensing related data efficiently.

The revision timelines were:

- Scoping: January 2019
- Research and Project assignment: February - March 2019
- Consultation: April 2019
- Drafting final proposal: May 2019 delayed to August 2019
- OC decision: June 2019 delayed to September 2019
- Publication: delayed to November 2019

The revised RLBs follow the same structure as the Requirements for Assurance Providers (RAPs) and other oversight documents. It starts with general requirements for LBs, following by the more specific procedural requirements on the application procedure, decision making processes and procedures on protecting the mark. Also it sets separate requirements on approving the different use of the marks. In a nutshell, the revised RLBs introduced new requirements for licensing bodies, mainly on the authority and the use of the FAIRTRADE Mark. Also reporting requirements were added to enable the system to have a better oversight over the licensing activities. The use of the designated licensing tool, was introduced, and is referred to as the Fairtrade Product Registration System.

The language of the document was simplified, the terminology updated, reference to committees and processes that do not exist anymore were removed. The changes made to the requirements in the current version were mainly on the structure, with minor clarifications.

#### Discussion:

It was mentioned that the name of the Brand Integrity and Strategy committee needed clarification that the strategy refers to the brand. To support LBs in demonstrating compliance, the AM will develop a checklist and guidance on the types of evidence required, including an explanation of the changes and the intention of the requirements. It was also highlighted that for the rejection of applications, Fairtrade International needs to develop guidance on the objective criteria, to ensure LBs are aligned and the Certification Mark regulations are met. Other minor clarifications were recommended, such as that the definition of 'organization' should be added to the document; that clause 2.8 only applies to applicants; and that in clause 3.4.1.3 the requirement refers to the physical ingredient in the product when communicating mass balance on-pack claims. It was also mentioned that in clause 3.2.2, where the requirement refers to the Fairtrade values, a description is needed.

#### Decision:

The Requirements for Licensing Bodies version 2.0 including its timelines for implementation was approved unanimously and delegated the final editing with the input of the OC of this meeting to the S&P Director.

Next Steps:

AM to follow-up on the following:

- Final editing: October 2019
- Publication: November 2019
- Developing the checklist, other supporting guidance documents: November – December 2019
- Webinar: December 2019
- Transition period: 6 months from the date of the publication
- Completion of Self- Assessment: Q2-Q3 2020
- LBs On-site assessments: Q4 2020 – Q4 2021

**Item 8 International Licensing Working Group Terms of Reference (ToR)**

The amended ToR of the International Licensing Working Group (ILWG) were presented by the Head of licensing & innovations in Max Havelaar France. The ILWG was established to bring together representatives from licensing bodies in order to share best practices, exchange information and discuss common challenges. The ILWG also serves as a forum for members to develop proposals, and recommendations on licensing activities to the relevant bodies in the Fairtrade system (i.e. Oversight committee, Global leadership team, Chief Executive Officer Members meeting).

The ILWG at the moment is a self-driven, voluntary group, it lacks formal approval from the system and resources allocated to the operation of the group. There is no clarity on how to ensure efficiency and operation without the formal recognition.

OC endorsed the intention of the group and recommends to liaise with the Head of Brand, Trademark & Licensing at Fairtrade International for next steps.

**Item 9 OC Calibration**

AM introduced a new practice to the OC meeting to build knowledge of the OC members on the assurance providers' and licensing bodies' procedures through the calibration of the members.

*'Calibration refers to the process through which personnel exchange knowledge and learn from each other to reach a consistent interpretation and application of the norms.'*

It is planned to have different procedures presented for information and discussion by the relevant body or personnel with an expertise in the field.

Topics for calibration are related to the Requirements for Assurance Providers or the Requirements for Licensing Bodies criteria.

**Item 10 FLOCERT's procedure on certification personnel competencies**

FLOCERT's Competence Manager presented the procedures related to their certification personnel competencies as part of FLOCERT's compliance to the RAPs 2.0.

The competence system comprises of a continuous cycle of training and evaluation. For both areas, different tools are used: individual and group trainings (onsite and webinars), direct feedback and structured evaluation of audit reports and onsite audit competence.

#### **Item 11 Assurance provider reporting - FLOCERT's risk based assurance**

FLOCERT's Assurance Scheme Manager presented the Risk Categorization system, including an analysis of the number and types of clients in risk categories and their audit frequencies.

FLOCERT uses risk indicators that capture the *probability* and *consequence* of standard requirements not being met. The *Probability Indicators* are for example the number and significance of prior non-conformities; allegations; changes in structure; scope extensions; exceptions that need follow up and country/region/product specific risks. The *Consequence Indicator* is the premium value, i.e. customers with high premium income represent a higher reputational risk to the entire Fairtrade system.

#### **Discussion:**

The OC reflected on the information presented by FLOCERT and mentioned that further analysis would be useful to better understand the changes during the years, also to have the data separated by region. There were some questions regarding the indicators, to explain how many changes were due to different indicators. FLOCERT pointed out that a full analysis of the risk-based assurance system was conducted in 2014/2015, although similar exercise based on the improvements introduced in 2018 has not yet been conducted. This will be done during the course of 2020, and results will be shared with the OC. A periodic analysis would however be impractical, as it entails a lot of effort.

#### **Next Steps:**

AM to collect input from the OC and work with FLOCERT to develop a template for the next reporting period.

#### **Item 12 Assurance Providers' compliance - FLOCERT's self-assessment result**

AM presented FLOCERT's completed-self assessment against the RAPs v2.0.

FLOCERT submitted their self-assessment together with all supporting documents by the deadline (31st of March 2019). AM also reviewed the most recent results of FLOCERT's ISO 17065 DakkS audit.

FLOCERT has implemented many of the new requirements of the updated RAPs and presented new or updated policies and procedures on several core issues (e.g. Appeals, Complaints and Allegations, re-entry requirements). Also, FLOCERT made progress in the area of auditors' competence, auditing in travel risk areas and in developing the scheme to certify against the Fairtrade Textile Standard.

However, certain requirements are not yet met or only partly met.

Three non-conformities and seven partial non-conformities were identified. Also, some opportunities for improvements were shared. The main non-conformities are related to the sanctions policy, the allegation procedure and to the requirements for certifying small licensees. Partial non-conformities were found related to the risk based auditing requirements, the re-entry requirements, textile training industry requirements, also on the timelines for suspensions and permission to trade statuses. FLOCERT suggested to submit two variation requests to the OC for one of the non-conformity and one of the partial non-conformity, as the corrective measure.

The AM concluded that FLOCERT presented a system that is overall robust and can demonstrate compliance with the RAPs 2.0 once the corrective actions that were proposed are implemented.

As foreseen by the Oversight Procedure, the AM recommended to the OC to endorse an on-site assessment for FLOCERT, within 12 months, to have a closer look at how the procedures work and how efficient their

implementations are. The OC requested to specify timelines for the completion of the corrective measures, also for the variation requests. It was highlighted that the variation requests have to be presented to the OC as a separate topic and have to be approved. If not approved, FLOCERT will have to submit a revised corrective action plan for the clauses in question.

Decision:

*One member abstained due to a conflict of interest.*

The on-site assessment for FLOCERT within 12 months was endorsed by the OC unanimously.

Next Steps:

AM to follow-up on the following:

- Notify FLOCERT about the outcome of the decision: September 2019
- Present the variation requests to the OC: November 2019 – March 2020
- Agree with FLOCERT on more specific timelines for the corrective actions: November 2020
- Agree with FLOCERT on a date for the on-site assessment: March 2020
- Conduct the on-site assessment: June – July 2020
- Develop the final report on FLOCERT's compliance to the RAPs 2.0: September 2020
- OC to decide on FLOCERT's conformity to the RAPs 2.0: November 2020

**Item 13 Assurance provider reporting – Schemes for small licensees**

FLOCERT Assurance Scheme Manager presented the scheme for small licensees. It was explained that the scheme is open to customers that fulfil a set of requirements: They are Fairtrade licensees, conduct activities under the scope of certification, and are not Fairtrade Minimum Price or Fairtrade Premium payers. These small licensees limit their Fairtrade business to selling ready for consumer packaged products and have an annual global turnover (including non-Fairtrade activities) below or equal to two million Euros. Also, small licensees cannot have more than two additional entities. The difference in the certification process is that small licensees have a 6-year certification cycle, and no surveillance audit in between.

The history of the scheme was explained. To be able to continue offering that scheme at the current fee and considering the low risk involved, FLOCERT does not plan to introduce a surveillance audit.

With the current practise FLOCERT is not in compliance with the RAPs clause C.3.3.4, which requires assurance providers to conduct at least one surveillance audit within each six-year certification cycle, usually in the third year, therefore FLOCERT plans to submit a variation request against the mentioned requirement as a corrective measure.

Discussion:

It was mentioned that even though the small licensees are low risk clients, some kind of verification should be introduced during this 6-year certification cycle to mitigate the risk of over-claiming or selling higher volumes without adequate assurance. There were some suggestions on tools and practises that could be used, however, it was agreed that it is within the remit of FLOCERT to propose and implement a measure that adequately addresses the risks and also demonstrates compliance with the relevant requirement in the RAPs.

Next Steps:

FLOCERT to submit a variation request to the AM against the [RAPs v2.0 clause C.3.3.4](#).

AM to present the variation request along with a proposal for decision at the next OC meeting.

#### **Item 14 Assurance Providers' compliance Fairtrade Label Japan's revised corrective action plan**

The AM presented to the Oversight Committee Fairtrade Label Japan's self-assessment of compliance with the Requirements for Assurance Providers (RAPs) 2.0. The assessment has been analysed in May 2019 and due to two major non-conformities and the lack of an adequate Corrective Action Plan in June 2019, the OC recommended to postpone the on-site audit to allow Fairtrade Label Japan to submit a revised Corrective Action Plan that is sufficient to show full compliance with the RAPs 2.0. Fairtrade Label Japan submitted a revised action plan in August 2019.

The AM concludes that Fairtrade Label Japan with the new revised Corrective Action Plan will be able to demonstrate full compliance to the RAPs 2.0. Fairtrade Label Japan is considering transferring its assurance provider responsibilities to another AP, which was welcomed, as it is a step towards achieving FI's Board decision on having a single certifier for the Fairtrade Standards.

The on-site assessment is however necessary as the transition of the certification services is planned for 2021, and the Oversight Procedure requires assurance providers to show continuous compliance with the RAPs. Assurance providers, also have to be approved by the OC regularly, and the OP requires FI to conduct an on-site assessment before the approval decision can be made.

#### **Decision:**

*One member abstained due to a conflict of interest.*

The revised corrective action plan was accepted and the on-site assessment for Fairtrade Label Japan was endorsed unanimously.

#### **Next Steps:**

AM to follow-up on the following:

- Notify Fairtrade Label Japan of the outcome of the OC decision: October 2019
- Agree on a date for the on-site audit: October 2019
- Conduct the on-site audit: December 2019 – January 2020
- Develop the final report on Fairtrade Label Japan's compliance to the RAPs 2.0: February 2020
- OC to decide on Fairtrade Label Japan's conformity to the RAPs 2.0: March 2020

#### **Item 15 AOB, Next meeting date and closing**

AOB: the chair requested to revise the confidentiality rules for the OC, as not all the information is highly confidential. Clarification is needed on what can be shared and with whom. Chair proposed new categories, AM to add it to the ground rules for the next OC meeting.

Next OC meeting is scheduled for the 25<sup>th</sup> and 26<sup>th</sup> of November 2019. Exact times to be confirmed in due course.

The meeting was formally closed.