



Oversight Committee Minutes

Meeting 17: 26 November 2019

Physical meeting

Present:

Oversight Committee (OC) members present: Martin Boon, Theresa Glammert-Kuhr, Richard Kwarteng, Miguel Mateo Sebastian, Ludwig Tanchot

Remotely: Martin de la Harpe, Iresha Sanjeevanie, John Young

Fairtrade International (FI) Standards and Pricing (S&P): Gelkha Buitrago, Eleonora Gutwein, Ana Jordan Rosas

Disclaimer:

The Fairtrade International OC aims to reach consensus; however, 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 6* by one member, for *Item 7* by three members and *Item 8* by two members of the Committee. These members will abstain from the voting on the agenda points.

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:

- Richard Kwarteng was introduced as a new OC member.

Review of Action Items:

- An update on Rogue Trading/Label integrity is scheduled for this meeting.
- Revised Requirements for Licensing Bodies are to be published in November.
- AM to collect input from the OC and work with FLOCERT to develop the key performance indicators for the next reporting period to include more narrative not only figures. New template to be presented to the OC for guidance in June 2020.
- AM to present the variation request along with a proposal for decision at the next OC meetings. One variation request is scheduled for this meeting; second one is scheduled for the upcoming meeting.
- On-site audit is confirmed with Fairtrade Label Japan for the 27th - 28th of January (incl. witnessing of an audit)

Item 2 – Updates

Organizational Risk Committee

The OC was updated by the acting Chief Operating Officer (COO) at Fairtrade International on the work of the Organisational Risk Committee. It was acknowledged that there was a gap in the operation of this committee, as the coordination of the committee is the responsibility of the COO and the role was not filled for most of the year. However, a committee meeting is now planned for December 2019 and another in January 2020, where the risk register will be reviewed in detail. Generally, all risks are reported to the Fairtrade International Chief Executive Officer and to the Fairtrade International Finance Committee, and the top five risks are reported to the Fairtrade International Board.

The OC requested to ensure the continuous operation of the committee and to prevent such a gap happening again in the future. A presentation was also requested for the next OC in March 2020 about the work of the Committee and the risks identified.

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

- FI submitted the assessment checklist by August 31st. The initial report was provided by IFFO in October 2019. The overall feedback was positive, however, additional work on information management is necessary to demonstrate full compliance. The final report to be ready by the 4th of December 2019.

Fairtrade International is reviewing FSC

- FI reviewed FSC, initial findings were shared with them, further clarifications were required. Final report to be ready by the 12th of December.

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' (APs) 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. There is also a request to explore the possibility to have a seat for a WRAC member in the OC or Standards Committee.

Assurance and Oversight Workplan

An initial workplan for the year 2020 was presented to the OC. The main focus is on supporting Licensing Bodies (LBs) in implementing the Requirements for Licensing Bodies (RLBs) and reviewing their completed self-assessments. The on-site assessments for Assurance Providers to ensure compliance with the RAPs are planned to be completed in 2020. Findings and lessons learnt to be analysed to further strengthen the scheme. The work on unfair trading practices continues with participation in standard reviews, roundtables and improving the procedures of the assurance providers.

Unfair trading practices

An update was given by the Director S&P on the recent progress on the work to address and prevent bad trading practices and the imbalance of supply and demand in tier 1 products. Also, roundtables with producer representatives, CLAC, FI and FLOCERT took place in Ecuador in November to take stock of the unfair trading practices that have been identified in the past, their current prevalence and new practices around tier 1 products. The OC requested additional information on the 'stronger sanctions approach' from FLOCERT and requested considering turning the existing reactive statement into a pro-active communication

Item 3 Fairtrade Australia/New Zealand compliance to the Requirements for Assurance Providers (RAPs) 2.0

Fairtrade Australia and New Zealand (ANZ) submitted their completed self-assessment against the RAPs 2.0 after the deadline in May 2019, along supporting evidence. After the initial review by the AM, clarifications and additional evidence were provided in October 2019 and again in November 2019. The requirements of the RAPs were partially implemented and several gaps and areas for improvement were identified. Therefore, the AM proposed to the OC to extend the deadline to June 2020, to allow Fairtrade ANZ to revise and update their certification procedures with the required changes.

Discussion

The OC found the deadline proposed by Fairtrade ANZ too long, and highlighted the fact that it is not sufficient to amend the procedures but also, they demonstrate they have been implemented. Also, the OC noted that since all APs had to go through the same procedure and submit their completed self-assessments including the corrective action plan within the timelines as described in the Oversight Procedure, it calls Fairtrade ANZ to make an effort and revise and implement a certification system that is compliant with the requirements set by the system. This is also to ensure that all APs work in a similar manner and the integrity of the system is maintained.

Decision:

The extended deadline to February 2020 for Fairtrade Australia and New Zealand to submit a revised self-assessment was approved unanimously.

Next Steps:

- AM to support Fairtrade ANZ in the process and to present the findings to the OC in March 2020.
- Director S&P to reach out to the Chief Executive Officer of ANZ to highlight the importance of the compliance with the RAPs for the credibility of the system.
- Onsite assessment to be scheduled before the end of 2020.

Item 4 Fairtrace for Assurance

FLOCERT's Senior Assurance Scheme Officer presented the Fairtrace for Assurance workstream within the Fairtrace Program (i.e. set of different projects) to the OC.

Fairtrace is an online platform where clients report and verify Fairtrade transactions, following the principle of collaboration and mutual assurance ('virtual handshake'). All producers and traders, for all products have to report / verify transactions.

The "Fairtrace for Assurance" project aims at finding innovative approaches to assurance which are facilitated by the reported information and increased transaction reporting possibilities

Discussion:

The OC welcomed the project and acknowledged that it will have some implications in the future on how assurance is delivered at the moment. To be able to prepare and understand the changes and their implications, the OC requested FLOCERT to provide regular updates on how the project develops (including success indicators) and pointed out that a variation request would need to be handed in before applying the new approach. It was also mentioned, that NFOs have to be informed of the planned changes in Fairtrace and in general about the assurance processes to ensure they can support their licensees as needed. Some concerns were raised about the remote assurance, around the risks and the opportunities.

Next steps:

FLOCERT to update the OC in March about the KPIs set for the project, mainly on how assurance and credibility would be delivered, trust in the scheme maintained taking into consideration the risks associated with the planned assurance changes.

Item 5 Exceptions

AM provided a summary of exceptions granted between 30th June 2018 and 1st July 2019. The report was presented and discussed by the Exceptions Committee previously.

The reporting process was more efficient compared to the previous period, with more available data in the licensing tool and a better exceptions log template, especially developed for Assurance Providers. The total number of exceptions granted increased, which was mainly due to better data quality in the system. For food composite products, most exceptions were related to the unavailable ingredient category, Fruits and Herbs, Herbal teas and spices represent the lion's share. Herbs, herbal teas and spices are the biggest part on exceptions granted for "Inadequate quality" as well as for "Supply shortage", similarly to the past period.

Discussion:

It was mentioned that there were several data cleaning projects in the licensing tool, therefore, the data quality is higher for this period, there is better transparency, which was welcomed. It was also mentioned that the better data could be also due to the trainings provided earlier this year to members by the Exceptions Committee and FLOCERT. However, there are still some areas that need attention, e.g the definition of the 'unavailable ingredient' or how exceptions are granted in the licensing tool. The OC highlighted that it would be beneficial for the analyses if information on exception volumes per finished, or sold products would be available.

Next Steps

AM to explore the possibility to improve the exceptions reporting further and to share the presentation and the public report with the OC and the NFOs.

Item 6 Complaint

A second instance complaint was presented to the OC regarding a non-compliance and a financial penalty for a trader for a single order being processed, before a valid FLOCERT certificate or permission to trade was acquired. The complainant found the financial penalty excessively punitive and escalated the case to Fairtrade International as a second instance complaint.

The OC discussed the case and found that it is reasonable that there is a consequence for trading before an operator is Fairtrade certified, and FLOCERT have followed the procedure as set out in their sanctions policy. The OC also had recommendations to FLOCERT to consider when applying the financial penalty in the future.

Decision:

One member abstained due to a conflict of interest.

The response to the complainant was agreed unanimously.

Next steps:

AM to draft the response letter and share it with the OC chair.

Item 7 Variation Request

FLOCERT completed their self-assessment during the course of 2019, as part of the Assurance Providers continuous compliance to the Requirements for Assurance Providers v2.0. The findings were presented to the Oversight Committee in September 2019, where FLOCERT indicated that as a corrective action for a non-compliance they would submit a variation request to the OC, against the RAPs v2. Clause C.3.3.4:

*“The scheme for small traders can include the following modifications vs. the regular scheme:
C 3.3.4 Surveillance audit: at least one surveillance audit within each six-year certification cycle, usually in the third year.”*

Variation Request for the Small Licensee (SLI) scheme:

The variation request is against the clause C.3.3.4 to allow FLOCERT to not conduct surveillance audits during the certification cycle of Small Licensees.

As set out in the variation request, the rationale for not conducting surveillance audits for the SLI Scheme and therefore the necessity of the variation request is that this scheme was introduced in 2011 and has been offered at a very low fee. With the increase in the number of SLIs, FLOCERT is not able to implement confirmation audits without a commensurate fee increase. Hence, the need to look into alternatives, to balance out certification costs vs assurance risks.

The AM proposed to temporarily approve the variation request with the condition that until the Fairtrade for Assurance workstream is operational, FLOCERT conducts audits on a selected group of SLIs against a limited checklist, as a minimum for checking transactions. The audit can be a remote surveillance check or an on-site audit and the onus is with FLOCERT to decide on which SLIs would be checked.

Discussion

It was mentioned that the risk can be assessed better if information on the proportion of the small licensees compared to other clients would be available. Considering that the random audits are an interim measure, there should be additional focus on the countries where the risk is higher because of the proportion of the SLIs are higher. It was also recommended to take into consideration the role of the SLI and the above mentioned risk factor when determining the SLIs for the surveillance checks.

Decision:

Three members abstained due to a conflict of interest.

The Variation Request for the Small Licensee scheme submitted by FLOCERT was approved unanimously.

Next Steps:

- AM to inform FLOCERT about the decision: November 2019
- FLOCERT to share information on the proportion of small licensees affected, to understand better the importance of these actors in their markets
- FLOCERT to implement recommendation: Q1-Q2 2020
- OC to review the variation and the implemented actions: Q3 2020
- FLOCERT to present possible solutions for mitigating the risks: Q1- Q2 2021

Item 8 Proxy scheme

The Proxy scheme was developed by a National Fairtrade Organization (NFO), to allow small buyers, with small sale volumes to enter the Fairtrade system without obtaining a certificate and a license. The suppliers of these small buyers are Fairtrade certified and licensed and they report their sale volumes to FLOCERT. All small buyers, so called 'Point of sales', are required to be registered on the NFO's website and have to agree to terms and conditions. NFO's might conduct random inspections to verify that 'point of sale' companies are complying with these terms and conditions on a regular basis. The 'Point of sale' companies must also declare that:

- they only buy Fairtrade products from the Fairtrade certified and licensed suppliers.
- they only use the approved Fairtrade 'point of sale' material provided by the NFO or FI.
- the Fairtrade product volumes are less than the allowed volumes as set by the scheme.
- if they sell more than the allowed volumes they will notify the National Fairtrade Organization and obtain a license.

The 'point of sale' companies may display the Fairtrade Mark on their premises, however they are only allowed to use the material developed by a National Fairtrade Organization or Fairtrade International. The communication and commitment claims used by the 'point of sale' must be always off pack. The 'point of sale' companies are not allowed to make any reference to Fairtrade on-pack. The products in scope for the proxy scheme are Coffee, Tea, Cocoa and Flowers.

There is a need to enable an efficient commitment of the 'point of sale' companies' as they are likely to generate significant social media attentions for Fairtrade, reaching younger consumers and those interested in sustainability and social topics. The main feature therefore of the Proxy Scheme is its strong presence in the daily life of the customer, making Fairtrade attractive and visible (door sticker visibility, communications tool on site, etc.). The marketing and communication of the licensing body is often not sufficient and the 'point of sale' companies have an important role in delivering the Fairtrade message. 'Point of sale' companies are also one of the main economic actors in the portfolio of certain NFOs.

There are several concerns from the assurance and the brand integrity point of view about how the scheme works at the moment, and after it was reviewed by FLOCERT and the AM, together with the NFO involved in developing the scheme, and the Brand Integrity Manager at Fairtrade International, the risks and their mitigations strategies have been identified and presented to the OC.

Discussion

The OC acknowledged the need for a new scheme for these small shops, and cafes, however, they mentioned that the criteria of who qualifies as 'small buyer' or 'point of sale' has to be clarified, to avoid the risk of having large companies with low volumes of Fairtrade sales able to enter the scheme. It was highlighted that there is a need to improve this scheme as proposed, especially on the claim at the point of sales premises.

The scheme was requested to be monitored to see how it is working, also to have it back on the agenda when there is enough information.

Decision:

Two members abstained due to a conflict of interest.

The 'Proxy Scheme' with the proposed changes was approved unanimously.

The scheme, once amended with the OC recommendations, becomes part of the Fairtrade Licensing and Assurance Schemes.



Next Steps:

AM to work with the NFO, FLOCERT, Communications and the Brand Integrity Manager at Fairtrade International to implement the changes in the scheme.

Item 9 AOB, Next meeting date and closing

AOB: It was requested to clarify what a conflict of interest means. The OC has interest in understanding better the work of Fairtrade on human rights, however it was mentioned that this topic might fit better for the SC. It was also mentioned, that it would be good to reduce the amount of meetings a year, to avoid the overburden of the committee members as well as the assurance personnel at FI and FLOCERT.

Next OC meeting is scheduled for the 23th and 24th of March 2020. Exact times to be confirmed in due course.

The meeting was formally closed.