



**Standards Committee  
Minutes  
Meeting 103: June 29 and 30, 2022  
Teleconference meeting**

SC members: Martin Boon, Martin de la Harpe, Jos Harmsen, Richard Kwarteng, Gustavo Lopez, Marike de Peña, Iresha Sanjeewanie (Chair), Emilie Sarrazin

Excused: Emilie Sarrazin and Richard Kwarteng were excused on June 30

Observers: Fairtrade International and FLOCERT staff members have permanent observer status

Other Observers: We do not display the full names of observers and contributing observers to comply with 'The General Data Protection Regulation (GDPR)<sup>1</sup>'. If you need additional information about the observers or contributing observers of this meeting, please contact [standards-pricing@fairtrade.net](mailto:standards-pricing@fairtrade.net)

**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.

**Abbreviations**

CEO	Chief Executive Officer
CLAC	The Latin American and Caribbean Network of Fairtrade Small Producers and Workers
CoE	Centre of Excellence
COSP	Cost of Sustainable Production
EC	Exceptions Committee
FET	Fairtrade Executive Team
FI	Fairtrade International
FMP	Fairtrade Minimum Price
FOB	Free on Board
FP	Fairtrade Premium
FSI	Fairtrade Sourcing Ingredient
FT	Fairtrade
FBW	Fairtrade Base Wage
GPM	Global Product Manager
GPPP	Global Products, Programs & Policy
HL	Hired Labour

<sup>1</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). <https://eur-lex.europa.eu/eli/reg/2016/679/oj>



HML	Hazardous Materials List
HREDD	Human Rights and Environmental Due Diligence
IDH	The Sustainable Trade Initiative
LAC	Latin America and the Caribbean
LI	Living Income
LIRP	Living Income Reference Price
LW	Living Wage
NAPP	Network of Asia & Pacific Producers
OC	Oversight Committee
O2B	Offer to Business
PM	Project Manager
PN	Producer Networks
PT	Project Team
S&P	Standards and Pricing Unit
SC	Standards Committee
SM	Salary Matrix
SOP	Standards Operating Procedure
SPM	Senior Project Manager
SPO	Small-scale Producer Organizations
ToR	Terms of Reference

### **Item 1 – Opening**

The Chair officially opened the meeting.

**Agenda:** The Agenda was approved, and ground rules were read.

**Declaration of conflict of interests:** No conflict of interest was identified.

#### **Review of actions items:**

Two action items are pending; S&P will share the synopsis of the first round of the cocoa consultation and the implication of the entry requirements in the coffee standard.

### **Item 2 – News session**

#### **News from FI and the Fairtrade System:**

Sandra Uwera, introduced herself as the new Global CEO. During the news session, she shared some of the highlights of the General Assembly that took place in Nairobi in June. An interesting dynamic event during the GA week was a panel discussion that enabled a direct and structured dialogue between producers and commercial partners.

She mentioned that after a week of intense engagements between the stakeholders and partners and visits to farms the need of Fairtrade certified producers for more sales under Fairtrade terms was very obvious, as well as the need of commercial partners to have insides into the impact of the Fairtrade premium, transparency in topics such as HREDD. Environmental conservation and climate justice were also very

relevant topics for all Fairtrade members. The Global CEO indicated that during the GA they talked about the global strategy and ways to finance it. One of the recommendations adopted by the GA was to strengthen Producer Driven Services in the Global South.

**News from SC:**

- This is the last meeting of the NFO representative, Jos Harmsen.
- In May, the S&P made a 'Call for Candidates' for the NFO seat in the SC. Interviews with the candidates will be conducted in July.
- The SC meeting in September will take place in Bonn.

**News from S&P:**

New colleagues will join the Unit in July and August

**Item 3 – Director's Decisions**

The following decisions were made since the last update in the 101 SC.

- 1) The S&P Director approved the removal of the requirements '4.6.2 Premium Reporting' and '1.1.1 Market Potential' of the revised Cocoa Standard, as these became obsolete due to new requirements.
- 2) The S&P director decided to postpone the implementation date of the requirements on risk assessment (3.1.1 and 3.2.1) in the Coffee Standard by 6 months, as the necessary supporting material for SPOs (Guidelines for SPOs re HREDD implementation and environmental risk assessment tool) was not yet available. New timelines for finalizing the material and training POs have been agreed with CoE HREDD, Senior Advisor Climate and Environment and PNs. The guidelines for SPOs [are now published on the Fairtrade website](#).
- 3) The S&P Director decided that the floor wage adjustment in the Flower Standard shall be adjusted following methodology endorsed by the Worldbank to accommodate local inflation.

**Item 4 – Minor Products Definition Follow-up Decision**

This item presented a follow-up of the new definition and discussion on the "minor products" of the 99<sup>th</sup> SC Meeting in November 2021. In that meeting, it was decided to segment the minor products into 3 categories: *The top 8, the middle minors and the smallest minors.*

Following up on the discussion, it is proposed to take a further decision on the strategic handling of the category of the smallest minors by setting a commercial price plus 15% FP for this category.

**Discussion**

The SC discussed that knowledge about the costs of production is relevant to enable price setting and it was clarified that self assessment of costs will be a relevant part of the minimum price setting of the category of middle minor products which is being developed by PU.

A member pointed out that for NFO's fixed Fairtrade Premium is strongly preferred as it enables more clarity in communication with clients. He also mentioned that, however, for products that are hardly traded under

Fairtrade conditions a 15% FP is an acceptable solution to balance impact and necessary Fairtrade investment.

The PM highlighted that eliminating FMP in the category of the smallest minors would simplify the work and give more clarity and ensure Fairtrade is always adding something positive and not lowering prices unduely because of obsolete FMP data that could be below the market price.

### **Decision**

Do you approve to change the prices of the Smaller Minors to a commercial price plus 15% FP?

The SC approved the proposal ( 7 votes in favour, 1 abstention)

### **Item 5 – Cocoa Pricing Model Study**

The PM presented an update on the project for which FI commissioned an independent research team from SEO Amsterdam Economics and the Royal Tropical Institute KIT to carry out a study on the impact of the Fairtrade cocoa pricing model and its future outlook. The research project has two research questions with a focus on Côte d'Ivoire, Ghana, Ecuador, Peru, and the Dominican Republic. The research questions are:

- How does the FT's current pricing model impact our strategic goals in cocoa?
- How would adjustments to the current pricing model impact our goals?

The research process consisted of a literature review, internal and external stakeholder interviews, survey, data analysis (West Africa and Latin America & the Caribbean - LAC), 3 focus group discussions with SPOs in LAC, 2 regional workshops, and 1 global workshop with Fairtrade members.

It is expected to publish the report in August or September. The report will be used as a base to guide the consultation to be taken during the price review.

### **Next Steps**

The results of the project will be presented during the SC meeting in September or November.

### **Item 6 – SC Evaluation**

The S&P Director presented the background of the evaluation; it follows the point 2.3 of the ToR and an agreement made by the SC members during the 97<sup>th</sup> meeting. The S&P Unit proposes to conduct the SC evaluation in two steps. The first step would be an online survey that touches on the different aspects of the ToR and areas of responsibility as well as on ways of working of the committee with the S&P Unit. The SC members will be asked to indicate their level of agreement with statements concerning the different topics. The second step of the evaluation should be an in depth discussion of the SC of those areas that come out as the most relevant ones from the online survey. During the SC meeting in September time and space for this discussion will be provided and action points can be agreed then if deemed necessary.

### **Discussion**

The SC agreed to the proposed methodology for the evaluation.

### **Next steps**

- 15 July – 15 August: Online Survey
- Survey results will be shared in writing prior to the SC meeting in September
- Workshop during the onsite meeting in September

### **Item 7 - Roles and responsibilities in Standard setting processes**

The [Standard Operating Procedure for the Development of Fairtrade Standards \(SOP\)](#) -guides the Fairtrade Standard setting process and is reviewed every three years. The next regular review is planned for 2023.

### **Discussion**

The SC discussed the usefulness and relevance of the SOP and agreed to endorse a strict implementation and a monitoring during the next 12 months, followed by a regular review of the SOP.

### **Decisions:**

The SC was asked to take a decision on how to proceed further with the current Standard setting SOP.

Decision 1: Do you endorse the current steps and text of the Standard setting SOP?

The current SOP was endorsed by the SC (7 votes in favour, 1 abstention)

Decision 2: Do you ask the Director S&P to monitor the level of implementation of the current SOP until the next regular review in Q3 2023 and to present an evaluation and suggestions for amendments if needed?

The proposal was unanimously approved by the SC

### **Next steps**

- Publication of this decision in the SC minutes
- Proactive distribution of Standard setting SOP and minutes of the SC to all standard contacts of FI members in August 2022 by S&P
- Proactive distribution of Standard setting SOP and minutes of the SC to relevant contacts in stakeholder groups, in August 2022 by SC members
- Monitoring of the development of SOP adherence of projects, from September 2022 to July 2023 by Head of SU and Head of PU
- Prepare evaluation report re SOP implementation for SC September 2023 by Head of SU and Head of PU

### **Item 8 – Living Wage Strategy**

The Senior Advisor on Workers' Rights and Trade Union Relations presented the Living Wage (LW) Strategy that was recently approved by the FET.

Below a brief summary of the Strategy he presented:

Fairtrade's work to promote Living Wages should be based on what is best for workers, recognizing the importance of employment and other pillars of Decent Work, the broad impact of Fairtrade on their lives and those of their families, the importance for workers to have a Living Wage as a negotiated entitlement and the relentless pursuit of trade justice. It should also contribute to trade justice and involve being realistic about our ability to bring about Living Wages in different circumstances. Understanding local context, including wage setting, labour institutions and conditions for doing business in relevant sectors of Fairtrade origins should inform Living Wage strategy. Fairtrade has an elaborate toolkit of technical and non-technical instruments that it can apply to create locally appropriate intervention mixes. Following the proposed principles for working on Living Wages we should work closely with relevant stakeholders and be ready to adjust our approaches based on their input to avoid unintended negative consequences. O2B should be developed for the purpose of long-term positive and sustainable outcomes. Important new levers for influencing the most powerful supply chain actors are offered in the new EU directive for corporate sustainability and HREDD and in that regard we would do well to strengthen capacity for private sector advocacy. Given the importance of Fairtrade sales for impact of our instruments and our commercial leverage, increasing sales volumes should be part of every intervention mix for Living Wage. In the next flower standard review, we aim to propose price contributions from buyers to support producers in complying with a substantial increase of the wage floor requirement. In banana, the current wage floors requirement will be regularly reviewed based on an annual wage gap assessment. This will be done in conjunction with the review of the Fairtrade Minimum Price and strengthening social dialogue. Preventing real wages from falling is vital to our LW strategy in times of mounting inflation. Currently, massive cost of living increases in several HL origins (20 – 50%) threaten our ability to get closer to LW. Since most of those increases result from depreciation of local currency and the US dollar used for business has been staying strong, that means that HLOs should be expected to keep wages up with inflation in accordance with HLS 3.5.4. Nonetheless, next to currency depreciation, other economic factors such as market demand and cost of inputs should be considered.

### **Living Wage Strategy and Standards**

Previously, on the LW topic, the Standard Unit, together with Pricing and with the Senior Advisor, revised the requirement guidance and issued an interpretation note for requirement 3.5.4 of the Hired Labour Standards, confirming that wages should increase above the inflation rate when they are below LWs. During the monitoring of those improvements, an assessment of the audit results and non-conformity data for 2021 and 2022 was done. As a result of this assessment, a change in the CC ranks was therefore provided to support the auditing of this requirement.

In preparation for the Hired Labour Standard review, expected to begin in Q3 2022, a preparatory work is internally being done to fully revise the requirement 3.5.4. Particularly for banana, an assessment of the requirements 3.1.2, 3.1.3 and 3.1.4 of the Fresh Fruit Standard for HLOs will be done and improvements

might be proposed during the Fresh Fruit Standards review expected to take place from Q3 2022 to Q4 2023.

#### **Item 9 - IDH Salary Matrix and development of LW Services**

The Head of Pricing gave an update on the work of the Unit and the IDH Salary Matrix (SM) implementation and updates in the services provided regarding LW.

He gave an overview of the LW workstreams that involve a Steering Committee, FLOCERT, and different units in FI.

#### **Item 10 - COSP Guidance Review Project**

The Pricing Unit is leading a review of its Cost of Sustainable Production (COSP) guidance document with the aim of revisiting the methodological approach and procedures for the collection and calculation of costs of production for all agricultural products. The COSP is the core of Fairtrade's price setting model, as it constitutes the base for the Fairtrade Minimum Price (FMP).

A summary, details and the guiding research question of this project were presented, as well as the call for tender for consultants assisting this project and a rough timeline.

#### **Discussion**

An SC member asked for an update in November to understand the topic better and therefore be better prepared to make decisions in March 2023.

An SC member pointed out that topics such as HREDD, Climate resilience, and other externalities are very difficult to include in the COSP, she asked if these topics will be included in the desk research in the first phase of the project. The PM explained that these topics will be included in the second phase of the project. The Head of Pricing added that these topics are very relevant and one question of the project is how to best include these and other compliance costs to the COSP.

The Head highlighted that this is a methodological project that will involve members but it is not for consultation as described in the SOP. This project is to contribute to the knowledge of the system.

One SC member mentioned that he saw that many farmers do not follow any methodology to capture COSP and that it should be ensured that all members follow a methodology, he added that the current documents is not very inviting in the format and layout for easy comprehension of all members.

#### **Next steps**

- SC to have an update about this project in November 2022

### **Item 11 - Product Strategy – Flowers**

The presenter provided the SC with an overview of the endorsed Fairtrade flower strategy that addresses all relevant industry and market developments as well as key risks and planned actions.

The presenter also showed how the flower strategy is linked to the four pillars of the Fairtrade global strategy. On the pillar of empowerment of workers, the presenter mentioned that the intention is aligning the living wage strategy as far as possible with other products. Training workers on human rights topics, increasing workers' resilience to crisis, gender mainstreaming, and women and youth empowerment are also very important topics when it comes to empowerment of workers.

On the pillar of growth and innovation, increasing distribution growth in the US, Canada, Eastern Europe and Australian markets, introducing new products, and working together with MPS, the environmental scheme to support our environmental requirements remain important.

On the pillar of advocacy and citizen engagement impact communication, participation in flower fairs and panel, membership, and close collaboration with FSI (Floricultural Sustainability Initiative) and relevant governments are important.

The pillar of digitalization for fairer supply chains is one of the major pillars for flowers and plants. Offering full sustainability data dashboards, digital communication material, and the online reporting of the flower program and impact studies remain important.

The second part of the presentation was presented by the standard PM, who presented the implications of the flower strategy on the upcoming flower review. The PM started by mentioning that the review will be project managed by a consultant who will closely be supported by S&P and GPM for flowers.

The PM showed how the flower review will address the four pillars of the Fairtrade global strategy. On the pillar of empowerment of workers, the topic of wage improvement towards a living wage will be one of the key topics during the review. The topic of premium use will also be addressed to ensure the workers continue to benefit from the premium.

On the pillar of growth and innovation, the review will look into introducing new concepts to the standard e.g. auctions and recertification, and extending the scope of certification to bulk bouquet makers. An important topic will also be on increasing environmental coverage and climate resilience to ensure that we continue to remain relevant.

On the pillar of advocacy and citizen engagement, alignment with other standard setters on relevant topics e.g. living wage and environmental requirements will be important.

On the pillar of digitalization for fairer supply chains, the review will look into introducing mandatory data reporting e.g. on wages and aligning how premium use is reported.

The following topics will be included during the flower review to ensure that the key risk areas mentioned by the GMP for flowers are addressed: Wage Improvement, HREDD, Environment, Increasing Flower volumes.



### **Discussion**

The GPM and PM explained in detail the mentioned points and the SC members made different questions and shared opinions.

### **Item 12 – Project Updates**

An SC member asked about the 'Contract Production' review project which was not reported in Project Updates; the S&P Director indicated that it is so because the project has not started yet. It was agreed to include this project in the report from now onwards.

### **Item 13 – AOB**

#### **AOB**

- Exceptions Requests are expected. They are going to be discussed in an OC meeting.
- The SC members and FI colleagues gave a farewell message to Jos Harmsen

#### **Next meeting date**

The next SC meeting will take place on September 28, 29 and 30 in Bonn, Germany.

**The meeting was formally closed.**