



**Standards Committee
Minutes
Meeting 97: 30 June, 1 & 2 July 2021
Teleconference meeting**

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

Fairtrade International S&P: Alina Amador, Eduardo Bluhm, Tatiana Casagua, Kerstin Cron, Oksana Forkutsa, Ricardo Guimaraes, Eleonora Gutwein, Blanca Loaiza, Giovanna Michelotto, Gudrun Schloepker, Mona Wolf, Sandra Yañez, Jebet Yegon, Sebastian Wichterich

Contributing observers: Melissa Duncan - Executive Director FI, Samantha Dormer - GPM Cocoa, Wilbert Flinterman - Sr. Adv. Workers Rights and TUs, Tytti Nahi - HRDD CoE FI, Johanna Schmidt - GPM Cocoa FT Germany, Anita Sheth, Juan Pablo Solis – Sr. Advisor Climate and Environment Anne-Marie Yao, Jon Walker - Sr. Adv. Cocoa

Observers: Daniel Castro – Global Impact FI, Stan Cutzach - Global Director Ethics & Compliance, Jesse Hastings, Kellz Hawrylyshyn, Peter Kettler – Sr. Manager Coffee, Michael Kitetu - FT Africa, Andreas Kratz –GPPP Director, Alison Streacker – Coffee Coordinator, Leon Trujillo - Head of BTL, Subhra Tudu

Disclaimer:

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

The section to introduce the topic (background information) has been written by the Standards & Pricing and may not have been discussed by the SC in full. Sections listing action points are an outcome of discussions of the SC but are not part of the decisions made.

Item 1 – Opening

Agenda: The Agenda was approved and ground rules read. The following points were highlighted:

- Instructions to use the platform 'Interprefy'

The Chair officially opened the meeting.

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

The Agenda was officially approved by the SC members.

Review of actions items:

- The EU Organic Regulation is being discussed bilaterally with CLAC; the topic will be brought to the SC, if necessary
- The Coffee Environmental requirements will be discussed during this SC. The proposals have been reworked as suggested by the SC in March and a plan to support PNs and producers has been set up.
- Due to the pandemic, a strict rule for temporary reductions of wages in flower farms in concrete cases has been implemented. The SC decision has been communicated to all stakeholders.

Item 2 – News session

News from SC:

Emilie Sarrazin's first mandate ended in June, she is willing to serve during a second term as an SC member and the SC endorses this. The SC members are informed that in the next SC meeting, the election of Chair and vice chair is going to take place.

News from OC:

Due to technical challenges, the Assurance manager could not give a verbal update and the main outcomes of the last Oversight Committee will be shared with the SC members in a written form.

The SC members will decide on the extension term of one of the Exceptions Committee members via email voting.

News from S&P:

The Technical Assistant and Assurance Coordinator positions were filled. A project manager in the Pricing Unit is expected to come back in September after maternity leave.

News from FI:

- The Executive Director shared outcomes of the General Assembly (GA). During the GA, 4 board members were elected, 3 of them NFOs nominees and one independent candidate.
- Regarding the 2021 to 2025 Strategy, there is ongoing work to set a specification on the FI brand architecture and messaging and their relation to the strategy. The formal launch of the strategy will take place in autumn.
- The Fairtrade Executive Team (FET) that was established at the end of last year will review its work and ways of working and ask for feedback from Fairtrade members.
- The FET has already signed-off the product specific strategies on cocoa, banana, and coffee, presented by the GPPP unit and it will soon look at and sign-off strategies for sugar and flowers that have already been submitted.
- The recruitment process for the Global CEO is ongoing and interviews with candidates will take place at the end of July.

Item 3 – Director decisions

Three decisions were made since the last update in the 95 SC. The S&P Director approved an interpretation note for the requirement 3.5.4 in the HL standard. Moreover, two interpretation notes for Dominican Republic for the HL and SPO standards were approved. All interpretation notes have been published on the FI Website.

Item 4 – Reflection on the Terms of Reference for the Standards Committee and the Standards Operational Procedure

The S&P Director went through the most relevant points of the ToR and SoP regarding the available decision making procedures and the voting rules. The relevant points were reviewed and discussed with the SC members.

With reference to the point 2.3, 'Evaluation,' several SC members expressed interest in doing the SC evaluation as foreseen in the ToR.

Next steps:

The S&P Director suggested to discuss this topic at the next meeting to determine if the evaluation should be carried out and how it should be. This was agreed. Furthermore, SC members agreed on implementing point 4.2.3. 'Decision making between meetings' more frequently. All SC members decided to implement an email decision for the Fairtrade Sourced Ingredient (FSI) coffee in the upcoming days.

Item 5 – Status of Fairtrade environmental approach

The Fairtrade Senior Advisor Climate and Environment explained to the SC the approach and next steps in relation to climate and environment.

The Fairtrade Global Strategy introduced key concepts such as Climate Resilience; Risk Mitigation and Climate Adaptation Plans; Good Agricultural Practices and/or Environmentally Sustainable Practices; Decisions based on evidence and Climate Finance and Carbon Markets. One of the key concepts presented is climate resilience. Climate resilience is the ability of systems to recover from climate change. Another important point in the strategy is that standards need to have stricter environmental requirements on deforestation, biodiversity, use of pesticides, climate and environmental risk, and vulnerability assessments.

Addressing the demands from the strategy will require overcoming costs of adaptation, adoption of new practices, and restore and repair the damages. A success factor of this strategy is that every initiative will be proposed from the cost/benefit angle for producers. Context specificities will be of paramount importance at the time to plan and implement strategies. There are three dimensions to be focused on. Firstly, climate information by increasing capacities to assess/mitigate risks and prevent events. Secondly, pay attention to context matters building on traditional knowledge. Thirdly, looking at beyond the farm with adoption of practices based on incentives such voluntary premiums for environmental performance.

Fairtrade has to further develop a more comprehensive climate strategy. The Senior Advisor Climate and Environment presented the rationale behind the proposed environmental requirements, starting from a cyclical plan approach consisting of 5 steps: setting the scene; assessment of environmental challenges;

adaptation planning; validation and implementation; and lessons learned and understanding of progress. The 5 steps have shown to be effective, and it is not a load on producers' shoulders. The Senior Advisor showed that one should further pay attention to the complexities involved in the implementation and the importance of thinking in technology as an enabler for the implementation of the Fairtrade strategy. Fairtrade is currently commissioning a position paper to define Sustainable Agriculture under Fairtrade terms. It is expected that such a paper will be shared at the end of 2021 or the beginning of 2022.

Discussion:

An SC member would like to see a clear, practical approach and to link the climate change with our price setting and also with farmers' income. It was also suggested that a climate fund to support producers could be developed. An SC member also requested a position paper on sustainable agriculture. The S&P Director informed that the coming Trader Standard review will have to address relevant topics raised during the presentation. One SC member asked if there is any plan for integrating zero carbon footprint ideas into Fairtrade. Finally, an SC member observed that Fairtrade should avoid that standards become too burdening for producers.

Next steps:

The SC will be informed about the progress of developing a collective Fairtrade vision and approach for environment and climate.

Item 6- Environmental proposals for the Coffee Standard

The S&P Director opened the session by informing that the preparation of the proposals was done in close cooperation with the Senior Advisor for Climate and Environment. They were re-worked as previously requested by the SC members, and that they should be feasible and easier to implement as was requested. She also highlighted that the requirements proposed are aligned with the Global Strategy 2021-2025, the recently agreed Coffee Strategy, and possibly with the future Environmental Strategy. An implementation plan for the requirements was prepared since the last SC meeting in March 2020.

The Project Manager started the presentation by reminding the concerns and requests from the different stakeholders. From one side, PNs raising attention to the costs of implementation, the need for material support, and capacity building for PNs and POs. From the other side, market expectations and requests on deforestation, agroecology, agroforestry, and on data to show the impact of Fairtrade. After re-working on the proposals with the Senior Advisor for Climate and Environment and with one-to-one meeting PNs, proposals have been reshaped to try to accommodate those issues as best as possible.

Regarding costs for the implementation, the proposals are now precise that they are to be implemented according to the financial capacity of POs. In addition, any target is now established – contrary to the previous proposal presented in March. On material support and capacity building, an implementation support plan has been briefly drafted with PNs. On market demands, Fairtrade needs to finalize its Environmental Strategy to have a clear understanding of how to continue the work on deforestation. Regarding agroecology and agroforestry, those are to be deployed according to the climate adaptation plan POs have to develop, and examples of its practices have been given in guidance. Finally, on impact data for marketing purposes, Fairinsights needs to progress to see how those could be flagged in this tool.

Nevertheless, the data collected through self-assessment over the years will at first be of POs use to assess their own performance, build POs internal capacity, and together with the other requirements proposed, they can be perceived as a toolkit to empower POs to be more resilient to the climate change effects. PNs support to sensitize POs on the reasons and importance of those requirements is crucial as it is based on self-assessment and to be implemented according to their means.

The implementation and support plan has been presented with three main periods: firstly, Fairtrade International to prepare training material during Q3 2021, then to deliver training and material to PNs by Q4 2021, and finally PNs to scale those down to POs during Q1 and Q2 2022.

Discussion:

A member of the SC asked if earmarking 5 cent of the Fairtrade Premium for the environment would not mean a serious shift in Fairtrade's rule that POs decide in autonomy and democratically on Premium use. The project manager clarified that the earmarked premium is already in the standard for quality and the environment is now added to the topics for which the premium can be used.

Further, she explained that the intention of the risk assessment is mainly to ensure that POs observe, register, and evaluate the context, conditions, and changes that impact their performance. The list in the guidance serves as examples to support POs in what to take into account while running their risks assessment. Regarding capacity building, it might be needed during the adoption of sustainable agriculture practices, and it is up to POs to evaluate while doing their climate adaptation plan.

Some members named their concerns regarding how the audits of those requirements will be done, as the quality of implementation is not monitored. The project manager reminded that the intention of these proposals had a different approach, moving from compliance to progress, and reminded that POs sensitization is fundamental to have an impact. SC members suggested that implementation should be closely monitored to see if this approach has a positive outcome. The project manager clarified that it is important that producers can get used to this approach as a first step while the FairInsight tool gets more developed.

The Chair reminded the importance of making a link to the organic certification in the future and suggested having the decision on the use of the premium earmark separated from the other requirements.

Decisions:

Decision 1A: *Do you approve the requirements on environmental risk assessment, climate adaptation plan, and adoption of sustainable agricultural practices?*

The SC unanimously voted in favour of the proposal.

Decision 1B: *Do you approve the requirement on the use of the Premium earmark extended?*

The SC approved the proposal (7 votes in favour and 1 disapproved)

Decisions 2 and 3: *Do you approve the delegation of the final wording to the Director of S&P and the publication of the standard before the minutes are published?*

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

Item 7 - Tea pricing monitoring

The Project Manager (PM) gave information and guidance on the tea pricing monitoring project as a follow-up to the Tea price decision of the SC in November 2020. The aim of the presentation is that the SC is aware of the plan and main indicators for monitoring the implementation of Tea prices and can give guidance.

The PM summarized the 2 decisions on the tea pricing monitoring made in November 2020:

- The prices remain as they are
- From 2021 until 2023, a different monitoring approach will be taken, given that the consultation was influenced by several challenges and remained inconclusive.

The PM explained the SC Progress Report:

- This year the focus was on collecting information and data as well as identifying key certification holders and establishing communication channels.
- Next year: Intensifying engagement, qualitative trade impact information, cyclical monitoring of data and a case study with trade chains. Proposal as foreground.
- In 2023, a decision on review the Fairtrade Pricing Concept.

Discussion:

One SC member raised the question if LW and LI are going to be considered during the process. Whenever economic mechanisms are evaluated, Living Income Reference Price (LIRP) and Living Wage Reference Price (LWRP) will be considered and ideas exchanged with other units.

It was discussed that one update for guidance for the SC should be held during the next 2 years (mid next year) as an interim reporting. At that time, Living Wage and the impact of sustainable cost of production will be discussed again.

This goes hand in hand with the economic mechanism project.

Next Steps:

The S&P Unit will share with the SC an interim report in mid-2022 for information and guidance

Item 8 - Tea sustainability margin

The PM presented the recommended proposals for change in the Sustainability Margins (SM) scope, including the procedure for approval and reporting on the use of the SM to cover activities/services that need to be provided under Fairtrade certification. The recommendation is to extend the SM scope to organic teas of the same made tea categories, i.e., CTC, Orthodox Dust and Fannings, and instant teas derived from these categories. The purpose of using SM has to be approved by the FPC following the submission of the report to the GA to ensure transparency to FPC on how SM was used.

Decisions proposed regarding the SM :

- The SM is applicable for organic teas the same as it already is for conventional tea.
- Ensure transparency on the approval and reporting process for the SM.
- Standards publication date.

The aim of the proposal is to allow equal opportunity to use SM between conventional and organic producers and ensure transparency on SM use to Fairtrade Premium Committee.

Discussion:

One SC member asked if the SM can only be spend on benefits for workers, why it should be split. It was answered that the SM was set up during the last tea review as an answer to the challenge that the cost of production was higher than the Fairtrade minimum price at that time. In order to solve this, the 0.10 USD cents was added to the premium amount as an SM which is transferred to the management. The SM was found to be used for keeping up with services to comply with standards e.g., electricity, cost of training, or infrastructure. In practice, not many organizations seem to be using it due to either low sales or lack of clarity on allowed purpose.

One SC member expressed concern that SM seems to be rather adding more complexity and that it should be left for the scope of the Fairtrade Premium Committee decision. It was answered that in the consultation, the results showed that there is still interest to keep this concept applicable and to extend it to organic producers; however, workers were not always aware of this option as it was either not used or invoiced to traders bypassing FPC. Considering that the situation with the price is very similar to the time when the concept was introduced, it was proposed to keep the SM concept while introducing a transparent procedure that involves workers.

Phasing the SM out will be discussed with the next tea pricing review and included in this decision.

One SC member commented that the extension of the concept to organic teas is to be considered under the condition that the concept will be phased out.

Next Steps:

S&P to include the question of phasing out the SM for tea into the next tea price review and use the rationale provided by the SC

Decisions:

Decision 1.

Do you agree to modify the existing requirement on sustainability margin extending its applicability to organic made teas CTC, Orthodox Dust & Fannings, and instant teas derived from these categories, and include the SM in the next Price&Premium review to consult on SM phase out?

The SC unanimously voted in favour of this proposal.

Decision 2.

Do you agree to introduce new Core/Year 0 requirement on SM use approval and reporting?

The SC unanimously voted in favour of this proposal.

Decision 3.

Do you agree to introduce new Core/Year 0 requirement for traders on SM invoicing?

The SC voted in favour of this proposal (7 voted in favour, and 1 abstained).

Decision's block

Decision 4.

Do you approve the delegation of final wording to the Director S&P?

Decision 5

Do you approve the publication of the standard to be on the 15th July, before the minutes of the SC meeting are made public?

The SC unanimously voted in favour of these proposals.

Item 9– Cocoa standard review (workshop)

The S&P Director opened the session, stating that the objective of the workshop would be to check with the SC if the draft consultation is overall an agreeable proposal and how the consultation can best be run. It was noted at the beginning of the workshop that to be able to give meaningful guidance, the SC papers should be available as early as possible, at least 10 days before the meeting, as stated in the ToR. S&P will improve this as it is very important that all SC members have time to consider the papers and to reach out to their stakeholder group.

The PM introduced the project team members who presented during the workshop.

A project team member opened the session by giving the context of the cocoa standard review and presented the global business plan.

The PM presented the timelines for the cocoa standard review. The first phase of consultation is scheduled to be published in July 2021 and will run until September 2021. The proposal will be presented for decision to the SC in November 2021. The second phase of consultation will be launched in December 2021 and will run until February 2022. The proposals resulting from the second phase of consultation will be presented to the SC for decision in June 2022, and the revised cocoa standard will be published in Q3 of 2022.

The PM and project team members presented some of the topics that will be consulted during the first phase of consultation and collected feedback and guidance from SC members.

- Trading Practices
- Addressing deforestation risk
- HRDD and Child labour monitoring and remediation system

Next steps:

The Cocoa Review project team will organize a workshop (2-3 hrs) for SC members to go over other topics of phase 1 that were not addressed in the SC session. Follow up: S&P will collect all guidance received during the two workshops from SC members in one paper and share it with the SC. Feedback received concerning the format of consultation and the relevance to show regional options etc., is reflected in the consultation paper.

Item 10 - Workers in SPO

The S&P Director started indicating that the overall objective was to review the definition of a “significant number of workers” in the SPO standard as agreed by the SC in March 2020 and to look at its implications for workers, small holders, Fairtrade buyers, and the general public and auditing practice. The expected outcome of the session was to have a shared understanding and clarity on the next steps.

The significant number of workers and the equivalency approach were defined to increase the number of workers covered by the SPO standard. It was introduced based on a series of criteria (Number of workers, employment time and number of hours per week) in order to be relevant for different production contexts. All rules related to workers in the SPO standard do have implications also for smallholders if they employ workers. To analyse if the definition in the standard is adequate to reach its purpose, some considerations should be taken into account, for example labour intensity (conventional/organic, mechanisation), countries and products. A member of the SC added the frequency of work needed (for some crops only one harvest season, like coffee and cocoa, others like bananas, harvest is weekly) and size of the farm are relevant factors.

It was explained by a producer representative that financial and legal administrative barriers hinder the formalization of some workers, and this needs to be considered as they impede access to social security, for example. Nevertheless, some requirements like wages and health and safety conditions shall be guaranteed to all workers, regardless of the number of workers employed or the employment relationship.

SC members agreed that Health and Safety and Wages should be considered basic rights and therefore the related SPO requirements should be applicable to all workers and all employment situations. It was agreed that S&P would present a proposal accordingly that the SC could endorse.

One member expressed concerns on how audits can verify that all workers are covered by the Fairtrade standards given that they are always only a snapshot.

The S&P Director summarized that SC members share a holistic vision of the factors that have to be considered in order to develop a meaningful definition for “a significant number of workers”. She also

informed that the same factors will be taken into consideration for the cocoa standard revision. The ILO plantation convention for example takes into account if crops are meant for export or for local consumption, land size (limited to 5 ha.) and number of workers (no more than 10 workers). The SC member representing workers stated that it is important that, regardless of the number of workers, the same conditions of benefits should be provided as per the national law (remuneration, health, pension, etc) to all workers, regardless of the number of workers hired by the employer. If the same benefits are not guaranteed to all workers, at least in the proportion of time of work done by the respective worker, then it is discriminatory. Another member of the SC highlighted the fact that not all guarantees can be provided systematically to all workers as it depends on the employment relationship and the formalization status of workers.

The S&P Director explained that Fairtrade committed in the response to the workers on SPO study to adapt its definition of a relevant number of workers. She also noted that Fairtrade consumers and supporters and the general public do strongly request Fairtrade to take action. The current FLOCERT auditing practice checks on the equivalence and the maximum hours per year to determine if the requirements related to "significant number of workers" should apply. As a next step this has to be assessed and maybe amended.

To complete the assessment of what could be a useful definition for the significant number of workers S&P will compile information on:

- production realities with experts and PN colleagues
- implementation experiences with the current definition with PN colleagues
- audit experience with FLOCERT

As a result, S&P will propose a clear and comprehensive definition.

Next steps:

S&P to prepare a paper and propose to SC members which SPO standard requirements that touch on basic rights should be applicable to all workers in all circumstances. The Unit will also provide a plan (including timeline) for further information collection and elaboration of amendment of the definition and CC regarding the definition, as SC members agreed that the definition is not satisfactory as it stands.

Item 11 - Wage Assessment

The SC was informed by the Head of Pricing about the work streams related to the measurement and improvement of wages for workers in Fairtrade certified HLO.

The most relevant topics for Fairtrade right now in relation to Living Wages (LW) are the measurement of actual wages and the gap between wages and LW level, Standard requirements needed to enable measurement, development of specific services for concrete supply chains on demand that are called Offer to Business O2B, Communication Strategy around wages, and the assessment of the IDH salary matrix including IDH salary matrix pilots with ISEAL.

The Fairtrade focus during the last years was mainly on the improvement of wage levels for workers in certified HLO via tools like the floor wage for flowers and the base wage for bananas, explicit support for

constructive collective bargaining and cooperation with and training for Trade Unions to achieve better bargaining results. In parallel Fairtrade has supported and driven during the last years the definition of agreed Living Wage Benchmarks via the Living Wage Coalition, based on the Anker Methodology. And Fairtrade has lobbied for LW with the general public, buyers and producers, via the work in multi stakeholder platforms, cooperation in the community of practice etc.

Now there are benchmarks available for nearly all relevant Fairtrade origins and retailers, brands and governments are increasingly aware of the need for higher wages that support decent living for workers. In this changed landscape in addition to the work Fairtrade is already doing it becomes ever more relevant to be able to measure the actual wage levels at certified HLO, to be able to assess if there is a gap as compared to LWB and to support Fairtrade certified buyers and HLO to measure progress towards LW in concrete supply chains.

This need is addressed in the work streams named above and Fairtrade will have to find collective solutions during the coming months regarding adequate tools for wage measurement, verification and auditability of wage levels, agreements for sharing wage data and a way of approaching this topic in the HL standard that will enable a fair sharing of costs and risks along the whole supply chain.

Discussion:

Some SC members pointed out the importance of coordinating the workstreams of the LW implementation with the PNs and involving the producers since the early stages. There were questions from the SC about the Anker Methodology for Estimating a Living Wage and the IDH matrix that could not be discussed during the meeting due to time constraints. A member of the SC also asked for clarification about the links between the different workstreams.

Next steps:

There is a need to continue with the discussion of this topic, given its relevance. The SC will be maintained informed via sharing of documents and during SC meetings as adequate.

Item 12 – Pricing for Impact and new economic mechanisms

The SC members were informed about the status of the project on the new economic mechanisms and asked for their reflections and guidance on open questions and next steps.

The PM presented the objectives of the project and an overview of possible concepts with a focus on concepts that could enable more effective and efficient price setting for those Fairtrade products with a reduced number of producers and traders. Specific challenges related to setting prices for these products are the high costs for the procedure, the comparatively low impact of the prices as well as the reputational risk if prices are not updated frequently and the opportunity costs if prices are not set at the correct level, which might result in a loss of potential Fairtrade sales for these products.

The PM explained four possible ways of defining a relevant Fairtrade minimum price for these products, gave examples of how this could be done, and answered all related questions for clarification.

Discussion:

The SC members appreciated the work and deep exploration of alternatives to bring more value to minor products. They highlighted the importance of simplifying the process to set minimum prices for minor products and pilot the proposals. An SC member pointed out that it will be necessary to know the pros and cons of each proposal to provide detailed feedback. An SC member indicated the importance of including the PNs throughout the project.

The S&P Director indicated that along the project, it will be taken into account that Fairtrade principles are safeguarded and that the level of effort and resources employed are adequate compared to the number of stakeholders involved and the potential gains for producers.

Next Steps:

The SC will be kept informed about the next phases of the project and all details presented are available for SC members on request. The SC will receive, possibly via email between meetings, proposals for tests on concrete products and is invited to provide feedback and comments and ultimately to endorse the tests.

Item 13 – AOB, next meeting date and closing

AOB

- The S&P Director informed the SC members that the letter from Fairtrade certified organizations in Mexico will be addressed and answered by the Board or the Global CEO.
It was recognized by several SC members that the content and the questions raised are very relevant for the SC and for the Fairtrade system. It was suggested to reflect on the content, the challenges, and ways to address them. Follow up: The global CEO was informed regarding the SC inputs and did include these considerations in her answer to the letter. A proposal for the next steps based on the SC feedback was put forward to the FET. The SC will be kept informed about next steps.
- The SC members and PM agreed on having a workshop on July 12 on the rest of pending topics that will be consulted in the upcoming public Cocoa consultation. The outcomes of the first and second workshop on cocoa have been summarized in a separate document and will be made available to SC members
- The next SC meeting will take place on September 29 and 30, and possible on October 1, from 14:00 h to 18:00 h (CET)

The meeting was formally closed.