

**Standards Committee
Minutes
Meeting 96: 07 May 2021
Teleconference meeting**

SC members: Jos Harmsen, Martin de la Harpe, Richard Kwarteng, Gustavo Lopez, Marike de Peña, Iresha Sanjeewanie, 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, Ana Jordan Rosas, Gudrun Schlöpker, Mona Wolf, Sandra Yañez, Jebet Yegon, Sebastian Wichterich.

Contributing observers: Subhra Tudu - Fairtrade NAPP, Michael Kitetu - Fairtrade Africa, Nyagoy Nyong'o, Fairtrade Global CEO

Observers:

Excused: Martin Boon (Proxy to Jose Harmesen). Excused from 16:54h Martin de la Harpe (Proxy to Iresha Sanjeewanie)

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 for the AOB session:

- Instructions to use the platform 'Interprefy'
- Information about the publication process of the Tea Standards discussed in the 95 SC.

Chair officially opened the meeting.

Declaration of conflict of interests: No conflict of interest was identified.
Agenda was officially approved by the SC members.

Item 2 – Review of the Fairtrade Standard for Tea for SPO, HL and Traders

The Project Manager (PM) introduced the contributing observers in the meeting and presented a recap of the all decisions taken during the last SC meeting (96th) for the Tea standard review and the overview of 6 topics with proposals on 15 decisions for the SC to make.

Topic 1. Terms and conditions of employment

Introduction: The current HL requirement 3.5.28 on housing stipulates that if company is providing housing for workers, the company ensures safety, decency, privacy, security and hygiene. Fairtrade understands that housing workers on-site can be costly. However, if housing does not meet standards of decency, then basic human rights of workers and their families are affected, and in addition hired labour organizations expose themselves and Fairtrade to considerable reputational risks. In consultations stakeholders recommended to further define terms and make them measurable (e.g. decent / reasonable / acceptable etc.), to set timelines, add clarity, separate out the required terms for housing quality from those on sanitary facilities, improve guidance and ensure that improved conditions are not done at the expense of Fairtrade Premium because this has to be under the estate management's responsibility. Compliance with national legislation needs to be ensured as of Year 0, otherwise it is considered a high risk. Further stakeholders highlighted that in such case housing should then be provided in accordance with required quality that is indicated in National legislation. The timeline for requirement was strongly recommended to allow a step-by-step implementation and clearer guidance in terms of responsibilities.

Aim of the proposal: To ensure that the highest level of housing quality provision is achieved for workers through a clarity on housing and sanitary quality required at a minimum. To introduce timelines and responsibilities for carrying out housing and sanitary facility quality assessment.

Discussion: The SC members commented to consider to ensure more clarity for compliance criteria interpretation regarding the safety measures, because these can be interpreted in different ways by auditors e.g. fire distinguishers or laundry facilities. Thus, it is good to consider national safety measures as well.

Decisions:

Decision 1. *Do you agree to split the existing requirement on Housing and Sanitation into two stand-alone Core/Year 0 requirements with outlined description of the quality?*

Decision 2. *Do you agree to introduce a Core/Year 1 requirement on regular housing assessment and improvement?*

The SC unanimously voted in favour of these proposals.

Follow up: S&P to include clarification regarding the safety measures into CC interpretation

Topic 2: Fairtrade Premium Management

▪ Exception to Darjeeling

Introduction: The Fairtrade Premium (FP) should be used according to the conditions set in the Fairtrade Standard for HL. However, there is an exception made to companies located in Darjeeling (requirements 2.1.2 and 2.1.3 in Tea HL). This was introduced in 2010 to support the plantations in this region due to a critical economic situation. In the standard it states that the basic needs for workers (e.g. housing, water, sanitation) may be partly financed through the Fairtrade Premium given the critical economic situation in the region and that Fairtrade Premium can be used under certain conditions for infrastructure projects that would benefit both the plantation management and workers' community. These projects have to be approved by workers. This requirement has attracted criticism as it may have created unbalanced / biased

conditions where the focus to support exceptional use of FP is given to HL organizations in only one of Fairtrade tea producing regions.

Aim of the proposals: To create a level playing field for all Tea HL companies, harmonizing the rules of FP use in all regions.

Decisions:

Decision 3. *Do you agree to delete the requirements 2.1.2 and 2.1.3 on exception to Darjeeling for use of the Fairtrade Premium?*

The SC unanimously voted in favour of this proposal.

▪ **Sustainability margin (SM)**

Introduction: Fairtrade Standards require that the workers are the sole owners and beneficiaries of the Premium and should be empowered to decide how best to use Premium money in order to improve their livelihoods.

Sustainability Margin (SM) was introduced in Tea HL standard with the objective to trigger more sustainability investments of Tea Hired Labour Organizations (HLOs). It implies that 20% of Fairtrade Premium can be administered directly by the estate management (and not the Fairtrade Premium Committee) to support improvements in working conditions. Currently it is applicable only for conventional teas from the Camellia plant made using the CTC production method, and for conventional “fannings” and “dust” made using the orthodox production method.

Based on the outcome of consultations, the SM as a concept until now was not meeting its objective fully, meaning that organizations have not made much use of it. Relevant reasons for this were the limited scope (not applicable to all made teas / to organic) and the lack of clarity on what activities Fairtrade Premium could be used by the management of the estate. When it comes to proportion, stakeholders’ suggestions varied, from keeping same % or increasing it to 30% / 50% or to completely removing it from the standard. For the latter suggestion the reason is to bring back the rule where 100% of FP is managed by the FPC only. From this diverse feedback the PM has developed a proposal aiming to create a concept for the SM that can support HLOs to better comply with more demanding criteria asked from them as part of the revised Tea Standard.

Aim of the proposal: through extension of the sustainability margin concept, to ensure a level playing field for HL organizations based in all tea regions, setting equal grounds on use of Fairtrade premium with a better clarity on SM use and scope, following the negotiation and consultation between the HL management with Fairtrade Premium Committee.

Discussion:

The SC members discussed if the implementation is clear, and if it really profits the workers, and if it should be implemented at all and in what way exactly. The detailed concerns or suggestions were as following:

- the proposed requirement for management to only consult with the FPC on Sustainability Margin use could cause a risk of premium misuse and suggested to ensure it is changed into “approved” by the FPC, and that the project on SM use should be approved at the GA before its execution with a report at the next GA meeting.
- the SM concept is not a genuine Fairtrade concept, as opposed to the Fairtrade Premium. It was introduced as a temporary solution and has to be removed in the long run. Therefore it should not be extended but removed from the standard. The PM clarified that the SM was introduced originally because the Fairtrade minimum price was not fully covering the costs of compliance. As with the recent SC decision on the FMP for tea, the minimum prices have not changed, the reason for being

for the SM remains relevant. Also the PM clarified that the Fairtrade Premium on tea is proportionally higher than for other FT products, it amounts to 20%-30% of the FMP

- overall having different concepts of additional payments for different products makes the whole system very complex, if the SM is a good idea, then it should be applied to all products and with properly developed concept or it should be removed
- concern re “up to 20%” instead of “20%”. The PM clarified that it is for the case that the Premium committee could decide on another percentage they want to use (which could be below 20%).
- as a mechanism, it is the FMP that should bring a better solution, with the SM direct benefit is taken away from the workers and the SM should therefore be removed
- there should be further information on how SM could be used, as it’s not clear how auditors would evaluate this. Give guidance in the requirement on projects the SM can be used for.
- improving the conditions of workers should be a core responsibility of the companies/ farms. If the SM is approved, it should be limited to a certain period of time and the scope should not be extended and each case/ project at a time should be approved by the workers.

The discussion concluded with a consensus of most members to not extend the SM to other made teas and therefore further options were explored:

- to keep the SM as it is and to have a transition period of 2 years and have a new project (project on economic mechanisms) with the aim to evaluate other possible options; however other SC member highlighted that this timeframe may be too long to also take Fairtrade Living Income Reference Price (FLIRPs) into account.
- to review asap the FMP that reflects the needs for costs of compliance so that the FP remains for workers only. It was clarified by the director of S&P that the FMP had just been reviewed and with strong feedback received during the consultation that had led to an unchanged FMP
- that phase out timeline should be left open and to depend on the launching of the pricing review.
- To keep the SM as it is and agree on a phase out, once the pricing alternative is reviewed.
- if phase out of SM is considered, then not to extend the scope to other regions/other made teas.
- That FPC could receive full FP but allow that portion of premium with management could be shared under FPC control.
- this should not be a concept generally used by FT.

One SC member highlighted the importance to respect the feedbacks received from producer organizations during the consultation and argued that it does not seem fair towards HL organizations that participated if the SM is removed, or if it was not extended to ‘organic’ teas. The member alerted that tea HLOs might be discouraged to participate in future consultations. Besides this clearly dissenting view, SC members wanted to remove the SM in the short to mid run.

Following the discussion to rounds of vote on two different proposals took place. As no clear consensus was achieved, decision 4 will be discussed and evaluated again in the next SC.

Topic 3: National legislation

Introduction: Currently, in the section “Reference” of the HL Standard (page 3) it reads: Fairtrade International requires that companies always abide by national legislation on topics covered by this standard, unless that legislation conflicts with internationally recognized standards and conventions, in which case the higher criteria prevail. However, if national legislation sets higher standards or ensures more favourable conditions for workers on an issue than Fairtrade International, then it prevails. The same applies to regional and sector-specific practices.

However, as it is not written as a requirement the certification body does not have refer to the standard should a non- compliance on national legislation arise.

Aim of the proposal:

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

Discussion: No questions.

Decision:

Decision 6. *Do you agree to add a new requirement on compliance with national law to be checked reactively?*

The SC unanimously voted in favour of this proposal.

Topic 4: Trade

▪ Retro-certification

Introduction: The inability to retro-certify tea purchases is likely to reduce the attractiveness of Fairtrade and more importantly shift purchasing patterns away from seasonal producers in Asia towards African producers where there is less risk. However, the practice of retro-certification as identified by many producers is creating significant problems for the Fairtrade Premium payment system and premium planning. In the meantime, retro-advice note as a tool was revisited and its practicality re-assessed. In the 2nd consultation round, the purpose was to further explore what could be improved on regulation of retro-certification, while avoiding making this process becoming systemic where it is possible.

Aim of the proposals: To introduce changes that eliminate delays in processing of retro-advice note and ensure clarity that producer organization is the one to decide/approve the availability of retro-certified volumes.

Decisions:

Decision 7. *Do you agree to improve requirements on retro-certification process for better alignment between producers and traders and keep the retro-advice note, modify requirements 1.1.2 and 1.1.3 and introduce one new requirement for exporter?*

Decision 8. *Do you agree not to introduce any change requiring 20% of tea sales to come from direct Fairtrade purchase?*

The SC voted in favour of the proposals (6 in favour and 2 abstain).

▪ Purchases and sales of green tea leaves

Introduction: Green Tea leaves are purchased from SPOs on a daily basis. In some cases, it is challenging or even impossible to pay the applicable Fairtrade Price and Premium for all green leaves bought. This is because the trader that processes the green leaves may not be able to know in advance what part of the green tea leaves volume bought from an SPO will be sold as Fairtrade made tea. This means that when an SPO sells green tea leaves this is a sale/purchase that falls under sale as Fairtrade eligible. While standard allows retro-certification for Fairtrade tea, this mechanism does not include sales/purchases of green tea leaves. The current version of Tea SPO standard does not cover such situations.

Aim of the proposals: To introduce a change in the standard that will benefit SPOs in their premium use planning and provide an overall clarity on processes and timelines of FP transactions as well as responsibilities in the supply chain with the new requirement, applicable for First buyer/Processor.

Discussion:

SC member requested to clarify the implementation part of this proposal, specifically on the price that SPO will get. The PM clarified the prices for green tea leaves fluctuate and depend on many factors and variations in regions / seasons and other, while the aim of this requirement is to provide more clarity on the process and support negotiation power at the SPO level. Another suggestion from the SC member was to consider developing FMP for green tea leaves.

Decisions:

Decision 9. *Do you agree to introduce the new Core/Year 0 requirement applicable to all traders who are buying and processing green leaves to ensure better transparency for SPOs on terms under which their product (tea) is sold as Fairtrade?*

The SC unanimously voted in favour of this proposal.

▪ **Pre-finance**

Introduction: The Trader Standard includes a generic requirement 4.4.1 on pre-finance that stipulates that the onus to offer pre-finance is on the trader. This change was introduced in 2015 and current product standards for Tea for SPO and HL still states that pre-finance has to be made available upon request of producers. Following the introduced change in TS, where pre-finance has to be offered by the trader, and the 60% pre-finance that is currently stated in Tea standards should be also interpreted as 'at least 60%' has to be offered by the trader after signing the contract

Aim of the proposals: To introduce modifications in Tea HL and SPO standards requirements on pre-finance for traders, to align with the Trader Standard.

Discussion: SC member suggested to align this with other products and to have this defined in the generic standard.

Decisions:

Decision 10. *Do you approve that pre-finance for Tea Small-scale Producer Organizations applies without fixed minimum percentage of the contract value?*

The SC voted in favour of the proposal (5 in favour, 2 abstained and 1 disagree).

Decision 11. *Do you approve that pre-finance for Tea Hired Labour organizations is not required, i.e. pre-finance terms and conditions are negotiated between the producer and Fairtrade payer and are included in the contract?*

The SC unanimously voted in favour of this proposal.

▪ **B2B transparency on traceability model**

Introduction: Companies buying Fairtrade Tea should be informed whether the tea comes from Fairtrade producers as physically traceable or segregated product, or whether an equivalent Fairtrade volume was purchased from Fairtrade producers applying mass balance rules. This requirement is in Trader Standard and currently applies to all cocoa and sugar producers and traders (requirement 2.1.13). Since mass balance rule applies also to tea, it is necessary to align and harmonize Trader Standard by adding tea in the scope of the requirement and by introducing similar requirements in Tea SPO and Tea HL standards.



Aim of the proposals: To align the Trader Standard with current practices on ensuring transparency for companies buying and selling Fairtrade tea products to be informed whether the tea they are purchasing is physically traceable or if volume was purchase following mass balance rule.

Decision 12. *Do you approve to modify the existing trader standard adding 'tea' in requirement 2.1.13 on B2B transparency in sales documentation for tea producers and traders?*
Discussion: Issue for mass balance therefore abstain.

The SC voted in favour of this proposal (6 voted in favour and 2 abstained).

Topic 5: Scope of Tea HL standard

Introduction: Fairtrade standards for organizations in producing regions are segregated into organizational setups like SPO, Hired labour, Contract Production with a particular scope of products. The scope for Herbs & Herbal teas standard for Hired Labour organizations allows companies to produce and sell fresh and dried herbal products as Fairtrade, where fresh herbs are only those that are for culinary purposes and for processing into essential oils while dried herbs are only allowable for tea products. There is an interest from Fairtrade Tea HL organization to expand the scope of the standard for Herbs & Herbal teas for HL, allowing Tea HL to also sell dried black pepper (Piper Nigrum L.). Under current scope limitations, it is not permitted for HL organizations to do so.

Black pepper (Piper Nigrum L) is mainly grown as a rained crop but can also be grown as irrigated crop when it is growing under the shade trees in tea or coffee plantations. Thus, on tea plantation areas pepper is generally an intercrop for the high altitude tea, as a creeper covering the shade trees and hedge crops. In such case, this circumstances and conditions it's not very cost demanding to maintain this crop production.

Aim of the proposal: Not to introduce any change at this point due to very low participation from Herbs and Spices SPO organizations in all regions and address this issue during the review of the H&S standards, factoring in the feedback from Tea SPOs and Tea HLOs.

Discussion: No questions.

Decisions:

Decision 13. *Do you approve not to introduce any change in the scope of Tea HL?*

The SC unanimously voted in favour of this proposal.

Topic 6: Other changes

Introduction: The Standards Team proposes to differentiate between those changes that require additional effort from the organizations and management with and those that could already be implemented as follows:

- Short term transition until the standard is made applicable
- longer term transition after the date of standard applicability for requirements on Housing and Sanitation, including improvement plan and on Fairtrade compliance committee, remediation to Forced Labour, GBC and requirement on Gender policy

Overview of proposed transition periods		
Topic	Transition	Applicable as of
Tea HL standard	approx.1 year	April 2022
Tea SPO standard (retro-certification & purchase of green leaves)	approx. 1 year	April 2022

Requirement on housing and compliance committee, remediation to Gender Based Violence (GBV) and Gender Policy	2 years	April 2023
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Aim of the proposals: This timeline will allow some more time for the organizations to understand the changes and prepare their roadmap for compliance, including assessment of housing & sanitation quality and improvements (where needed) as well as ensuring trainings to workers for their capacity building on the topics of compliance with the standard. At the same time, this timeline will enable the Standards Team, PNs and FLOCERT to carry the upcoming work to support the implementation of the standard (see next steps).

Next Steps	
April, 2021	<ul style="list-style-type: none"> Edit final version of the standard Final wording approved by Director of S&P Edit, translate the standards
May 2021	<ul style="list-style-type: none"> Publish revised standards in new layout Revise compliance criteria (S&P together with FLOCERT)
April 2022	<ul style="list-style-type: none"> Revised standard becomes applicable (tbc) Guidance document in 'pictures' for workers

Discussion:

On Remediation to GBV

One SC member commented that in case of any human rights violation, remediation can never be optional. The PM clarified that the requirement refers to the fact that the HLOs must demonstrate to have procedures that include due diligence and risk mitigation systems to monitor, prevent and remediate the forced labour and gender based violence where implementation scope reaches the community level. To be able to install such a system organizations need to have available resources for capacity building. It was further discussed and suggested that implementation of requirements considers that building the system can take time, but in case of human rights violation, an organizations have to act, whether there is a clear system or not. The suggestion will be considered by the S&P for final wording and development of compliance criteria.

The decision was voted on as proposed, under condition that more clarity in wording will be introduced to ensure that organizations to have to "act & protect". It was also agreed with the observation that investments in our duty to act and to protect are mandatory.

Decisions:

Decision 14. *Do you agree with the transition periods proposed in the table?*

The SC unanimously voted in favour of this proposal.

- Agreed with the observation that investments in our duty to act and to protect is mandatory.
- Agreed under the condition that wording will be further improved accordingly.

Decision 15. *Do you agree to delegate of approval of non-substantive changes and final wording to the director of S&P?*

The SC unanimously voted in favour of this proposal.

Item 3 – Fairtrade Standards Workplan 2021 and Vision for Fairtrade

The Global CEO of Fairtrade, Dr. Nyagoy Nyong'o contributed to this slot that aimed to show a vision and a way forward for the Fairtrade work on Standards and Prices in alignment with the objectives of the 2021 to 2025 Strategy. The Standards Committee is crucial to achieving some of the strategic objectives, as they are closely linked to our standards.

The director of S&P presented her input about the vision for Fairtrade Standards. The relevant element of this vision is coming from the Inputs of Fairtrade CEOs. The standards work should focus on including an outcome based approach into the standards, improve the way consultations are done via new technologies and tools, as well as via more targeted and shorter consultations. The possibilities of cooperation with other schemes should be evaluated for all new work and should be implemented as much as possible to lower the certification burden of producers. The Fairtrade standard framework should be simplified, for example, with regards to the number and presentation of product standards and minimum prices. Fairtrade standards are one of the main vehicles to achieve our strategy objectives related to LW, LI, Environment, and HREDD. An area where Fairtrade still has to define processes and next steps is the introduction of local Fairtrade elements, N2N and S2S.

The SC members gave guidance on the different elements. There was overall approval of the presented ideas. Committee members did stress the high relevance of the FMP several times. Also, it was clear that the standards should be as clear and simple as possible. PNs stressed the relevance of having standards that POs can comply with and that are supported by other interventions.

Item 4 – AOB, next meeting date, closing

No AOB

The next SC Meeting will take place on the 30th of June and the 1st and 2nd of July 2021.

The meeting was formally closed.