

Oversight Committee Minutes

Meeting 39: 17 September 2024

Physical meeting

Present:

Oversight Committee (OC) members: Arun Ambattipudi (online), Selene Scotton, Ben Huyghe (chair), Richard Kwarteng (vice chair), Thorsten Niklas, Marike de Pena, Simon Wright, Theresa Glammert-Kuhr (substitute)

Fairtrade International (FI): Eleonora Gutwein, Margret Loeffen

Presenters: Katharina Schwab (online), Anna Mann, CJ Stanton, Abby Massey (online), Andy Koch (online),

Observers: Sarah Singer (online)

Disclaimer:

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

Item 1 – Opening

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

Agenda: The agenda was agreed upon unanimously.

Conflict of interest: Two members declared conflict of interest for item 11 and will be excluded from voting.

Ground Rules:

The chair reminded the OC about the ground rules for the meeting:

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

Review of actions items:

- As a follow up from the approval of the Requirements of the Licensing Bodies (RLBs) audits, FI Assurance and Oversight appointed an auditor and scheduled the audits in for the 6 organisations approved for 2024.
- An update on the work in conflict affected areas was scheduled for this meeting.

Item 2 – Updates

The Head of Oversight and Compliance (Head of O&C) gave an update on the progress in the work on RLB audits. The Team worked with the auditor to develop the audit checklist and confirm the audit dates. Priority areas for the requirements have been agreed.

The Trading with Integrity Task force met three times in 2024, they agreed on the next steps and concrete actions to be taken by the participating members. Regular updates are being provided on the progress of the actions. A workshop is planned for the end of 2024, and a report on the work of the Task Force including the results of the workshops will be developed in Q1 2025.

The Assurance Scheme Manager (ASM) presented the latest evaluation and summary of the producer audits conducted remotely in the conflict affected areas. The result was that even though remote audits could be conducted, producers operating with conflict affected areas could not provide sufficient information to the auditor to determine full compliance. Furthermore, while document review could be done full triangulation was not possible. Interviews were partly possible. There was no clear vision of compliance, yet there was no evidence of non-compliance. The auditor often struggled to get a clear answer. Connectivity was an issue most of the time, and virtual site tours were hardly possible.

Item 3 – Capacity building OC

The OC had a capacity building exercise on the OC Terms of Reference (ToR), with case studies. The OC had to assess cases and decide how it relates to the ToR. The exercise was interactive, OC members worked in pairs.

Item 4 – Assurance and Licensing Risk management plan

ISEAL's Assurance Code requires the scheme owner to maintain a risk management plan that includes a list of the most significant risks to the integrity of the assurance and licensing system, a quantification of those risks, and a description of the strategies being employed to mitigate each of these risks.

FI developed the Assurance and Licensing Risk Management Plan (ALRMP), to meet this requirement and to allow the system to identify opportunities for improvement, to develop and maintain a robust oversight system. The plan also includes a revision schedule and is revised as risks arise or change, but at least once a year.

The FI ALRMP was developed in November 2016, and it was reviewed and updated every year, last time in September 2024. The updated ALRMP must be approved by the OC once a year.

The ISEAL's Assurance Code defines risk as:

'The chance of something happening that will have an impact on objectives. It is measured in terms of a combination of the probability of an event and the severity of its consequences'

The ALRMP contains the most significant threats (or risks) to the assurance and licensing system, the probability of those threats (or risks) happening and their potential impact (or consequence). The ALRMP



uses the formula for identifying the severity of risks as set out in ISEAL's Assurance Guidance Note, which is Risk Weight (RW)=Probability (P) x Impact (I).

Risks are identified based on the assurance principles following the ISEAL's Assurance code, and are the following:

- Consistency
- Rigour
- Competence
- Impartiality
- Transparency
- Credibility
- Accessibility

The ALRMP is an excel table containing the results of the risk analyses, including the risks identified, their weight, a rationale, an action plan with a progress monitor, timelines and the up-to-date status of the planned actions. The progress monitor uses colours to demonstrate if the progress made in terms of mitigating the risk is sufficient. From red (i.e. no progress) to dark green (i.e. progress exceeding), it is possible to easily monitor and focus the work on the mitigation where only little or no progress has been made.

The complete ALRMP was updated in September 2024. The SMART action plan was updated for the already identified risks, and there was no newly identified risk.

The OC is asked to review the ALRMP to reflect on whether all relevant threats have been identified and added to the list, also on the rating of the different threats, and the strategies to mitigate them. The OC is asked to approve the ALRMP.

Discussion:

The OC discussed the ALRMP. Questions were raised regarding the SMART action plan, that were clarified by the Head of O&C. One member raised that there may be another risk, we should be added to the ALRMP, on the work on protection. The risk is that assurance providers' procedures are not adequate to react quickly to human rights abuse. As a mitigation action, it was suggested that the assurance provider works closely with the Fairtrade Protection Committees to develop a more efficient process around this issue.

There were no other risks identified.

Decision:

Decision 1. The updated ALRMP was approved unanimously.

Next steps:

Timeframe	Tasks
Q4 2024	Update the ALRMP after the OC's review and approval
Ongoing	Update the ALRMP regularly when new risks arise, but at least in Q3 2025

Item 5 – Exception reporting 2023

The Head of O&C presented the annual Exceptions report to the OC for information.

The exceptions that were granted in 2023 for the food composite products were extracted from the product registration software CONNECT and were cleaned and analyzed by the Assurance and Oversight team. The exceptions report shows a steady picture for most of the product categories and exception types. In 2023, there was a spike in the exception type 'New Standard'. The reason for spike was that in 2023 a new product was added to Fairtrade scope, hence manufacturers have a period of two-year transition to switch their sourcing the ingredient to Fairtrade. Other category B exceptions were also analyzed, both granted by licensing bodies and by assurance providers. There were several exceptions for the use of specific chemicals as well as collective exceptions in a specific product category.

It was also mentioned that the Exceptions Committee (EC) had implemented several measures to improve the overall quality of the exception process. They were the following:

- EC shared a list of primary products with exceptions with Producer Networks for understanding demand.
- Implemented a process to consult with LBs in order to decide on new ingredient categories and new finished product categories
- Drives the cleaning of product classifications in Connect (in consultation with FI)
- Provides input to the Standards, e.g. on the calculation of dry weight and additional product composition exceptions to be specified in the Trader Standard review.
- Explored the development of an additional exception - a one time 'Scheme conversion'
- After the Exceptions report it will follow up on the Provenance and Transitioning Exceptions, Other Exceptions and Expired Exceptions, etc.

Discussion

OC had discussed the overall exceptions landscape and found that a good control mechanism is essential to maintain and decrease the number of exceptions, particularly their correct use in the Fairtrade system. It was also mentioned that follow up is needed in the areas that is not clear whether the process was followed entirely. In addition, it was mentioned that some of these exception cases should be checked during the licensing body audits. Regular trainings and capacity building with licensing colleagues and the wider system is necessary so everyone understands the risks and follow the procedure when granting exceptions. There was a suggestion to improve the report, by adding not only the number of products affected by exceptions, but also the overall number of the products of the LB, to understand the scale and the context better. Since most of the exceptions are registered during product approvals in CONNECT, it is essential to keep the exceptions up to date and accurate in Connect. This will improve visibility and help to develop solutions for specific issues.

Item 7. Pilots monitoring updates

The Pilot Facilitator (PF) presented the quantitative monitoring and progress updates for each of the ongoing pilots. The presentation was shared as a pre-read with the OC members, and more information about the pilots can be found publicly on the Fairtrade International website: <https://www.fairtrade.net/about/pilots>.

The PF concluded with the following learnings. While deep diving on pilots is essential, it also leads to understanding of the challenges. Where there were monitoring data gaps for certain pilots, Project

Managers (PMs) were asked to continue requesting data for reporting to the OC. Pilot participants need decisions on pilot continuation much earlier as planning for the following seasons start many (e.g. in some cases 9) months earlier. In combination with delays in data availability, this implies pilots have to run long if decisions are to be based on data. There is an increasing gap between agility expected from the market and needed for innovation and Fairtrade's decision-making processes and desire to mitigate (increasing) risks when using the certification mark. Pilot exit is challenging, transition options are unclear, there is a need to develop exit strategies. The Pilot Standard Operating Procedure (SOP) review is ongoing (results to be presented at next OC). Close collaboration with the innovation team is useful and will continue in 2025.

The Pilots SOP review is ongoing and represents an opportunity to also address some of the above-mentioned learnings. Changes to the Pilots SOP will at the end of the review be presented to the OC for decision making.

Discussion

The OC discussed some details of specific pilots and concluded that pilot participants need to be diligent in adhering to the pilot conditions, as well as PMs in collecting the monitoring data. This will allow a good learning and final assessment. It was agreed that the Pilot SOP, when reviewed, should contain an element on adhering to pilot conditions and how these would be checked. Also, the OC highlighted the fact that pilots sometimes are already stopped in the early stages, and that they are still very dependant on the project manager's person, there should be a better assessment method for the OC to approve pilots. It was also mentioned that some of the pilots should be filtered out already in its initial phase, if risks are too high or the benefits are not worth the effort. This way the decision making would be more efficient and would provide more clarity for the PM in terms of expectations.

There was also a proposal to explore the possibility to close a pilot before the scheduled end-date, in case the pilot monitoring shows that the pilot is not achieving the targets.

Item 8. Young Plants pilot

Request to change the timeline for cutting pilot 2.0.

Following the OC June meeting, after the decision to close cutting pilot 1.0 and the decision to start a follow-up pilot 2.0 beginning of 2025, the PF received a request to change the timeline for the cutting pilot 2.0 to mid-2025. This request was based on new information communicated by the supply chain actors to the project manager in August 2024, that contracts were signed for spring sales period 2025 based on the pilot 1.0 conditions. For the pilot 2.0 timeline, this means that the retailer can start selling plants under the pilot 2.0 set-up only after 1st July 2025. The OC was asked to decide on the extension of pilot 1.0 for the period of 1 Jan 2025 – 30 June 2025 and new timelines for pilot 2.0 to run from 1.7.2025 until 31.12.2027.

In the meantime, there was also an update on the volume verification for pilot 1.0. The learning was that the process is complex and requires a lot of resources by PM and FLOCERT. The verification of pilot volumes 2022 is complete and remaining pilot premium payments were in majority completed, with outstanding amounts to be transferred before mid-November 2024. The verification of pilot volumes for 2023 is being finalized, with the aim that remaining pilot Premium payments can also be transferred before mid November 2024 latest.

The new information on the complexity of volume verification and delays in Premium payments, in combination with the tendering process happening twice a year (which can lead to changes in the supply chain) brings new challenges. The very dynamic nature of the supply will make effective communication of relatively complex Fairtrade pilot conditions (and different conditions in pilots 1.0 and 2.0) more challenging, which can in the view of the PF and Head of O&C pose additional risks to the success of pilot and calls for additional conditions to limit those risks. This includes a timely internal agreement on detailed clear pilot terms and conditions for pilot 2.0.

Considering the above, and at the same time, taking into account the need to revise the approach offered to this sector when it comes to certification, it is recommended to accept the extension of the pilot 1.0 conditions only under additional conditions to assure producers benefit from the Fairtrade Premium. The PF and Head of O&C recommend that the payments for outstanding Fairtrade Premium (FP) from 2023 are required to be paid before the December 2024 OC meeting, pilot and conditions are in place and accepted in writing by pilot participants before the December OC meeting and that the retailer has confirmed in writing that the additional project investment will be paid to the National Fairtrade Organisation (NFO). If these conditions are not fulfilled by the time of the December OC meeting, pilot 2.0 cannot start and the young plants pilots are recommended to be closed.

Discussion:

The OC has discussed the conditions and in general agreed that for this pilot to be successful, and to be able to collect good learnings about a potential new model, a commitment from the retailer and in general from the supply chain actors is key. The OC agreed to extend the deadline and proposed shorter timelines for the conditions to be met, as well as new conditions.

Decision:

The OC unanimously approved the extension of the pilot 1.0 with the following conditions:

- The outstanding premiums from 2022 and 2023 to be paid by 15 November 2024.
- Commitment from the retailer that the 2024 premiums will be paid according to the premium agreements, same as for 2022 and 2023.
- Commit to the same growers for pilot 2.0 duration. No tendering for the pilot. *Note: In response to concerns on the feasibility of this condition, the OC chair communicated after the meeting that the PM can alternatively also present a concrete way of assuring that reporting and Premium payment requirements are fulfilled in case EU growers leave the pilot before 31.12.2027. The proposed assurance mechanism would have to be presented to the OC for decision-making in December 2024. The OC also retains the right to demand further updates on pilot implementation and may add further decision-making points on this pilot in 2025.*
- Pay an advance to the South-to-South project in the amount equivalent to the estimated additional 1 cent premium. *Note: In response to concerns on the feasibility of this condition, the OC chair communicated after the meeting that at minimum a written confirmation shall be obtained from the retailer with a clear payment deadline and details of project South to be presented to the OC in December 2024.*
- the final pilot terms and conditions for pilot 2.0 to be presented to the OC in December 2024, with a list of the parties that signed up to them

If the above conditions are not met, pilot 2.0 cannot be implemented and the project manager for the pilot 1.0 has to submit a phase-out plan already in the December 2024 OC.

Next Steps

Timeframe	Tasks
Q4 2024	PF to announce OC decision internally (the PM to inform supply chain actors)

Item 9 – Closure of the Shea Kernel pilot

Following the OC's approval of a pilot to test a New Economic Mechanism in pricing for shea kernels, the project is now requested to be closed. The PM proposes this due to the absence of concrete confirmed market commitment and due to reduced capacity within the Partnership Development team at the NFO, which means there is no longer enough resources to dedicate to driving this work forward.

Decision

The OC approved unanimously the closure of the shea kernel pilot with immediate effect.

Next Steps

Timeframe	Tasks
September-October 2024	Announce OC decision to all parties that were informed of the pilot start

Item 10 – Scope change gold credit pilot

The pilot to test a new model in gold for electronics was approved by the OC in Sept 2023. At the time the NFO leading the pilot was in discussions with a large electronics brand with the aim of securing commitment from them to fund the pilot. While that did not concretize, meanwhile two NFOs jointly presented the pilot at the OECD Responsible Minerals Forum in Paris in 2024, which resulted in follow-up meetings with additional brands. If a partnership and funding can be secured, the aim is to kick off the research phase of the pilot in Q4 2024 for the duration of about 1 year. Results would be presented to the OC before the implementation phase can start, which would then be planned for the Q3 or Q4 2025 OC meetings. Implementation, subject to OC approval, could start from Q4 2025.

The NFO initially applied for a pilot in the electronics sector, but the brands in question now are in the automotive sector. The NFO has asked the OC to approve/confirm the extension of scope of the pilot to the automotive sector.

Furthermore, there are currently two Fairtrade certified refiners. Initially it was proposed to include just one in the pilot, but the other Fairtrade refiner has also expressed interest. The NFO asks for approval to include both refiners to ensure that the proposed model works for both, and brands can purchase Fairtrade gold credits from either of them.

Decisions:

Decision 1. The OC agreed unanimously to include the automotive industry in the pilot as part of the wider electronics sector.

Decision 2. The OC agreed unanimously to expand the scope of the pilot to include both Fairtrade certified refiners.

Next steps:

Timeframe	Tasks
September 2024	Announce OC decision internally
Q4 2024 -Q4 2025	Pilot research phase and completion of pilot documentation
Q3 / Q4 meeting 2025	OC decision on pilot implementation
Q4, 2025, if approved by the OC	Start of the implementation phase

Item 11 – Targeted Premium Spend

Earlier in 2024 an NFO submitted a request to the OC for approval of a pilot for targeted Premium Spend for banana. This pilot was approved by the OC until 31.12.2024, with an appraisal before the end of the pilot.

The monitoring and appraisal results and a request for an OC decision on extension of the pilot by 2 years (until 31.12.2026) on a number of conditions were presented to the OC. The longer pilot period is expected to allow for more monitoring and a better appraisal foundation as a basis for the final pilot decision in 2026.

Pilot objectives

The objective of the pilot continues to be to test and collect data on the impacts of this new Premium investment model. The model is understood to include the following components:

- pre-defined Premium categories
- the impact of the categories, including paying Living Wage Reference Price (LWRP), sustainable production and Human Rights and Environmental Due Diligence investments (HREDD)
- Fairtrade Premium investments based on HREDD risk-assessments
- community investments in projects at scale
- producers reporting separately on Fairtrade Premium investments for one retailer
- longer-term contracts for producers from the retailer
- regular dialogue between Fairtrade Senior Management and the partner and supply chain dialogue

Key pilot elements:

- Pilot duration: the pilot was approved until 31.12.2024. There is a request for an extension by 2 years (until 31.12.2026).
- The first appraisal took place in June-August 2024. If approved the next (final) appraisal timing is proposed to be Q2/Q3 2026 with reporting to the OC in September 2026 or December 2026.
- Scope: One trader’s banana supply chain delivering to the Partner, sourcing from different origins in Africa and South America.
- Pilot Project Manager: Dedicated person from the applicant NFO.
- Certification mark: regular certification mark as per current pilot.

The pilot facilitator found that the pilot monitoring and appraisal results are quite positive, but more monitoring and learning is required, before Fairtrade and specifically the OC will be able to take a final decision on this pilot's success.

There were further recommendations to take into account for the OC when deciding, which were: 1) additional indicators should be agreed, endline (2026) targets to be set and Global Impact to be involved in the monitoring and 2.) that the NFO actively shares information on the pilot within the system and 3.) a legal agreement between the NFO and FI to be put in place as needed.

Discussion:

The OC commented on the commitments and ambitions around contributing with additional monies to close living wage gaps in countries where the gap to the living wage benchmarks are still quite big and thereby most challenging. It was also clarified that the amount of the premium allocated to the different categories is decided upon by producers at their General Assembly.

The OC agreed that more data is needed before this model can be scaled, especially from the producers and potentially also from other organisations, NGOs, traders, etc. The monitoring data collected can also be used in other Fairtrade systemwide workstreams to understand the gap in the Standards or certification.

Decision

The OC approved (5 agreed, 3 abstained*) a 2-year extension of the targeted FP spend pilot for banana on updated conditions as set out in a-h below:

- a) The use of the regular certification mark and claim on-pack
- b) No auditing of pilot conditions at PO level
- c) Legal agreements are put in place between FI Legal and NFO leading the pilot before 31.12.2024 as condition for the pilot extension.
- d) Transparency on the pilot conditions via updated information (e.g. timelines) in the pilot section on the FI website
- e) 2-year extension until 31.12.2026, with monitoring, including additional indicators and targets set with involvement of GI and the collection of appraisal results by Q3 2026.
- f) Pilot updates and learnings to be shared system-wide (e.g. webinars every 6 months)
- g) The applicability of Standards criteria
- h) The scope of the pilot remains closed to the one retailer's banana supply chains and existing Fairtrade banana producers that opt-in in 2024.

*Two members declared conflict of interests and therefore abstained from voting.

Next steps:

Timeframe	Tasks
Sept – Dec 2024	Review of monitoring framework and adding of indicators and endline targets. Updating of pilot documentation with PF.
Sept – Dec 2024	Putting in place the necessary legal agreements between NFO and FI
From 1.1.205	Continuation of the pilot, subject to fulfilment of the conditions

Q1 2025	Qualitative monitoring update to the OC
Q3 2025	Quantitative monitoring update to the OC (requiring data collection mid-2025 against the monitoring framework)
Q1 2026	Qualitative monitoring update to the OC
Q2-Q3 2026	Data collection against the monitoring framework for Q3 2026 OC update AND pilot appraisal
Q3 2026	Quantitative monitoring update to the OC
Latest Q4, 2026	Pilot appraisal presented to the OC and pilot decision by OC (this can also be brought forward to Q3, 2026)

Item 12 – Cardamom, turmeric and allspice New Economic Mechanism (NEM) pilot application

A large spice trader is keen to expand the offer of Fairtrade spices but hampered by the uncertainty and fluctuation of associated costs due to the lack of a fixed Fairtrade Minimum Price (FMP) and fixed FP for spices. The most urgent need are prices and premiums for organic allspice, turmeric and cardamom for Guatemala. The NFO is very committed to this pilot as they consider spices a strategic point for expansion for their market due to the scale of the total market opportunity beyond the pilot and the importance of diversification for producers. The OC is asked to approve a pilot to test NEM Prices for organic all-spice, turmeric and cardamom from Guatemala.

The pilot objectives are:

- Increase Fairtrade volumes and visibility in the Fairtrade market through setting up 3 organic NEM FMPs and FPs for all spice, turmeric and cardamom from Guatemala.
- Test the NEM approach and impact of the 3 NEM prices during the pilot via pilot monitoring.

The 3 NEM prices would be set at EXW level in USD per Kg. For turmeric and allspice these would be individual NEM prices with validity for Guatemala. For cardamom a second Fairtrade coffee producer in Guatemala which is also certified for cardamom would be asked if they are interested in joining the pilot. Depending on their response, a group NEM or an individual NEM price would be developed.

The PNs will support the pilot by supporting Cost of Sustainable Production (COSP) collection in Q4 2024 and reviewing and validating the COSP sheets. The price is expected to be ready for announcement in Q1 2025. Costs of the pilot would be carried by the NFO.

The pilot would run from October 2024 to March 2027. The NEM method means that during the pilot there is an annual price review process, which can be a confirmation of the existing price. The SPO would be asked to resubmit COSP after a year (for which they can use the old COSP sheet as a basis, e.g. only make changes as far as cost structures have changed). Based on that validated data a new FMP and FP would be proposed to the supply chain. The Pricing Unit would announce the new (or same level) NEM FMP and FP and indicate from when it applies.

If the pilot is successful, the proposal from Pricing Unit is to add the last FMP and FP to the Pricing table, subject to approval by the Standards Committee, and to continue to regularly requesting the (by then

trained) POs to submit COSP to assure the prices stay up to date. During the pilot the Price is for now not planned to be added to the Pricing table (unless this would change with the Pricing SOP review).

The pilot was recommended for approval.

Discussion

The OC had concerns around price competition among the different origins. The project manager clarified that it is part of the testing to understand this risk better and assess if long term this could be a feasible option.

Decision

The OC unanimously approved the pilot to test individual NEM prices for organic allspice and turmeric and an individual or group NEM price for cardamom from Guatemala.

Next Steps

Timeframe	Tasks
October until end 2024	Finalizing pilot documentation and pilot announcement
October 2024 until March 2025	COSP collection, price validation, price setting and pilot agreements
Spring 2025	Pilot launch (implementation phase starting)
March 2025	Qualitative progress update to the OC
September 2025	Monitoring data update to the OC
Q4 2025	COSP collection, price validation, price announcement
March 2026	Qualitative progress update to the OC
September 2026	Monitoring data update to the OC
Q1 2027	Appraisal
March 2027	Appraisal decision OC

Item 13 – AOBs

There was one AOB discussed during the meeting. It was regarding the Small Point of Sale Scheme, and the need to review it in the near future. It was noted by the Head of O&C, the OC will be informed about the plan around the review of this scheme in a following OC meeting.

Next Meeting date:

The next Oversight Committee meeting will take place on

- December 2&3 (online)

The meeting was formally closed.