

***Oversight Committee
Minutes
Meeting 41: 24 March 2025
Teleconference meeting***

Present:

Oversight Committee (OC) members: Selene Scotton, Ben Huyghe (chair), Richard Kwarteng (vice chair), Marike de Pena (joined with small delay) Jules Colombo, Simon Wright, Theresa Glammert-Kuhr (substitute), Arun Ambattipudi (joined with minor delay as announced)

Fairtrade International (FI): Eleonora Gutwein, Margret Loeffen

Presenters: Nina Winkler, Helen Reimer

Observers: Manuela Stiffler, Stijn Decoene

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. Consent for recording was obtained.

Agenda: The agenda was agreed upon unanimously. No additional (AOB) items were brought up.

Conflict of interest: No conflict of interest was declared.

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:

The Oversight and Compliance unit gave an update on the action items from previous meetings:

- “South to South” licensing project is ongoing. Each PN is in need of a specific solution, so that FI will work bilaterally with each PN in 2025 on a solution that addresses their specific needs as much as possible.
- The ways of working for the Trading with Integrity workstream will be redesigned for 2025 due to limited activity and interest from the system. The producer workshops as well as a taskforce meeting are planned for Q2 2025, after which reports for the FI Board and OC will be developed.

- On the Pilot Standard Operating Procedure (PSOP) the review is ongoing and producer engagement, as was requested, took place. A slight delay means this OC could not be met, but the PSOP will come back to the July OC for approval.
- For individual exceptions on base wage payments in DR in the form of a bonus, additional conditions were requested, which were drafted and shared with affected stakeholders.

A&O News:

News:

- There was a change in assurance, the assurance coordinator moved on to another role. The Assurance team is exploring how to now cover the work in this area.
- Andreas Kratz has been appointed as Director of Standards and Pricing, next to his other responsibilities.

Item 2. Updates:

- On certifying in Conflict Affected areas the implementation of the decision on the interim measure led to concerns by the Assurance Provider, which were mitigated, and the procedural gap was filled. Customers affected in the meantime can soon be offered the special circumstances option. It was clarified that beyond a pilot a transition period may be higher risk and prefer to avoid that also for other pilots. Another OC member stressed the importance of implementing the OC decision. Understanding risks from all perspectives at decision-making is critical to allow for mitigation and smooth implementation. Another OC member raised a question, which was picked up at the end of the meeting on affected SPO. It was clarified that the way forward is clear now and that those SPOs will not face difficulties due to procedural issues within the system.
- Details were shared on exception on the payment of the Base Wage for the Dominican Republic, due to the sudden increase in the Living Wage Benchmarks last year. An instruction was developed that companies affected would have to undergo an external financial audit and submit that to justify the need for an exception, based on which the payment in the form of a bonus can be accepted. Local legal obligations would need to be clarified before the exception can be granted.
- Small Point of Sale Scheme is under review led by the assurance team and will come to the OC for decision in Q3 2025. The project assignment was developed and a short survey conducted.

Item 3 – Licensing Body audit updates

The Oversight and Compliance unit updated the OC on the conducted and planned Licensing Body audits against the Requirements for Licensing Bodies (RLB). The audits are conducted according to the oversight procedure, which describes how the requirements are to be checked. The RLBs ensure that the Fairtrade Marks and claims are adequately and appropriately used, hence have a very strong focus on the Fairtrade Marks, claims and the appropriate product approvals. Further capacity building on the topics is also planned for the OC before the conformity decisions are taken and recommended for FI Board endorsement.

The audits took 3 days each by an auditor physically visiting the LB's office. The audit ended with the presentation of findings in the closing meeting. The audit report is completed and submitted to both the LB as well as FI Oversight and Compliance for review. In case of non-conformities, corrective action plans will be required from the LBs, who would have 12 months to implement those action. At the end, once objective evidence is submitted to FI Oversight and Compliance, the non-conformities can be closed.

Six licensing bodies were audited in 2024, as planned, LB's that were assessed as highest risk. They have obtained the audit report, however, the review by Oversight and Compliance still ongoing. The remaining licensing bodies are scheduled to undergo an audit in 2025.

Discussion:

There was a question whether any identified non-compliances pointed to bigger issues or were rather technicalities. It was felt that the root cause was more awareness and acceptance and resources. Capacity issues can hamper the implementation of procedures. There was also a question on theoretically possible sanctions. FI Assurance clarified that all non-compliances identified so far can be closed within a year and that it is mainly a matter of putting the required time into developing and maintaining an efficient system. In terms of formal procedure, it would be the FI Board to decide, based on the OC recommendation after the audit results. There is a plan to review the RLBs and Oversight Procedures in the second half of 2025 and 2026, and to use the learnings to inform these reviews. There is an opportunity to make the assessment process more efficient, by for example including regular remote checks on the approvals and Connect data (to the extent possible). One OC member pointed out that only the first 6 (high-risk LBs) audits took place and that some issues might also have to do with the way of auditing and reporting, which is new. As a conclusion, it was acknowledged that a lot of learning is already happening through this very process and that there were no major issues identified until now. The OC will be updated regularly on the progress.

Item 4 – Textile Pilot Appraisal

The Textiles pilot started implementation in 2021 and was extended for 2 years in March 2023. The appraisal started at the end of 2024 and an OC decision is required before the pilot end date of 31.3.2025. Given the limited success of the pilot, but also the resources invested into getting a few certified supply chains up and running and the ongoing review of the Textiles Standard, the project manager recommends allowing existing pilot participants to transition into the new Textiles Standard as soon as it is published and applicable. The pilot is thus formally proposed to be closed, while participants would be able to continue to apply the pilot conditions to allow for a smooth transition into the new Textiles Standard. The PF supports this recommendation and requests the OC to take a decision.

The goals of the pilot project were the following:

- Achieve the certification of up to 5 Fairtrade supply chains by reducing the bottleneck of requirements to be too demanding for low-value subcontractors.
- Through the first objective, bring full Fairtrade benefits to workers at fully compliant facilities and some limited protection to workers at exempted facilities

Pilot learnings

The main learning from the pilot was that in its current form, with the exemption procedure, the pilot would not be scalable. This is due to issues with the methodology especially on the calculation of cost sheets. Also, the procedure at the moment is very cumbersome and is not that appealing to the exempted facilities. Setting up the two supply chains took a considerable time, the compliance costs are exceeding the benefits, the model tested in the pilot is therefore not expected to yield sufficient market potential to justify the resource investment it would require. Also, considering the time it takes to bring supply chains into the pilot, it does not make sense to develop new pilot supply chains before the Textiles Standard has been reviewed. However, ending the pilot without any opportunity for transition, may have a negative impact on the Textiles Standard review.

The PF concluded, after reflection on inputs from different stakeholders, to recommend the closure of the pilot with a transition period for only existing pilot participants until the new Textiles Standard is applicable.

Discussion

The assurance provider flagged that to close the pilot but continue with the conditions under the pilot would be problematic. It was concluded to amend the decision in a way that it addresses the need of being clear about the conditions and at the same time for the assurance provider to allow for a formal process.

There was a discussion around the timelines and the topics of the Textile Standard review. It was clarified that the timeline for the new Standard is by end of 2025. However, considering that the specific topics are not yet clear, it is difficult to know to what extent the pilot conditions and the new Standard will overlap.

The OC in general agreed on the condition during the transition time to not allow new partners into the pilot. There was a proposal to add a maximum transition period for the closure, however, after some reflection the OC disregarded this option.

Decision

The OC unanimously approved to close the pilot effective as of the date when the revised Textile Standard becomes applicable. During the transition time between the decision and the formal closure no new pilot participants will be allowed.

It was also decided to bring the pilot back in regular updates until the new Standard is applicable (Q3 2025 and Q1 2026), in case needed, OC may re-consider their decision on the time of the closure in case the Textile Standard review takes too long.

Next steps

Timeframe	
Q2 2025	Internal announcement (by PF) and to pilot participants (by PM) of OC decision
Q3 2025 – new Textiles Standard implementation	Transition phase for existing pilot participants, during which those participants can continue to apply the pilot conditions.
Q3 2025	Quantitative pilot update to OC
Q4 2024 – Q4 2025	(Planned timeline for the) review of Textiles Standard

Item 5 – Fairtrade Add-on Standard for LW Pilot (previous Plus)

The PF presented the outcome of the discussion related to the Fairtrade Add-on Standard for Living Wage (LW) and Living Income (LI) Pilot. The idea was to develop an add-on standard with on-pack labelling solution to differentiate for the payment of living wage reference prices or living income reference prices. However, the result of the consumer research showed that consumers did not positively respond to the on-pack communication as it conflicted with their expectations. The retailer and NFO concluded that it is better to close this pilot based on the outcome of the consumer research.

Discussion

The OC in general agreed with the conclusion, some points were raised around all the work that is being done on LW and LI in Fairtrade and the expectation of consumers with regards to this thematic area. The gap that exists between the consumer understanding of what the Fairtrade Standards are, and the promise of the label has to be considered and dealt with.

Decision

Decision 1. The OC unanimously agreed to approve the closure of the Fairtrade Add-on Standard for LW and LI Pilot (previous Fairtrade Plus).

Next Steps:

Timeframe	Task
Q2 2025	Internal announcement (by PF) and to pilot participants (by PM) of OC decision
2025 throughout the year	Share the learnings of consumer research, including internal webinar in May

Item 6 Pilot Proposal – Intermediate Distributor Verification in North America

The applicant and PF presented a pilot for an in-principal approval on the Intermediate Distributor Verification. Intermediate distributors play an important role in many supply chains in Canada. They are important in chocolate supply chains, because the main Fairtrade manufacturer has minimum order quantities, which exceed the order volumes of medium-sized licensees. This prevents smaller licensees from sourcing directly from manufacturers and makes them rely on intermediate distributors. The existing assurance model for intermediate distributors is too demanding and costly, which results in medium-sized and smaller licensees being excluded from Fairtrade. NFO sees potential for growth with a lighter assurance model for intermediate distributors, to be tested in cocoa and sugar supply chains in Canada, but with potential beyond the pilot in other sectors. The OC is requested to approve the principle of this pilot, so that it can enter the research phase. In the research phase pilot details would be determined before the OC would take a final decision based on more complete information prior to pilot implementation.

Short description of the pilot project

A pilot is proposed in which Intermediate Distributors are certified (or only verified, which is to be determined) through a remote/digital process against a set of Trader Standard requirements. The proposed compliance criteria are limited to criteria for digital audits, all year 0 and either major or core. Fairtrace alerts would also be used to monitor compliance based on almost real-time information.

Only Intermediate Distributors who meet the following criteria are proposed to be eligible for the pilot, traders a) cannot be Fairtrade Price and or Premium payers; b) cannot use the Fairtrade Mark; c) cannot trade in the Fairtrade finished products; d) are based in Canada and the United States.

The pilot objective is growth through simplifying and facilitating the inclusion of intermediate distributors. If the pilot is successful, the NFO sees growth potential for scaling in North America. Global scaling is not the intention at the moment. Overall, for this pilot critical details are yet to be defined, which could in the view of the PF most effectively be done in the research, planning and consultation phase in collaboration with the assurance provider, the NFO and FI Assurance.

Discussion

There was a discussion around the role of the intermediate distributors in the Fairtrade supply chains. If these actors are service providers, they may not need to be certified at all. It was clarified that because of the definition of the Trader Standard, if operators buy and sell Fairtrade products they need to be certified, regardless if they take physical possession of the product. This is to ensure document traceability and visibility of the volumes traded as Fairtrade.

The OC wanted to know more about the capabilities of Fairtrade when it comes to reporting and the controls that can be implemented. The Fairtrade alerts mechanism was mentioned as one of the options to monitor reporting. Regarding the capabilities of the reporting platform, it was discussed that while everyone has to report, the reporting is not real time. There are checks built in to the background based on different factors, and the verified status would thus also provoke flags in case of issues. These flags are reviewed by the certification analysts, and depending on what type of flag it is, it may be possible to resolve it directly with the customer, or it will go to the terms of reference for the next audit. The verification through Fairtrade is a matter of analysing data and knowing what to look into or where to raise a flag and get in touch with the customer.

As to the point on limiting the scope to only North America, concerns were raised by a committee member, that similar challenges are present in other European countries. The OC member asked to check the potential benefits of the pilot in Europe in the research phase. Concerns were also raised about the long pilot timelines, which was clarified that the timeline is a result of a cautious planning, and can be reduced if needed. The assurance provider mentioned potential concern for accreditation when it comes to new pilots, and specifically very different approaches within a certification framework. There is a need to understand better the impact and to take into account accreditation risks in pilots. The assurance provider also explained their fee system, and explained the challenges of defining fees prior to having all details.

The discussion was concluded by confirming that all missing details, especially about the assurance model will be worked out in the research phase.

Decision

The OC unanimously approved the Intermediate Distributor Verification in North America pilot to move to the research, planning and consultation phase and to come back to the OC for decision making on the developed pilot terms and conditions before pilot implementation.

Next Steps

Timeframe	Tasks
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April-September 2025	Research and development of pilot documentation and pilot terms and conditions (including definition of intermediate distributors and applicable compliance criteria, as well as pilot duration) in collaboration with FLOCERT, the PM and the PF
Q3 2025	OC decision-making on the pilot terms and conditions (which implies deciding on whether the pilot can proceed to implementation)
Q4 2025	If implementation is approved by OC (same goes for other steps below): Preparing pilot implementation (getting pilot terms and conditions signed)
Q1 2026 – Q4 2028	Pilot implementation, with appraisal in Q2/Q3, 2028
Q1 2026, 2027, 2028	Verbal reporting to the OC
Q3 2026, 2027, 2028	Qualitative reporting to the OC
Q2/Q3, 2028	Pilot appraisal and OC decision based on that

Item 7 – Pilot updates

The PF updated the OC on all ongoing pilots.

Discussion

No concerns were raised during the discussion.

Item 8 – Oversight workplan 2025

Highlights of the workplan were shared, which included next to business as usual, the self-assessment against the ISEAL code, which goes beyond oversight and includes aspects of governance and compliance. In Q2 the coordination group (including a.o. Global Impact, Standards Unit, Brand Integrity) for this workstream will already work on plans to address possible identified gaps, which would be for implementation until Q2 2026. This might involve revisions throughout the oversight scheme, e.g. of the RLBs, oversight procedures and exception policy, which will involve consultations with members.

In addition, the RLB audits are still going on this year, which was discussed under item 3.

Some business as usual, such as Assurance Provider reporting and exception reporting or updating the Assurance and Licensing Risk Management Plan, is planned to come to the OC in September.

OC capacity building is also planned to happen at least twice a year.

Finally, one shadow audit and following up on the trading with integrity workstream is planned for this year.

Item 9 – AOB, next meeting data and closing

There were no AOBs discussed during the meeting.

The next meeting is scheduled for July 1st 2025, in presence in Bonn with one member not joining in presence.

The meeting was formally closed at 17h45.