



# **Monitoring protocol**

# **FLORICULTURE SUSTAINABILITY INITIATIVE**

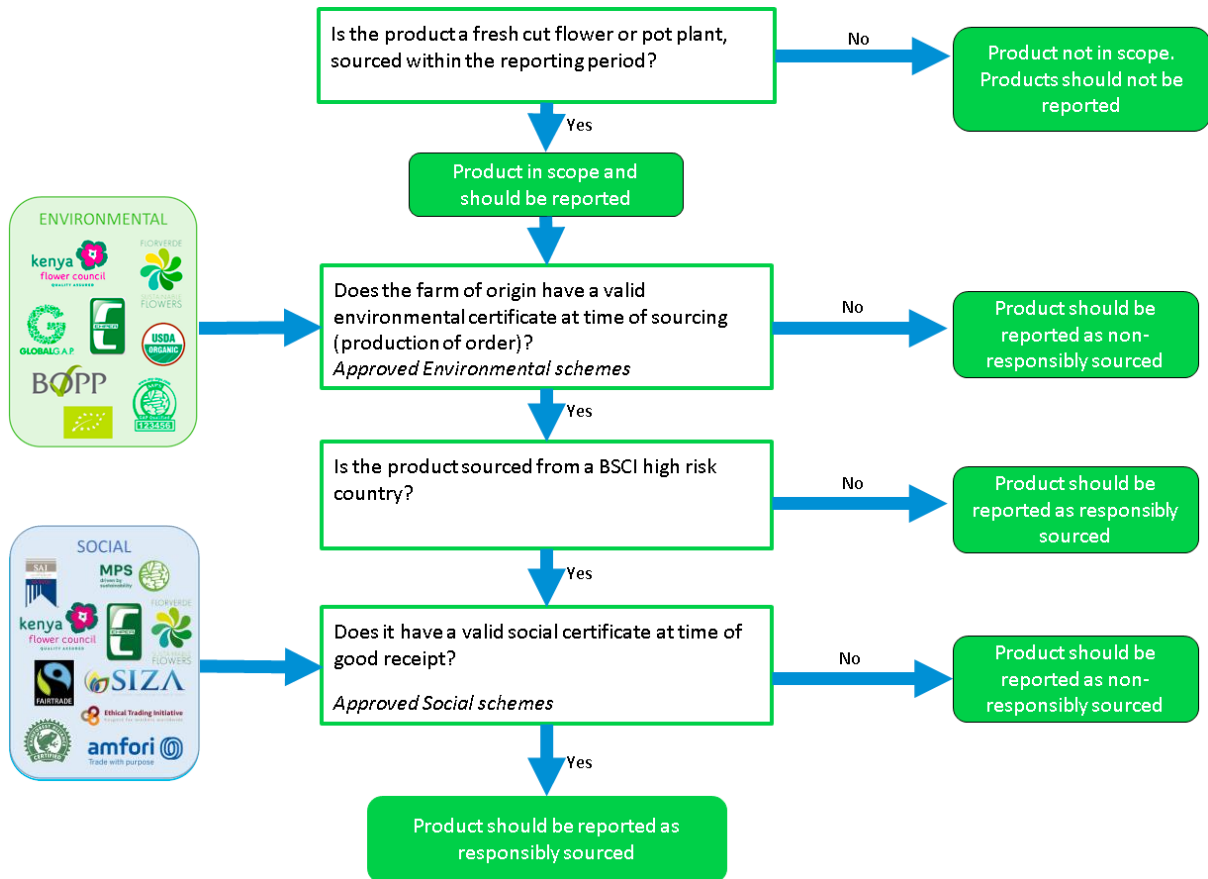
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## 1.1 Quick reference

The next chapters in this document contain a detailed background and definitions for the annual reporting of sustainable flowers and pot plants as has been agreed amongst the members of the Floriculture Sustainability Initiative (FSI). The schedule below can be used as a quick reference to determine whether amounts are in scope and whether they are from a responsible source according to FSI definitions.



## 1 General information

In recent years, the floriculture sector has joined other sectors in recognising the importance of sustainability and sustainable development. Sustainability is receiving a great deal of attention not only in the production of flowers and plants but also when it comes to the distribution, wholesale and at point of sale.

The sector has identified a number of barriers that prevent it from mainstreaming sustainability and an increased demand for sustainable flowers and plants. Recent but fragmented projects on sustainability have supported the industry in moving forward but did not reach mainstream level.

In 2013 the floriculture sector decided to take more responsibility and create an initiative that is driven, supported and managed by the sector and its stakeholders. The will to make sustainability mainstream and make it a license to deliver is supported by the sector. Creating this overarching structure allows the sector to overcome barriers and be ready for future challenges.

The Floriculture Sustainability Initiative (FSI) was founded in January 2013. More than 60 members (end of 2019) are committed to a shared ambition: 90% of internationally traded flowers and pot plants by FSI members will be originating from responsible sources by 2020.

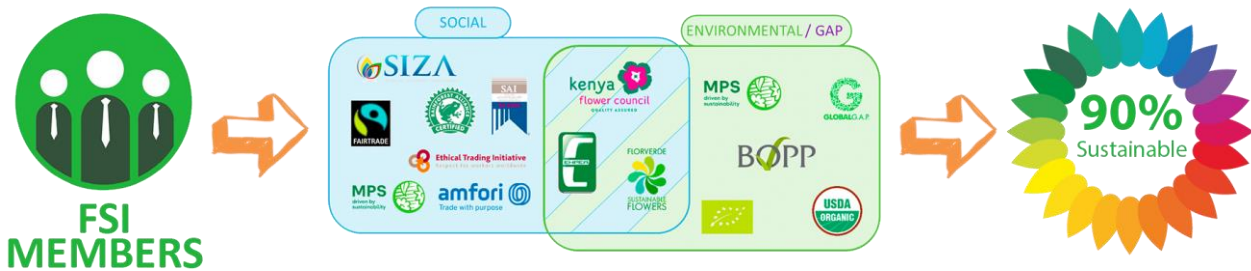
In 2016 FSI started a systemic approach to objectively evaluate individual company's and a sector performance on sustainable sourcing. Such an approach was needed to bring these developments into focus and establish measurable objectives in the area of sustainability that can also be used as benchmarks for improvement. It would also provide a way for companies to communicate with suppliers and customers on sustainability and set objectives on sustainable progress.

FSI, its members and VGB, the Dutch wholesale association, have partnered to define a blueprint for measuring and develop a tool facilitating those companies that would like to measure on a continuous basis.

In order to follow up on the FSI ambition, FSI will annually monitor and report progress on realising 90% responsibly sourced flowers and plants in 2020. To be able to do so, all FSI members of production, trade and retail report individually and annually and the aggregate results of this reporting progress are be shared and published annually.

This Monitoring Protocol is designed to allow for a transparent reporting process for the Floricultural sector as well as the FSI members; to establish a common understanding of the definitions that are to be used when reporting and to provide guidance on establishing a minimum level of data quality. One of the main objectives of this Monitoring Protocol is to ensure that FSI members report based on the same definitions as well as comparable levels of data quality.

The Protocol is based on consultations of a working group of traders that participated in the pilot and a trading steering committee. Various visits to the stakeholders were conducted to establish an understanding of the diversity as well as the maturity of the existing purchase and certification information that will be used to generate the data required.



## 2 Definitions, reporting and data

FSI members will be generating data from different sources and in different formats. It should be clear to all parties what the details of the reporting requirements are. The question to be answered through progress reporting is the following based on the FSI ambition to have

**90% of traded flowers and pot plants by FSI members are originating from responsible sources by 2020.**

After an initial assessment (baseline), annual intermediary evaluations are held to monitor progress and to achieve the 2020 ambition. The 2020 ambition is to ensure that all participating companies reach 90% individually as well as collectively with the aggregate total of FSI members.

The definitions that form the basis for meeting this ambition are described in below paragraphs. These definitions have been tested, agreed and approved by the FSI member pilot group of traders and retailers. The FSI members are expected to report according to these definitions.

## 2.1 What totals are in scope?

**Totals:** volumes in number of stems (flowers) and amount of plants (pot plants) sourced.

The following should be taken into account with regards to reporting total volumes:

- Measurement is in volumes, for flowers in stems, in number of pots for plants.
- If both plants and flowers are sourced, amounts have to be separated.
- FSI members will report individually yearly, covering their production/sourcing of the full previous calendar year.

The following should be taken into account with regards to origin:

- All production countries are in scope.
- All flowers and plants sourced are in scope, regardless if volumes are re-exported to other countries, or directly delivered to other countries without going through the traders' facilities at all.
- Any number of flowers and plants that are sourced by and sold to other parties within FSI can be counted as responsibly sourced if they are traceable to the specific source which meets the definitions of section 2.3.
- Country-of-origin always refers to the country where the products are grown.

## 2.2 What is the definition of flowers and plants?

**Flowers and plants:** all fresh Cut flowers and Pot plants.

The following should be taken into account with regards to flowers and plants:

Measuring concerns:

- For members of production:
  - all produced cuttings, young plants and flowers/plants are within scope.
- For members of trade and retail:
  - cut flowers, cut greens and plants that are sourced for direct sale at retail or consumers according to the GPC-definitions<sup>1</sup> for cut flowers, cut greens and live plants.
    - Bulbs, seedlings and young plants (non-exhaustive) are out of scope
    - Herbs and fruit and vegetable plants that are retail-ready are in scope.
    - Cut flowers/greens that are harvested in their natural environment and that cannot obtain an environmental certification as scheme owners only recognize farm-based products, are out of scope for the 2019/2020 measurement.
- Bouquets and plant arrangements are only in scope if produced and sold by the grower.
- The scope is limited to fresh material including decorative greens. Other categories like dried flowers and parts of the hardware sold by Wholesalers to Retail are out of scope.

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<sup>1</sup>

<http://www.floricode.com/Portals/0/GPC/HZ16003v1.2%20FLC%20Technical%20Blueprint%20GPC%20Distribution%20Set.pdf?ver=2016-03-02-085959-767>

## 2.3 What is the definition of a responsible source?

**Responsible source:** volumes of flowers and plants compliant with environmental and social criteria as set out by the standards accepted in the “FSI Basket of responsible sources”. A social certificate is only required for sources in Amfori/BSCI high risk countries.

Please note:

- As of January 2018 there is an updated list of high and low risk countries. Bhutan, Georgia, Malaysia, Namibia and Samoa have changed from Risk to Low risk country. Greece is now a high-risk country. In pages 12 to 16 of the country list document you can find the changes in more detail
- The FSI Board has decided to already update to the 2018 version and that this version will be used for future measurements.

The following should be taken into account with regards to the FSI basket of Standards:

- The Scheme owners in this basket have the responsibility to upload and to keep their data up to date in the ITC Sustainability map. <https://sustainabilitymap.org>
- The Scheme owners must have completed the benchmarking for environmental and social criteria, audit process and methodology to enter or remain in the basket.
- The baseline for qualifying for the Basket is set on minimal GlobalGAP or higher and GSCP-B level or higher.
- Based on the GlobalGAP and GSCP benchmarking assessments and their outcomes and improvement processes, standards may qualify for the *FSI basket of standards from responsible sources* subject to expert review and FSI board decision.

The following should be taken into account with regards to the responsible sources.

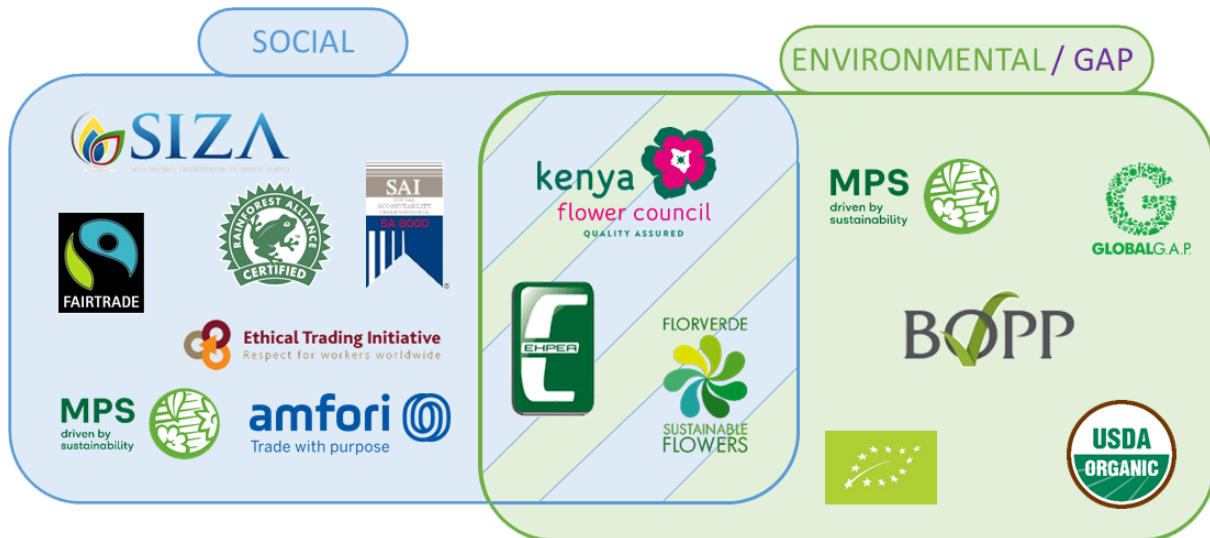
**Environmental:** for all sourcing countries at least one of the following environmental certifications is required:

- British Ornamental Production & Packhouse Standard
- Ethiopian Horticulture Producers and Exporters Association – EHPEA Silver & Gold
- Florverde Sustainable Flowers
- GLOBALGAP Floriculture
- Kenya Flower Council – KFC Silver & Gold
- MPS GAP
- USDA Organic and EU Organic.

**Social:** for growers in countries that are labelled ‘high risk countries’ based on the BSCI countries’ at least one of the following Social standards is required:

- BSCI (monitoring standard)
- Ethiopian Horticulture Producers and Exporters Association – EHPEA Silver & Gold (certification)
- ETI/SMETA (monitoring standard)
- Fairtrade (certification)
- Florverde Sustainable Flowers (certification)
- Kenya Flower Council – KFC Silver & Gold (certification)
- MPS SQ (certification)
- Rainforest Alliance (certification)

- SA8000 (certification)
- The sustainability initiative of South Africa SIZA (certification)



The following should be taken into account with regards to the definition of sustainably sourced.

To be counted as responsibly produced/sourced, certificates and audit reports:

- Should be valid (scope, expiry date, etc.) during the period of time of delivery. If the validity cannot be connected to the period of supply, the whole year should be covered by a valid audit report or certificate;
- When not all farms of the supplier are compliant, this should be accounted for in reporting the sustainable volume. The certificate is only valid on the products included in the certificate.
- To be counted as responsibly sourced, for ETI/SMETA and BSCI: third party auditors must conduct audits. SMETA methodology must be used when conducting audits against the ETI base code;
- The time between full audits should be of maximum two years; If non-compliances are reported in ETI/SMETA and if these are rated C, D or E in BSCI, the audit report is valid for maximum one year, after which an audit should be conducted to verify that the non-compliances have been remediated;
- If a farm has followed up the non-conformities from a previous audit, but other non-conformities are noted, the sourced volumes can still be marked as sustainably sourced, unless the requirement noted above has not been met;
- If non-compliances are found on one of the criteria below, the non-compliance should be remediated within the time given in the audit report and/or corrective action plan, after which an audit should be conducted to verify that the non-compliances have been remediated;

<i>Scheme</i>	<i>Source</i>	<i>Child labour</i>	<i>Forced labour</i>	<i>Building safety</i>
BSCI	BSCI Self assessment for producers (2015)	8.1	11.1,11.3	7.15
ETI/SMETA	ETI base code (2014)	4.1	1.1, 1.2, 9.1	Not applicable

BSCI | Source: BSCI Self-assessment for producers (2015)

<i>Basic criteria</i>	<i>Requirement</i>
Child labour	8.1 The auditee does not engage in illegal child labour directly or indirectly
Forced labour	11.1 The auditee does not engage in any form of servitude, forced, bonded, indentured, trafficked or non-voluntary labour, 11.3 The auditee does not subject workers to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse
Building safety	7.15 The auditee ensures that escape routes, aisles and emergency exits in the production site are easily accessible, clearly marked and not blocked

| Source: ETI base code (2014)

<i>Basic criteria</i>	<i>Requirement</i>
Child labour	4.1 There shall be no new recruitment of child labour
Forced labour	1.1 There is no forced, bonded or involuntary prison labour, 1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice, 9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited
Building safety	Non applicable

- Any interpretation issues relating to the validity or scoping of monitoring schemes within the FSI basket will be aligned with interpretation as agreed for the monitoring protocol for the Sustainable Initiative Fruit and Vegetables (SIFAV)<sup>2</sup>. The SIFAV is an established IDH Initiative, in which members monitor and report yearly on their progress on sustainable sourcing in a similar way to FSI.

The following should be taken into account with regard to information linking growers to valid certifications or monitoring standards:

- The scheme-owners that are part of the *FSI basket of Standards from responsible sources* are approached with the request to share their growers' certification data containing type of certification per grower and validity status of the certificate and administrated accordingly by Floricode.
- Based on the individual arrangements with the standards, information can be disclosed to the industry or can be used for analysis purposes only.
- Floricode will register and keep this information up to date with the regular updates of the Scheme owners.
- The Floridata tool makes use of the certification data provided by Floricode. The data itself will not be disclosed during the reporting and remains confidential.
- For FSI members using their own reporting method, Floricode can provide the data from scheme-owners that have made their data accessible. For the Scheme owners who have put limitations on sharing, the individual FSI member can directly contact the scheme-owner to facilitate access to the data.

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<sup>2</sup> Sustainability initiative fruit and vegetables, version 0.6, February 2017 (available upon request)



### 3 What is the reporting period?

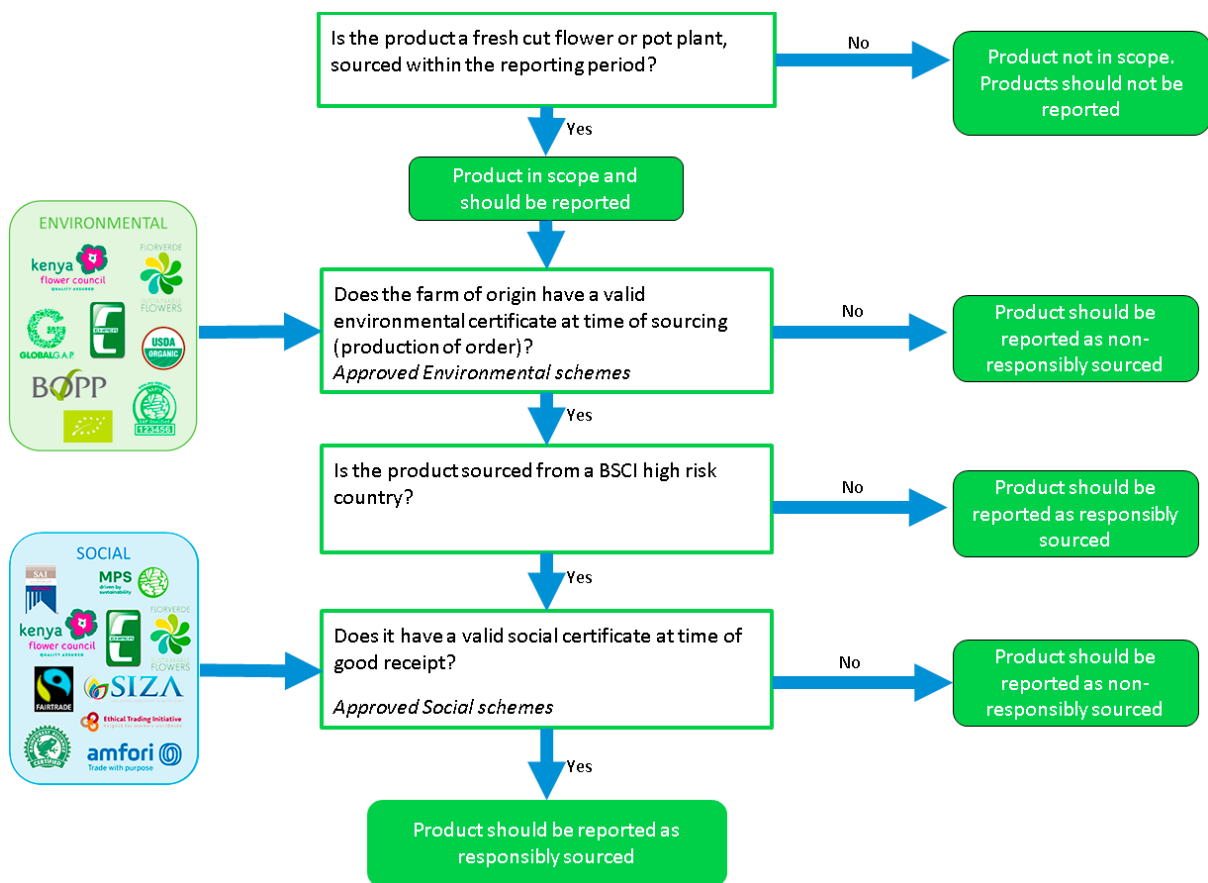
**Reporting period:** the data reported should cover volumes sourced in the calendar year in scope, from January 1<sup>st</sup> through to and including 31<sup>st</sup> of December.

The following should be taken into account with regards to the definition of the reporting period:

- Date of delivery

#### 3.1 Reporting data: how to report, completeness and accuracy of data

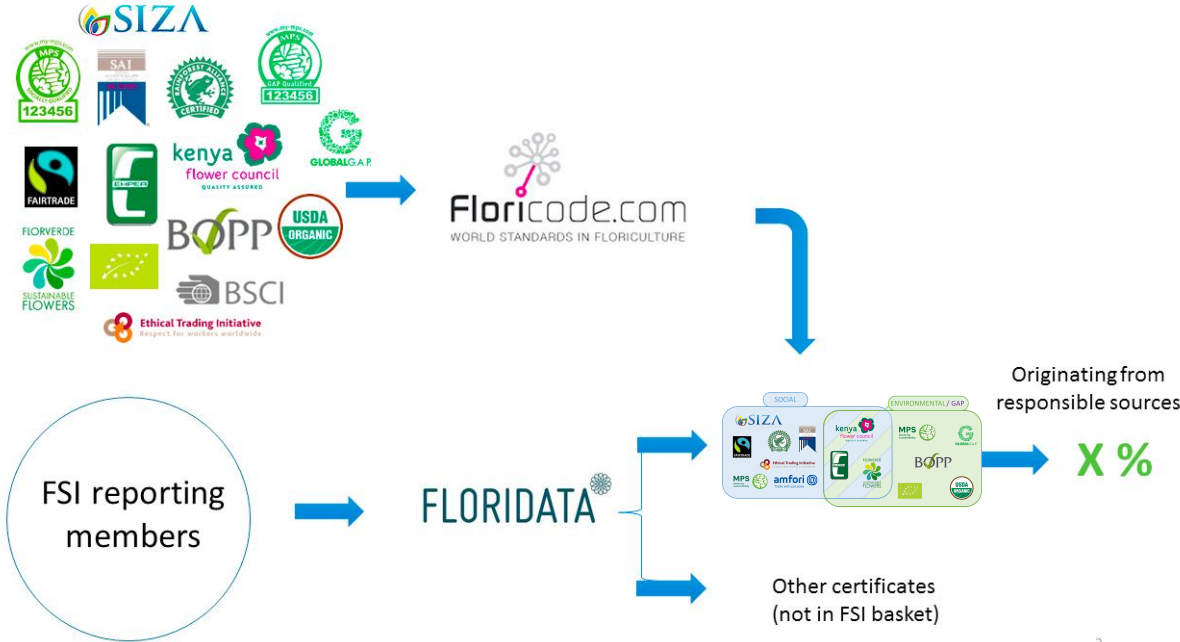
All FSI participants reporting according to the FSI Monitoring protocol should ensure all sustainable (responsible) and non-sustainable volumes are reported. Production members can report their volumes and percentage directly to FSI secretariat. For Trade and retail an independent verification will be provided. PwC has been contracted to carry out these verifications. To ensure the volumes are reported correctly and completely participants can use below scheme to determine what to report.



For trade and retail there are two ways to report responsible sourcing data, of which the second option is highly preferred due to the fact that more frequent aggregate analysis is possible:

1. FSI members can use their own databases and provide the independent verifier with the volumes for flowers and plants and the percentages from responsible sources. They can make use of the Floricode database with certificated growers that are available for sharing, add missing data provided by scheme owners or use their own database to verify the valid certifications.

2. FSI members can report on the basis of the Sustainable Sourcing Scan by Floridata. At Floridata the information is verified, processed and crosschecked with the certification database obtained from Floricode. The outcome will be reported back to the individual FSI member in terms of percentages from responsible sources together with a breakdown per product group and origin. The reporting company can present this outcome to the independent verifier. See below illustration



The following should be taken into account with regard to reporting:

- The data collection sheet that will be provided will be the required format for reporting.
- The required data has to be aggregated and reported on at least a yearly basis, on volumes, per growers and per main product group (i.e. June 2016, 12.000, Grower A, Roses).
- Data should be reported using the data collection sheet provided by the review provider.
- Matching procedures
  - Selling and buying parties can agree to use the matching principle to match volumes that are sourced from other reporting FSI members. In this case, the selling party reports the volume and sustainable percentage of the total amount that is sold to the relevant buying party. Using the matching principle, the buying party can limit its reporting to the volume that was bought from the relevant selling party. If one of the parties does not agree to use this method, the traditional reporting method should be used. In this case, the buying party is responsible for the underlying documentation. The matching principle will hold two main assumptions:
    - a) In case of unresolved mismatches, the lowest level reported by the two parties reporting a 'match' will be used (e.g. company A confirms delivery to company B and vice versa, but company A reports a lower volume than company B).
    - b) In case company A is not able to distinguish the % of sustainable volume sold to company B, a mass balance principle is used in which the sustainable % of all sourced volume reported by company A is assigned to the volume delivered to company B. Company A should then tick the appropriate box in the data collection sheet.

- The participant should ensure sufficient records are available that allow for validation of the reported volumes data to the relevant data source data (e.g. grower and responsible sourcing evidence).
- If the participant uses their own certificate database/management, all certificates that cover the reporting year (so not only the latest) should be stored by the operator to ensure correct and complete responsible sourcing claims for the full reporting year can be made.
- Floridata will report confidentially to the individual traders on progress at aggregated levels per company, with insight into the breakdown of the totals per grower and product group.
- FSI will only communicate the yearly percentage on the highest aggregated levels.

## 4 Validation

This chapter outlines the approach of validating the data given by the FSI members. Validation will be carried out on the data by performing a number of specific activities, without providing any assurance on the reported data.

The objectives of data validation exercise are:

1. Obtain a general impression on data handling within the organization and to validate the certifications and monitoring schemes used by the organization; for those not reporting through Floricode/data
2. Understand the administrative process of the data within the organization (data flow);
3. Assess the completeness of purchase-volumes reported (including total volumes and total sustainable volumes);
4. Assess the accuracy and completeness of the sustainable sourced volumes reported.

Subject	Validation activities
<b>General impression on data handling</b>	<b>Qualitative questions</b>
<b>Interview with responsible staff to answer the following questions:</b>	
A. <i>How important is sustainability and FSI for the company?</i>	
B. <i>Which department is responsible for delivering which data? (data collection and reporting)</i>	
C. <i>Which systems are used to record and process the data (landscape)?</i>	
D. <i>How does the data flow look like to capture, process and report relevant data for the purpose of the FSI measuring (relevant data points include country of origin, volumes, product group, supplier, reference to sustainability certificate)?</i>	
E. <i>What are relevant organizational, supplier or system changes?</i>	
F. <i>What experience does the company have with quantifying data about sustainable sourcing?</i>	
G. <i>Which risks/obstacles has the company identified in relation to report data for the purpose of the FSI measuring?</i>	
H. <i>How comfortable do you feel with the data reported by your company?</i>	
<b>Understanding the process</b>	<b>Walk through</b>
<b>Sustainable sourced</b>	<b>Validity check</b>
<i>Based on one sustainable sourced product from one country in scope the dataflow of the administrative process from primary data source till the report in the data collection sheet will be tested. This includes the total volume sourced of that specific country as well as the part sustainable sourced. Should there be different alternative data flows for different product groups, the test may be expanded to understand the process for different alternatives.</i>	
<b>Sustainable sourced</b>	<b>Validity check</b>
<i>Validation of the use of each certification and monitoring scheme that fall under the definition of sustainable sourced by review of examples and (detailed) sample testing.</i>	
<b>Completeness of the reported volumes</b>	<b>Reconciliations, reasonableness check, cut off.</b>
<i>In order to assess the completeness of reported volumes, the following activities will be performed:</i>	

- A. Reconciliation of reported totals with the underlying purchase records in the administrative systems of the organization;**
- B. Check cut off points for the reporting year;**
- C. Reasonableness assessment on completeness of reported items, including % of sustainable sourced;**
- D. Comparison with invoice data available at financial & controlling department, if applicable;**
- E. Check whether all relevant countries in scope of the FSI protocol have been included in the reported data.**

**Accuracy of the sustainable sourced volumes reported                      Test of detail**

*Randomly sampling of a number of sustainable sourced products in order to test whether the definition of sustainable sources is applied correctly and the volumes are registered correctly. It includes requesting the primary data sources, like the supplier invoices or where the volume, country of origin and the sustainable mark is presented, the audit report and if necessary the corrective action plan resulting from the audit.*

The validity check will be performed on-site. In order to make the visit most meaningful, every participating organization is requested in preparation to the visit to provide information in advance.

After the visit, every participating organization will receive a management letter with observations and areas of improvement (if applicable) in order to prepare for the next reporting period.

## 5 Confidentiality

The independent verifier PwC has signed a confidentiality agreement with FSI to cover for any release of data from any reporting company to PwC. PwC is bound by these strict confidentiality rules not to share individual company data with FSI. If for some reason an FSI member has challenges to report, PwC will inform FSI on the progress status, not on the specific reporting challenges or specific data reported. In such a case FSI will contact the member to understand if and how it can be of help.

Please also note that the measuring process within the FSI initiative is funded by IDH, the sustainable trade initiative which requests FSI to report individual company results (% sustainable sourced) for each member. This information will only be used for the internal IDH progress and outcome evaluation. FSI has asked PwC to directly communicate these results to IDH respecting the confidentiality agreements above.

## 6 Reporting procedure

Following up on the outcomes of the first tests, end of Q1, FSI members will receive an invitation to report their total volumes of (sustainably) sourced flowers and plants over the period January 1<sup>st</sup> 20xx – December 31<sup>st</sup> 20xx. This Monitoring Protocol will be attached to the invitation to report.

In Q2 of each year, the FSI members will be asked provide their data based on the monitoring protocol. This first data will be analysed and in the outcome of the first analysis, learnings and next steps will be presented to the FSI members. The annual reporting and validations outcomes will be presented to the FSI members at the end of Q3.

**NOTE: in 2020 the process will be compacted to make quarterly follow up possible. PwC will plan the validation visits in Q1 to make a 2019 evaluation in April 2020 possible.**

