

# SPSD II

## ECOLOGICAL, SOCIAL AND ECONOMIC ASPECTS OF INTEGRATED PRODUCT POLICY

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### PART 1

SUSTAINABLE PRODUCTION AND CONSUMPTION PATTERNS



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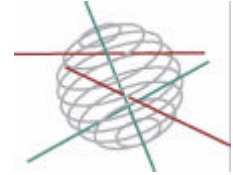
AGRO-FOOD



ENERGY



TRANSPORT



**Part 1:**  
***Sustainable production and consumption patterns***

FINAL REPORT



ECOLOGICAL, SOCIAL AND ECONOMIC ASPECTS  
OF INTEGRATED PRODUCT POLICY

INTEGRATED PRODUCT ASSESSMENT AND THE DEVELOPMENT  
OF THE LABEL 'SUSTAINABLE DEVELOPMENT' FOR PRODUCTS

CP/20

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## PREFACE

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If you have been interested for a long time in how to assess products from the environmental point of view, you are aware that 'life cycle assessment' (LCA) is of utmost importance. Scientific based discussions on this methodology started some 15 to 20 years ago. In the beginning of the 90ties the methodology was well developed and could be used for different applications: eco-design, life cycle management etc. Since then the methodology has been improved and extended. For the last couple of years e.g. attention was paid to 'life cycle costing', which tries to minimize costs over the life cycle of a product while reducing the environmental impact from the cradle to the grave, from the winning of resources to the waste management.

Most of these developments have been hidden from the public. The scientific community, industry and government have been using the results for internal purposes. There is however one overall exception: eco-labelling, where the life cycle of a product group – a group of products fulfilling a similar function - is screened with LCA. Those stages in the life cycle with the biggest environmental impact are analysed in detail and criteria are formulated. A product which can meet those criteria can have an ecolabel on its packing. In Europe, national ecolabels as well as the European flower exist beside one another.

In the mean time, some ten years ago – 'in other worlds' – products were assessed from the socio-economic point of view and product labels were created, sometimes without discussing a sound methodology in advance. But since the end of the 90ties the methodology to assess products from this point of view has improved and – to a certain degree – extended. You are probably familiar with fair trade labelling (Max Havelaar and others) and stewardship council labels (FSC, MSC ...). A lot of those labelling initiatives took advantage of the process oriented approaches like in SA 8000. In Belgium e.g. it was used as a basis to a life cycle approach of a product including the creation of a national social label.

Let's go back to the field of 'life cycle assessment'. Some of you will remember that the issue of integration of social aspects was mentioned in the SETAC Workshop Report 'A Conceptual Framework for Life Cycle Impact Assessment' (Fava J. et al., 1993). Under the heading of 'Relationship of Social Welfare Impact Category to Environmental Categories' a new and fourth category of impact assessment was suggested. For a short time after the publication of this report the issue has been debated, e.g. during the SETAC-Congress 'Towards Sustainable Environmental Management' in Brussels (11-14 April 1994). Since then some research groups have been looking at possibilities to integrate social aspects into LCA, mostly considering quantifiable criteria in relation to working conditions.

At the Centre for Sustainable Development – Ghent University a multidisciplinary research project, in which environmental engineers worked together with social scientists, started the 1<sup>st</sup> of January, 1995, looking for a methodology to include social aspects in LCA (see <http://cdonet.ugent.be/english/ecosocE.htm>). In the overall conclusions of this project it was stated that the integration of social criteria in a LCA is not possible for several reasons, but that another methodology should be found to assess products based on environmental as well as social criteria.

From 1999 until 2001 a research project called 'An integrated approach to chain analysis for the purpose of chain management by companies' looked for a possible more holistic assessment of products (see [http://cdonet.ugent.be/publicaties/chain\\_analysis.pdf](http://cdonet.ugent.be/publicaties/chain_analysis.pdf) and <http://cdonet.ugent.be/publicaties/checklist.pdf>). The result was a twofold analysis, product-oriented on

the one hand and organisation oriented on the other, allowing to use environmental as well as social criteria. But within a context of sustainable development, this was and is not enough, because economical considerations paying attention to integration were not included. Therefore multidisciplinary research – together with Ethibel - continued in a new project (end of 2001 – beginning of 2004): see <http://cdonet.ugent.be/english/product%20policy-instrumentsE.htm> and <http://cdonet.ugent.be/studiedagen/duurzaamheidslabel/ec-regulation/>. The results have been proposed to the public in January/February 2004. On the one hand we do now have a methodology for assessing products from the cradle to the grave taking into account 4 sets of criteria: integrated, environmental, social and economic criteria. On the other hand we developed together with researchers from the Faculty of Law a legal proposal of a label 'sustainable development'.

Let's remind that this methodological research during the last ten years at the Centre for Sustainable Development – Ghent University (with other well respected partners such as Ethibel) has been accompanied by case studies. The consecutive research projects investigated the life cycle of the following product groups: refrigerator, banana, T-shirt, hand washing detergent and coffee. The field work for banana and coffee was performed in collaboration with ESPOL (Escuela Superior Politécnica del Litoral) in Guayaquil, Ecuador.

\* \* \* \* \*

The main goal of the label 'sustainable development', which should be issued by the government, is to have a positive effect on working conditions and on the environment through consumer pressure. It aims to promote products which are manufactured with respect for social, environmental and economic issues and with a transparent production chain. It wants to reward responsible producers and to provide consumers with information on the circumstances the products were made in.

The label is designed to be issued by the Belgian government in the first place and ultimately by the European Union. A legal act as well as an EC Regulation has been prepared. It is clear that it would be much more efficient if introduced at European level. Members of the Belgian and the European parliament were contacted, and are found interested in introducing the legal proposals.

A study on consumer interest made by RCR (Réseau pour les Consommateurs Responsables) and Velt (Vereniging voor Ecologische Land- en Tuinbouw) showed that 60% of the consumers say to be interested in the presence of a sustainability label in supermarkets. Many are not aware of the circumstances products are manufactured in and would like to be better informed. Note however that only few consumers (1 to 3 %) actually buy products with a third party certified label (one of the main reasons being the price of labelled products).

The consumers' demand for more information could be met by product labelling, if consumers know what the label stands for. The study also showed that only few people have knowledge of what 'sustainable development' means.

The logo could be accompanied by an explanatory text, e.g.: *"This product has been awarded the label 'sustainable development'. This label guarantees that this product contributes to more sustainable production and consumption patterns and therefore to a global sustainable development. Throughout this product's life cycle – from the extraction of raw materials to the waste stage – economic development, social justice and an optimal protection of the environment are in balance."* Another (and complementary) possibility is to engage communication experts to search for a name for the label that is more illustrative for its content.

Promotion is essential for the label to be successful. The Belgian social label and the European Ecolabel both have problems to be recognised, partially due to the fact that consumers do not know them. This is a chicken-and-egg problem. As consumers do not know it, few companies are interested in the label. As few products have the label, the labelling system has no budget for publicity and even with publicity consumers would not be able to buy labelled products, as they are not available. Therefore, promotion during the launching period is crucial and the necessary budgetary means should be provided. An important part of the promotion campaign could be an engagement by the government to give priority to products with a sustainability label in public purchasing.

A comment often heard from industry representatives is that participating in labelling schemes is time consuming and very expensive. However, if the label is successful the payback period can be relatively short. Some sectors (food, textile, construction) are much more interested in an integrated label than in an ecolabel.

One of the main problems is the cost of the label. As it is a strong incentive for a sustainable management it would be most interesting if at the first stage the government would bare the costs of the administration and / or monitoring. Much more companies would be interested in participating in the scheme. Moreover, eventual price increases would be limited, thereby stimulating consumer interest. Other possibilities to limit costs for producers and consumers are ecoboni or a reduced VAT for labelled products.

\* \* \* \* \*

In short, the project team developed a practical system for a product label integrating environmental, social and economic aspects all along the production chain. The system is partly based on existing labelling initiatives. It can be harmonised with some of them and is compatible with others.

The proposal has been tested in reality and been commented upon by a whole range of experts and other stakeholders. For some issues, different possibilities are given, with their advantages and drawbacks.

As a ready-to-use legal basis for a European and a Belgian sustainability label were prepared, everything is ready for the next step: the implementation of the label 'sustainable development'.

On behalf of the project team<sup>1</sup>,

Bernard MAZIJN  
Project Coordinator

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## TABLE OF CONTENTS

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### Summary

1	Introduction.....	1
2	Objectives.....	1
3	Research method.....	1
3.1	A two-fold approach to product assessment .....	2
4	The labelling system.....	3
4.1	Criteria development .....	3
4.1.1	General criteria .....	3
4.1.2	Product specific criteria .....	4
4.1.3	Alternative system.....	4
4.2	Chain management and chain delimitation .....	4
4.2.1	Chain management.....	4
4.2.2	Chain delimitation .....	5
4.3	Monitoring .....	5
4.3.1	Information provided by the company .....	5
4.3.2	Place-specific assessment.....	5
4.3.3	Follow-up .....	6
4.4	Evaluation .....	7
4.5	Procedures.....	7
5	Case study .....	7
6	Legal basis .....	8
7	Success and promotion .....	8
8	Conclusion.....	9

### Chapter I: Context and organisation

1	Context.....	10
2	Objectives.....	11
3	Method .....	12
3.1	Information.....	12
3.1.1	Literature .....	12
3.1.2	Knowledge of the researchers.....	12
3.1.3	Contacts with experts and stakeholders .....	13
3.1.4	Case study .....	13
3.2	Development of content and procedures .....	14
3.3	Legal basis.....	14
4	Organisation of the report .....	14

### Chapter II: Literature study

1	Introduction.....	16
2	Main observations .....	17
3	Typology .....	19

### Chapter III: Criteria, indicators and measuring methods

1	An integrated approach to product assessment .....	21
1.1	Assessment of environmental vs social and economic aspects .....	21
1.2	A two-fold approach to product assessment .....	22
2	Development of criteria, indicators and measuring methods .....	24
2.1	General criteria, indicators and measuring methods .....	25

2.1.1	Literature study .....	25
2.1.2	Internal evaluation of the criteria .....	25
2.1.3	Stakeholder consultation .....	26
2.1.4	Case study .....	27
2.2	Product related criteria, indicators and measuring methods .....	27
2.2.1	LCA .....	27
2.2.2	Case study .....	27
2.2.3	Stakeholder consultation .....	28
2.3	Sector and region related refinement .....	28
3	Result.....	29
3.1	General criteria and indicators .....	29
3.1.1	Integrated aspects: Sustainable practice.....	29
3.1.2	Social aspects .....	30
3.1.3	Economic aspects.....	31
3.1.4	Environmental aspects .....	32
4	Comparison of the label sustainable development with organic production and fair trade standards .....	34
4.1	Comparison with the standards for organic production .....	34
4.1.1	Comparative table .....	35
4.1.2	Conclusions .....	39
4.2	Comparison of the requirements of the fair trade label for coffee and of the label 'sustainable development' for coffee .....	40
4.2.1	General description.....	40
4.2.2	Aim .....	41
4.2.3	Chain delimitation .....	41
4.2.4	Monitoring .....	41
4.2.5	Criteria .....	42
4.2.6	Conclusions .....	44

Chapter IV: Monitoring

1	Method .....	46
2	General remarks on monitoring of organisation related aspects.....	47
3	Internal audit.....	50
4	External audit.....	50
4.1	Quality standards for monitoring institutions .....	51
4.1.1	General quality requirements .....	51
4.1.2	Quality requirements for screening.....	51
4.1.3	Quality requirements for the monitoring on site .....	51
4.2	Screening.....	52
4.2.1	Aim .....	52
4.2.2	Method .....	52
4.2.3	Opportunities and problems .....	52
4.2.4	Classification .....	53
4.2.5	Reporting .....	53
4.3	On-site monitoring .....	53
4.3.1	Aim .....	53
4.3.2	Selection of the companies .....	54
4.3.3	Method .....	54
4.3.4	Opportunities and problems .....	55
4.3.5	Reporting .....	55



4.4	Final report .....	55
4.5	Follow-up monitoring.....	55
4.6	Alternative system .....	56
5	Conclusions .....	56

#### Chapter V: Evaluation

1	Theoretical background .....	58
1.1	Weighing methods .....	58
1.1.1	Equal weights .....	58
1.1.2	Rating method .....	58
1.1.3	Ranking method.....	59
1.1.4	Semantic differential method.....	59
1.1.5	Comparison in pairs .....	60
1.1.6	Delphi method .....	61
1.1.7	Quality requirements .....	61
1.1.8	Conclusions .....	62
1.2	Scores .....	62
1.2.1	Compliance or non-compliance.....	62
1.2.2	Differentiated scores .....	62
1.3	Integration .....	62
1.3.1	Linear additive model .....	62
1.3.2	Mean score .....	63
1.3.3	No integration .....	63
1.4	Evaluation .....	63
1.4.1	Mandatory criteria .....	63
1.4.2	Optional criteria.....	63
1.4.3	Combination of mandatory and optional criteria.....	64
1.4.4	Gradual system.....	64
2	Application to the label.....	65
2.1	Weighing methods .....	65
2.2	scores .....	65
2.3	Integration .....	66
2.4	Evaluation .....	66
2.4.1	Mandatory criteria exclusively .....	66
2.4.2	Combining mandatory and optional criteria .....	67

#### Chapter VI: Procedures

1	Internal organisation of the scheme .....	69
1.1	Introduction .....	69
1.2	The Minister .....	69
1.3	Committee.....	69
1.4	Secretariat .....	70
1.5	Expert committee for product specific guidelines .....	71
1.6	Transparency, conflicts of interest, confidentiality.....	71
1.7	legal basis.....	71
2	Selection of product groups.....	71
3	Development of product specific criteria.....	72
3.1	procedure.....	72
4	Chain delimitation.....	73
4.1	Importance.....	73

4.2	Method.....	73
5	Application and monitoring procedure .....	74
5.1	Information.....	74
5.2	Application .....	75
5.3	declaration of admissibility.....	76
5.4	Monitoring .....	76
5.4.1	Selection of monitoring institution .....	76
5.4.2	Screening.....	77
5.4.3	Selection of companies to be monitored on the spot .....	77
5.4.4	Monitoring on the spot .....	77
5.5	Award or refusal .....	78
5.6	Follow-up .....	79
5.7	Renewal.....	79
5.8	Complaints .....	79
5.8.1	Complaints .....	79
5.8.2	Appeal procedure.....	79
6	Financing.....	80
6.1	Introduction .....	80
6.2	The label system .....	80
6.2.1	Application fee.....	81
6.2.2	Annual licence fee for the use of the label.....	81
6.2.3	Estimation of the costs and incomes .....	81
6.3	Alternative system .....	83
Chapter VII: Legal basis		
1	Inleiding.....	85
2	Voorontwerp van wet tot instelling van een duurzaamheidslabel.....	85
2.1	Samenvatting .....	85
2.2	Opmerkingen gebruikerscomité .....	85
3	Verordening inzake een communautair systeem voor de toekenning van duurzaamheidslabels .	87
3.1	Samenvatting .....	87
3.2	Opmerkingen gebruikerscomité .....	87
4	Integratie met andere labels.....	87
5	Ontwerpnota betreffende de verenigbaarheid van een duurzaamheidslabel met de WHO- reglementering .....	88
5.1	Algemene context.....	88
5.2	Conclusie .....	91
6	De problematiek van de overheidsopdrachten .....	91
Chapter VIII: Conclusions and recommendations		
1	Methodology .....	96
2	Criteria .....	96
3	Chain delimitation.....	97
4	Monitoring.....	98
5	Evaluation.....	99
6	Legal basis .....	99
7	Procedures .....	100

## SUMMARY

### 1 INTRODUCTION

In 2002 the Centre for Sustainable development (CSD) and Ethibel started the research project 'Ecological, social and economic aspects of Integrated Product Policy: Development of two instruments'. The instruments are 1) a 'sustainable development' label for products and 2) indicators for sustainable production and consumption patterns and for integrated product policy. The project was commissioned by the Belgian Science Policy and is part of the second "Scientific support plan for a sustainable development policy", under the theme "General Issues / sustainable modes of production and consumption". This report concerns the first instrument: the 'sustainable development' label. The summary gives an overview of the objectives, the methods followed and the main conclusions and recommendations.

### 2 OBJECTIVES

The aim of this policy-oriented research is the development of a voluntary policy instrument: the 'sustainable development' label. The label should make a targeted contribution to achieving a genuine integrated product policy, meaning that ecological as well as social and economic considerations throughout the product's life cycle are taken into account. The main goal of the label is to have a positive effect on working conditions and on the environment, through consumer pressure. It aims to promote products (food and non-food), which are manufactured with respect for social, environmental and economic issues and with a transparent production chain. It wants to offer consumer guidance through identifying environmentally and socially preferable products and to encourage manufacturers to develop sustainable products and services.

### 3 RESEARCH METHOD

The four main sources of information on which the research was based are literature, the knowledge of the researchers, contacts with experts and stakeholders and the case study. Initially, existing initiatives and relevant literature were studied. An overview was made of labelling systems, certificates and initiatives working with sustainability criteria. A summary was made of relevant themes, criteria, monitoring and evaluation systems, administrative procedures etc.

An important input was provided by previous research projects and by the experience of the research institutes. The Centre for Sustainable Development (CSD) started in 1995 with research in order to develop a method for assessing products from a sustainable development point of view, i.e. taking into account environmental as well as social and economic aspects, throughout the product's life cycle. Ethibel has its own European quality label for investments funds, covering all aspects of social corporate responsibility. They also carry out various kinds of research on social-ethical themes. The research team also has thorough knowledge of the functioning of the European Ecolabel and the Belgian Social label.

Feedback and input from and discussions with experts and stakeholders are considered indispensable to gain relevant information and to create public support for the sustainability label. Different experts

played an important and active role in this project.: Ir Jorge Duque (Escuela Politécnica del litoral (ESPOL), Ecuador), Prof. Luc Lavrysen (Centre for Environmental Law, Ghent University) and Patrick Vandamme and his assistant Tinneke Dirckx (Department of Tropical and Subtropical Agronomy and Ethnobotany, Ghent University). Furthermore there was an intensive cooperation with the expert group of the Committee of Responsible Production of the Belgian social label. The main group of stakeholders was the Users Committee, consisting, amongst others, of representatives of NGO's, workers organisations, government administrations, consumers, and companies. During the project, they were regularly invited to attend meetings or give feedback by email. In addition, several conferences were attended and a number of experts were interviewed.

A case study on the product 'coffee' was carried out to test the labelling method and procedures in reality, in close cooperation with the Escuela Politécnica del litoral (ESPOL) in Guayaquil, Ecuador. The production chains of different types of coffee were analysed. Some coffee originated from Ecuador and some from Guatemala. All were sold in Belgium. The case helped to find out if the monitoring method, the criteria, the indicators and the evaluation system are workable. The instrument was further refined on the basis of the experience gained with the case study.

### **3.1 A TWO-FOLD APPROACH TO PRODUCT ASSESSMENT**

The CSD developed in the project *An integrated approach to chain analysis for chain management by companies*, a model for integrated product assessment. Over the past two years, in cooperation with Ethibel, the theory was fine-tuned and applied in this research project.

Life cycle assessment (LCA) is a widespread and accepted method to evaluate the environmental impact of a product. However, if one wishes to include social and economic aspects in the product evaluation, the LCA-approach turns out to be inadequate. An environmental LCA employs an input-output model, making an inventory of the flows of raw materials, energy and emissions without taking much account of what happens within the company. The actual production process is considered more or less as a black box. Since essential social and economic criteria such as wages, working hours, management of profits are characteristic of what happens during the production process and within the organisation itself, this black box model is not applicable.

Considering these restraints, a model for the evaluation of environmental, social and economic aspects related to the life cycle of a product and its associated enterprises was developed. This two-fold model makes a clear differentiation between aspects closely related to the product on the one hand, and organisation-specific aspects on the other. The product and process related analysis only concerns environmental aspects, while the organisation related analysis concerns environmental as well as social and economic aspects. For the analysis of the product and process related aspects the process tree is determined. This is an overview of all processes involved from the production of raw materials to the waste stage. The LCA method is used to make a generic analysis of the process tree (using software tools). As a result, the bottlenecks / problem areas can be located (approximately). For the problem areas, it is recommended that the resulting criteria be further refined through a place-specific analysis. The organisation related aspects are studied within the framework of the production chain. The production chain is an overview of the companies where the processes described in the process tree actually take place, which implies that all companies linked to the process tree - with name and address - need to be identified. Through a generic analysis of the known chain actors (using sector-specific or regional data) possible bottlenecks can be located. Note the word 'possible': to locate the real bottlenecks, a place-specific analysis is necessary. As a consequence, the place-specific analysis is far more important for the organisation related than for the product and process related evaluation.

The developed assessment method can be applied by companies for sustainable product design, for product assessment and management and for integral chain management. Here, the methodology is used for the policy supporting purpose of developing a label. It is described within this context but applications for other purposes are possible.

## 4 THE LABELLING SYSTEM

### 4.1 CRITERIA DEVELOPMENT

The development of criteria for a sustainable development label is based on the two-fold model described above: in order to be awarded the label, the product as well as the organisations involved in the production chain have to comply with certain criteria. Some of the criteria are product-related, others organisation related. In a first stage, general criteria are developed. General criteria are the same for all product groups. The second step is to adapt the environmental criteria to a specific product group. These specific criteria can contain product and process related and organisation related environmental criteria.

#### 4.1.1 General criteria

The criteria development process started with a literature study, resulting in an extensive list of possible criteria, from which the most relevant criteria were extracted. A list with 4 categories of general criteria with indicators and measuring methods was elaborated: environmental, social, economic and integrated criteria (the latter being a combination of two or three of the criteria categories). The criteria on the initial extensive criteria list were weighed based on quality requirements: *relevance, feasibility, measurability and discrimination*. Four levels of importance were distinguished:

- Not important, and thus to be removed from the list
- Little important (e.g. quite relevant but not feasible nor measurable, etc);
- Important (e.g. relevant, measurable, not discriminating but not easy to implement);
- Very important: essential part of a 'sustainable development' label, in case of non-compliance the label cannot be attributed.

The 'very important' criteria were made mandatory and a list of mainly 'important' and some 'little important' criteria were made optional. Furthermore a difference was made between the mandatory criteria for the applicant company and those for the other chain actors.

One of the aims of the project was to harmonise existing labels. The criteria of some existing labels (Belgian social label, European eco label, SA 8000, FWF ...) are included in the proposed criteria list, so the sustainability label could harmonise some existing product labels. Other labelling systems only partially overlap. Labels for organic production and fair trade labels e.g. have a very specific aim and target group. A sustainability label has to be more broadly applicable, without being too permissive to less sustainable products.

In 2003, the Réseau des Consommateurs Responsables and Velt studied the attitude of the Belgian consumer towards a future sustainability label<sup>2</sup>. The study showed that most consumers have high expectations towards a sustainability label and expect it to include all aspects of sustainability. The

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<sup>2</sup> Réseau des Consommateurs Responsables & Velt, Hoe staat de Belgische consument tegenover een toekomstig duurzaamheidslabel?, June 2003.

researchers, however, found that including 'everything' would be very complex and expensive, and tried to balance completeness and practicability.

The study also showed that a lot of consumers are not aware at all of the circumstances many products are made in. They assume most of the products they buy are produced in acceptable circumstances. At the information and discussion sessions<sup>3</sup> it was suggested that consumer information would be more interesting when identifying 'the rather fairly (and fairly) produced' products, as to distinguish them from 'the bad ones'. This means that a much less demanding product label only considering basic criteria should be used, but on a much wider scale. The proposed criteria could be revised through a very specific stakeholder committee. If applied on a wide scale, this system would have only a limited impact on the product price, since turnover is very likely to increase as well. Instead of labelling 'excellent' products, this system would label 'good' products. This could be an incentive for many producers to ameliorate the social and environmental impacts associated with their products (but only to a limited extent).

#### **4.1.2 Product specific criteria**

The general environmental criteria have to be adapted to a specific product group. This task should be carried out by a group of experts and stakeholders, including at least some experts of the corporate world with practical experience. The product specific criteria can be product and process related as well as organisation related.

In this research project, the general criteria were adapted to the product group 'coffee', in close collaboration with experts and the stakeholder committee, as explained in 5 (case study).

#### **4.1.3 Alternative system**

It could be considered to fine-tune all general criteria, according to the Forest Stewardship Council (FSC) model, by adapting them to regional and sector related situations. E.g. if the main environmental problem in a certain region is the availability of water, corresponding attention should be given to this issue in the criteria. Financially this is impossible if the system stays at the Belgian level. But it can be imagined that in a further stage, and if the label becomes European, this system can be introduced and a collaboration with FSC can be considered.

### **4.2 CHAIN MANAGEMENT AND CHAIN DELIMITATION**

#### **4.2.1 Chain management**

One of the main issues of the labelling system is that companies should have a good chain management system, since they have also a responsibility for what happens in other parts of the production chain. Chain management facilitates closer relationships with chain actors and makes it possible to detect and discuss problems within the chain with the concerned chain actors. Chain management creates the possibility to work out preventive actions and as a consequence, the risk of scandals diminishes considerably.

Chain management can also be useful for quality control and sustainable product management. A possible tool can be to inform workers about the label criteria linked to the introduction of a trustworthy

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<sup>3</sup> Brussels 02-02-04

complaint system, giving workers and other stakeholders the possibility to report on infractions on the criteria, this can make up a solid basis for an internal control system.

#### **4.2.2 Chain delimitation**

Companies applying for the label need to know and draw up the process tree and the production chain of the product concerned. These can be very extended and complex, so it can become impossible for the applying company to draw them up completely. Monitoring a very complex chain would also be very time consuming and expensive.

To make the labelling system workable and less expensive, the most relevant processes and chain actors are concentrated on. The expert committee identifies them when developing the product specific guidelines. An LCA study can be used to locate the main environmental problems and the associated life cycle stages.

At present no standardised internationally accepted method for locating the main social and economic problems – and thus the main chain actors - is at hand. In the frame of the labelling system, it is suggested that the experts committee for product specific guidelines identifies the main chain actors based on sector specific and regional information in which possible problems are described. The chain delimitation guidelines should take into account the practical feasibility of drawing the selected production chain. In some branches it might be impossible to know all the chain actors. Moreover, if the proposed chain is too complex, companies will not be inclined to apply for the label.

### **4.3 MONITORING**

Through the monitoring of the criteria it can be checked whether or not a product is compliant with the requirements of the label 'sustainable development'. The monitoring system has to be reliable to make the label trustworthy. At the same time, it is important that the system is affordable. Both elements (reliability and price) are to be conciliated. This is not easy, if an extensive list of criteria has to be monitored for several companies.

To each criterion, indicators and measuring methods are attributed. Some criteria can be monitored on product related aspects (e.g. results of laboratory test) others require place-specific assessment.

#### **4.3.1 Information provided by the company**

In the proposed monitoring system, the applying company has to provide the following documents in the application file, according to the product specific guidelines: a sketch of the process tree and the production chain (containing name and address of the chain actors), proof of compliance with the product related criteria (provided by an accredited verification institute) and a written declaration of all chain actors confirming their compliance with the criteria of the label. It is recommended that the applying company performs an internal monitoring to verify for itself if all chain actors comply with the criteria, to avoid unnecessary (application) costs.

#### **4.3.2 Place-specific assessment**

When the labelling secretariat has verified and accepted the application, an accredited auditor for the external monitoring of organization related aspects is appointed. The external monitoring has to be performed following the monitoring guidelines. These guidelines impose as a first step a desktop screening to identify place specific problems and, if necessary as a second step on-site visits.

#### **4.3.2.1 Desktop screening**

Desktop screening consists in the consultation of various information sources, as the Internet, literature and specialised databanks. Relevant stakeholders – at least the most relevant workers representatives - are to be identified and can be consulted. The screening verifies the production chain and looks for possible controversies - related to the criteria of the label - within the production chain. This includes the general criteria as well as the product specific criteria based on the LCA.

Screening is a cost efficient method for verification of compliance with the criteria. It gives an overview of the entire chain and can discover flagrant non-compliances. As the screening does not only take into account information given by the company it can give an independent view of the situation. However, some criteria are difficult to monitor through screening and the method is less suitable for monitoring small companies and companies situated in third world countries.

#### **4.3.2.2 On site visits**

The desktop screening determines the classification of chain actors in different risk groups, according to their (possible) non-compliances with the criteria. If necessary, companies to be visited on site are chosen in function of their position in this list, by means of a statistical method. The on site visits are preceded by a preliminary research, to identify the weak points of the company. The visits consist of interviews with the management and the workers, consultation of relevant stakeholders and visits of workplaces and installations.

An on-site monitoring gives a thorough impression of the company. Working circumstances can be assessed and a dialogue with the workers can be held. But on site visits sometimes give only a momentary view of the company. The monitoring should be performed by qualified monitors understanding the local culture and language and with a thorough knowledge of the sector concerned, of social, economic and environmental issues and of the labelling system.

As the monitoring is the main cost of the labelling system, an alternative 'light' version is proposed. This monitoring system only consists of a screening, which is limited to documents and internet search. Management and stakeholders are only contacted in case controversies are found. Experience will show if the first (most complex and most expensive) proposition is realistic. The preferred method can influence the number of products for which the label is applied for, as it will have an influence on the monitoring costs. The more expensive the system, the less small producers or products with links in third world countries can afford it.

#### **4.3.3 Follow-up**

When the label is obtained, the labelling committee does an annual follow-up through a light screening. In the 'light version' the follow-up monitoring does not include on site visits either. If controversies are found or if relevant changes occurred within the chain a screening or an on site visit could be programmed.

Most of the organisations visited in the case had been monitored before. Since all monitoring institutions seem interested in controlling similar aspects, it would be interesting to develop a network with controlled access to these monitoring reports, thereby avoiding unnecessary controls.



#### **4.4 EVALUATION**

As mentioned above, to evaluate whether or not a product can be attributed a label 'sustainable development' one could work with mandatory and optional criteria. All chain actors have to comply with all mandatory criteria, which cover the most important sustainability criteria. On top of this, the optional criteria need to be lived up to a defined minimum score of e.g 1/3 for each of the 4 categories of criteria. Combining optional and mandatory criteria has both the advantages of flexibility as well as guaranteeing compliance with the main sustainability aspects.

All mandatory criteria have equal weight. The optional criteria could have different weights to make the evaluation subtler. However, the attribution of the weights will then require an intensive stakeholder consultation process.

The most practicable method for the evaluation of individual criteria is to distinguish between 'compliance' and 'non compliance'. Monitors see this as being difficult. It could be considered to apply a more varied scale – and thereby simplifying the monitor's task - but, especially with large numbers of criteria, this makes the evaluation process a lot more complicated.

#### **4.5 PROCEDURES**

Procedures were worked out for application, monitoring, follow-up and renewal, complaint system, the internal organisation of the scheme, the selection of product groups, the development of product specific criteria, chain delimitation and financing of the scheme.

Considering the complexity of the label, a handbook for applying companies should be developed, containing more detailed information on the criteria, the difficulties one could meet, etc.

The label is meant to be awarded to one product. If however different products have the same production chain, it could be possible to apply for a label for different products at one time, as the monitoring will be the same for all. In some cases the production chain contains different end products at different stages. In that case the different end producers could apply at the same time for the label. E.g. the producers of cotton, cotton fabric and a T-shirt made out of this cotton fabric could introduce an application for the different products together. This reduces the monitoring costs considerably, and gives the opportunity for more products to obtain the label.

### **5 CASE STUDY**

A case study on the product 'coffee' was carried out in cooperation with the ESPOL in Ecuador. The production chains of different types of coffee were analysed. Some of them were originating in Ecuador and some in Guatemala. All were sold in Belgium.

Based on the process tree the production chains were identified. The production chains were screened based on documents, Internet search and contacts with stakeholders (by phone and email). Part of the Ecuadorian chain - from the plantation till the exporting harbour - was studied in September 2002 during a field visit in Ecuador. The Guatemalan plantations were visited in October 2003. The European part of the chain including transport, coffee roasting and distribution, was studied throughout 2003. The first visit to Ecuador allowed adjusting the theoretical method of the label. During the second visit in Guatemala the monitoring instruments were refined, and could be tested more in-depth. The case study resulted in an adaptation of the instrument.

Both the visits to Guatemala and Ecuador showed that producers have to be informed thoroughly about the label, and have to be prepared to comply with all the criteria. The most salient problem in the South seemed to be child labour, due to local customs. The Belgian chain part did not seem to have any serious problems, but the shipping company (transport overseas) did.

## **6 LEGAL BASIS**

In cooperation with the Centre for Environmental Law (Ghent University), a proposal for a national law and a proposal for of an EU regulation were made up. The overall structure of the law proposals was inspired by the EU Flower Scheme and the Belgian social label. This means that the proposal can be used at national (Belgian) level or at the level of the European Union.

Members of the Belgian and the European parliament were contacted, and are found interested in introducing the law proposals. Since one of the aims of the project is to contribute to harmonisation, it is clear that it would be more efficient if the proposal is introduced at European level. However, by introducing the system at the national level, the Belgian government could also play an important role as a pioneer— as they are doing with the Belgian social label.

A study was made of the compatibility of the sustainable development label and the WTO regulations. The introduction of a voluntary label is not forbidden by the GATT and WTO agreements. The GATT agreements stipulate that governmental voluntary standards may not lead to arbitrary or irresponsible discrimination or hidden trade restriction. The environmental purpose of the label must be explicated. If the label will be used as a condition in public tenders, it has to conform to the TBT agreements. It must be non discriminatory, not lead to trade restrictions and based on international standards.

## **7 SUCCESS AND PROMOTION**

A comment often heard from industry representatives is that participating in labelling schemes is time consuming and very expensive. Others fear that if the government introduces the label it could become mandatory in the end, or they doubt that consumers are interested in labelled products. However, some sectors (food, textile, construction) declare to be much more interested in an integrated label than in an ecolabel. They also consider the application for the label time consuming and expensive, and are not always convinced of the interest of consumers.

The study on consumer interest made by RCR and Velt showed that 60% of the consumers said to be interested in the presence of a sustainability label in supermarkets. Many are not aware of the circumstances products are manufactured in and would like to be better informed. Note however that only 3% of consumers actually buy products with an ethical, environmental or social label. The main reasons for the gap between intentions and behaviour are the price of labelled products and the limited knowledge of what the labels stand for.

Promotion is essential for the label to be successful. As consumers do not know the label, few companies are interested in it. As few products have the label, the labelling system has no budget for publicity and even with publicity consumers would not be able to buy labelled products, as they are not available. Therefore, promotion during the launching period is crucial and the necessary budgetary means should be provided. An important part of the promotion campaign, could be an engagement by the government to give priority to products with a sustainability label in public purchasing.

The consumers' demand for more information could be met by product labelling, given that consumers know what the label stands for. As the study also showed that only few people have knowledge of

what 'sustainable development' means, it is recommended that the 'sustainable development' logo be accompanied by an explanatory text. Another (and complementary) possibility is to engage communication experts to search for a name for the label that is more illustrative for its content.

As financial aspects are one of the main reasons for the limited success of labelling schemes, the government should consider making the system financially more attractive. Much more companies would be interested in participating in the scheme. Moreover, eventual price increases would be limited, thereby stimulating consumer interest. Possible solutions are ecoboni or a reduced VAT for labelled products, or that – at least in the beginning - the government would bare the costs of the administration and / or monitoring.

## **8 CONCLUSION**

The researchers developed a practical system for a product label integrating environmental, social and economic aspects all along the production chain. The system is partly based on existing labelling initiatives. It can be harmonised with some of them and is compatible with others. The proposal has been tested in practice and has been commented upon by a whole range of experts and other stakeholders. For some issues, different possibilities are given, with their advantages and drawbacks.

As a ready-to-use legal basis for a European and a Belgian sustainability label were prepared, everything is ready for the next step: the implementation of a 'sustainability label'.

## CHAPTER I

# CONTEXT AND ORGANISATION

## 1 CONTEXT

In Chapter 4 of Agenda 21 "*Changing consumption patterns*", one of the activities is described as 'Assisting individuals and households to make environmentally sound purchasing decisions' through environmental labelling (United Nations, 1992). In the European Union the environmental Flower scheme for labelling products took off in 1992. Later on in the nineties, it became clear that consumers are also sensitive to social issues related to goods and services, such as child labour. Different non-governmental initiatives tried to include other than environmental considerations into their labelling procedures (FSC, Fair Trade ...). During the evaluation of Agenda 21 at the World Summit on Sustainable Development in Johannesburg (September 2002), the international community decided to "... encourage and promote ... initiatives to accelerate the shift towards sustainable consumption and production to promote social and economic development within the carrying capacity of ecosystems ..." (WSSD, 2002). One of the actions consists in developing and adopting "...on a voluntary basis, effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable consumption and production, including human health and safety aspects." It was stressed that these tools should not be used as disguised trade barriers. During the follow-up meeting in Marrakech (June 2003) on the issue of 'Changing unsustainable consumption and production patterns', it was stressed that labelling is one of the important policy instruments (United Nations).

It is within this context that the Centre for Sustainable Development (CSD) started in 1995 with research projects in order to develop a methodology for assessing products within a context of sustainable development, i.e. taking account of environmental as well as social and economic aspects, throughout the product's life cycle. The first research project at the CSD in this context was an attempt to integrate social aspects into the LCA methodology<sup>4</sup>. The project revealed a number of methodological problems and led to the conclusion that an LCA is not suitable to assess the social impacts related to a product. After that followed a research project in order to develop an alternative method for an integrated approach to chain analysis, taking into account social as well as environmental problems<sup>5</sup>. This resulted in an evaluation model and a manual for companies that are willing to implement chain management.

Over the past two years, in cooperation with Ethibel, the theory was fine-tuned and applied in a policy supporting research project: the development of a label 'sustainable development'. This project was commissioned by the Belgian Science Policy and is part of the second "Scientific support plan for a sustainable development policy", under the theme "General Issues / sustainable modes of production and consumption".

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<sup>4</sup> De Baere V, Delagrangé H, Hacour H, Mazijn B, Van Bauwel A, Van Brempt K. Comparative investigation of ecological and social criteria within the framework of sustainable development by using a case study. Ghent, Centre for Sustainable Development, Ghent University, 1996.

<sup>5</sup> Borgo E & Spillemaeckers S. An integrated approach to chain management for the purpose of chain analysis by companies. Centre for Sustainable Development, commissioned by the Belgian Science Policy, 2001.

The interest in the creation of a 'sustainable development' label is illustrated by the quotes below, borrowed from the Federal Plan for Sustainable Development 2000 – 2004<sup>6</sup> and part of the actions proposed on patterns of production and consumption.

*... Through a number of recent studies, consumers have shown a growing awareness of the social and environmental problems connected with current patterns of development and with the contents of their consumption (...). Now at present these values and attitudes are not finding expression in the consumers' behaviour (...). Among the obstacles consumers encounter in trying to translate their values into effective behaviour are problems connected with the need for accurate, authenticated public information: lack of information, confused information (multiplicity of labels, advertising, etc.) and information which is hard to read or interpret (...), insufficient confidence about the accuracy of information, including that on labels, gaps in education about the subject, etc. Goods and services produced under environment-friendly conditions or good working conditions generally cost more, and this also forms an obstacle. It is therefore necessary to improve the clarity, brevity and trustworthiness of the information provided to consumers about sustainable consumption, (...).*

*... The government will also be arguing at European level for harmonisation of labels across Europe. Lastly, following many calls for the **creation of a 'sustainable development' label**, the government will ask ... to draw up a recommendation about the concept and contents of such a label, so that all aspects may be correctly targeted; this will be followed by a scientific feasibility study;*

## 2 OBJECTIVES

The aim of this policy oriented research is the development of a voluntary policy instrument: the 'sustainable development' label. This instrument should make a targeted contribution to achieving a genuine integrated product policy, meaning that ecological as well as social and economic considerations throughout the product's life cycle are taken into account. The main goal of the label is to have a positive effect on working conditions and on the environment, through consumer pressure. It aims to promote products (food and non-food), which are manufactured with respect for social, environmental and economic issues and with a transparent production chain. It wants to offer guidance to consumers – both private and public – through identifying environmentally and socially preferable products and to encourage manufacturers to develop sustainable products and services.

Producers who make efforts to diminish social and environmental burden related to their products sometimes have higher production costs. Rewarding them with an independent label allows them to communicate their efforts to consumers. This can lead to a higher turnover, which compensates the efforts made.

It might seem contradictory to develop another label while the proliferation of existing labels is said to already cause a lot of confusion. However, this label wants to integrate economic, social and ecological dimensions, making the consumer's choice easier. At present, he or she has to choose between, for example, a T-shirt with a 'green cotton' label or with a fair trade label, a wooden toy with a 'forest stewardship'-label or with a social label, etc. A 'sustainable development' label integrates various aspects, and therefore contributes to harmonisation. This would be a benefit for producers and distributors as well, since it would be easier to meet the informed consumer's requirements and everything would be classified in one file, simplifying corporate administration.

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<sup>6</sup> Federal Plan for Sustainable Development 2000 – 2004, § 111 - 166, p. 25

Major differences with existing labels are the fact that the sustainability label is issued by the government, that it applies to all kinds of products and that it is genuinely integrated: economic, social and environmental aspects are considered all along the production chain, which should be transparent.

The overall structure of the procedure is inspired by the one of the EU Flower Scheme and the Belgian social label. This means that the proposal can be used at the level of the European Union or at the national level, e.g. Belgium. As it is a government or the European Commission that will issue the label, a legal basis was developed in cooperation with the Centre for Environmental Law (Ghent University).

The scheme is entirely voluntary and, as such, should not create barriers to trade. Belgian, European and non-European producers may sell products in Belgium without the label. The standards are not meant to be met by all manufacturers: the producer, retailer or service provider can decide whether or not to participate in the scheme.

### **3 METHOD**

#### **3.1 INFORMATION**

The four main sources of information on which the research was based are (1) literature, (2) the knowledge of the researchers, (3) contacts with experts and stakeholders and (4) experiences with the case study.

##### **3.1.1 Literature**

Initially, existing initiatives and relevant literature were studied. An overview was made of labelling systems, certificates, initiatives to integrate sustainability criteria within enterprises and products, screening systems for ethical investment funds, scientific stakeholder publications, .... A questionnaire was developed as a guideline for the description and comparison of the different initiatives. Most information was gathered on the internet and in publications but if necessary, the people involved were contacted to ask for additional information. This ended up in a summary of relevant themes, criteria, monitoring and evaluation systems, administrative procedures etc.

##### **3.1.2 Knowledge of the researchers**

An important input was provided by previous research projects. In the project *An integrated approach to chain analysis for chain management by companies*, the CSD developed a model for integrated product assessment. While in the previous project the model was limited to social and environmental aspects and focused on internal use by companies, it was now expanded with economic aspects and applied for policy support. Ethibel has its own European quality label for investments funds, covering all aspects of social corporate responsibility. They also have experience as an independent control body for the certification of other initiatives and as an adviser for social-ethical research based on criteria by third parties. The research team also has thorough knowledge of the functioning of the European Ecolabel and the Belgian Social label.

### **3.1.3 Contacts with experts and stakeholders**

Feedback and input from and discussions with experts and stakeholders are considered indispensable to gain relevant information and to create public support for the sustainability label.

Three experts played an important and active role in this project: Ir Jorge Duque (Espol, Ecuador) as a lector and as a monitor in the case, Prof. Luc Lavrysen (Centre for Environmental Law, Ghent University) in the development of the legal basis, and Patrick Vandamme and his assistant Tinneke Dirckx (Department of Tropical and Subtropical Agronomy and Ethnobotany, Ghent University) in the development of criteria and indicators specific for coffee and in the fieldwork of the case. There also was an intensive cooperation with the expert group of the Committee of Responsible Production of the Belgian Social label.

The main group of stakeholders was the Users Committee, consisting, amongst others, of representatives of fair trade and environmental organisations, companies, workers organisations, government administrations, consumers, north-south organisations, .... During the project, they were regularly invited to attend meetings or give feedback by email. In addition, several conferences were attended and a number of experts were interviewed. The committee members and meetings and the attended conferences and interviews are listed in annex 6.

Each part of the project was accompanied by meetings of the Users Committee, in which stakeholder organisations were represented (fair trade and environmental organisations, companies, workers organisations, government administrations, consumers, north-south organisations...). The aim of these meetings was to get feedback on the project and to develop the instrument in a participative process. Over 30 stakeholders were found interested to join the project's user's committee. Although during the study some people had to leave the committee, others joined until at the end nearly 40 people were invited to give feedback and join the meetings.

Although most of the stakeholders showed a keen interest, their actual input was rather limited. Only few had enough time to read and comment the documents and the number of participants to the meetings diminished increasingly towards the end of the project. This is comprehensible, since there was a lot of text to read and comment, and the presence at the meetings is time consuming. As the project evolved the input asked from the stakeholders was also more technical and not all members had the necessary knowledge to give feedback. All stakeholders participated on a voluntary basis, without receiving any remuneration for their presence and input. Many stakeholders are asked to participate in a huge number of stakeholder consultations, which might limit their possibilities to invest the necessary time and attend all the meetings.

Another problem concerns the representativeness of the stakeholders. In general, unions and federations are based on a structure with a broad membership and take into account their opinion. Most NGO's do not function the same way. Some have a small membership and others are not democratic. Members do not always have an influence on the statements of the NGO they are member of. To be a member is sometimes considered as accepting all points of view of the NGO. In this case the statements of the NGO can be considered as the statements of experts, but not as representative statements.

### **3.1.4 Case study**

A case study on the product 'coffee' was carried out to test the labelling method and procedures in reality, in close cooperation with the Escuela Politécnica del litoral (ESPOL) in Guayaquil, Ecuador. They performed also as a lector of all the interim reports of the project.

The production chains of different types of coffee were analysed, some of them originating in Ecuador and some in Guatemala, all sold in Belgium. Part of the Ecuadorian coffee chain - from the plantation till the exporting harbour - was studied in September 2002 during a field visit in Ecuador. The Guatemalan plantations were visited in October 2003. The European part of the chain including transport, coffee roasting and distribution, was studied throughout 2003.

The case was prepared by establishing coffee-specific criteria, indicators and measuring methods. The criteria that do not apply to coffee were not taken into account in the case study. The case helped to find out if the monitoring method, the criteria, the indicators and the evaluation system are workable. The instrument was further refined on the basis of the experience gained with the case study.

### **3.2 DEVELOPMENT OF CONTENT AND PROCEDURES**

These sources of information inspired the development of the content and procedures of the sustainable development label.

Based on the literature study, an inventory of relevant environmental, social, economic and integrated themes, problem areas, criteria and indicators was made. This inventory was the starting point for the development of operational criteria. From the initial extended overview, a selection was made based on quality requirements such as relevance, feasibility, measurability, and applicability. For each criterion, indicators and measuring methods were developed. Account was taken of effectiveness (the degree to which the measurement assures whether or not the criterion is met) and efficiency (the time and means required to do the measurement). Important elements were availability, comparability and reliability of information. An evaluation system was developed to attribute scores to the individual criteria and to integrate the scores to a final decision on the sustainability level of a product.

Procedures were developed for product specific criteria development, monitoring, application, evaluation, periodic evaluation and adaptation of the system etc. Here, an optimal combination of economic and practical feasibility was aimed for.

Several drafts of the procedures, the operational criteria, the monitoring system, the testing methods and the evaluation system were developed and adapted according to stakeholder comments and experiences with the case.

### **3.3 LEGAL BASIS**

This led to the development of a legal basis for the allocation of the 'sustainable development' label for products. A draft law and an implementation procedure were drawn up. Account was taken of the existing national and international legal framework (including free trade rules). An effort was made to develop the legal model in such a way that it will be possible to implement the label at the European level at a later stage. The Centre for Environmental Law's experience was called on for the development of the legal component.

## **4 ORGANISATION OF THE REPORT**

The successive chapters in the report deal with the literature study, the development of criteria, indicators and measuring methods, the monitoring, the evaluation, the procedures and the legal basis. The last chapter is an overview of the main conclusions. Annex 1 is an extensive report on the implementation of the theory to 'coffee' in the case study. The second annex is an overview of the



findings of the literature study. Annex 3 contains the criteria lists while annex 4 contains background information on the monitoring. The proposals for the legal basis are presented in annex 5: the proposal of law in Dutch and French and proposal for an EU regulation in Dutch and English. Annex 6 describes the stakeholder and expert consultation and annex 7 is an overview of the initiatives taken to valorise the results of the research project.

## CHAPTER II

# LITERATURE STUDY

### 1 INTRODUCTION

The literature was searched for existing initiatives (labels, certificates, ...) to inspire the development of operational criteria, monitoring system, testing methods, integration and evaluation system. Environmental, social, economic and integrated initiatives (i.e. combining social, environmental and/or economic aspects) were looked for, since the sustainability label aims to integrate these aspects. There turned out to be a lot of environmental and social initiatives, while economic aspects were only found in integrated initiatives.

The **environmental** initiatives consisted of 9 eco-labels, 5 labels for organic production, 1 certificate for environmental management and 6 other interesting initiatives.

*Eco-labels:* Green Seal (USA), Environmental Choice Program (Canada), Eco Mark Program (Japan), Blue Angel (Germany), NF-environnement (France), Milieukeur (The Netherlands), Good Environmental Choice (Sweden), Nordic Swan (Nordic Countries) and EU EcoFlower (EU).

*Labels for organic production:* The Soil Association (UK), Demeter (The Netherlands), Agriculture Biologique (France), Eko label (The Netherlands) and Biogarantie (Belgium).

*Certificates:* the Eco-Management and Audit Scheme (EMAS).

*Other Initiatives:* ISO 14024, Eco-rating International, Global Eco-labelling Network, Centre for Environmental Labelling, Austrian Label on Tropical Wood and Öko-tex.

The **social** initiatives studied are 4 social labels, 2 certificates for socially responsible entrepreneurship and 4 other interesting initiatives.

*Social labels:* Abrinq (Brazil), Kaleen (India), Rugmark and the Belgian Social Label (Belgium).

*Certificates:* Social Accountability 8000 (SA 8000) and Fair Wear Foundation (FWF) (The Netherlands).

*Other initiatives:* Clean Clothes Campaign (CCC), AccountAbility 1000 (AA1000), Fair Labour Association (FLA) (USA) and Ethical Trading Initiative (ETI) (UK).

The **integrated** initiatives studied combine environmental and/or social and/or economic aspects and consist of 6 labels, 1 certificate and 3 other interesting initiatives.

*Integrated labels:* Eco-OK, Ethibel, Fairtrade Labelling Organisations International (FLO) (and Max Havelaar as a member), Flower label, Forest Stewardship Council (FSC) and STEP Foundation (Switzerland).

*Certificates:* World-wide Responsible Apparel Production (WRAP).

*Other initiatives:* Global Compact, Global Reporting Initiative (GRI) and the Marine Stewardship Council (MSC) (UK).

Of course, this selection is limited and does not pretend to be an inventory of all existing initiatives. The aim of the literature study was to gather information on content, procedures etc. To do so, a questionnaire was made up, reviewed by the Users Committee and filled in for each of the initiatives. The gathering of information was based on internet search, brochures, articles, reviews and contact (per email) with the organisations involved. The questionnaires were summarised and an overview of relevant themes, methods, procedures, problems, criteria etc. was made. This overview of the literature study is added in *annex 2*. The main findings are described below.

## **2 MAIN OBSERVATIONS**

Almost all environmental initiatives concern product labelling. The labels for organic production promote sustainable farming methods. The ecolabels promote products that cause less harm to the environment than similar products, based on a multi-criteria analysis. Almost all social initiatives concentrate on improving working conditions in third world countries. Four are product labels, three of which only address the issue of child labour. The complicated monitoring procedures for social aspects make it difficult to attribute social labels to products. There are 2 certificates and 4 initiatives try other ways to improve social conditions of the workers (e.g. improving dialogue with stakeholders in developed countries). The integrated initiatives concern 6 labels, 1 certificate, and 2 more general initiatives.

Most ecological labelling initiatives have far more experience and date from earlier than social or integrated initiatives, the oldest going back to 1937. The first national eco-labelling programme for consumer products dates from 1977. Most other environmental initiatives are recent and date, as most social and integrated initiatives, from the early nineties.

Ecolabels cover a wide range of product categories for which product-specific criteria are developed. Except for Milieukeur, the ecolabels exclusively cover non-food product categories. Although it is possible to set general social criteria, applicable to all kinds of sectors, many of the social and integrated initiatives only apply to one specific industry. Some integrated labels have different sector related criteria or differentiate the criteria according to company size or for some product categories.

Most ecological initiatives are national, while most social and integrated initiatives are international, if only considering the fact that most products concerned are produced in third world countries and sold in the West.

Most initiatives claim to highly value transparency although some information is hard or impossible to obtain. Criteria development is generally prepared by the initiatives's specialists and subsequently presented for comment to stakeholders, although it is not always clear to what extent their opinions are taken into account. Generally, the criteria are adapted regularly.

Most ecolabelling programmes are linked to governments and have a legal basis. The monitoring of labels for organic farming is usually performed by a government approved certifying organisation. Most social and integrated initiatives do not have a legal basis, except for the Belgian Social Label and Kaleen (recognized by the Dutch government). Some are funded in collaboration with the government but most are based on NGO's. National governments as well as the European Union seem to be more concerned with environmental initiatives. This can probably be explained by the fact that the interest in environmental issues has been much bigger in general. The focus on social aspects, and more

specific on international social matters, is more recent, the Belgian social label being a first mover in this field.

Almost all the certification and labelling initiatives studied have a third party monitoring system. Ecolabelling criteria often either exclude certain substances or are numerical in the form of minimum values or threshold levels, and the applicant has to provide the organisation with proof of compliance (e.g. laboratory tests). Social aspects are more difficult to monitor and require a control visit to the organisation. Most of the social initiatives have developed a system for an independent monitoring, i.e. announced or surprise visits of an independent monitor. The integrated initiatives generally call in independent monitoring organisations that are accredited by the labelling organisation.

The final assessment system of many initiatives simply implies that all criteria must be complied with, meaning there is no aggregation or weighing up of criteria (or all criteria have equal weight). One certificate differs between minor and major non-compliances and also evaluates the measures taken to achieve compliance in the near future. Another initiative uses benchmarking, comparing the company's performance relative to overall performance in the sector and/or region.

Labels and certificates are usually awarded for a well-defined period - ranging from one to five years – during which the monitoring can be repeated regularly. Non-compliance with ecolabelling criteria may result in legal procedures, fines, and termination of the license agreement. Most social and integrated initiatives will first propose remedial actions and turn to withdrawal of the label or certificate if the problems seem to last. Social and integrated initiatives seem to be more indulgent, while ecolabels, usually having a legal basis, are more apt to pursue those who do not comply or misuse the label.

All initiatives seem to have had severe difficulties to develop. Labels for organic farming are functioning well, maybe due to the fact that they already exist for over 50 years and are well known to the public. Most national ecolabels are well known and relatively successful, while the European ecolabel has difficulties to get off the ground. EMAS has similar problems, while ISO functions well. Most social and integrated initiatives are not well known and have difficulties to develop. The exception of FLO can be attributed to the fact that it is based on the experience and the renown of the fair trade labels it represents. Important changes several initiatives went through concern efficiency improvement, the adaptation of the criteria to incorporate services and the harmonisation of different comparable initiatives.

The impact of labels or certificates is very difficult to measure. In general, labelled products have not had a significant impact on the market, except in specific product categories and in specific countries. The main reasons for the consumers' limited willingness to buy labelled products are price – labelled products are generally more expensive than their alternatives -, lack of information and knowledge and limited availability. The proliferation of existing labels is also suspected of diminishing credibility and turning consumers away from labelled products. The relative success of food products from organic agriculture can mainly be attributed to the fact that they are considered healthier (consumers consider taste, quality, environmental and animal welfare considerations less important).

There is no hard evidence of protectionism in the form of changes in trade flows arising from the labelling programmes. However, there are complaints from developing countries, arguing it is harder for them to meet the criteria. This is also the main argument of the WTO for not accepting PPM<sup>7</sup> criteria.

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<sup>7</sup> Process and production methods related criteria

### 3 TYPOLOGY

The labels studied are classified in the scheme presented in figure 1. A first distinction is made between labels for food products, labels for non-food products and labels combining both. The second distinction is based on the life cycle stages taken into account: the production phase, the use and disposal phase or the complete life cycle. The third distinction concerns the monitoring being performed by an independent third party or not. In each of the categories, the labels are then classified by type (social, ecological or integrated).

FOOD			
PRODUCTION PHASE ONLY	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	French Agriculture Biologique
			Dutch Demeter
	Dutch Eko label		
	NON THIRD PARTY MONITORING	INTEGRATED	Eco-OK
		SOCIAL	
ENVIRONMENTAL			
USE AND DISPOSAL PHASE ONLY	THIRD PARTY MONITORING	INTEGRATED	
		SOCIAL	
		ENVIRONMENTAL	
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	
		INTEGRATED	
COMPLETE LIFE CYCLE	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	Biogarantie
		INTEGRATED	Marine Stewardship Council
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	
		INTEGRATED	

NON FOOD			
PRODUCTION PHASE ONLY	THIRD PARTY MONITORING	SOCIAL	Kaleen
			Rugmark
		ENVIRONMENTAL	
	NON THIRD PARTY MONITORING	INTEGRATED	STEP Foundation
			Flower Label
			Forest Stewardship Council
USE AND DISPOSAL	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	German Blue Angel
		INTEGRATED	

PHASE ONLY		INTEGRATED	
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	Japanese Eco Mark
		INTEGRATED	
COMPLETE LIFE CYCLE	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	EU EcoFlower
			Nordic Swan
			American Green Seal
		Swedish Good Environmental Choice	
		INTEGRATED	
	NON THIRD PARTY MONITORING	SOCIAL	
ENVIRONMENTAL			
INTEGRATED			

FOOD AND NON FOOD			
PRODUCTION PHASE ONLY	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	Canadian Environmental Choice for coffee
		INTEGRATED	Ethibel
	Fairtrade Labelling Organisation International (in some cases)		
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	
INTEGRATED			
USE AND DISPOSAL PHASE ONLY	THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	Canadian Environmental Choice
		INTEGRATED	
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	
		INTEGRATED	
COMPLETE LIFE CYCLE	THIRD PARTY MONITORING	SOCIAL	Belgian Social Label
		ENVIRONMENTAL	Dutch Milieukeur
			French NF-environnement
		INTEGRATED	Fairtrade Labelling Organisations International (in some cases)
	NON THIRD PARTY MONITORING	SOCIAL	
		ENVIRONMENTAL	
		INTEGRATED	

Figure I: Classification of the labels studied

## CHAPTER III

# CRITERIA, INDICATORS AND MEASURING METHODS

This chapter explains the method followed to develop criteria, indicators and measuring methods. The first paragraph focuses on the development of a method to assess the sustainability of products and recapitulates the main insights acquired in previous research projects carried out at the CSD<sup>8,9</sup>. Assessing the sustainability impact implies an integrated approach, taking account of environmental as well as social and economic dimensions. The second paragraph describes the actual development of criteria, indicators and measuring methods. The last part is a presentation of the results.

## 1 AN INTEGRATED APPROACH TO PRODUCT ASSESSMENT

### 1.1 ASSESSMENT OF ENVIRONMENTAL VS SOCIAL AND ECONOMIC ASPECTS

Life cycle analysis (LCA) is a widespread and accepted method to assess the environmental impact of a product. However, if one wishes to include social and economic aspects in the product evaluation, the LCA-approach turns out to be inadequate.

An environmental LCA employs an **input-output model**, making an inventory of the flows of raw materials, energy and emissions without taking much account of what happens within the company. This inventory is limited to the possible bottlenecks that are defined by a generic analysis that is made for the specific product category. In the environmental LCA, inputs are mostly apparent and measurable. A given amount of a given resource is brought into the production process. What happens within each production process is not further investigated; one concentrates exclusively on the output. One could say that the actual production process is considered more or less as a black box. It is not taken into account, and stays an unknown factor. Since essential social and economic criteria<sup>10</sup> are characteristic of what happens during the production process and within the organisation itself, they can not be measured by in- and outputs. . If for example the input 'labour' goes into the black box, one cannot derive from the output, eg. the product, how working conditions are. It is necessary to know what takes place during the production process within the company to evaluate this. A generic approach locating bottlenecks based on product related aspects is not relevant for most social and economic aspects. Eventually a generic analysis based on an analysis of possible bottlenecks within the sector and within the country or the region the company is situated in could give some relevant information. But even then it is necessary to know what is happening within each organisation concerning the production process. The generic approach will never give a correct idea of the situation. This means that the black box model is **not applicable** to social and economic aspects

***Social and economic impact categories are related to the organisations involved in the production process rather than to the product itself.***

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8 De Baere V, Delagrangé H, Hacour H, Mazijn B, Van Bauwel A, Van Brempt K. Comparative investigation of ecological and social criteria within the framework of sustainable development by using a case study. Ghent, Centre for Sustainable Development, Ghent University, 1996.

9 Borgo E, De Moor T, Deny A, Spillemaeckers S. An integrated approach to chain analysis for the purposes of corporate chain management. Ghent, Centre for Sustainable Development, Ghent University, 2000.

<sup>10</sup> e.g. wages, working hours, management fo profits

Due to the organisation-related nature of social and economic aspects, **data collection** for evaluation has to be done at the level of the organisation. It is less acceptable to use generalised data for the social and economic criteria, than for environmental criteria. Even for environmental aspects, the LCA approach would be very limitative and cannot be considered as very reliable when it uses exclusively generic data and lacks precise information. Not all companies correspond to the risk pattern given by the LCA. Huge differences appear between the theoretical analysis and the real situation. Therefore an organisation related analysis of the environmental criteria is also recommended.

The organisation-related character of the social criteria also creates an **allocation** problem: apart from some exceptions (e.g. toxicological aspects), most of the data cannot be assigned to one specific product. The environmental aspects can mainly be deducted from material flows and can be estimated quantitatively. Only few social data however are quantitative (e.g. wage costs), most are **qualitative** (e.g. data on well-being or stress), making them difficult to compare and to evaluate. The economic data used for the evaluation of companies are equally more qualitative (corruption, presence of risk management systems, ...). Due to the allocation problem and the incomparability of social and economic data, they cannot be aggregated over the complete life cycle of a product.

***The LCA-method is not suitable for the analysis of social and economic aspects.***

## 1.2 A TWO-FOLD APPROACH TO PRODUCT ASSESSMENT

Considering the fact that the LCA method is not applicable for sustainability criteria, a theoretical model for the evaluation of environmental, social and economic aspects related to the life cycle of a product and its associated businesses was developed. In this **twofold model**, the LCA method is used for the assessment of the environmental aspects. For the evaluation of the social and economic aspects an organisation-specific approach is needed.

An environmental LCA is based on the product's **process tree**. To include social and economic aspects, the model has to go beyond this process tree-based focus, by incorporating an approach considering the organisations involved in the **production chain**.

***The LCA-method has to be complemented with an organisation related approach in order to develop a method considering all aspects of sustainability in the assessment of products and processes.***

This two-fold model makes a clear differentiation between aspects closely related to the product on the one hand, and organisation-specific aspects on the other. The product and process related analysis (the analysis of the process tree) only concerns environmental aspects, while the organisation related analysis (the analysis of the production chain) concerns environmental as well as social and economic aspects. The model is presented in figure 2.

The model outlines a step-by-step plan. For the analysis of the **product and process related aspects** the process tree is determined, based on the flow of materials, energy and emissions. The LCA method is used to make a generic analysis of the process tree (using software tools). As a result, the bottlenecks / problem areas can be located (approximately). This makes it possible to make a clear differentiation between the areas where the evaluation is sufficient and those that need further evaluation. For the problem areas, it is recommended that the results be further refined through a place-specific analysis.



The **organisation related aspects** are studied within the framework of the production chain. This implies that all companies linked to the process tree need to be identified. A first analysis of the production chain makes it possible to clear-cut between known and unknown chain actors. It is impracticable to evaluate the latter. Through a generic analysis of the known chain actors (using sector-specific or regional data) possible bottlenecks can be located and clear-cut. Note the word 'possible': to locate the real bottlenecks, a place-specific analysis is necessary. As a consequence, the place-specific analysis is far more important for the organisation related than for the product and process related evaluation.

***A two-fold model making a clear differentiation between aspects closely related to the product on the one hand and organisation-specific aspects on the other, and between the related evaluation methods, makes a genuine integrated product assessment possible.***

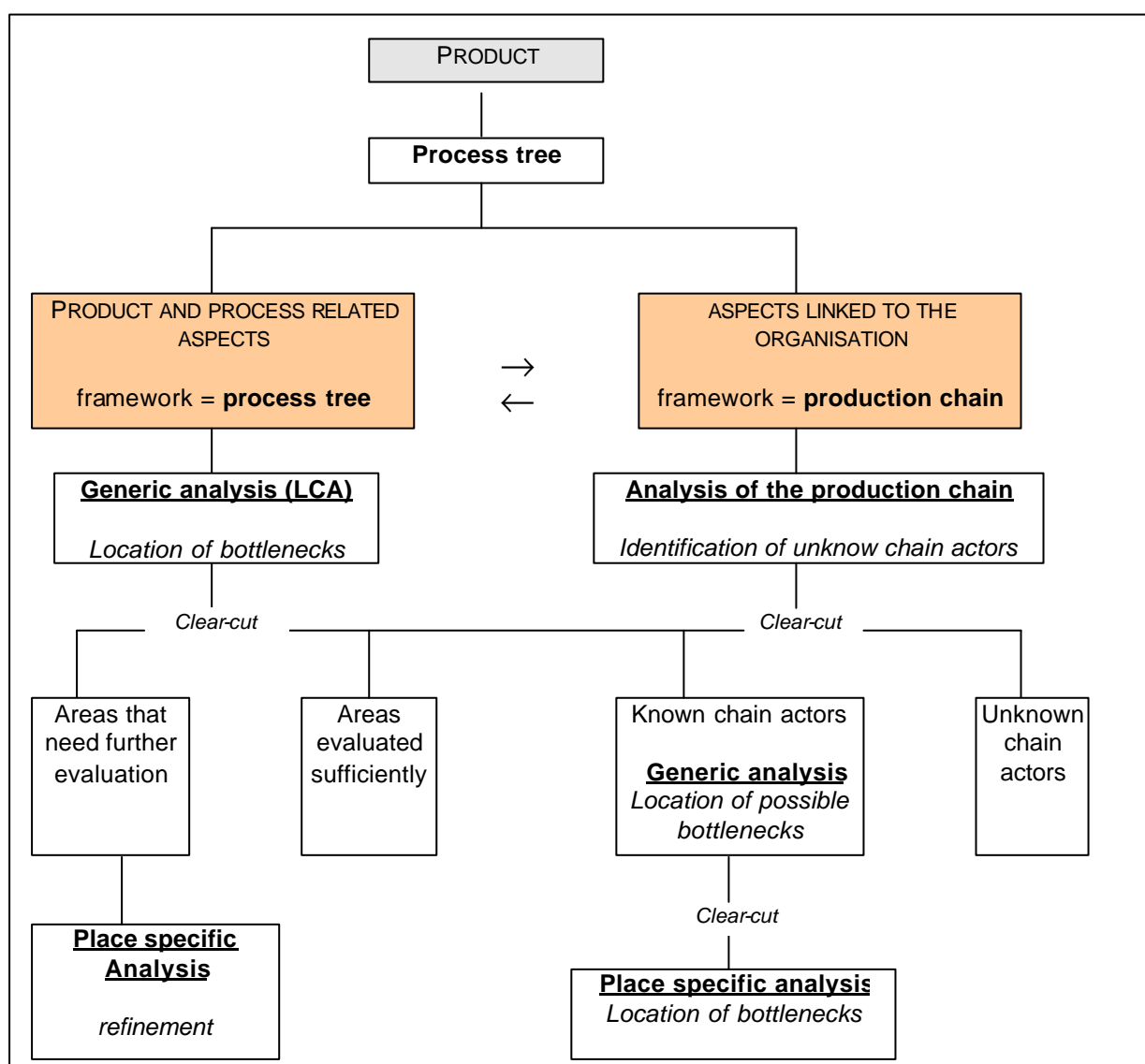


Figure 2: Theoretical model for an integrated approach to chain management

## 2 DEVELOPMENT OF CRITERIA, INDICATORS AND MEASURING METHODS

The development of criteria is based on the two-fold model described above: in order to be awarded the label, the product as well as the organisations involved in the production chain have to comply with certain criteria. Some of the criteria are product-related, others organisation related. In a first stage, general criteria were developed. The second step was to adapt the product-related criteria to a specific product group, in casu coffee. The product-related criteria are generally environmental criteria, while the organisation-related criteria can be environmental as well as social, economic or integrated. Figure 3 gives a general overview of the criteria development process.

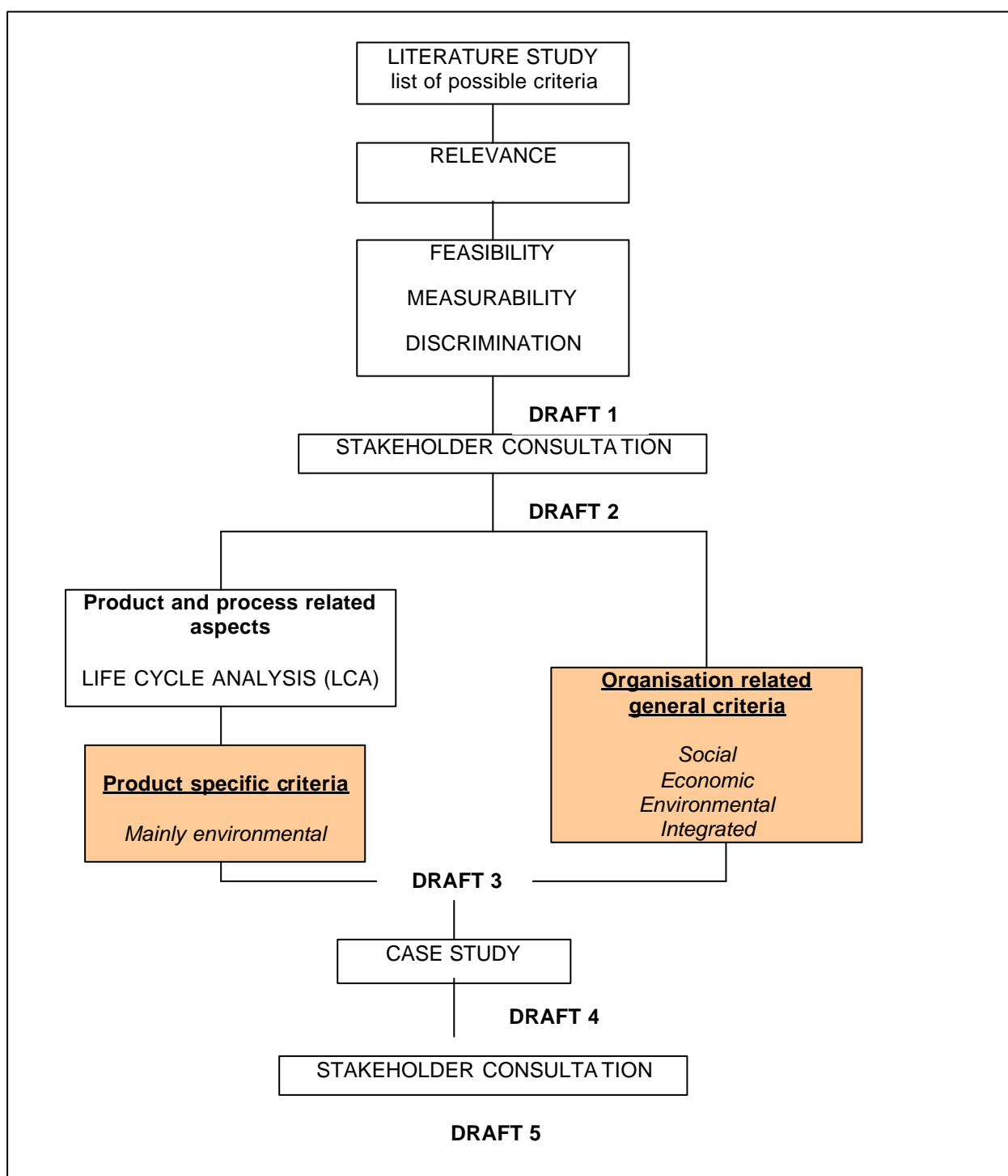


Figure 3: General overview of criteria development process

The process started with a literature study, resulting in an extensive list of possible criteria, from which the most relevant criteria were extracted. It was then assessed whether the criteria were feasible, measurable and not discriminating applicants. To each criterion corresponding indicators and measuring methods were attributed. Further refinement was based on comments of stakeholders. These general criteria and indicators were then adapted to the case 'coffee', taking into account the experiences with the case study and comments of stakeholders.

## **2.1 GENERAL CRITERIA, INDICATORS AND MEASURING METHODS**

### **2.1.1 Literature study**

The development of **criteria** started with a literature study, during which all kinds of criteria were listed. The results of the literature study are described in detail in Chapter II. The criteria were grouped into 4 categories: environmental, social, economic and integrated criteria (the latter being a combination of two or three of the above-mentioned aspects). Common themes found in other environmental labelling initiatives are energy use, resource use, emissions to air, water and land, waste production; odour nuisances; noise nuisances; affection of ecosystems and landscape, human toxicity; ecotoxicity, other environmental and health impacts. Social themes are derived from international standards and initiatives such as the Universal Declaration on Human Rights, the UN conventions on the Rights of the Child and the ILO Conventions. Typical social impact categories associated with production processes are freedom of association and protection of the right to organise, forced labour, discrimination, equal remuneration, child labour, wages, working hours, health and safety, social security and contracts. The economic criteria are based on existing economic norms in management systems, labels and other initiatives. Categories that can be retained are profits, internal control procedures, correct payment of taxes, corruption and investments in human capital and research and development. Integrated criteria generally concern sustainable business practice and include themes like stakeholder management, relationships with suppliers and subcontractors, communication, etc. The social, economic and integrated criteria are organisation related. Some environmental criteria are organisation related as well, but most are related to the product. A typical sector in which many environmental criteria are organisation-related is agriculture, since many criteria concern farming practices.

To each criterion, possible **indicators** were attributed. The indicators had to be representative for the associated criteria and facilitate the evaluation of compliance with the criteria.

### **2.1.2 Internal evaluation of the criteria**

#### **2.1.2.1 Relevance**

Since this initial list was very extensive, it was decided to identify the most relevant criteria. The selection was based on the following premises:

- Criteria should be relevant for the sustainability of the product or service.
- They should concern the aspects that have most potential to reduce negative impacts or to improve economic, social or environmental conditions.
- The set of criteria can guarantee that unsustainable practices are not tolerated and that efforts are made to limit unsustainable impacts.

The proposed list of integrated, social and environmental criteria and indicators was at first evaluated through their presence in the initiatives studied as well as in international agreements etc. It was accepted that frequent occurrence not only indicates that they are important, but also that they are acceptable for companies. Due to the lack of importance given to economic aspects in the initiatives

studied, experts from Ethibel - economic analysts, experienced in screening the ethical and economic performance of companies - discussed which criteria and indicators are the most suitable for the sustainability label and selected the most relevant and practical indicators. Finally, it was checked that compliance with the selected criteria would guarantee the respect of the basic principles of sustainable development and vice versa.

### **2.1.2.2 Feasibility**

Compliance with the criteria should be technically and economically feasible, i.e. the required technologies and costs should not be exaggerated. Criteria should not be too difficult or expensive to implement. It was decided to differentiate the criteria into a group of 'basic criteria' (relevant and feasible) and a group of 'additional criteria'. Criteria that are relevant but not easily feasible were marked as 'additional'. The purpose of the 'additional' criteria will be explained in Chapter V, 2.4.

### **2.1.2.3 Measurability**

Monitoring of compliance with the criteria should produce measurable results. The evaluation of the measurability is linked with the attribution of measurable indicators to the criteria. The indicators need to be evaluated through appropriate monitoring or measuring methods. Criteria and indicators, which cannot be evaluated properly, were to be removed from the list. An accompanying brochure for monitors, explaining the scope of each indicator, would be appropriate. This is however not possible in the frame of this project.

### **2.1.2.4 Discrimination**

Criteria should not discriminate applicants, since some criteria might be a lot easier to implement for one applicant than for another. This goes especially for the difference between applicants from western and from developing countries and the difference between small and large companies. Therefore, criteria that are typically easy to implement e.g. in western countries but very difficult in developing countries and vice versa, were categorised in the 'optional criteria'. The set of criteria developed contains thus mandatory criteria that are compulsory for every company, and optional criteria, to which the company only has to comply partly (cfr. annex 3a). For example: in developing countries, the company often provides housing facilities for the employees, which is not common in eg. Europe. Personal development and a two way communication with workers are not always a priority in most developing countries, but are seen as essential in some Western companies. The criteria furthermore take into account the difference between the applying company, and the other chain actors, as the first one is supposed to be sustainable in its principles. It is not always possible to impose some of the criteria to the other companies of the supply chain, who did not ask for the label. The applying company has to comply compulsory with a larger set of criteria than the other companies that are part of the supply chain, and on whom the applying company cannot always put pressure.

### **2.1.3 Stakeholder consultation**

Stakeholders should feel the criteria are relevant for the sustainability of the product. Different drafts were presented to the stakeholders in the users committee (representatives of consumers, companies, employees, government, NGOs...) for feedback. Different versions of the drafts were also discussed with other experts, i.c. representatives of Milieukeur, Max Havelaar, the European Ecolabel, the Belgian social label and the Fear Wear Foundation and some experienced auditors. The Belgian Federation of entrepreneurs (VBO-FEB) was equally consulted. Most of the comments are included in the final version.

#### 2.1.4 Case study

The criteria were at various moments tested against the real world during the case studies. The different experiences were taken into account in the final version.

### 2.2 PRODUCT RELATED CRITERIA, INDICATORS AND MEASURING METHODS

Next to the general criteria, indicators and measuring methods a set of product related criteria, indicators and measuring methods are to be developed for every product group. It needs to be evaluated whether the criteria in the list are relevant for the product category concerned. The accent will lie on the environmental criteria.

First of all it has to be assessed whether each criterion is applicable within the product category. For example, the criterion on the use of fertilisers will not be relevant for washing machines. Secondly, the main environmental impacts need to be identified so that criteria can be selected guaranteeing an environmental gain. The aim is to limit the most significant impacts and to make sure serious efforts are made to produce the product in an environmentally friendly way.

#### 2.2.1 LCA

An LCA study can be used for chain delimitation by locating the main environmental problems (the bottlenecks) and the associated life cycle stages. Since the aim is to concentrate on the most severe environmental impacts, life cycle stages with no considerable impacts relative to the overall life cycle are excluded from further investigation. For example, life cycle studies for washing machines have shown that the main environmental impact is linked with the use phase (use of energy, water, detergents). Since the environmental impacts associated with the production phase and the waste stage are relatively minor compared to these in the use phase, the environmental criteria concentrate on the latter. The next step will be to set criteria concerning the environmental problems identified in the selected life cycle stages. This process was implemented to elaborate criteria for coffee in the case study (cfr. annex 3b), with **draft 3** as a result.

It is possible that the chain delimitation process based on analysis of the production chain and the delimitation based on the life cycle analysis identify different life cycle stages and organisations as to be further investigated. For example: the environmental impact associated with a washing machine is concentrated in the use phase, while possible social and economic problems are more related to the production phase. One could suggest, when social and economic circumstances in the production phase are to be monitored, environmental aspects – although excluded based on LCA findings - should be monitored as well (and vice versa), so that the whole phase can be declared 'sustainable'. However, this would mean extra monitoring / testing and thus extra costs, while the aim is to work as efficiently as possible by concentrating on the areas with the most potential for social, economic or environmental impact.

Although the general criteria apply to all kinds of organisations, an analysis of the (product specific) production chain is necessary to identify which chain actors are to be investigated. This process is further explained in Chapter VI procedures / 4 chain delimitation.

#### 2.2.2 Case study

**Draft 3** of the criteria document has been discussed with Prof. Jorge Duque at Espol and tested on 'coffee' in Ecuador and Guatemala. Based on the experiences and comments, **draft 4** was made up. An exhaustive report on the findings can be consulted in *annex 1* of this report.

### 2.2.3 Stakeholder consultation

The stakeholder committee again commented the criteria document for coffee. It was also thoroughly discussed with the Department of Tropical Agronomy. Adaptations led to the fifth and **final version**.

## 2.3 SECTOR AND REGION RELATED REFINEMENT

The model for the criteria development could be even more refined, taking into account sector related and national differences. This is the case for the FSC label, where expert groups develop criteria taking into account national aspects. Starting from the general criteria for the sustainability label, sector related and regional elements could also be taken into account. As illustrated in figure 4, the criteria could be refined at different levels:

- international per sector,
- national and general and
- national per sector.

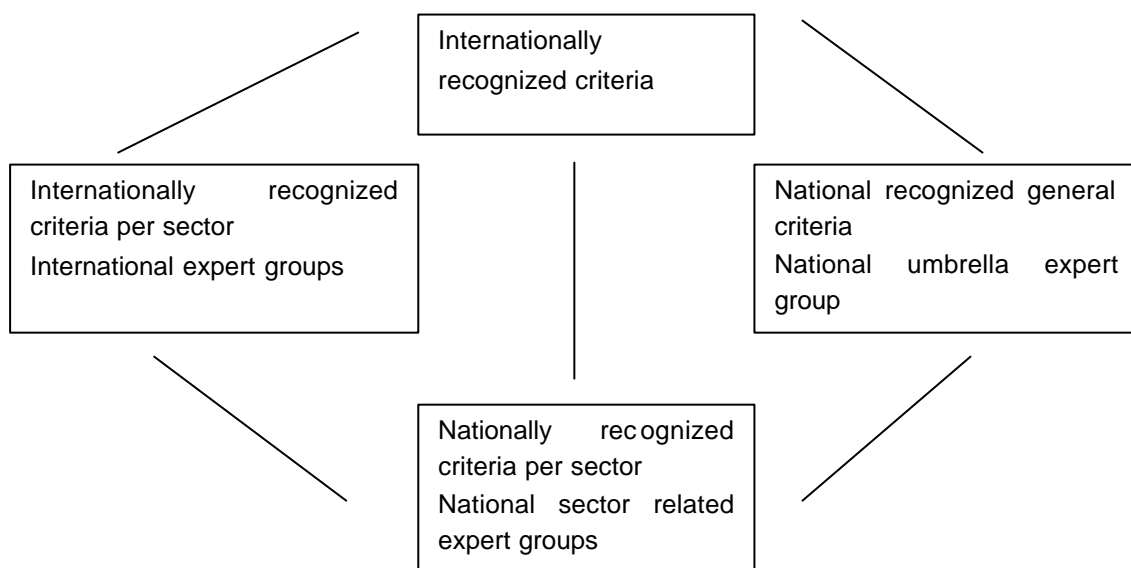


Figure 4: Model for sector- and region related refining of the criteria

All criteria would be based on a democratic system of stakeholder consultation, including the point of view of minorities, with a feedback from all levels of consultation. For every sector a specific list of criteria can be composed, complying with sector related, national and international criteria. An international structure can be put up, if possible in collaboration with FSC. The international criteria could be the general criteria of the label, or could be a revision by an international expert group of the label of the proposed general criteria. Those criteria can be refined per sector by international expert groups each related to a different sector. For every country an expert group can define a set of criteria related to the general criteria and specific for that country. The national sectorspecific criteria will be defined through national sector related expert groups. This means that the checklist used for a specific country will depend on the sector and of the country it is located in. For every product group a chain delimitation must be determined, only taking into account the most important links.

The expert groups should at least be constituted on a tripartite basis, with a proportional representation of employers, employees and NGO's. A budget must be foreseen to remunerate the experts.

### **3 RESULT**

The resulting tables with themes, criteria, indicators and measuring methods are presented in annex 3a (general criteria) and annex 3b (criteria for coffee). The meaning of the different prints (standard, bold, italic) is explained in Chapter V evaluation. The general criteria are divided in four categories: integrated aspects, social aspects, economic aspects and environmental aspects. The organisation-related general environmental criteria and indicators are equal for product groups. They apply to the company site where the production takes place as a whole and are not limited to the processes directly related to the product / service involved. As explained above however, many environmental aspects are product-related. The environmental criteria of the general list need to be adapted to the specific product group. First, the relevance of the criterion must be assessed, and then suitable indicators must be assigned to them. The criteria can be expanded, and the indicators will be more specific than those listed. It is the product specific list that will be used during the monitoring of the production chain. This process was performed for coffee. Note that the criteria and indicators are different for the different stages in the production chain. Detailed information on the coffee case is given in annex 1.

An overview of the general themes and the criteria is given below.

#### **3.1 GENERAL CRITERIA AND INDICATORS**

##### **3.1.1 Integrated aspects: Sustainable practice**

###### **3.1.1.1 Compliance with legislation**

- The company complies with national and regional social, economic and environmental legislation.

###### **3.1.1.2 Quality and durability**

- The product is of good quality, comparable to non-labelled goods. Compliance with the sustainability criteria does not have repercussions on product quality or consumer comfort

###### **3.1.1.3 Management strategies and policies**

- A social policy with clear guidelines is present.
- An environmental policy with clear guidelines is present and publicly available.

###### **3.1.1.4 Management system**

- The company has a person responsible for the implementation of the social principles.
- The company has a person responsible for the implementation of the environmental principles.
- The company measures the realisations of the social objectives.
- The company measures the realisations of the environmental objectives

###### **3.1.1.5 Stakeholder management (excl. employees)**

###### **Consumers**

- Comprehensive and truthful social and ecological information on the product is easily available to the consumer.
- A complaint handling system is present.

### **Suppliers and subcontractors**

- The company tries to locate all steps of the production process.
- The company establishes long-term and economically sustainable relationships with suppliers when possible
- All chain actors are motivated to implement the criteria for suppliers of the label.
- The company has monitoring and verification systems for social aspects within supply chain.
- The company has monitoring and verification systems for environmental aspects within the supply chain.

### **Technology transfer**

- The company facilitates technology transfer.

### **Local community**

- A communication system handles all communication with the local community, including a feedback system.
- The company has no controversies with the local community.
- The company makes efforts to protect the environment and the residential areas inside and surrounding the plant, and their inhabitants, from harmful effects and nuisance (noise, smells, air pollution, water and soil contamination).
- The company grounds are suitable for the proposed activities.
- Large producers contribute to the local economy and accept a share of the costs of community infrastructure (schools, roads, water supplies, etc.) or support local ecological, cultural or social projects. The danger of over dependency of the local community is taken into account.

## **3.1.2 Social aspects**

### **3.1.2.1 Freedom of association and Collective bargaining (ILO conventions C87, C98, C135)**

- The right of all employees to form and join trade unions and to bargain collectively is recognised. Employees' representatives are not the subject of discrimination and have access to all workplaces necessary to enable them to carry out their representation functions. Employers adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.

### **3.1.2.2 Forced and compulsory labour (C29, C105)**

- There is no use of forced or compulsory labour. This means that no work or service will be exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

### **3.1.2.3 Forced and compulsory labour (C29, C105)**

- No person is subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

### **3.1.2.4 Child labour (C138, C182)**

- The company does not use child labour. Only employees above the age of 15 years or above the compulsory school- age shall be engaged. Adequate transitional economic assistance and appropriate educational opportunities are provided to any former child employees.



### **3.1.2.5 Other Working conditions**

#### **Wages (C26, C131)**

- Employees receive at least living wages. Wages and benefits paid for a standard working week meet at least legal or industrial minimum standards and are sufficient to meet basic needs of employees and their families and provide some discretionary income. There are no deductions from wages for disciplinary measures that are not provided for by national law without the expressed permission of the employee concerned. All employees are provided with written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid.

#### **Working hours (C130)**

- The hours of work comply with applicable laws and industry standards. Employees are not on a regular basis required to work in excess of 48 hours per week and have at least one day off for every 7-day period. Overtime is voluntary, does not exceed 12 hours per week, is not demanded on a regular basis and is compensated at a premium rate.
- The needs and expectations of the employees are taken into account in the organisation of working hours.

#### **Decent working conditions**

- Harsh or inhumane treatment, physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited.
- The company demonstrates efforts for personal development of its employees.
- The company supports open and two-way communication with its employees.

#### **Occupational health and safety (C155)**

- A safe and hygienic working environment is provided, and best occupational health and safety practice is promoted, bearing in mind the prevailing knowledge of the sector and of any specific hazards.

#### **Recognised employment relationships and social security**

- Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship are not avoided.

### **3.1.3 Economic aspects**

#### **3.1.3.1 Profits**

- The company guarantees its growth and existence by creating value.

#### **3.1.3.2 Internal control procedures**

- The company has a correct management of profits. It has a management plan with a cost-efficiency analysis, a sensitivity analysis, the management of benefices and losses and the amortization policy. This management takes into account environmental and social aspects.

#### **3.1.3.3 Investments in human capital, research and development, others...**

- The company invests in human capacity building and in research and development.

#### **3.1.3.4 Correct payment of taxes**

- The company contributes to society through paying taxes and complying with tax legislation.

#### **3.1.3.5 Corruption**

- The company is not implicated in any corruption.

### **3.1.4 Environmental aspects**

#### **3.1.4.1 Organisation-related general criteria**

##### **3.1.4.1.1 General production activities**

- The production activities of the company do not imply or cause serious environmental risks.

##### **3.1.4.1.2 Responsibility**

- A responsible for environmental issues, at senior management level, keeps check on compliance with the regulations and evaluates suggestions for improvements.

##### **3.1.4.1.3 Environmental impact**

###### **Input**

- The company makes efforts to minimise the use of energy.
- The company makes efforts to use the most environmentally friendly energy sources.
- The company makes efforts to minimise the use of raw materials.

###### **Output**

- The company makes efforts to minimise emissions into air, water and soil.

##### **3.1.4.1.4 Transport**

- Objectives and targets are set for organisation-related transport. Transport is minimised and set out as environmentally friendly as possible.

##### **3.1.4.1.5 Fire prevention and control**

- A fire-prevention plan and, where appropriate, fire-suppression equipment must be present. In fire hazard areas, workers should be trained in fire prevention and control.

#### **3.1.4.2 Product-related criteria**

These criteria and indicators need to be adapted to the specific product group. It has to be assessed whether or not the criterion is relevant and if so, which product-specific indicators can be used to evaluate compliance with the criterion.

##### **3.1.4.2.1 Product design**

- The product is designed in function of the potential environmental impacts of all production processes, the use of the product and the waste stage. The use of more sustainable alternatives has been taken into account.

##### **3.1.4.2.2 Materials**

###### **Material use**

- Objectives and targets are set for reduction of raw material use, use of recycled and recyclable material and for materials' replacement.

### **Hazardous materials**

- The use of hazardous materials is kept at a minimum.
- Any chemical products banned or not officially recognised in the country or prohibited by national or international agreements may not be used.
- Wherever possible hazardous materials are substituted with less hazardous alternatives.

### **3.1.4.2.3 Energy**

#### **Energy use**

- The consumption of energy is kept at a minimum.

#### **Energy source**

- Wherever possible the most environmentally friendly energy sources are used.

### **3.1.4.2.4 Water**

#### **Water use**

- The company must implement a water management system, which minimises water consumption and conserves ground and surface water.

#### **Water contamination and treatment**

- Water contamination is avoided.
- Wastewaters are appropriately treated.
- Contamination of natural water sources is prevented.

### **3.1.4.2.5 Soil**

#### **Soil contamination**

- The company takes measures to prevent and remedy soil contamination.

#### **Soil structure and erosion**

- The company takes measures to preserve the soil structure and to prevent erosion.

#### **Soil fertility**

- Farm management practices must promote the conservation and recuperation of the soil's fertility, quantity and quality of organic material, biological activity, and structure. The use of organic fertiliser and composted waste is preferred to chemical fertiliser.

#### **Land clearing**

- The company does not clear land by burning trees or other unwanted vegetation.

### **3.1.4.2.6 Air**

#### **Air contamination**

- The company makes efforts to minimise air contamination

### **3.1.4.2.7 Pest and weed control**

#### **Pest management**

- Integrated Pest Management (IPM) must be employed, emphasising physical, cultural, mechanical and biological practices to control pest. Organic methods should replace agrochemical treatment wherever possible. If agrochemicals are used, much attention should be paid to the appropriate product choice and application.

### **Weed control**

- Integrated Weed Management must be employed. In order to control weeds preference should be given to cultural practices instead of chemicals application.

### **3.1.4.2.8 Ecosystems**

#### **GMO's**

- GMO's and/or any product derived from such organisms must not be used.

### **Wildlife conservation**

- Attention should be given to the protection of the fauna and flora inside and surrounding the company.

### **3.1.4.2.9 Waste**

- Waste and pollution reduction must be given high priority. A proper waste management system for the separation and disposal must be established in the company. Waste deposit must conform to the requirements of the law. Residuals and wastes must be managed in ways that minimise risks to human health and the environment. Non-biodegradable wastes (i.e. paper, plastic, metal, wood, glass, ...) are to be separated and recycled or reused wherever possible.

### **3.1.4.2.10 Product stewardship**

- The company makes an effort to reduce the adverse environmental impact of the use of the products.
- The company makes an effort to reduce the adverse environmental impact of the disposal of the products.

### **3.1.4.2.11 Livestock**

- Stockfarming should be land-related as much as possible. The number of livestock must be closely related to the area available to allow for the spreading of livestock manure. When the producer owns more animals, arrangements can be made with other producers for the spreading of livestock manure.
- All animals must have access to sufficient free-range or grazing area and sufficient indoors housing area.
- Animal health problems should be limited and controlled mainly by prevention. If despite all preventive measures an animal becomes sick or injured it must be treated immediately.
- Operations such as tail-docking, cutting of teeth, trimming of beaks, dehoming or castration are subject to stringent conditions.

## **4 COMPARISON OF THE LABEL SUSTAINABLE DEVELOPMENT WITH ORGANIC PRODUCTION AND FAIR TRADE STANDARDS**

### **4.1 COMPARISON WITH THE STANDARDS FOR ORGANIC PRODUCTION**

The EU regulation on organic farming [Regulation EEC N° 2092/91] defines the guidelines for organic production. Regulations on organic farming in different member states respect these guidelines. Many countries even go beyond this regulation. This chapter compares the standards in the EU Regulation with the environmental criteria proposed in the sustainability label.

#### 4.1.1 Comparative table

##### 4.1.1.1 Plant and plant products

theme	ORGANIC PRODUCTION	LABEL 'SUSTAINABLE DEVELOPMENT'	
		mandatory criteria	optional criteria
<b>Soil structure and fertility</b>			
	The fertility and biological activity of the soil must be maintained or increased by green maturing, crop rotation and incorporation of organic material, without use of chemical fertilizers. The fertilizers and soil conditioners in <i>list A</i> are permitted.	Farm management practices must promote the conservation and recuperation of the soil's fertility, quantity and quality of organic material, biological activity, and structure. The use of organic fertilizer and composted organic waste is preferred to chemical fertilizer.	
		The company should take measures to preserve the soil structure and to prevent erosion.	
			Losses and drainage of the fertilizers and pesticides through leaching into the soil should be kept at a minimum.
<b>Pest and weed control</b>			
	Parasites, plant pests or diseases and weeds must be controlled by means of suitable varieties, mechanical cultivation methods, natural enemies and thermal weed control. Synthetic crop protection agents must not be used. Only the means in <i>list B</i> are permitted.	The use of chemicals for weed control should be thoroughly prepared and planned and reduced wherever possible. Preventive use of chemicals can cause overuse. Curative action is preferred.	
		Integrated Pest Management (IPM) is favoured, emphasising physical, cultural, mechanical, and biological practices to control pests. The most appropriate combination of organic, cultural, mechanical and chemical methods is used. Organic methods should replace agrochemical treatment wherever possible. Choosing the appropriate product is extremely important and synthetic products should be used strictly to the manufacturer's instructions.	
		Integrated Weed Management (IWM) must be employed. In order to control weeds cultural practices instead of chemicals should be used as much as possible.	

		Any chemical products banned or not registered in the country or prohibited by national or international agreements may not be used. This includes pesticides in WHO class 1 a+b, pesticides in the Pesticide Action Network's "dirty dozen" list and pesticides in FAO/UNEP's Prior Informed Consent. Also persistent chemicals used in vegetal and animal production must be strictly avoided. Agrochemicals that are toxic or whose derivatives remain biologically active and accumulate in the food chain beyond their intended use are prohibited as well.	
<b>Genetically modified organisms (GMO's)</b>			
	GMO's and/or any product derived from such organisms must not be used.	GMO's and/or any product derived from such organisms must not be used.	
<b>General production activities</b>			
Quality		The product should be of good quality comparable to non-labelled goods. Compliance with the sustainability criteria should not have repercussions on product quality or consumer comfort.	
	On an organic farm, it is not allowed to grow organic as well as common (not organic) crops of the same variety, as to rule out mistaking of non organic for organic products.		
Labelling	Organic products must be labelled and packed appropriately, as to guarantee their traceability.	The presence of comprehensive consumer information on the product package.	
Seed and propagating material	Only seed and vegetative propagating material produced by the organic production method is used. Exceptionally, common seed can be used during a transition period expiring on 31 December 2003.		
Conversion period	The principles of organic production must normally have been applied on the parcels during a conversion period of at least 2 years before sowing or, in the case of perennial crops, at least 3 years before harvest. During this period the products cannot be called 'organic'. However, products harvested 1 year after the start of the conversion period, can be sold as 'produced during conversion to		

	organic production'.		
risks		The production activities of the company should not imply/cause serious environmental risks.	
energy		The consumption of energy must be kept at a minimum. Wherever possible the most environmentally friendly energy sources should be used.	
materials		Objectives and targets should be set for reduction of raw material use.	
		Hazardous materials should be substituted with less hazardous alternatives wherever possible, taking into account environmental and health related issues.	
water		The company must implement a water management system, which minimizes water consumption and conserves ground and surface water.	
		Water irrigation must be done with methods and systems minimizing water consumption as far as possible and adapted to the needs of the local situation (e.g. drip irrigation, water application direct to the root zone etc.).	
		Water contamination should be avoided. All used waters are appropriately filtered or treated before returning them to nature.	
soil		The company should take measures to prevent and remedy soil contamination.	
air		The company should take measures to minimise air contamination and unpleasant smells.	
waste		The company should take measures to minimise waste, and to optimise reuse and recycling.	
land clearing			The use of fire to clear land or control unwanted vegetation is carefully monitored and prohibited if hazardous.
transport			Objectives and targets should be set for organisation-related transport. Transport should be minimized and set out as environmentally friendly as possible.
ecosystems			Ecological functions and values are maintained. Attention should be given to the protection of the fauna and flora inside and surrounding the company.

#### 4.1.1.2 Livestock and livestock products

theme	ORGANIC PRODUCTION	LABEL 'SUSTAINABLE DEVELOPMENT'	
		mandatory criteria	optional criteria
<b>Manure</b>			
	<p>Organic stockfarming is a land-related activity. The number of livestock must be closely related to the area available to allow for the spreading of livestock manure. <i>Annex 3f</i> is a guideline for the maximum number of animals per ha.</p> <p>When the producer owns more animals than mentioned in these guidelines, arrangements can be made with other organic producers for the spreading of livestock manure.</p>		<p>Stock-farming should be land-related as much as possible. The number of livestock must be closely related to the area available to allow for the spreading of livestock manure. <i>Annex 3f</i> is a guideline for the maximum number of animals per ha.</p> <p>When the producer owns more animals, arrangements can be made with other producers for the spreading of livestock manure.</p>
<b>Animal health</b>			
	All animals must have access to sufficient free-range or grazing area and sufficient indoors housing area. The minimum surface areas are listed in <i>Annex 3f</i> .		All animals must have access to sufficient free-range or grazing area and sufficient indoors housing area. The minimum surface areas are listed in <i>Annex 3f</i> .
	<p>Animal health problems should be limited and controlled mainly by prevention. If despite all preventive measures, an animal becomes sick or injured, it must be treated immediately.</p> <p>Phytotherapeutic and homeopathic products shall be used in preference to chemically-synthesised allopathic veterinary medicinal products. The latter can be used under the responsibility of a veterinarian.</p>	Animal health problems should be limited and controlled mainly by prevention. If despite all preventive measures, an animal becomes sick or injured, it must be treated immediately.	
	Operations such as taildocking, cutting of teeth, trimming of beaks, dehorning or castration are subject to stringent conditions.		Operations such as tail-docking, cutting of teeth, trimming of beaks, dehorning or castration are subject to stringent conditions.
	Artificial insemination and natural reproduction methods are permitted. Other forms of assisted reproduction (e.g. embryo transfers) are prohibited.		
<b>Animal fodder</b>			
	Livestock must be fed on organically produced feedingstuffs,		



	preferably grown by the producer himself. Feedingstuffs can also be purchased from a recognised trader or from another organic farmer. Under stringent conditions, a limited amount of non-organically grown feedingstuffs are permitted.		
<b>General production activities</b>			
	Livestock must come from production units, which comply with the rules of organic production. Under stringent conditions, a number of non-organically reared livestock may be brought into an organic production unit.		
	It is not permitted to rear organic as well as non-organic livestock of the same animal species.		
	Before a producer is allowed to label his livestock or livestock products 'organic', the principles of organic production must have been adopted during a conversion period of 2 years for bovins and 6 months for pigs and poultry.		
		All criteria listed under 'general production activities' for plant and plant products are also applicable to livestock and livestock products.	All criteria listed under 'general production activities' for plant and plant products are also applicable to livestock and livestock products.

#### 4.1.2 Conclusions

Both programmes have similar criteria on soil structure and fertility and pest and weed control. These criteria are more stringent and fixed in the organic production method. The organic production method defines what methods must be or cannot be used. Products, which are permitted, are specified in detailed lists. The SD label criteria define what methods are preferred, but these are not obligatory. The preferred methods must be 'favoured as much as possible'.

For livestock and livestock products, there are similar criteria on manure and animal health. However, in the label programme these are 'optional criteria' which are not included in the mandatory criteria. The organic production method adds criteria on phytotherapeutic and homeopathic products, assisted reproduction and animal fodder.

The use of GMO's or products thereof is forbidden in both programmes.

The organic production method has additional criteria on the production of both organic and common products (or livestock) at the same farm, conversion period and seed and propagation material (or livestock origin).

The SD label programme pays more attention to general production methods, adding criteria on materials, energy and water use, environmental risks, water, air and soil contamination. Additional optional criteria concern transport, land clearing and wildlife conservation.

## **4.2 COMPARISON OF THE REQUIREMENTS OF THE FAIR TRADE LABEL FOR COFFEE AND OF THE LABEL 'SUSTAINABLE DEVELOPMENT' FOR COFFEE**

### **4.2.1 General description**

#### **4.2.1.1 Label 'sustainable development'**

The label is issued by the government and is legally based. It aims to promote products, which are manufactured with respect for social, environmental and economical issues. It provides consumers information about the circumstances the products were made in and their social, economical and environmental impact and allows them to choose for products on an ethical basis.

The product and the companies that are part of the production chain have to comply with a set of general criteria. Furthermore a special set of product specific criteria has to be complied with. Part of the criteria is compulsory and part is optional. From the optional criteria, a certain number has to be complied with. Products have to comply with the standards as long as they are labelled, they do not need to improve. Independent accredited monitoring institutions do the verification.

#### **4.2.1.2 Fair trade label**

The Fair Trade label is NGO based. FLO standards were set up in the first place to improve the position of the poor and marginalized food producers in the developing world. They have to be met by all main chain actors (producers, traders, processors, wholesalers and retailers). This has been enlarged since with criteria for hired work and general criteria including non-food.

The International Fairtrade Standards are developed and regularly reviewed by FLO, in close co-operation with all relevant stakeholders, who are represented on FLO's Board and other decision taking bodies within FLO.

There are two sets of generic producer standards, one for small farmers and one for workers on plantations and in factories. The first set applies to small holders organised in cooperatives or other organisations with a democratic, participative structure. The second set is quite recent and applies to organised workers, whose employers pay decent wages, guarantee the right to join trade unions and provide good housing where relevant. There are generic standards for small farmers, and product specific standards for bananas; cocoa; coffee; fresh fruit; honey; juices; rice; sugar and tea. For hired labour, generic standards were developed and product specific standards for bananas; fresh fruits; juices; sport balls and tea.

As Fairtrade is also about development, the generic standards distinguish between minimum requirements, which producers must meet to be certified Fairtrade, and progress requirements that encourage producer organisations to continuously improve working conditions and product quality, to increase the environmental sustainability of their activities and to invest in the development of the organisations.

Within FLO there is an ideological discussion going on concerning the development of criteria for larger companies. Their main aim is to sustain the development of small farmers organisations and more socially oriented products. The standards for hired label can be applied to larger companies, and as thus have a different goal. They aim to improve the working conditions of the hired labour. This

approach is different and needs another kind of monitoring. It could be difficult to achieve this new goal without compromising the actual position of Fair Trade labelled products.

## **4.2.2 Aim**

### **4.2.2.1 Label 'sustainable development'**

The main goal of the SD label is to have a positive effect on working conditions and on the environment through the pressure of consumers. The label wants to promote products produced in a sustainable way with a transparent production chain. It is designed in a way as to ensure that all products produced in a sustainable way can apply for it. It also wants to offer a credible label to the consumer with transparent conditions. The label would be given when the product complies with the necessary criteria. No evolution is asked for.

### **4.2.2.2 Fair trade label**

The main goal of the FT label is to improve the position of disadvantaged producers in the developing countries. One of the means is to give a minimum price and a premium to producers. It wants to give small producers access to the market and to stimulate cooperative movements. The consequences are to be the amelioration of the working conditions of the workers and the environmental impact of the production units. Products are typical agricultural products in the first place, such as coffee, cocoa and sugar, etc. The concept of development is fundamental. The accent is on the development potential of small farmers and organisations with a transparent and democratic structure. This makes the FT label reliable and clear, directed to a specific and growing niche market.

## **4.2.3 Chain delimitation**

Chain delimitation is considered differently by the FT label and the SD label. The SD label asks for the identification of the global production chain. All relevant chain actors have to be identified. On this subject the SD label is more demanding than the Fair Trade label. For the FT label only the principal actors of the production chain of the main product are considered. For the food products only the production of the food itself is considered, and not the package. In the case of footballs and textile only the stitching part is considered.

## **4.2.4 Monitoring**

An independent accredited monitoring institute does the monitoring of the label 'sustainable development'. This institute has to comply with quality standards. Monitoring is done through screening and, if necessary, through visits on the spot.

The Certification Unit of FLO International co-ordinates all tasks, and processes all information related to inspection of producers, trade auditing and certification. Operating independently from any other Fairtrade interests, the certification unit follows the ISO Standards for Certification Bodies (ISO 65). FLO standards are in the first place monitored by the different member organisations of FLO. The monitoring will always consist in visits on the spot. FLO Certification will in turn control the quality of this monitoring.

## **4.2.5 Criteria**

### **4.2.5.1 General comparison**

#### **4.2.5.1.1 Label 'sustainable development'**

The idea is that the criteria of the SD label can be applied to all products and services. As the development of the criteria is based on a twofold model, taking into account production related and organisation related aspects, each product will have to comply with two sets of criteria. The first set is composed of organisation related criteria applicable to all sectors worldwide. The second set is sector specific and developed if the demand for it is significant. Within those two sets of criteria a difference is made between compulsory and optional criteria. All general and a fixed number of optional criteria have to be complied with. The general criteria and the sector specific criteria are developed by experts and through stakeholder consultation. The label is awarded to those products that comply with the criteria. No progress is required. As the SD label aims at a broader group of products, where a special price is not always relevant, only long term and economically sustainable relationships with suppliers are mentioned. Some sector specific criteria could mention prices.

The criteria of the SD label cover the most important and internationally recognised items of the environmental, social and economical aspects of sustainability. Attention is paid equally to environmental and social aspects. Economical aspects are taken into account mostly in relation with their link to a sustainable management.

#### **4.2.5.1.2 Fair trade label**

The social and environmental criteria of the fair trade label are more focused on small producers and producers organisations of agricultural organisations in the South of agricultural products. Till now the standards for hired labour are not as much applied, except for the tea sector. Only the generic standards for hired labour and the more specific standards for footballs can be applied to other industries. The Standards & Policy Working Group develops the FLO Fairtrade Standards, where stakeholders from FLO's member organisations, producer organisations, traders and external experts are present.

The FT generic standards distinguish between minimum requirements, which producers must meet to be certified Fairtrade, and progress requirements that encourage producer organisations to continuously improve.

The FT label has fewer criteria. For small plantations the accent lies on democracy and participation of the workers at all levels, good working circumstances and a premium price for the products. In large plantations unionisation and good working conditions are primordial. For the FT label a fair price and a premium is primordial, and trade standards are stipulated.

Trading standards are set that stipulate that traders have to pay correct prices, a premium, partially pay in advance, and sign contracts that allow for long-term planning and sustainable production practices. Finally, there are few product-specific Fairtrade standards for each product that determine such things as minimum quality, price, and processing requirements to be complied with.

The FT label is awarded to products that comply with the minimum requirements, but to retain the label the producing companies will have to show progress. The criteria of the FT label encourage producer organisations to continuously improve working conditions, product quality and the environmental sustainability of their activities and to invest in the development of the organisations.

#### 4.2.5.2 Detailed comparison

The following survey gives a detailed comparison of the criteria. As both the FT label and the SD label have criteria on coffee, those were used for the comparison.

##### 4.2.5.2.1 Identical criteria

1. Long term and stable relationships with subcontractors
2. Freedom of association and collective bargaining (ILO conventions C98; C98)
3. Forced labour (C29; C105)
4. Child labour (C138; C182)
5. Discrimination (C100; C131)
6. Health and safety (C155)

##### 4.2.5.2.2 Similar criteria with a different approach

1. Compliance with legislation  
SD: compliance is asked with economical, social and environmental laws.  
FT: only compliance with environmental law is mentioned
2. Quality of the product  
SD: for consumer comfort  
FT: for better market position and export possibilities
3. Wages  
SD: living wages and C26; C131  
FT: regional average; official minimum wages
4. Working hours  
SD: C130  
FT: working hours and overtime regulation is put in place
5. Recognised employment relationships and social security  
SD: compliance with labour or social security laws and regulations arising from the regular employment relationship are not avoided.  
FT: employees must work under fair conditions of employment (at least provisions of collective bargaining)
6. Risk management  
SD: concerning management strategies, the label SD puts more attention to the quality of the management systems, and their general results on general social, environmental and economical aspects.  
FT: the fair trade label wants a management system to introduce more democracy, participation and transparency,
7. Profits  
SD: the label SD states that the company has to guarantee its growth and existence by creating value. The company has a correct management of profits. It has a management plan with a cost-efficiency analysis, a sensitivity analysis, the management of benefices and losses and the amortization policy. This management takes into account environmental and social aspects.  
FT: the FT label wants the organisation to work towards the strengthening of its business related operations through e.g. the building up of working capital, implementation of quality control, training/education and risk management systems, etc.
8. Integrated Crop Management for coffee cultivation

SD: to obtain the label plantations have to implement an integrated pest management system and an integrated weed management system. Other criteria contain the different aspects of integrated crop management.

FT: the producer organisation will encourage its members to implement a system of Integrated Crop Management

9. Use of chemicals

SD: any chemical products banned or not officially recognised in the country or prohibited by national or international agreements may not be used.

FT: pesticides in WHO class 1 a+b, pesticides in the Pesticide Action Network's "dirty dozen" list and pesticides in FAO/UNEP's Prior Informed Consent Procedure List cannot be used.

10. Hazardous waste

SD: minimum use of hazardous materials and presence of a waste management system.

SD: measures to dispose of and to separate hazardous waste

#### 4.2.5.2.3 Not overlapping criteria

##### Criteria of the label 'sustainable development'

1. Presence of management strategies and policies
2. Good communication with consumers
3. Monitoring and verification systems for suppliers and subcontractors
4. Decent working conditions
5. Investments in human capital, research and development, others...
6. Correct payment of taxes
7. Risk management
8. Corruption
9. Specific criteria for Raw coffee preparation and drying of berries
10. Specific criteria for coffee roasting
11. Specific criteria for coffee cultivation concerning shade, water management, soil contamination, erosion, conservation of soil fertility, GMO's, protection of flora and fauna.
12. General environmental criteria: environmental management system, specific criteria for coffee cultivation, including serious environmental risks, material use, energy, hazardous materials, pest management, weed control, water, soil, waste, product design, land clearing, GMO's, wildlife conservation.

##### Criteria of the Fair Trade label

1. Fair trade adds development potential (small farmer's organisations)
2. Members are small producers (small farmer's organisations)
3. Democracy, participation and transparency
4. Fair Trade minimum price and premium
5. General trade standards
6. Trade standards for coffee (international customary conditions, pricing and premium for coffee, pre-financing/credit, dispute settlement)

#### 4.2.6 Conclusions

The Fair trade label and the label SD are both product labels based on social, environmental and economic criteria and are independently verified. The approach and the aim of the two labels are nevertheless fundamentally different, independently of the fact that one is issued by the government and the other NGO based.

The SD label wants to reward and to promote products produced in a sustainable way with a transparent production chain and thus encourage companies to develop a sustainable management of

their chain. The main goal of the FT label is to improve the position of disadvantaged producers in the developing countries through interesting price setting. The concept of development is fundamental.

The difference in approach is clearly reflected in the sets of criteria. The criteria of the SD label have a wide range and are based on international agreements and on the criteria of internationally recognised similar instruments. They are meant to be applicable to all sorts of organisations. The accent is on both the social and the environmental. The economic aspect is seen in the sense of durability of the company and implication of social and environmental aspects in the risk management, not especially the development of the economic strengths.

The FT label uses fewer criteria. There is a differentiation between criteria for small farmers and for farms or other organisations with hired labour. There are very few ecological criteria. They only concern compliance with legislation as a minimum requirement and the introduction of an integrated crop management system as a progress requirement. For large companies measures concerning hazardous waste are required. The economic criteria are focused on the sales price of the product, logistics that increase exportability and the economic strengthening of the organisation. It aims at an economic development of the organisation.

The chain approach is less demanding for the FT label. All products have short production chains and only the main chain actors are taken into account. It is more axed to the South. The SD label needs a more global knowledge of the production chain, and of the process tree.

Monitoring is done in different ways. Both label systems guarantee an independent monitoring, but the monitoring of the SD label is based on a more distant approach, due to the complexity of the production chains and the fact that the chain actors are not always well known to the monitors, and that information is not always available. The monitoring of the FT label is more intense. They always include visits on the spot, and as it concerns mostly organisations implied in development programs, information is more widely available.

The SD label and the FT label are both complementary in their approach. The FT label can be considered as a development project and is closely related with the NGO world. It has a clear social objective and through its long experience it is finding its place in the market.

The target group of the SD label is less specific. It aims at awarding the label to all products produced in sustainable circumstances. FT labelled products can apply but will have to comply with some additional criteria. The same is valid for products with a SD label. They too will have to comply with the more specific conditions of the FT label. It could be said that FT label conditions are harder to attain, because they are more ideological (promoting social and economic development, small producers within democratic and transparent organisations), than SD label conditions.

## CHAPTER IV

# MONITORING

This chapter explains how the criteria of a label can be monitored. The first paragraph gives an introduction and is followed by general remarks on the monitoring of organisation related aspects. The third paragraph proposes an internal monitoring system and the fourth a system for external monitoring of organisation related aspects of the label. The last paragraphs give some conclusions and sources. The monitoring of product related aspects is described in the procedures for sector specific guidelines (cfr. chapter VI.3 en VI.5.2). The verification of the application file can also be found in the chapter on procedures (cfr. chapter VI.5.2.).

### 1 METHOD

The label can only be awarded to a product if it can be proven that the product meets the criteria of the label. There is of course no waterproof way of monitoring. This study tried to work out a system that would be as effective and cost-efficient as possible. The label has to be trustworthy. Monitoring has to be able to detect all significant infractions against the demands of the label and still not be too expensive. High cost will make the label unattractive.

The monitoring is based on the two-fold model that has been explained in Chapter III. Different methods will be used for the product and process related aspects on the one hand and for the organisation related aspects on the other.

To elaborate the monitoring method, an extensive literature study was performed<sup>11</sup>, various experts were interviewed<sup>12</sup>, and the draft version was submitted to the users committee and to various stakeholders for comments. Specifically for the organisation related external monitoring different existing handbooks were consulted (e.g. Belgian social label, Fair Wear Foundation, SA8000 Guidance document, FLA, FSC, WRAP), and a close collaboration was set up with the Belgian social label. Together with the experts working group a referential for the monitoring of the social label was elaborated<sup>13</sup>. This document was given to several professional auditors for feedback and was used as a basis for the monitoring guide for the sustainable development label.

Monitoring and verification will take place at different levels. First the applying company is recommended to carry out an internal monitoring. This monitoring will allow verifying if the criteria of

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<sup>11</sup> The website of the Clean clothes campaign and of SOMO contain a large amount of very usefull information and documents concerning monitoring: <http://www.cleanclothes.org>,

<http://www.somo.nl/monitoring/resource.htm#nl>

<sup>12</sup> Max Havelaar, Johan Declercq, Gent (30/05/02); Schone kleren campagne, Frieda De Koning, Brussel (02/07/02); VECO, Lode Delbare, Chris Claes, Gent (00/09/02); Milieukeur Nederland, Maaïke Fleur, Brussel (04/02/03); Fair Wear Foundation, Frans Papma, Amsterdam (07/02/03); Bijwonen audit Blik bij biemelkveehouderij, Bert De Caluwe (20/03/03); SAI, Eileen Kaufman, Brussel(22/05/03); Rainforest Alliance, Thomas K Divney, Brussel(12/06/03);arleen Vandenbrande (Europese Ecolabel) en Dieter Vanderbeke (Belgisch sociaal label), Brussel (30/06/03);SGS, Geert D'Haese, Antwerpen (24/09/03); KIWA Belgium NV, Geert Anciaux, Brussel (29/09/03);Bananalink, Alistair Smith, Carcassone (03/10/03); Olaf Paulsen, FLO, Neyenrode (05/02/04).

<sup>13</sup> Assisted meetings of the working group in 2003: 20-01; 30-01; 18-02; 11-03; 21-03; 9-04; 30-04; 9-05; 16-05; 24-05; 5-06; 12-06; 4-07.



the label are complied with throughout the production chain. For some products an external product specific verification can be asked for by the product specific guidelines. The application file is verified by the Secretariat of the label. Chain actors will be monitored by an independent external accredited monitoring institution. It will verify the relevance and the correctness of the proposed production chain. In order to have a cost efficient monitoring, the production chains will first be monitored through a desktop screening. Documents and Internet will be consulted and stakeholders contacted. Based on the screening it will be decided if on-site visits are necessary.

## 2 GENERAL REMARKS ON MONITORING OF ORGANISATION RELATED ASPECTS

In general, companies state that a good internal management system will ensure good implementation and monitoring practices<sup>14</sup>. A good management system implies a good internal monitoring system. This means that a person or a team from within the company monitors the performances of this company. Internal monitoring has advantages; it makes it easier to locate problems, as an internal monitor will know the company and its weaknesses. The monitor will have the confidence of the management and access to confidential material. However an internal monitor is not likely to be independent. His internal position and his familiarity with the company can also make him blind for certain problems.

Apart from internal monitoring two different kinds of external monitoring can be distinguished: second party monitoring and third party monitoring. In the case of second party monitoring, the monitoring institution is dependent on the company. The monitoring institution is usually set up by the company and is structurally to a certain extent independent, but not financially (e.g. C&A and their monitoring institution SOCAM). Third party monitoring is monitoring by an institution that has not been created by the company, and that is not financially dependent on the company, except for very clear assignments<sup>15</sup>.

The literature study shows that most labels make use of third party monitoring, and that some of them can be classified as ISO type 1, a standard for independent verification. There are different ways of carrying out independent third party monitoring:

– Model 1:

The labeling organisation accredits or recognizes monitoring institutions capable of independent monitoring. The labeling organisation itself chooses and pays the institution that will do the monitoring of the company (Fair Wear Foundation, Ecolabel).

– Model 2:

The company itself has to contact and pay a monitoring institution that has been accredited or recognized by the labeling organisation. The monitoring organisation will be controlled by a controlling organisation or by the labeling organisation itself (social label, SA8000).

– Model 3:

The labeling organisation itself is doing the monitoring and is verified by an umbrella organisation (FLO).

– Model 4:

The labeling organisation itself is doing the monitoring (Rugmark, Kaleen).

**Model 1** is the most independent way of monitoring. There is no relationship between the monitoring institute and the company. The monitoring institution is not financially dependent on the company. The monitoring institute can be chosen according to its abilities and of its specialization. A common or lower

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<sup>14</sup> Borgo E, Spillemaeckers S, "een integrale benadering van ketenanalyse ten behoeve van ketenbeheer door bedrijven", CDO, Gent, 2000

<sup>15</sup> CEPAA, "SA 8000 auditor course", unioncamere, Bologna, Italy, Mai 2000

price setting, without loss of quality can be discussed more easily by the labeling organisation than by an individual company. If visits have to be done in a common geographical area for different products, monitoring can be regrouped and costs can be kept down. The original report of the monitoring will also be delivered directly to the labeling organisation. The applying company cannot hold it back.

In **model 2** the company could in some cases put pressure on the monitoring institution. Prices could be kept lower by delivering less quality. When the report of the monitor is not considered satisfactory, the applying company could in some cases hold it back. A less demanding monitoring institution could be asked to do the work anew. The independency of the monitor is uncertain, although the monitoring institute has to be accredited and controlled by an independent umbrella organisation. On the other hand companies applying for the label know that it can be very dangerous to receive a label through fraud, as it could lead to negative publicity, which can be very damaging for the company. To be able to choose the monitoring institution allows the company to choose the most performing monitor, in function of its general experience and of its experience with the sector, or its presence in the producing countries. They also can take into account the cost efficiency.

When the labeling organisation is doing the control itself (**model 3**), this can lead to a more thorough monitoring, especially if the organisation is a value driven NGO. The monitors will have a feeling with and knowledge of the subject to control. In many cases the institution itself creates the quality standards for the monitoring. This can be done in different ways. Stakeholders and the umbrella organisation could be largely involved. This can give a certain guarantee for quality.

Usually, the distributor of the product pays for the label. This means that the monitoring institution can be financially dependent on the applicant of the label, which diminishes its independence. This is countered by the fact that the labeling institution is controlled by an independent umbrella organisation that has no links with the applicants. This control gives a certain guarantee concerning the quality of the monitoring. A drawback is that companies cannot choose the monitor. The possibility to obtain the label depends in some cases on the presence of monitors of the labeling organisation in the producing countries or on their knowledge of the sector.

**Model 4** has the same advantages as model 3 but with some more disadvantages. The chance that the monitoring cannot live up to certain quality standards increases, as there is no monitoring institution supervising the monitor. Moreover there can be less control on the development of the quality standards for the monitoring itself. A possible positive point is that it could be less expensive as no umbrella organisation is involved.

Recently several studies were made about the effectiveness of social monitoring<sup>16</sup>. Some of the conclusions were:

- Monitoring and verification must include contacts with workers, NGOs and unions.
- An effective way to implement social criteria is to empower workers by informing them of their rights and obligations, and giving them the possibility to react against violations of those rights.
- Not only workers have to be informed. There are informational needs (including training and education) at all levels (worker, supplier, buyer, retailer, etc.) in relation to workers rights and the implementation and monitoring of labor standards.
- The monitoring must go further than only the manufacturing company. The entire subcontracting chain has to be taken into account.

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<sup>16</sup> Most of those studies can be found on the Clean Clothes Campaign website <http://www.cleanclothes.org/codes.htm>. Information was mainly taken from <http://www.somo.nl/monitoring/related/disc-key-elements.htm> and

- Regional differences have to be taken into account
- Due to growing pressure on the suppliers (time, prices) and subcontractors, they are less and less able to take into account social aspects.
- A complaints procedure should allow workers, NGOs and trade unions to present information on the code of compliance at a given facility at any given time, as opposed to waiting for an audit or interview to voice their grievances.
- Punctual external monitoring done by huge international consulting agencies is not efficient. Most of the time major problems concerning e.g. freedom of association and collective bargaining are not detected as most of them do not talk to independent stakeholders, and stop monitoring when no union is present.

Monitoring can never give a 100 percent guarantee. A punctual monitoring of a production site is just a snap shot of a moment. If a company wants to hide problems, it can find ways to deceive the monitoring institution. The guidelines will always be flexible and will need to be interpreted. The quality of the monitoring will depend heavily on the quality of the actual monitor or the monitoring team. Therefore it is necessary to emphasize the quality requirements of the monitoring institute.

The demands for monitors are high. It is difficult to find persons who will comply with the quality requirements. A monitoring team going on-site has to have a very broad knowledge. It has to understand the criteria monitored. Furthermore it has to be trusted and it has to understand the workers and the management, the sector, the country and local customs and to speak the local language.

One of the main problems during the monitoring could be that workers are not aware of their rights. Some problems will be mentioned within a company sole because they are not perceived as such. This shows the necessity of informing the workers and other stakeholders of their legal rights, and the meaning of the label and the label criteria.

To avoid the snapshot problem, a complaint mechanism should be installed. All workers must be informed of the use of the complaint system. If workers are equally informed on their rights and on the purpose of the label this can lead to a more effective way of tracing problems than even the monitoring. Workers have to know that informing the labeling organisation does not endanger their position and that it can affect their working situation positively. Workers should not have the impression that if the company does not comply with the criteria, this will have an effect on the sales figures of the company. But sometimes management warns them that if the outside is informed about problems within the company it could threaten their own employment.

The purpose of the label is to stimulate corporate social responsibility within production chain. It is not necessary for this to have a watertight technical solution for monitoring problems. Of course the proposed system has been developed to be as effective and efficient as possible. Monitoring alone cannot guarantee the compliance with the criteria within the production chain and, what is even more important, the awareness of the companies of sustainable chain management and its consequences. Therefore the Internal monitoring is an important aspect of the process to obtain the label. The company has to contact the different chain actors. This can make them aware of the problems in the production chain and can lead to social, economic and environmental ameliorations. The fact that the production chain has become transparent will stimulate chain responsibility.

### **3 INTERNAL AUDIT**

First the applying company will draw the process tree of the product and the production chain. At minimum, the applying company has to contact all chain actors<sup>17</sup> that are part of the delimited production chain and inform them about the application for the label. The applicant has to provide the chain actors with all the necessary documentation concerning the criteria they have to comply with. The management of those firms will be asked to sign a declaration in which they confirm complying with those criteria, that they are informing their workers on the criteria of the label and that the workers are informed about the functioning of the complaint system of the label.

Of course the applying company could go beyond those requirements. An internal management system can be set up, in order to secure the correct and continuous implementation of the criteria within the company itself. If the company wants to verify itself whether the chain actors are complying with the criteria of the label, prior to applying for the label, the internal audit system can include the monitoring of those chain actors.

The applying company can also give some guidance to suppliers and subcontractors experiencing problems with the comprehension and/or the implementation of the criteria of the label.

It is difficult and very time consuming to draw up the production chain and to contact all chain actors. Most will have to be convinced to participate in the project. They will have to be informed about the requirements of the label. Most probably problems will occur and corrective actions will have to be taken. Chain actors will also have to be informed about how they can pass the information on to their workers and how the complaint procedure is working.

The relationship between the applying company and other chain companies is crucial. This can be influenced by trust and by the dependency of the chain actor on the applying company. Companies can be persuaded with the argument that the label can provide a proof of sustainable management that can be used to attract other business partners.

This internal monitoring leads to a more profound knowledge of the production chain and a better chain management. It prepares and facilitates the external monitoring. Main problems can be situated and remedial actions can be taken in consultation with the concerned chain actors. Proofs of compliance will be easier to present to the external monitor, which can lead to minimize the monitoring costs.

### **4 EXTERNAL AUDIT**

The external audit of the organisation related aspects has to verify if the companies in the production chain comply with the criteria and if the chain description as given in the application file is correct. All criteria are linked to indicators that are to be used for the monitoring (cfr. annex 3). The indicators were selected taking into account effectiveness (the degree to which the indicator gives information about the correct application of the criteria) and the efficiency (time and means necessary for the monitoring). Important elements are: availability, comparability and reliability of the information.

The organisation related monitoring is comprised of three parts:

- (1) Verification of the chain
- (2) Screening
- (3) Visits on-site (if necessary)

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<sup>17</sup> Chain actors are those companies that take part in the production chain.

The monitoring of the chain actors could be done through on-site visits. Within the framework of the label, this would however be very time-consuming and extremely expensive even with a limited chain. Visits could be limited using statistically sound random checks. But this always implies the risk to overlook serious problems and was therefore considered too hazardous. To develop a cost-efficient monitoring system excluding this risk as much as possible, a system including desktop screening and limited visits on-site was elaborated.

#### **4.1 QUALITY STANDARDS FOR MONITORING INSTITUTIONS**

##### **4.1.1 General quality requirements**

The responsible monitoring institution has to meet the following requirements:

- Be accredited as specified in the law of the sustainable development label;
- Have experience in the field of the monitoring of companies;
- Dispose of qualified personnel (directly or indirectly);
- Be independent from the audited companies.

The monitoring institution is entirely responsible for the monitoring regardless of the monitoring being (partly) performed by the institution itself or (partly) by another institution. They can outsource the monitoring to another institution if this institution complies with the quality requirements, and if the labeling organisation agrees. The monitoring institution cannot be at the same time consultant for the company and do the monitoring for the label.

##### **4.1.2 Quality requirements for screening**

The screening company will have to meet the following requirements:

- At least one year of experience with screening of companies on sustainability criteria;
- Use of databases and access to the necessary information systems;
- Connected to relevant networks;
- Presence of employees qualified for screening;
- Presence of a written methodology.

##### **4.1.3 Quality requirements for the monitoring on site**

The audit team that will do the on-site visits will have to correspond to the following qualifications:

- Knowledge of local culture, and of the industrial relations within the relevant sectors;
- Knowledge of relevant sectors, production processes and best available techniques (BAT)
- Easy along with and trustworthy for workers and fluent in relevant languages;
- Knowledge of local law and regulations in the areas of the criteria of the label;
- Experience with social control, labor inspection or the gathering of information concerning working conditions;
- Experience with environmental control, environmental impact assessment or gathering of information concerning environmental issues;
- Experience with interviews;
- Trained in the field of social monitoring (eg. SA8000, ILO or labor inspection training);
- Respect the confidentiality of the information they will have access to.

## **4.2 SCREENING**

### **4.2.1 Aim**

- Overview of the most important social, economic and environmental problems in the sector and the region where the companies that are part of the production chain are located;
- Specification of the most important stakeholders of each chain actor;
- Gathering of company specific information (number of workers, description of the production processes, presence of unions, environmental impact...);
- Inventory of social, economic and environmental problems that occurred in and around the company;
- Verification of the correctness and completeness of the chain description given by the company.
- Collection of specific details and questions that could be interesting during on-site visits;
- Identification of chain actors to be monitored by on-site visits.

### **4.2.2 Method**

The analysis of the production chain begins with an extended desktop screening. Desktop screening has to be carried out according to standard written procedures (cfr. annex 4a). The screening institution will look for possible controversies related to the criteria of the label within the companies within the production chain. This includes the general criteria as well as the product specific criteria. First general information shall be searched on specific problems related to the label criteria that could be found in the sectors the companies belong to and the countries they are situated in. The monitor will check all received information by consulting various information sources, consultation of the Internet, literature and specialised databanks. Relevant Stakeholders are to be identified and consulted. This always includes the most relevant workers representatives, with a strong preference for local independent unions. A list of possible questions and documents that can be asked for can be found in annex 4b.

### **4.2.3 Opportunities and problems**

The screening is a cost-efficient way of monitoring the different companies that are part of the chain. It is less costly than visits on the spot and can give an overview of the most important controversies within the entire chain. It gives the opportunity to assemble external information on the company and to have contacts with the most relevant stakeholders.

Some of the problems that can be encountered during the screening are:

- Lack of Internet information and documents on the company, especially in the case of SME's;
- Lack of information about the local situation (laws, regulations, customs, ...),
- Lack of information about the sector (sector averages),
- Difficulties in convincing the management of less interested chain actors to give information. They do not see why they should answer or do not have the time to answer. Confidentiality of the information can be an argument for not answering. Here the relationship and the interdependency between the applying company and the supplier can be crucial.
- Difficulties in finding and contacting the relevant stakeholders. It is also not always easy to find out which stakeholders are representative.
- Difficulties in convincing stakeholders to answer questions (same problems as with the management of chain actors).
- Sometimes reactions are slow and contacts are difficult, e.g. in some countries e-mail contacts are still rare.

- Trustworthiness of the information.

If the screening indicates that one or more companies do not comply with the criteria of the label or if some of the companies appear to be very risky, the applying company will be informed.

#### 4.2.4 Classification

The desktop screening and the data provided by the applying company will determine the classification of the companies in different risk groups. The risk groups are classified in function of their (possible) non-compliances with the criteria of the label.

**Category 1:** companies that most probably do not comply with the criteria of the label.

In this case the screening reveals strong indications that the company violates the criteria of the label and/or the company is located in a country where it is almost impossible to work in accordance with Human Rights and/or the company is involved in activities causing severe environmental problems.

**Category 2:** Companies that possibly do not comply with the criteria of the label.

The screening could give insufficient information on the company combined with the fact that the company is situated in a country where human rights are regularly violated (see eg. ILO, ICFTU, FIDH, AI reports) and/or is active in a sector where human rights and environmental violations are regular (eg. mining, chemical industry, confection, plantations,...) and/or the company is involved in making products or extracting resources with social, economic or environmental controversies (eg. Coltan).

**Category 3:** Companies that most possibly comply with the criteria of the label.

The information on the company is sufficient to presume that there are few to no violations against the criteria of the label, regardless of the location and the sector.

#### 4.2.5 Reporting

The main monitoring institution will deliver a screening report to the committee. The report is confidential (exclusively placed at disposal of the monitors, the company and the committee) and is drawn up by the screening institution and verified by the main auditor. The report contains the following:

- A description of the method followed;
- A description of the findings of the screening;
- A list of the sources, organisations and persons consulted (mentioning their function if possible, not mentioning their names);
- A description of the general shortcomings, exposed shortcomings should be well-documented and should be based on facts, if necessary they should be illustrated with examples;
- A classification of the companies according to their likeliness for non-compliance with the criteria;
- A concise summary with the essential findings and final conclusions.

### 4.3 ON-SITE MONITORING

#### 4.3.1 Aim

- Inventory of social, economic and environmental problems in and around the company;
- Verify if the company complies with the criteria of the label;
- Verify if the company is a genuine part of the production chain.

#### **4.3.2 Selection of the companies**

Based on the classification in the screening report the committee of the label determines if and which chain actors are at least to be monitored on site. The monitoring can take place at the applying company as well as at the subcontractors and suppliers. A statistical method can be used to make the choice, as proposed by the Belgian social label. A disproportional stratified sample is taken as explained in annex 4a. The screening decided upon the place of each company in three different risk categories. For each category a group is composed containing the number of workers working in all companies that were classified in that category. From that group a simple random sampling will be taken based on the following percentages:

Group 1: 0%

Group 2: till 30% of the companies are represented

Group 3: 100% of the companies

Using the number of workers of each company, assures a larger representation of large companies to be visited. For group 2, workers will be selected till they represent 30% of the companies of the total number of companies of group 2. Those companies will be visited. All companies of group 3 will have to be visited. When a company has been monitored on site it will pass a category higher if the visit leads to a positive result. This means that the label only can be given if all companies of group 3 can come up to group 2. The committee can designate additional companies that must be visited on-site.

#### **4.3.3 Method**

Visits on site will be prepared through a preliminary research in order to define the weak points of the company. During this research the report of the screening will be consulted and relevant stakeholders will be contacted. More in depth questions will be asked. This preliminary research will involve a general overview of social, environmental and ecological problems in the sector and in the region of the companies visited on site.

Auditors will perform the on-site visits following a written procedure provided by the administration of the label. The on-site visits will always consist of a visit of the workplaces and installations, interviews with the management and the workers (representatives), consultation of all relevant stakeholders with or within the company.

The visit can be done unannounced. The visit will be communicated to the company, but no exact date has to be given. During the visit the auditor will first introduce himself to the management. He will explain the different steps of the visit. As soon as possible the auditors team will then proceed to the visit of the location. Interviews are held with management and staff and workers (representatives). The team will also hold an inspection of the company accounts, especially the accounts regarding employment, salaries and hours of work. At the end of the visit the team will have a short meeting with the management and if possible with the workers representatives. During this meeting the monitoring team will communicate their first findings and have a dialogue with the management and the workers representatives. After or before the visit, interviews with local stakeholders such as trade unions, NGO's and local authorities can be held. A more precise description of all these steps can be found in the monitoring manual (cfr. annex 4a).

The risk classification of companies done after the screening will be adapted in function of the findings during the on-site visits.



#### **4.3.4 Opportunities and problems**

An on-site monitoring gives a thorough impression of the company. Working circumstances can be experienced and a dialogue will be held with the workers. On site visits to companies give sometimes only a momentary view of the company. Many facts can be hidden. It needs to be done by qualified who understand the local culture, the workers and the management and have a thorough knowledge of the requirements of the label. It is also important that they have a feeling with social and environmental issues. They can meet the following problems:

- Lack of information about the local situation (laws, regulations, customs, ...).
- Lack of information about the sector (sector averages).
- Difficulties in convincing the management to be cooperative.
- Difficulties to build up trust with management and workers.
- Difficulties in finding and contacting the relevant and representative stakeholders.
- Difficulties in convincing stakeholders to answer.
- Need for respect of confidentiality.
- Trustworthiness of the information cannot always be guaranteed.

#### **4.3.5 Reporting**

The report contains at least the following:

- A description of the method followed;
- A description of the findings of the assessment of the situation on site;
- A list of the organisations and persons consulted (mentioning their function if possible, not mentioning their names);
- A description of the general shortcomings; exposed shortcomings should be well-documented and should be based on facts; if necessary they should be illustrated with examples;
- A concise summary with the essential findings and final conclusions.

#### **4.4 FINAL REPORT**

The responsible monitoring institution makes the final report containing:

- A description of both methods used for the screening and the monitoring on site.
- A description of the verification of the production chain.
- A summary of the results of the screening and of the monitoring on site.
- A summary of the essential findings and final conclusions on the compliance with the criteria within the entire production chain.
- Recommendations concerning the attribution of the label

In annex

- The report of the screening
- The report of the monitoring on site

#### **4.5 FOLLOW-UP MONITORING**

Relevant changes to the production process or within the production chain are to be reported to the committee. This can require additional proof of compliance with the criteria. An additional screening or visit can be imposed.

An annual follow-up monitoring is performed following a less strict at random method based on the risk categories. The monitoring will consist of an on-site monitoring or a renewed screening.

#### **4.6 ALTERNATIVE SYSTEM**

Even with the introduction of the screening the monitoring costs of the proposed method are high due to the fact that most products have large production chains with ramifications in several countries (cfr. chapter VI.4). These costs could pose a barrier to the feasibility of label. SME's would probably not be able to afford it.

An alternative "light" version of monitoring can be considered. The internal monitoring, the external product specific verification, the verification of the application file and the verification of the chain stay the same. The change would consist in limiting the monitoring to a short version of desktop screening, The screening would be limited to the search for controversies through internet and document research, without consultation of stakeholders for every company. Based on this research companies will be classified the same manner as described above. No site visits will be done. If all companies of the production chain are situated in category 3, the label can be given. If one or more companies are situated in category 2, a more in depth screening of those companies will be done. This means that more information is searched for and the management and relevant stakeholders are contacted, with priority to the union representatives of the company, workers and environmental NGO's. Based on the findings the screening institute will give advise to the label committee. Proofs of compliance will be asked to management and relevant stakeholders will be contacted. A negative advice will be given to products with one or more category 1 companies in the production chain.

The annual follow-up screening will consist of an in depth screening of some of the category 2 companies.

Using this monitoring system makes the label more dependent on the correct information and the good will of the companies. This implies certain risks. Internal problems can be more easily overlooked, e.g. the presence of free unions or representative workers organisations will be more difficult to verify. On the other hand, companies have no interest in giving false information to the label instances. Even if the monitoring system is not tight, it still will find out all severe breeches if mentioned on Internet. This is more and more the case. The complaint system will also in this case provide for an extra safeguard.

#### **5 CONCLUSIONS**

The proposed procedure for the label is as follows. The applying company has to draw the process tree and the production chain and to a certain degree use an internal monitoring system to verify itself if all chain actors comply with the criteria. Following the product specific guidelines they will ask accredited verification institutes to execute the product specific verification.

Only when those steps are taken and all necessary documents are collected the applying company can submit an application file to the administration of the label (cfr. chapter VI.5.2.). The verification of the application file will be done by the secretariat of the label. When the application is accepted the committee of the label will appoint an accredited monitoring institution for the external monitoring of organisation related aspects (model 1) or the applying organisation itself will appoint an accredited monitor (model 2) (cfr. chapter IV.2).

The monitor will verify if the companies taking part in the production chain comply with the criteria and if the production chain as proposed by the company is genuine. Furthermore the monitoring consists in a screening for the identification of place specific problems and if necessary in on-site visits.

This analysis begins with an extended desktop screening. The screening will verify the production chain and look for possible controversies related to the criteria of the label within the production chain. This includes the general criteria as well as the product specific criteria based on the LCA.

The desktop screening and the data provided by the company will determine the classification of the companies in different risk groups, in function of their (possible) non-compliances with the criteria of the label. If necessary companies to be visited on site will be chosen in function of their position in this list. A statistical method could be used to make the choice. Accredited auditors will perform the on-site visits following a written procedure provided by the administration of the label. The on-site visits will always be preceded by a preliminary research based on the screening to identify the weak points of the company, a visit of the workplaces and installations, interviews with the management and the workers, consultation of all relevant stakeholders with and within the company.

When the label is obtained, the committee does an annual follow-up. If controversies are expected or if relevant changes occurred within the chain a site visit or a screening could be programmed.

Production chains can be very extensive. This means that their monitoring could be very costly. A "light" version of this monitoring scheme was proposed. In this method only the product related external monitoring changes. No site visits will be done and the first screening will be limited to documents and Internet research. Only when controversies are found management and stakeholders will be consulted. The follow-up monitoring will equally consist of a screening.

Figure 5 summarises the proposed monitoring model.

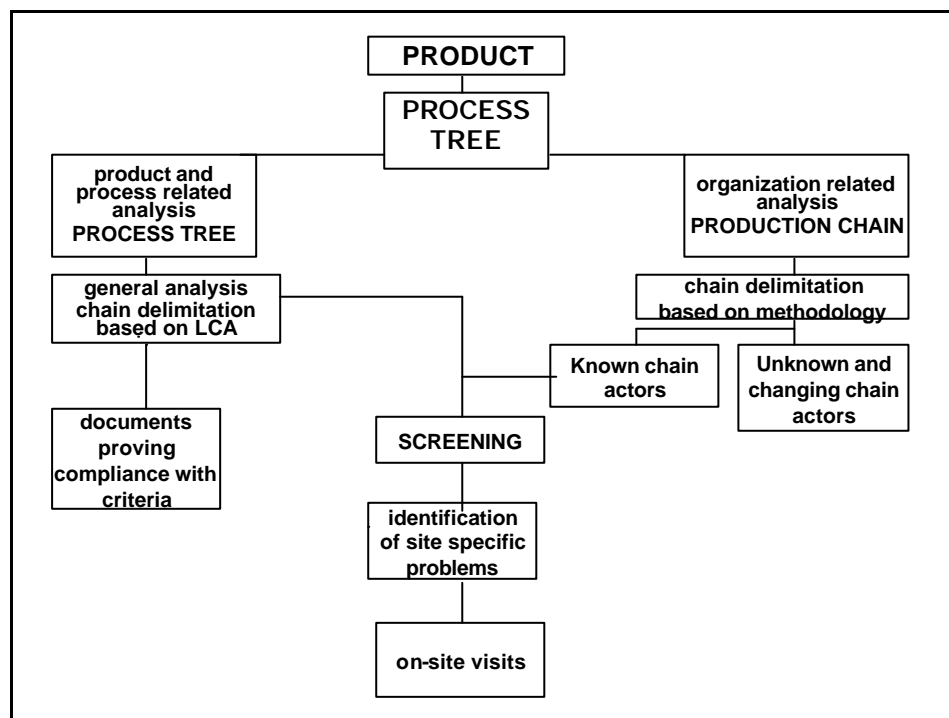


Figure 5: monitoring model

## CHAPTER V

# EVALUATION

This chapter describes the evaluation methods used to reach a final decision on whether or not a label can be awarded to a certain product. Weighing methods are used to distinguish more and less important criteria, to each of which a score is attributed. After making up a balance of the scores of the different chain actors within the production chain, it is evaluated whether or not the label can be awarded. The theoretical background in paragraph 1 gives an overview of possible methods, which, of course, is non-exhaustive. After that, the methods employed in this project are illustrated in paragraph 2. This chapter is based on Sam Van den Plas' thesis on the development of an evaluation method for a sustainable development label<sup>18</sup>.

## 1 THEORETICAL BACKGROUND

### 1.1 WEIGHING METHODS

More or less important criteria are to be distinguished. Through the use of a weighing method, the criteria can be ranked in a certain order and a weight can be attributed. There are a number of possible weighing methods described in the literature and used in practice. Six of them - the rating method, the ranking method, the semantic differential method, the comparison in pairs, the Delphi method and a technique using quality requirements for criteria – are described below.

#### 1.1.1 Equal weights

This uncomplicated method can be used if all criteria are considered equally important and thus there is no need to differentiate or classify the criteria. Each criterion receives the same weight. If the sum of all weights equals 1, their weight is determined by the reciprocity of the number of criteria. For example: when there are 20 criteria, each criterion receives a weight  $1/20 = 0,05$ . While this method does not allow distinguishing between more and less important criteria, its clear advantage is its simplicity.

#### 1.1.2 Rating method

In the rating method, a reference group is asked to divide a set amount of points (for example 100) among the different criteria, giving most points to the main criteria. The amount of points awarded to one criterion (normalised by dividing it by the number of voters and the total amount of points to be divided) then reflects the relative importance of this criterion. Below is an example with 3 criteria and a reference group of 2 experts.

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<sup>18</sup> Van den Plas S, Label duurzame ontwikkeling. Opstellen van een evaluatiemethodiek, Scriptie voorgedragen tot het behalen van de graad van Gediplomeerde in de Aanvullende Studies in de Milieuwetenschappen en - Technologieën, Faculteit landbouwkundige en toegepaste biologische wetenschappen, Centrum voor Milieusanering, juni 2003.

critterion	points expert 1	points expert 2	normalizing	weight
<b>A</b>	45	60	(45+60)/200	0,525
<b>B</b>	20	20	(20+20)/200	0,200
<b>C</b>	35	20	(35+20)/200	0,275
<b>total</b>	100	100	1	1

This method allows classifying criteria according to how important the reference group considers them, but implies the need to assemble a reference group. Moreover, classifying large numbers of criteria with this method asks a huge effort of the reference group.

### 1.1.3 Ranking method

The ranking method implies a reference group being asked to rank the criteria depending on their importance. The (average) ordinal ranking can be transformed into cardinal weights using the following method: in the list of the most important criterion 1 to the least important criterion n, the weight of the  $i^{th}$  criterion is determined by the following formula (Baron en Barret, 1996):

$$w_i = \frac{1}{n} \sum_{j=i}^n \frac{1}{j}$$

Below is an example with 5 criteria (n=5).

critterion	average ranking	weight
<b>A</b>	5	$1/5 * (1/5) =$ 0,04
<b>B</b>	2	$1/5 * (1/3 + 1/4 + 1/5) =$ 0,16
<b>C</b>	2	$1/5 * (1/2 + 1/3 + 1/4 + 1/5) =$ 0,26
<b>D</b>	1	$1/5 * (1 + 1/2 + 1/3 + 1/4 + 1/5) =$ 0,46
<b>E</b>	4	$1/5 * (1/4 + 1/5) =$ 0,09
<b>total</b>		1

If two or more criteria have the same ranking, the average of the weights related to the places is calculated as illustrated below.

critterion	ranking	weight
<b>A</b>	5	$1/5 * (1/5) =$ 0,04
<b>B</b>	3/4	$1/2 * ((1/5 * (1/3 + 1/4 + 1/5)) + (1/5 * (1/4 + 1/5))) =$ 0,13
<b>C</b>	2	$1/5 * (1/2 + 1/3 + 1/4 + 1/5) =$ 0,26
<b>D</b>	1	$1/5 * (1 + 1/2 + 1/3 + 1/4 + 1/5) =$ 0,46
<b>E</b>	3/4	$1/2 * ((1/5 * (1/3 + 1/4 + 1/5)) + (1/5 * (1/4 + 1/5))) =$ 0,13
<b>total</b>		1

The advantages and disadvantages are similar to those of the rating method: criteria can be classified but a reference group is needed and the method is not very suitable to rank large numbers of criteria.

### 1.1.4 Semantic differential method

A reference group is asked to mark the importance of each criterion on a scale. Often a seven point-scale is used reaching from 1 (not important) over 4 (average) to 7 (very important). The amount of

points awarded to one criterion (normalised by dividing it by the number of voters and 7) then reflects the relative importance of this criterion. Example (reference group with 3 experts):

critterion	points expert 1	points expert 2	points expert 3	normalising	weight
<b>A</b>	7	6	3	$1/21*(7+6+3)$	0,76
<b>B</b>	2	4	2	$1/21*(2+4+2)$	0,38
<b>C</b>	4	2	4	$1/21*(4+2+4)$	0,48

Note that the sum of the weights does not equal 1.

Again, a reference group is needed to apply this method, but it is possible to use it for classifying large numbers of criteria.

### 1.1.5 Comparison in pairs

This method converts subjective assessments of relative importance into a set of weights through a comparison in pairs of the different criteria and a determination of a preference index for every criterion compared to all other criteria (within a theme) (Saaty, 1980).

How important is criterion A compared to criterion B?	Preference index
Equally important	1
A little more important	3
Much more important	5
Very much more important	7
Extremely much more important	9

Below is an example with 3 criteria A, B and C:

critterion	A	B	C
<b>A</b>	1	5	9
<b>B</b>	1/5	1	3
<b>C</b>	1/9	1/3	1

- criterion A is equally important to criterion A, criterion B is equally important to criterion B, criterion C is equally important to criterion C;
- criterion A is much more important than criterion B;
- criterion A is extremely much more important than criterion C;
- criterion B is a little more important than criterion C.

These preference indices are then used to determine the weights of the criteria. The normalised weights of the criteria could be concluded by:

- calculating the geometrical average of every row;
- adding up all geometrical averages;
- normalising the geometrical averages by dividing them by this sum.

critterion	geometrical average	normalizing	weight
<b>A</b>	$(1 \times 5 \times 9)^{1/3} = 3,557$	$3,557 / 4,733$	0,751
<b>B</b>	$(1/5 \times 1 \times 3)^{1/3} = 0,843$	$0,843 / 4,733$	0,178
<b>C</b>	$(1/9 \times 1/3 \times 1)^{1/3} = 0,333$	$0,333 / 4,733$	0,070
<b>total</b>	4,733		1

This is another method depending on the opinion of a reference group and is only applicable to a limited number of criteria. The method allows to check whether or not the reference group are consistent, i.e. if one considers A more important than B and B more important than C, one cannot consider C more important than A.

### 1.1.6 Delphi method

The Delphi method can be used as a supplement of the above-described methods. A reference group (often experts) is asked to rank the criteria and motivate their choice (anonymously). The results of this first consultation round are summarised and presented to the reference group once more. This procedure can be repeated several times. This process makes it possible for the reference group to refine or reconsider their opinions and aims to finally reach of a consensus.

The Delphi method depends on the opinion of experts as well. The anonymity allows the experts to have an opinion that diverges from what they are 'expected' to think as an expert in a certain field. Other advantages are that the ranking is motivated, that opinions can be revised based on the input of others and that a well thought-out level of consensus can be reached. The method is however extremely time-consuming, even to rank a limited number of criteria.

### 1.1.7 Quality requirements

Another method<sup>19</sup> is to check to what extent the criteria meet a number of requirements (according to a reference group). These requirements can be about all aspects of the suitability of the criteria and are considered more or less important in the criteria importance-coefficient. For example:

requirement	importance
relevance	0,5
technical and economical feasibility	0,4
consumer perception	0,1

The different criteria are assessed in the light of these requirements and a value is assigned to the intensity with which each criterion meets the requirements (for example using the semantic differential method). The results of this assessment lead to a ranking and an award of weights to the criteria. For simplicity for example a value of 1 (poor) or 2 (good) can be attributed. The value for each criterion will reflect its potential to maximise sustainability and a positive perception of the consumer, while keeping the investment costs low.

critereon	relevance	feasibility	consumer perception	weight
<b>A</b>	2	2	1	$2*0,5+2*0,4+2*0,1 = 2$
<b>B</b>	1	2	2	$1*0,5+2*0,4+2*0,1 = 1,5$
<b>C</b>	2	1	1	$2*0,5+1*0,4+1*0,1 = 1,5$

This method is based on the opinion of a reference group as well. Apart from the ranking of the criteria, decisions also have to be made on the content and importance of the requirements. This method is suitable to evaluate a large number of criterions.

<sup>19</sup> used in for example the European eco-tourism label

### 1.1.8 Conclusions

1. Apart from the 'equal weights' method - where there is no actual weighing of criteria - all weighing methods depend on the opinions of a **reference group** of people and thus are subjective to some extent. Therefore, the composition of the reference group is extremely important since the result of the weighing process will be influenced by it. Moreover, one depends on the willingness of the reference group to make an effort to contribute (which might be inversely proportional to the complexity and time-consuming nature of the selected method).

2. The semantic differential method, the equal weights and the ranking based on quality requirements are the only two methods that can be applied to a **large number** of criteria.

## 1.2 SCORES

The first step in the actual evaluating process is the evaluation of compliance with the criteria (based on the monitoring), in order to attribute an individual score to each criterion. There are several possibilities to attribute scores.

### 1.2.1 Compliance or non-compliance

The simplest scoring method is to only distinguish between 'compliance' and 'non-compliance'. The criterion score could for example be "1" if the criterion is met, and "0" if not. This method is simple and clear, but does not allow mapping differentiations between e.g. "the criterion is not met at all" and "the criterion is nearly met".

### 1.2.2 Differentiated scores

Another possibility is the use of a more varied scale reflecting to what extent a certain criterion is met. The Ethibel label e.g. uses a wider scale to evaluate a company compared to the sector and region average. The score can vary from "0" for "far beneath the average" over "3" for "normal for the sector" to "6" for "exceptional, pioneer". Other variations are possible, e.g. from "0" for "bad" over "3" for "average" to "5" for "excellent", etc. The advantage of these systems is that they allow to differentiate according to the level of (non)compliance, but these systems rely more on the judgement of the monitor and are more complicated than the previous one.

## 1.3 INTEGRATION

An integration method intends to reach an end score, integrating the individual scores and reflecting the extent to which the applicant complies with the criteria of the label.

### 1.3.1 Linear additive model

A straightforward manner to calculate the end score is to multiply the individual score ( $c_i$ ) for each criterion with its weight ( $w_i$ ) and then adding up these weighed scores.

$$S = \sum_{i=1}^n (w_i * c_i)$$

with:  $S$  = total score

$c_i$  = score of criterion i

$w_i$  = criterion of criterion i



The total score could then be compared to a set 'minimum score to be reached'. If the score is not lower than the set score, the label can be awarded.

### 1.3.2 Mean score

The mean score is calculated by adding up the individual scores and then dividing them by the number of criteria.

$$S = \frac{1}{n} \sum c_i$$

with:  $S$  = mean score

$c_i$  = score of criterion  $i$

The mean score can then be compared to the minimum. This method is very similar to the one described above.

### 1.3.3 No integration

It is also possible not to integrate the individual scores, e.g. when all criteria simply have to be complied with. The individual, not the total score is evaluated in this case.

## 1.4 EVALUATION

The evaluation of the end score is decisive for whether or not the label will be awarded to the product.

### 1.4.1 Mandatory criteria

The use of mandatory criteria is an uncomplicated method to reach a verdict. Based on the classification and weights one could select the most important criteria (e.g. the 20 most important ones, the others are dropped) and make up a list of mandatory criteria. After selection, all 20 criteria are attributed the same weight. The product then has to comply with all criteria on this list. If it does not comply with one of them, the label is not awarded. In other words, all scores have to equal 1, not 0. There are no intermediary scores and no integration of individual scores.

This straightforward evaluation method can easily be understood and applied and is used in most existing labelling initiatives. The method guarantees that the criteria considered important are complied with, but does not leave room for differentiation or for criteria, which are important although not indispensable or not applicable to all companies. The method is also rather stringent, since the label is not attributed if one (or more) criterion is not fulfilled.

### 1.4.2 Optional criteria

Based on the classification and weights one could attribute (different or equal) evaluation weights to all criteria in a list. The applicant has to reach a minimum set score. In order to do so, he has to comply with a number of criteria. It is not determined which criteria from the list he should comply with, so he can choose them from the list. The end score is calculated with the linear additive model and compared to the required level. If the end score is lower than the minimum score, the label is not awarded.

Optional criteria grant certain flexibility to the label and allow the applicants to choose their own accents. A sufficient number of optional criteria offers possibilities in the diverse situations the

producer operates in. It allows including criteria, which are not equally feasible in all countries and that could otherwise be classified 'discriminatory'. For example: In Western countries companies could score with measures as time credit or career perspectives, while Southern countries could score with measures as offering accommodation to employees or contribution to community projects.

A drawback is that the label can be awarded even when some of the basic criteria are not fulfilled. It is equally possible that the system allows the applicant to choose a non equilibrated set of criteria, for example, if the applicant picks most of the criteria from environmental themes and neglects the social and economic themes. This could be remedied by setting a minimum score per (sub)division, e.g. a minimum score for environmental themes, one for social, one for economic and one for institutional themes. Another criticism on this system – put forward in the users committee – is that it is not unequivocal: labelled product x does not comply to the same criteria as labelled product y. Moreover, this ambiguity could be confusing to consumers. Others argue, based on a study on consumer perception towards the European ecolabel and the EMAS certificate (OIVO, 2003)<sup>20</sup>, that even sensitised consumers generally do not comprehend the subtleties of the procedures and that communication must be as simple as possible. In that case, this last argument would not be relevant since it does not matter to consumers how the system exactly works. Support from civil society however is considered to be very important.

#### **1.4.3 Combination of mandatory and optional criteria**

The combination of both previous options is another possibility. The most important criteria – essential to cover basic sustainability – are listed and made mandatory. They have equal weight and are either complied with (score 1) or not complied with (score 0). On top of this, a second set of optional criteria is listed, with less important criteria having a lower weight than important criteria. A minimum score for compliance with optional criteria needs to be reached. The label is awarded if all mandatory criteria are complied with and the minimum score for optional criteria is reached. The users committee suggested that when updating the criteria lists, some optional criteria could become mandatory.

This system combines certain flexibility with the guarantee of compliance with the main sustainability aspects. Again, the issue of ambiguity concerning the optional criteria could be put forward, although in a lesser degree.

#### **1.4.4 Gradual system**

Another possibility is to work with a 'gradual' system in which the score differs according to the degree of compliance. Instead of setting a single level to be reached, several levels could be distinguished, and the level of compliance is to be communicated to the consumer. Possible mechanisms to do so are e.g. plus signs, stars (\* when reaching 60 – 79 points, \*\* when reaching 80 – 99 points, \*\*\* when reaching 100 or more points) A-B-C labels, etc.

As goes for the optional criteria, this system is rather complicated and might be difficult to communicate. Again, one could wonder whether it is necessary to try to inform the consumer on the applicant's degree of compliance. For the applicant however this approach can have some advantages: the gradual system can be a challenge to keep improving the product or performance, stepping from the 'lowest' to the 'highest level'. Producers having reached the 'highest' level can present an image as a pioneer.

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<sup>20</sup> Van Regenmortel, I., Rousseau, C., Bontinckx, C, Consumers' Perceptions of and attitudes towards the European Ecolabel and the EMAS certificate, OIVO-CRIOC, 2003

## 2 APPLICATION TO THE LABEL

### 2.1 WEIGHING METHODS

The initial criteria list (based on the literature study) was very extensive, making the selection of the most important criteria and the application of a weighing method (other than the 'equal weights' method) necessary. The two options for weighing large criteria lists are the semantic differential method and the method based on quality requirements.

As mentioned above, the criteria selection depends on the input of a reference group. The reference group in this research project was the users committee of stakeholders, who were willing to participate but – most of them – only in a limited degree. To make their contribution less time-intensive, the research team proposed a list of criteria that was presented to the users committee. This guaranteed stakeholder participation without making the consultation process too intensive for the committee members.

The research team distinguished between more and less important criteria based on **quality requirements**, as described in the 'criteria development' chapter (Chapter III, 2.1.2). The selected requirements were: *relevance, feasibility, measurability and discrimination*. Four levels of importance were distinguished ("important" must be interpreted here as "relevant, feasible, measurable and not discriminating"):

- Not important, and thus to be removed from the list;
- Little important (e.g. quite relevant but not feasible nor measurable, etc);
- Important (e.g. relevant, measurable, not discriminating but not easy to implement);
- Very important: essential part of a 'sustainable development' label, in case of non-compliance the label cannot be attributed.

The motivation for distinguishing between little important, important and very important is explained below in 2.4. This process led from the inventory of criteria from the literature study to a draft criteria list for the sustainable development label.

The selected quality requirements, as well as the draft proposal, were presented to the **stakeholder committee** and discussed in the stakeholders' meeting. Based on their comments, a second draft was made up, again presented to the committee and adapted based on their comments. The result, a list of criteria that were all considered important to a lesser or greater extent, is presented in annex 3).

### 2.2 SCORES

Distinguishing between 'compliance' (score 1) and 'non compliance' (score 0) is the most clear and uncomplicated method. It is clear that this is the most suitable method to evaluate mandatory criteria. It could be considered to use a more differentiated scale to evaluate optional criteria. However, especially with large numbers of criteria, this makes the process a lot more complicated. Therefore it is preferred to evaluate all criteria with score 1 or 0. During the monitoring it appeared that it is not always easy for the monitoring instance to choose between 1 and 0. The evaluation of most of the criteria is based on qualitative and not on quantitative elements.

## 2.3 INTEGRATION

Mandatory criteria all have to be complied with. All criteria should have score '1', so there is no need to integrate the individual scores. Compliance with optional criteria is compared to a set score level.

Here, the end score is calculated with the linear additive model  $S = \sum_{i=1}^n (w_i * c_i)$ .

## 2.4 EVALUATION

Combining optional and mandatory criteria has both the advantages of flexibility as well as guaranteeing compliance with the main sustainability aspects. Moreover, it allows the inclusion of (optional) criteria with different feasibility for developing and western countries, or for small and large companies. The users committee found that the social criteria in the first draft were too basic and did not cover items that are on the western unions' agenda nowadays. Optional criteria allow including these items without imposing them on producers in developing countries.

However, some users committee members were not convinced that this combined method is the most appropriate, the main concerns being that different producers can comply with different criteria and that this is difficult to communicate to the consumer. Therefore, it was agreed upon in the committee meeting that benefits and drawbacks of the different systems would be illustrated (cfr 1.4.) and that both the method with mandatory criteria exclusively and the method combining mandatory and optional criteria would be elaborated.

### 2.4.1 Mandatory criteria exclusively

The process of preparing product-specific criteria includes chain delimitation and identification of the main chain actor. The main chain actor will usually be the applying company. It was decided that the main chain actor has to fulfil more criteria than the other chain actors (suppliers and subcontractors). The criteria that are mandatory for the main chain actor exclusively often concern the company as a whole, and are not limited to the processes directly linked to the product concerned. For example, the main chain actor has to limit energy use in the whole production unit, while energy related criteria for the other chain actors directly concern the production of the product. The product-specific environmental criteria can be different for the different stakeholders.

The criteria list made for the coffee sector is added in annex 3b. The indicators in **bold** are mandatory for all chain actors. The indicators printed *italic and bold* are only mandatory for the main chain actor. The indicators printed in standard are not mandatory and are not to be considered in this scenario. The structure of the list is illustrated below:

Chain actor 1: main chain actor:

- General criteria and indicators: environmental, social, economic and integrated: **bold + italic and bold**
- Product specific environmental criteria 1: **bold + italic and bold**

Chain actor 2:

- General criteria and indicators: environmental, social, economic and integrated: **bold**
- Product specific environmental criteria 2: **bold**

Chain actor 3:

- General criteria and indicators: environmental, social, economic and integrated: **bold**
- Product specific environmental criteria 3: **bold**

etc.

For the label to be awarded, all chain actors have to comply with all applicable criteria and indicators in the list.

### 2.4.2 Combining mandatory and optional criteria

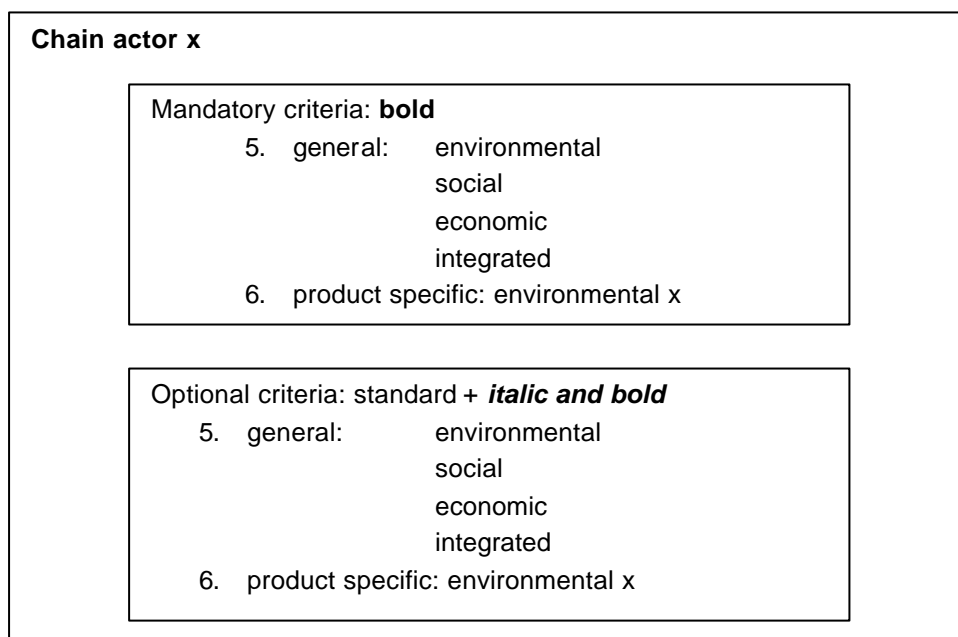
The criteria and indicators in annex 3a en 3b printed in **bold** are mandatory for all, those printed in ***italic and bold*** are mandatory for the main chain actor but optional for other chain actors, and the ones printed in standard are optional for all. An overview of the criteria each chain actor has to comply with is given below.

<p><b>Chain actor 1: main chain actor</b></p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"><p>Mandatory criteria: <b>bold</b></p><ul style="list-style-type: none"><li>1. general: environmental social economic integrated</li><li>2. product specific: environmental 1</li></ul></div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"><p>EXTRA mandatory general criteria: <b><i>italic and bold</i></b></p><ul style="list-style-type: none"><li>environmental</li><li>social</li><li>economic</li><li>integrated</li></ul></div> <div style="border: 1px solid black; padding: 5px;"><p>Optional criteria: standard</p><ul style="list-style-type: none"><li>1. general: environmental social economic integrated</li><li>2. product specific: environmental 1</li></ul></div>
<p><b>Chain actor 2</b></p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"><p>Mandatory criteria: <b>bold</b></p><ul style="list-style-type: none"><li>3. general: environmental social economic integrated</li><li>4. product specific: environmental 2</li></ul></div> <div style="border: 1px solid black; padding: 5px;"><p>Optional criteria: standard: <b><i>italic and bold</i></b></p><ul style="list-style-type: none"><li>3. general: environmental social economic integrated</li><li>4. product specific: environmental 2</li></ul></div>

Chain actor 3...

Chain actor 4...

...



Each chain actor has to comply with all applicable mandatory criteria. On top of this, the optional criteria and indicators need to be lived up to to a set minimum score. A certain score of e.g. 1/3 has to be reached for each of the 4 pillars of sustainable development. An example for coffee is given in annex 1.

## CHAPTER VI

# PROCEDURES

In this chapter the role of the principal actors is described in the internal organisation of the labelling organisation. The selection of the product groups will be explained as the development of the product specific criteria, and the chain delimitation. Furthermore a procedure is proposed. This procedure treats of the information given to the company, the application, the monitoring, the award or refusal, the follow-up, the renewal and the complaint system. In the end an estimation of the financing is given and an alternative least costly system is proposed. This chapter is based on the supposition that the label is based on a Belgian law. If the label would be based on a European regulation, the text should be adapted only in this way that the Belgian law is replaced by the European regulation.

## 1 INTERNAL ORGANISATION OF THE SCHEME

### 1.1 INTRODUCTION

The different actors that play a part in the internal organisation of the labelling scheme are the responsible Minister (in preference the Minister of Sustainable Development), the committee of the label and the label secretariat. Within the internal organisation, the participation of the different stakeholders is crucial for the development and the functioning of the label. The structure and functioning of the label will be transparent but all information on companies will be kept confidential. As it is the Belgian government that will issue the label a legal basis is foreseen.

### 1.2 THE MINISTER

The responsible Minister will introduce the laws necessary for the functioning and the regular adaptation of the label.

He or she will, in collaboration with the secretariat, inform the population, and more specifically the consumers and the companies, about the label and the importance of the consumer's attitude for the promotion of sustainable products.

The Minister will decide about the complaints given by companies, organisations or other parties concerning the use of the label.

### 1.3 COMMITTEE

The committee is the central body of the scheme and is comprised of representatives of all relevant stakeholder groups (consumer organisations, social and environmental NGOs, labour unions, trade and commerce, industry, service providers, research institutes, associations of importers, ...). There is a rotating system for the chair (and two vice-chairs, being the previous and next chair). Co-operation with the Belgian Eco-labelling Board and the Belgian Social label Committee should be considered.

The committee makes final decisions on the selection of product categories and criteria. It receives the preliminary application and declares its admissibility. It decides upon the award of the label. Complementary to the Minister it develops, adapts and implements the long-term policy and

strategy of the scheme, and works on the integration of the label in the various policies being developed in relation to sustainable consumption<sup>21</sup>.

Decisions taken by the committee are taken by majority vote.

#### **1.4 SECRETARIAT**

The secretariat is an independent and neutral organisation, with no vested interest. It is the point of access to the labelling scheme and handles the promotion and marketing of the label. The marketing, information and public relation department has the task of promoting and informing about the label through the newsletter, magazines, brochures, events, activities and an updated website and also through the organisation of a helpdesk handling enquiries. Other objectives are to identify key target groups (consumers and products) and define and implement a marketing strategy, marketing actions and promotional material for each, develop strategic partnerships with retailers, promote the use of the label's criteria in public and corporate procurement, gather information about where labelled products are sold. The department might also take up the co-ordination of marketing efforts of the different existing labels and develop and implement joint marketing initiatives, joint actions and joint promotional material, and exchange information.

Moreover, the secretariat takes care of the day-to-day management of the labelling scheme and the administration. It is responsible for, among others, receiving and assessing applications and preparing contracts licensing products to use the label. It handles complaints against the initiative. One of the possibilities is that the secretariat will contact the monitor selected by the committee and deal with all the administrative aspects with the monitoring institution.

The secretariat contributes to the development of the label. It does the preparatory work on product categories, criteria, and applications for the committee and is consulted on strategies and working plans and the formation of working groups. It handles the procedure for changes within the label structure as well and the resources and long-term financing of the scheme.

It also strives for harmonisation of the existing overlapping labelling initiatives through a co-operation and co-ordination department. The objective of this department is to progressively co-ordinate developments in the different labelling schemes. One of the concrete possibilities would be that in time the secretariats of the Ecolabel, the Social Label and the sustainable development label would merge. The tasks are a) co-ordinate product group development (including reviewing existing product groups and agreeing as far as possible on a common approach); b) examine possibilities of mutual recognition, and mutual fee reductions; c) develop joint marketing activities and information to consumers (on common and complementary aims of the different labels, joint lists of all eco-label award holders and where their products can be found, ...).

The staff of the label could in the beginning consist of two highly skilled employees - one of them specialised in environmental aspects, the second in social aspects - and one administrative person. If the label is successful a third highly skilled person can be engaged (in preference an economist). The label can supplement its own in-house technical staff through strategic partnerships with research institutions and individual experts around the world. These partners can often provide expertise in specific product categories the label deals with. They will be invited to participate in the expert committee for defining the product specific guidelines.

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<sup>21</sup> Such as IPP, sustainable public procurement, reduced taxation for green or sustainable products, etc.



### **1.5 EXPERT COMMITTEE FOR PRODUCT SPECIFIC GUIDELINES**

For each product group, product specific guidelines will be formulated. An expert committee brought together by the secretariat will do this. They will have at least 2 meetings featuring all experts. Most of the work will be done by email contacts.

### **1.6 TRANSPARENCY, CONFLICTS OF INTEREST, CONFIDENTIALITY**

The product specific guidelines should be available to all interested parties. Information concerning the established criteria, the composition of expert groups and the state of progress of current work shall be open to the public. The widest possible circle of interested parties should be heard in connection with all draft criteria, and their responses from such reviews are open to the public.

All informative documents on the label should be open to the public. International observers are regularly invited and informed by the committee. Full details of all decisions are published in The Bulletin of Acts and Decrees.

Minutes and protocols of the committee are strictly confidential, as all received information about companies. The same counts for the application and for the refusal of the label. Only the award of the label is made public.

Consumers can be sure that a product/service that displays the logo has been awarded it by an independent authority with no vested interest in the company.

In one of the proposed models the label organisation will appoint the monitoring institute and will deal with all financial aspects of the monitoring to avoid conflicts of interest between the monitor and the company.

### **1.7 LEGAL BASIS**

The label is a national public non-profit instrument based on national laws and Royal Decrees.

## **2 SELECTION OF PRODUCT GROUPS**

The label criteria are to be developed product group – specific. The initiative for proposing new product groups can lay with the Minister, the committee, the secretariat, the industry, NGOs.... The committee and its secretariat then handle these proposals. They determine whether the product group falls within the scope of the scheme and the committee then submits the proposal to the Minister.

In principle, the scheme is open to any product or service. However, the choice of product categories for which labelling is considered necessary and beneficial, is based on various considerations. In order to select the product groups, which are most suitable for labelling, the secretariat investigates the:

- 1) Relevance: the significance of sustainability impacts associated with the product category and the significance of sales' volumes;
- 2) Potential for improvement: the potential for environmental, social and/or economic improvements;
- 3) Potential for impact: the potential for succeeding in the market and the degree to which the label might affect the product, activity or problem.

A market analysis and a feasibility study are underpinning the selection, assessing the following aspects:

- Market structure and the types of products available on the market;
- Quantities in which they are manufactured on the Belgian market;
- Quantities imported;
- Need for consumer guidance;
- Producer structure and competition;
- Functional differences between types of products;
- Need for identifying subgroups;
- The significance of environmental impact;
- The opportunity for its reduction;
- Key social issues;
- The opportunity for ameliorating social conditions;
- Key elements relating to the product's fitness for use;
- Opinions of all interested parties;
- Consumer perception;
- Inventory of labels, standards, test methods and studies;
- Public interest;
- Manufacturer interest and
- Promotional opportunity.

Impact on the label's credibility should be taken into consideration in the selection of product groups. The label cannot be awarded to e.g. substances that are toxic, carcinogenic or dangerous to the environment or to goods that could be harmful to the consumer in their normal application. Products that are associated with especially significant negative impacts (e.g. cars and pesticides) can only be labelled if consumers perceive a large social or environmental benefit associated with the labelling, and if it contributes to a faster product development towards less environmentally hazardous products. If not, this might jeopardise the credibility of the label. Naturally, against the advantage of safeguarding the credibility, is the disadvantage of not being able to influence the development and consumption of certain products with high sustainability relevance: the label's potential effect will therefore be limited. Product groups should be marked out in order to preserve credibility. Excessive caution however, unnecessarily limiting the label's potential, is not reasonable either. The credibility could after all also be damaged if product groups with high negative impact are avoided altogether, and if consumers interpret this as though the label is not serious about trying to mitigate important sustainability problems.

### **3 DEVELOPMENT OF PRODUCT SPECIFIC CRITERIA**

Criteria are set for specified product categories. A general set of integrated, social and economic criteria can be used for all sectors or products. Only in some rare cases complementary product specific integrated, social or economic criteria are developed. The set of general ecological criteria is only used as a base for the development of the sets of specific ecological criteria that are developed for each different product category.

#### **3.1 PROCEDURE**

Once the Minister has approved a new product category, the committee gives a mandate to the secretariat to develop the criteria. The secretariat forms in name of the committee an ad hoc expert group (which is formally appointed by the Minister) to develop the criteria for the new product group. A balanced participation of all interested parties in the expert group is sought; the expert group includes representatives of all interested parties, such as representatives from industry, trade, governmental authorities, research institutes, consumer's organisations and NGOs. This group of experts develops

specific guidelines for chain delimitation, a proposal for a set of criteria, and the assessment and verification requirements related to these criteria, following the methodology developed in paragraph 4 and in chapter III. Regular feedback on the process to the committee is ensured.

To ensure stakeholder involvement all the more, the proposals are published on the internet where all are welcome to make their views on the criteria proposals known through a feedback form which one can fill in and can be posted, faxed or emailed to the project manager.

The final proposal is officially presented/submitted to the committee, discussed with all stakeholders and voted upon. If the committee takes a favourable view of the proposal, a formal decision of the Minister concludes the adoption procedure.

## **4 CHAIN DELIMITATION**

### **4.1 IMPORTANCE**

The process tree and the production chain can be very extended and complex (e.g. consisting of hundreds of companies), so that it can become impossible for the applying company to draw them up completely. Monitoring a chain like that would not be possible either: the collection of place-specific data is time consuming, difficult and costly. In addition, there are insufficient accessible databanks for LCA-records and for generic information on organisation-linked aspects.

Therefore – to make the label system workable and less expensive - it is indispensable to delimit the chain to the most relevant processes and chain actors.

### **4.2 METHOD**

A commonly accepted scientific method for chain delimitation including social, environmental and economic aspects does not exist. In the development of the labelling procedure, the two-fold method presented in fig 2 (cfr. chapter III 1.2) is used.

For the process related aspects the most important environmental impacts are identified based on an LCA study. Criteria development will then be concentrated on the processes associated with these impacts. For the processes for which place-specific data collection is necessary, the companies linked to them will be identified.

The analysis of the organisation related aspects would also lead to a delimitation of the chain. The significant chain actors are to be retained. Unknown actors and those of little importance are cut off. This clear-cut should be well motivated. However no standardised internationally accepted methodology is at hand. During the study multiple attempts were made to develop a general methodology for chain delimitation. After several discussions with different stakeholders some criteria for chain delimitation were proposed:

The delimitation should be based on general environmental-social-economic information concerning the product group. The experts committee for product specific guidelines will assemble this information. In function of these data the committee will decide which chain actors have to be taken into account. It is possible that the expert committee will have to consider the fact that for some branches it will be impossible to know all chain actors. This part of the chain will then not be considered.

The Belgian Social label uses another way to consider chain delimitation. This method considers the following:

- The chain should include at least 60% of the raw materials.
- Chain actors have to be retained if the components produced by the actor correspond with one of the following criteria:
  - The product/service represents more than 10% of the weight of the assessed product;
  - The product/service represents more than 10% of the volume of the assessed product;
  - The product/service represents more than 10% of the production costs of the assessed product.
- If there are any known production related social, ethical or economic controversies the actor should however be included.

Lack of experiences and practical cases make it difficult to develop a methodology. This would require an extensive research with multiple practical case studies. At present it is impossible to propose a scientifically justified general method for the delimitation of the production chain in function of the organisational aspects within the framework of this study.

The chain delimitation for the sustainable development label will at this first stage be defined per product group. The expert group of the product specific guidelines will develop product specific guidelines for the delimitation based on the analysis of the production tree. The delimitation based on the analysis of the production chain will be decided upon by the committee in function of the information given by the expert group, the description of the production chain by the applying company and generic information on the problems within the countries and the sectors companies are situated in.

The retained chain actors are to be evaluated on all aspects of sustainability considered. In the frame of the coffee case this would mean that – since the packing of coffee does not contribute significantly to the environmental impact of the entire lifecycle – the companies performing the packing<sup>22</sup> are not included in the chain. Companies excluded by the LCA, might however be included if they are seen as significant chain actors within the analysis of the production chain, for example if they represent a critical percentage or if the social controversies are too important. This is the case for maritime transport: while transport of coffee could be excluded in the LCA because it contributes only to a very small extent to the total energy cost of the coffee production– the existing social controversies require the inclusion of these companies.

## **5 APPLICATION AND MONITORING PROCEDURE**

Where necessary a differentiation is made between an application following model 1 where the committee of the label will appoint an accredited monitoring institution for the external monitoring of organisation related aspects and an application following model 2, where the applying organisation itself will appoint an accredited monitor (cfr. Chapter IV.2).

### **5.1 INFORMATION**

Sector-specific guidelines with information on the sustainable development label are available on the website and at the secretariat. The information includes e.g. the application procedure, sector specific criteria, the documents needed, procedures for chain delimitation and the monitoring procedure.

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<sup>22</sup> Unless they are involved in one of the other stages as well

## 5.2 APPLICATION

To apply for the label, the applying company has to submit a detailed application file to the committee. The secretariat can be called in to assist the applicant to assess the feasibility of obtaining the label and to compose the application file. The necessary proof of compliance with the criteria is collected, as described in the sector specific guidelines. If required, the secretariat informs the applicant on necessary changes to production processes or to the production chain.

The label is meant to be awarded to one product. If however different products have the same production chain, it could be possible to apply for a label for different products at one time, as the monitoring will be the same for all. In some cases the production chain contains different end products at different stages. In that case the different end producers could apply at the same time for the label. In the case of a T-shirt the producers of the cotton, those of the textile and those of the final product, the T-shirt, can all together introduce an application for the different products. This reduces the monitoring costs considerably, and gives the opportunity for more products to obtain the label.

If the applicant or another chain actor has already obtained other labels or certificates, the secretariat compares the sustainable development label criteria with the other labels' or certificates' criteria. Overlapping criteria are removed from the list of criteria for which compliance has to be verified.

The application file has to contain the following elements:

- Name and address of the company seat in Belgium; name of the business manager; name of the contact; name of the parent company if applicable; juridical entity (legal status);
- Name and identification number of the product;
- Description of the product concerned and the production processes involved in the production chain;
- Description of the production chain as far as described in the sector-specific guidelines, including the identification of the subcontractors and suppliers involved.
- A list of the subcontractors and suppliers involved in the production chain, describing their participation in the production process in detail (address, branch, number of employees, description of the production process, raw materials and end product, contact persons...);
- Certificates or labels the applying company has obtained for the product concerned or for other products;
- Other certificates or labels obtained within the chain;
- An excerpt from the records of the meeting preceding the final application, where the social dialogue bodies (e.g. the works council) of the applying company were informed on the intention of the company to submit an application for the award of the label;
- A description of the measures taken by the applying company to guarantee the respect of the label criteria in the production chain (more specific: the agreements and arrangements with the subcontractors, the measures to secure the conditions within the production chain, a list of documents that are available at the different subcontractors and suppliers and that are to be presented in case of a control visit...);
- A document of each chain actor stating that they are part of the production chain, that they respect the label criteria and that their employees are informed of the criteria and of the complaint procedure of the label;
- The documents requested to prove compliance with the product specific criteria, including at least the laboratory results (cfr. sector specific guidelines).
- Other documents proving or indicating the compliance with the criteria of the label,

### **5.3 DECLARATION OF ADMISSIBILITY**

The application will appear on the agenda of the first meeting of the committee, given that the secretariat registered the application at least 15 days before the committee meeting. The committee discusses the admissibility of the application and will have to give the applying company an answer within 6 weeks after the introduction of the appliance.

The declaration of admissibility is based on the completeness of the file. When received, the secretariat will study the file and verify if all necessary documents are present and if all chain actors of the production chain are mentioned. They will also verify if the required product specific analysis prove that the product related criteria are complied with. If the file is incomplete, the secretariat notifies the applicant and the file is temporarily kept under consideration. If necessary, the secretariat can request additional information from the applying company to complete the application file. An application can for example be refused if the company cannot prove the origin of certain raw materials and / or product components.

When the file is considered as complete, the company can be requested to pay an application fee. For model one this fee includes only administrative costs, as the applying company will pay the monitoring. If model 2 is followed the monitoring institution is chosen and paid by the secretariat. In this case the application fee will be obligatory and will include administration and monitoring costs.

### **5.4 MONITORING**

The monitoring is performed to assess compliance with the organisation-related label criteria. The monitoring has to be performed within a period of minimum one and maximum 6 months. Remedial actions are necessary and possible, a prolongation of 12 months between the screening and the visits on the spot can be asked for.

#### **5.4.1 Selection of monitoring institution**

##### **5.4.1.1 Model 1**

The applying company selects a monitoring institution from an up-to-date list of accredited monitoring institutions that is provided by the secretariat of the label. The selected monitoring institution can have no interested relations with the company. The monitoring institution is entirely responsible for the monitoring, regardless of the monitoring being (partly) performed by the institution itself or (partly) by another organisation. If part of the monitoring is subcontracted to another institution, this will have to be agreed upon by the committee

The monitoring is performed according to the guidelines of the monitoring guide of the label (cfr. Annex 4a and chapter IV.4). The guidelines are worked out for the screening, which includes the gathering of information and documents, a desktop study, consultation of the management, workers and relevant stakeholders as well as for the visits on the spot.

##### **5.4.1.2 Model 2**

The committee selects a monitoring institution from an up-to-date list of accredited monitoring institutions that is provided by an accreditation body. The selected monitoring institution has no interested relations with the company and is entirely responsible for the monitoring. If part of the monitoring is subcontracted to another institution, this will also have to be agreed upon by the

committee. The monitoring is equally performed according to the guidelines of the monitoring guide of the label.

#### **5.4.2 Screening**

The selected monitoring institution is responsible for the screening. They can call in subcontractors meeting the requirements of the monitoring guide. In this case the selected monitoring institution has a coordinating function and is responsible for the content of the screening report. The committee will have to be informed and has to approve.

The screening involves gathering of information on all companies involved in the production chain, as described in the application file and approved by the committee, and following the guidelines of the monitoring guide.

The monitoring institution will deliver a screening report to the applying company and to the committee. The report is confidential (exclusively placed at disposal of the monitors, the company and the committee) and is drawn up by the main auditor. The report contains the following:

- A description of the methodology followed;
- A description of the findings of the screening;
- A list of the organisations and persons consulted (mentioning their function if possible, not mentioning their names);
- A description of the general shortcomings; exposed shortcomings should be well-documented and should be based on facts; if necessary they should be illustrated with examples;
- A classification of the companies according to their likeliness for non-compliance with the criteria.
- A concise summary with the essential findings and final conclusions.

If the report is negative and major non-compliances are found, the applying company can ask not to continue the monitoring before remedial actions took place. They can be allowed an interval of maximum 12 months. If remediation is not possible within this period the label cannot be allowed and the application fee will be lost.

#### **5.4.3 Selection of companies to be monitored on the spot**

Based on the classification in the screening report, and at random as described in the monitoring guide, the committee determines if and which chain actors are to be monitored on the spot. The monitoring can take place at the applying company as well as at the subcontractors and suppliers.

#### **5.4.4 Monitoring on the spot**

The selected monitoring institution is responsible for the monitoring on the spot. It can call in local monitoring institutions that meet the requirements of the monitoring guide. Here also the committee will have to be informed of this and has to approve. The selected institution has always a coordinating function and stays responsible for the content of the audit report. The company to be monitored is notified of the period in which the monitoring will take place (e.g. 3 months) but not of the exact date. The monitor will verify if the company has the necessary documents available and if the label criteria are respected.

The monitoring institution will then deliver a final a final report to the committee and to the applying company. The report is confidential (exclusively placed at the disposal of the monitors, the company and the committee) and is drawn up by the main auditor.

The final report will contain

- A description of both methods used for the screening and the monitoring on the spot.
- A description of the verification of the production chain.
- A summary of the results of the screening and of the monitoring on the spot.
- A summary of the essential findings and final conclusions on the compliance of the criteria within the entire production chain.
- Recommendations concerning the attribution of the label

In annex

- The report of the screening
- The report of the monitoring on the spot

The report of the monitoring on the spot and contains the following:

- A description of the methodology followed;
- A description of the findings of the assessment of the situation on the spot;
- A list of the organisations and persons consulted (mentioning their function if possible, not mentioning their names);
- A description of the general shortcomings; exposed shortcomings should be well-documented and should be based on facts; if necessary they should be illustrated with examples;
- A concise summary with the essential findings of the visits on the spot and final conclusions.

The selected monitoring institution is entirely responsible for the content of the audit reports. The final report will be in English, Dutch or French. The responsible monitoring firm will keep all relevant documents (e.g. interview reports) for five years.

## **5.5 AWARD OR REFUSAL**

If the company complies with the label criteria and obtains a positive evaluation, the committee can decide to award the label to the product concerned. This decision has to be taken within 6 weeks of the delivery of the final report. The committee notifies the company of the decision.

The award is published at the relevant website and in The Bulletin of Acts and Decrees. The following will always be explicitly mentioned:

- The name and description of the product;
- The company;
- The monitoring institution;
- The date of award.

When the label is awarded, the company can be requested to pay an annual fee. Both for model one and model two this fee includes all administrative costs. In the case of model two the costs for possible additional monitoring are equally included as the monitoring institution is paid by the secretariat.



If the company does not comply with the label criteria and obtains a negative evaluation, the committee decides not to award the label to the product concerned. The committee notifies the company of the decision. Refusal of the label is not published.

## **5.6 FOLLOW-UP**

Relevant changes to the production process or within the production chain have to be reported to the committee. If necessary, additional proof of compliance with the criteria is requested or additional monitoring is imposed.

Yearly a follow-up monitoring is done. This consists in a light screening, for which stakeholders do not necessary need to be consulted. If problems are found a more profound screening with stakeholder consultation will be done. This can lead to visits on-site following a less strict at random method based on the risk categories. Companies that have already been monitored on site become classified as one category less likely for non-compliance (cfr. annex 3a). Thus the probability of monitoring companies that have been monitored before becomes smaller but still exists. This monitoring is paid by the company in model one and by the labelling institution in model two.

## **5.7 RENEWAL**

The sector specific criteria are valid for a fixed time period after which they are updated. This time period will be determined for each product category and will vary between 3 and 5 years. Labelled products always have to comply with the valid criteria.

The label is awarded until the end of the validity period of the criteria, up to a maximum of 5 years.

If the criteria are to be updated, the secretariat notifies the company in time. The company then has a given time period (typically 12 or 18 months) in which to adapt to those new criteria.

Compliance with the adapted criteria then has to be proven by providing the necessary documents and/or performing an additional screening and or monitoring on the spot.

## **5.8 COMPLAINTS**

### **5.8.1 Complaints**

Companies, organisations or other stakeholders can introduce complaints concerning the infractions against the criteria of the label at the secretariat of the label. The Minister of sustainable development will decide on the follow-up and the consequences of all complaints considered as relevant by the secretariat. Based on these complaints the Minister can require a supplementary monitoring.

### **5.8.2 Appeal procedure**

A board of appeal will decide about the appeals done concerning the refusal or the withdrawal of the label and appeals against the decisions of the Minister concerning complaints concerning the use of the label.

## **6 FINANCING**

### **6.1 INTRODUCTION**

No label has the aim to make profit. The costs of administration, certification and promotion of the label are financed through fees from companies that have labelled products and in some cases by state subsidies. There are different possible ways of financing labels. The following classification is based on the literature study:

- Application fee

Upon application, an application fee has to be paid, whether or not the label is effectively granted at the end of the procedure. The amount of the fee varies greatly between the different labels and is mostly fixed (between 64€ and 2200 €). Sometimes the application fee is in function of the annual turnover of the product, the size of the company (eg. 25% reduction for SME's) or the location (reduction for applicants from a developing country).

- Monitoring, testing and verification fees

For almost all the labels, the costs of monitoring, testing and verification have to be covered by the applicant. For the environmental labels these costs are product-dependent and have to be paid upon the initial application and upon every application for renewal. For most social labels the monitoring is paid for directly to the monitoring institution. In some cases the monitoring will be included in the application fee. This is the case when the monitoring is done by the label organisation itself or if the monitoring institute is paid by the label organisation in order to avoid conflicts of interest between the monitor and the company.

The costs for the follow-up monitoring can be paid directly by the company or can be included in one of the fees. Sometimes an additional % of the cost of an on-site evaluation has to be paid as a 'value added fee' by the respective manufacturing facility. This is used as advance payment for the unscheduled follow-up evaluation.

- All-round fee

The costs for being certified as an organic producer sometimes is based on the size of operation or the market value of the organic production concerned and cover inspection, certification, a one-year licence, and access to additional support services.

- Licence fee for the use of the label or annual fee

The fee for the use of the label is usually yearly and calculated as a percentage of the (estimated) annual turnover, varying between 0.1% and 0.4%. It can be based upon the annual consolidated revenues of the company, or on the type of use of the label. Most programmes have set limits to these fees. Some have reductions for SME's and developing countries. There are sometimes reductions foreseen if the company has already other certifications or if they are 'first movers'. One initiative reimburses the company partly for the direct cost of the required inspections during the company's initial implementation period.

Especially for SME's the costs for participation in some of the programs can be considerable. In this case the government could provide subsidies (eg. the European Commission encourages individual Member States to provide support mechanisms for organisations (particularly SME's) wishing to implement EMAS).

### **6.2 THE LABEL SYSTEM**

In order to be as independent as possible model two is proposed as in this system the applying company will not have any financial interactions with the monitoring institute. The committee of the label appoints the monitoring institution and pays them for their services. The applicant has to pay an application fee and an annual fee for the use of the sustainability label. Both application fee and

annual fee include administrative costs, monitoring costs and the promotion costs of the scheme. This system also allows the committee to ask regularly for unannounced follow-up monitoring when infractions are suspected.

As the Belgian government owns the label, the system should be financed through state subsidies and fees from companies that have labelled products.

### **6.2.1 Application fee**

Upon application, an application fee has to be paid. This fee is paid once only and has to be paid when the committee, irrespective of it leading to a licence, has approved the application file or not. This application fee is fixed by the Minister and varies in function of different parameters. It could be set in function of the estimated turnover of the product (eg. 0.25% including a min. of 500€ and a max. of 25.000€). In addition it can also take into account the size and location of the company (25% reductions for SME's and manufacturers or service providers from a developing country). Reductions could be foreseen for certified companies in other labelling schemes. Further options for reductions are for example the "first mover" option. The committee could have discretionary powers to give reductions of up to 25% if the applicant is a real pioneer in any product group, meaning being amongst the first 3 applicants in a product group. Reductions can be given if the applying company has already a label for one or more of it's other products. All these reductions are cumulative but only up to a total of 50%. The fee can be estimated between 500€ and 25.000€. When the company re-applies for the label a diminished application fee will be paid.

### **6.2.2 Annual licence fee for the use of the label**

If an application is approved and the label is awarded, there is an annual fee to pay for the use of the label. It covers the follow-up monitoring, a one year licence for the use of the logo, and all administrative costs. The fee is decided upon by the Minister of sustainable development and is dependent on the product and the applying company. The licence fee could be set in function of the (estimated) annual turnover (eg. 0.15%) and the size and location of the company. The same set of reductions as for the application fee could be applied. The fee can be estimated between 150 and 5.000€ a year.

The fee will again not be calculated in function of the actual monitoring cost for the company. It will be used to optimise the follow-up monitoring. This follow-up monitoring will be done in function of suspected irregularities within the different production chains of labelled products. It could be that some production chains have no need for a follow-up monitoring. The fees received from different products will be added up and used there were the monitoring is necessary. The actual costs for the follow-up monitoring will be approximately for an intensive screening of a company: 500 €. The monitoring in situ will follow the same prices as described for the application file.

### **6.2.3 Estimation of the costs and incomes**

The administration costs include the financing of:

- The secretariat of the label:
  - o General administration.
  - o Information to companies.
  - o Verification of the application file.
  - o Contacts with monitors.
  - o Translation texts.

- The logistics of the expert committee.
- The logistics of the committee of the label.
- Promotion of the label.
- Updating website.
- Remuneration of the members of the expert committee defining the product specific guidelines.
- Remuneration of the members of the committee of the label.

The administration costs could be estimated in the beginning at 2 full time equivalent highly skilled employees (2x75.000 €), 1 full time equivalent employee for secretarial work (1X 50.000 €), working costs (100.000 €), the remuneration of the expert committee defining the product specific guidelines (5 experts x 3.000 €) and the remuneration of some of the non administrative members of the committee of the label (12 x 1.500 €).

The estimated total costs would be (till 30 applications a year):

Administration: 300.000 €

Product specific guidelines (4 guidelines): 4x 15.000 = 60.000 €

Label committee: 18.000 €

Total: 378.000€

The monitoring could cost the label approximately between 250 € and 2.500 € for the screening, depending on the number of companies taking part in the production chain and the number of controversies and irregularities found. The monitoring in situ, done by an accredited monitoring institute could cost between 700€ and 1000 € a day per monitor. Visits will be conducted by at least two auditors and will take min. 1.5 days, and max. 4 days per location. It is possible that for one production chain different locations have to be visited.

So the estimated costs for the monitoring could be for the first year (based on a estimation of the average costs for 10 applications):

Screening: 10.000€

Monitoring in situ: 40.000€ (estimating that most of the chains will have only companies in category 3).

Total: 50.000€

The average annual income with 10 applications could be (both application fee and annual licence fee included):

Application fee: 150.000 €

Annual licence fee: 25.000€

Total: 175.000 €

Total with 10 applications:

Total costs: 378.000 € + 50.000€ = 428.000 €

Total income: 175.000 €

In this case a support of 253 € will have to be found

If the label is successful (eg. 40 applications):

Total costs 378.000 € + 60.000€ + (50.000€ x4)= 638.000 €

Administration + four more product specific guidelines + 4 times more monitoring

Total income: 175.000 € x 4 = 700.000 €

In this case the label is self-supporting. With more than 40 applications a fourth person will have to be engaged.

### 6.3 ALTERNATIVE SYSTEM

The relatively high costs of the label might be a problem for most companies, and in specific small companies off to introduce an application. Even companies who know they are complying with the criteria could refrain for this reason. Studies showed that the costs related to the European ecolabels seem to be one of the main reasons for the difficulties the project has to interest companies<sup>23</sup>.

In order to give a maximum of companies the possibility to apply for the label for their products, an alternative "light" version of monitoring could be considered. This version would consist in a limitation of the monitoring to a desktop screening, without consultation of stakeholders for every company. Only if the document research would reveal possible problems, relevant stakeholders are contacted (cfr. Chapter IV.4.6.). The costs of this monitoring system can be estimated between 250 and 3.000 €

The application fee could equally be set in function of the estimated turnover of the product (eg. 0.2% including a min. of 500€ and a max. of 4.000€). The same reductions as mentioned in the first case could be applied. This means that the fee would be reduced to an amount between 500€ and 4.000€.

The annual licence fee would only stand for the administration costs and if relevant a more thorough screening of one of the most sensitive companies of the chain.

It would also be estimated in function of the turnover of the product (eg. 0.15% including a min. of 150€ and a max. of 4.000€). The fee would be reduced to an amount between 150€ and 4.000€.

As stated in chapter IV this will make the label more accessible in particular to small companies, but the quality of the monitoring is lower. The internal monitoring of the company and the reliability of the information they communicate play a more important role.

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<sup>23</sup> Recommendations by the University of Ghent (Centrum voor Milieueconomie en Milieumanagement), December 1999, about the promotion of the European Ecolabel.

## CHAPTER VII

# VOORSTEL VAN WET EN VAN VERORDENING (LEGAL BASIS)

In collaboration with the Centre for Environmental Law (Ghent University), a proposal for a national law and a proposal for an EU regulation for a sustainable development label were made up. They are summarised in paragraph 2 in this chapter, while the full versions are presented in annex 5. Annex 5 contains a Dutch and a French version of the proposal for a national law and a Dutch and an English version of the proposal for an EU regulation.

Both proposals are based on the existing legal basis of the European ecolabel and the Belgian social label and take into account international regulations. According to the proposals, the aim of the sustainability label is to promote those products which, compared to products in the same product group, diminish environmental impacts, do not have negative social impacts and have a positive economic effect, and therefore contribute to an efficient use of resources and to a high level of social, environmental and economic protection. This objective should be reached by drawing consumers' attention to these products and by providing them with accurate, non-misleading information with a sound scientific basis.

The proposals were presented to the Users Committee. Their comments, presented in the paragraphs 2.2 and 3.2., were taken into account if possible. The feedback which did not lead to adaptations of the proposals is commented by the Centre for Environmental Law. In paragraph 4 the need for integration with other labels is commented.

The last paragraph is a note by the Centre for Environmental Law on the compatibility of the sustainable development label and the WTO regulations and on the issue of public tenders. Neither the GATT- nor the WHO-regulations prohibit the introduction of a voluntary label. Governmental voluntary ecolabels / sustainability labels are subject to the GATT stipulations: if the requirements of the label do not imply arbitrary or irresponsible discrimination and if the aim (e.g. environmental protection) of the measure is indicated, it is allowed to introduce a label. The application of the TBT (*Technical Barriers to Trade*) regulations to voluntary environmental / sustainability labels however is being disputed. Whether or not to live up to the TBT regulations is rather an ethical question. If Belgium does follow the TBT regulations concerning the introduction of a sustainability label, there is no impediment, but the Belgian government then is responsible for the accordance of the label with the TBT agreement (i.e. non-discriminating, no trade barrier and based on international standards). Imposing compliance with a label in public tenders equals the introduction of an obligatory label, which is subject to the TBT Agreement.

After long discussions, the European Parliament and the EU council of ministers agreed in December 2003 upon the elaboration of 2 regulations concerning public tenders in the EU in which production methods and environmental considerations could be considered when assigning contracts. This agreement has to be ratified by the European Parliament and the Council before the regulations can be adopted. Still, it is already clear that the accepted standards offer few possibilities. Where it is possible to pose environmental requirements, these have to be seen rather as technical requirements (i.e. it cannot be required that the product has an ecolabel, but it is possible to pose the criteria to obtain the label as requirements)). Working circumstances (cfr. a social label) are not considered at all.

## **1 INLEIDING**

In samenwerking met het Centrum voor Milieurecht van de Universiteit Gent werd een voorstel van wet opgesteld, bruikbaar voor het Belgische beleid en een voorstel voor een Europese verordening (cfr. annex 5). Voor het ontwerpen van deze voorstellen werd rekening gehouden met de internationale wettelijke context en met bestaande wetgevingen voor het Europese ecolabel en het Belgische sociaal label. Het voorstel tot wet kadert tevens in het voorontwerp van het Federaal Plan inzake Duurzame Ontwikkeling 2004-2008. Actie 17 van dit plan gaat specifiek over de introductie van een label 'duurzame ontwikkeling' voor producten. Het voorstel voor Europese verordening werd uitgewerkt, gezien het de bedoeling is dat het duurzaamheidslabel op Europees niveau geïntroduceerd wordt. Een van de doelstellingen van het label is het ingaan tegen het ontstaan van verschillende labels voor duurzame ontwikkeling binnen Europa, wat niet efficiënt zou zijn en voor verwarring kan zorgen.

## **2 VOORONTWERP VAN WET TOT INSTELLING VAN EEN DUURZAAMHEIDSLABEL**

### **2.1 SAMENVATTING**

Volgens de wettekst heeft het duurzaamheidslabel tot doel die producten te bevorderen die vergeleken met andere producten uit dezelfde productengroep negatieve milieueffecten verminderen, geen negatieve sociale impact hebben en een positieve economische invloed uitoefenen en die zo b?dragen tot een efficiënt gebruik van hulpbronnen en een hoog niveau van milieu-, sociale en economische bescherming. Dit doel wordt bereikt door die producten onder de aandacht te brengen van consumenten en hun nauwkeurige, niet-misleidende en wetenschappelijke onderbouwde informatie erover te verstrekken.

Het duurzaamheidslabel kan worden toegekend aan goederen en diensten die op de Belgische markt worden gebracht en voldoen aan de toetsingscriteria, die voor het label worden vastgesteld per productengroep. Deze toetsingscriteria behelzen sociale, milieu- en economische aspecten en impliceren minstens de naleving van nationale en internationale wetgevingen betreffende deze criteria tijdens de gehele levensloop van het product.

De wetgeving bepaald de toekenningsprocedure en de controleprocedure, en stelt dat de bevoegde minister instaat voor de voorlichting van de bevolking over de rol en de aard van het label, en over het belang van het aankoopgedrag van de consument in de bevordering van maatschappelijk verantwoorde producten.

De samenstelling en de functie van het comité voor duurzame producten wordt bepaald. Het comité telt zestien leden en zestien plaatsvervangers, benoemd door de koning, en een voorzitter en een ondervoorzitter. Het brengt bindend advies uit bij de minister over de aanvragen tot toekenning van het duurzaamheidslabel, over de controle op en de klachten betreffende het gebruik van het label en over de intrekking ervan.

Verder bevat de wet de bepalingen voor de raad van beroep, de intrekking van het label, de sancties en de kosten. Ook bevat zij een overgangsbepaling voor het opheffen van de wet ter bevordering van sociaal verantwoorde productie en het comité voor het toekennen van het Europees milieukeurmerk.

### **2.2 OPMERKINGEN GEBRUIKERSCOMITÉ**

Het wetsvoorstel werd voorgelegd aan het gebruikerscomité van 16 oktober '04. Er werden verschillende opmerkingen gegeven. De opmerkingen werden doorgegeven aan het Centrum voor

Milieurecht met de vraag om de formulering van de tekst in de mate van het mogelijke eraan aan te passen en, indien dit niet kon, een antwoord te formuleren. De opmerkingen die niet tot een aanpassing leidden worden hier weergegeven, samen met het geformuleerde antwoord (schuin gedrukt).

Art.6 §4: Er was een contradictie tussen geldigheidsduur criteria en contracten. Stel dat het label wordt toegekend vlak voor de criteria worden herzien. *Er werd een overgangperiode voorzien (cfr ecolabel) bij het introduceren van nieuwe criteria.*

Art.6 §5: "In geval van wijzigingen van de eigenschappen van de producten die geen gevolgen hebben voor de naleving van de criteria": *dit moet uitgelegd worden in de memorie van toelichting*

Art.7 §5: "de minister erkent": waarom moeten geaccrediteerde instellingen nog een keer erkend worden? Er bestaat al een lijst met officieel erkende instellingen. EN45002 bestaat niet meer en is vervangen door ISO17025 voor labo's en 17020 voor keuringsinstellingen.

*Deze erkenning is nodig omdat deze normen vaag zijn en moeten gepreciseerd worden in een referentieel, aangepast aan de noden van het duurzaamheidslabel.*

Art.8: Hoe zit het met de etikettering? *Dit detail moet niet in de wet. De wet voorziet wel dat hierover een KB verschijnt.*

Art.9 §2: "Het comité geeft op eigen initiatief of op verzoek van de regering of de voorzitter van de Kamer van volksvertegenwoordigers of van de Senaat advies over alle wetsontwerpen en wetsvoorstellen tot wijziging en over alle ontwerpbesluiten tot uitvoering van deze wet." Kan het dat een door KB aangesteld comité daar advies over geeft? *Ja.*

Worden de ondervoorzitter en de voorzitter uit de leden van het comité gekozen? Aangezien de voorzitter neutraal moet zijn verzwakt dit het comité. Het is dus beter dat ze niet uit het comité gekozen worden, bv zoals bij de Commissie voor milieuetikettering en –reclame. *Ze worden niet uit het comité gekozen.*

Het voordeel van te werken met een comité i.pl.v. met een overheidsadministratie is dat deze manier van werken de participatie van stakeholders waarborgt.

Art.12: Op wie is de gevangenisstraf van toepassing – wie is verantwoordelijk? Kan een bedrijf een gevangenisstraf krijgen?

Art. 15:

- Wat met die producten die al een sociaal label hebben?
- Wordt het biogarantielabel en de Europese Verordening ivm. biologische productiemethode dan ook afgeschaft?
- Het sociaal label is voor alle productgroepen en het DO-label niet
- Het zou wel een goed idee zijn om de comités te laten samenvallen (sociaal label, DO-label, ecolabel)

*Dit artikel is opgenomen als stof tot discussie.*



### **3 VERORDENING INZAKE EEN COMMUNAUTAIR SYSTEEM VOOR DE TOEKENNING VAN DUURZAAMHEIDSLABELS**

#### **3.1 SAMENVATTING**

Het communautair systeem voor de toekenning van duurzaamheidslabels heeft tot doel die producten te bevorderen die vergeleken met andere producten uit dezelfde productengroep negatieve milieueffecten verminderen, geen negatieve sociale impact hebben en een positieve economische invloed uitoefenen en die zo b?dragen tot een efficiënt gebruik van hulpbronnen en een hoog niveau van milieu-, sociale en economische bescherming. Dit doel wordt bereikt door die producten onder de aandacht te brengen van consumenten en hun nauwkeurige, niet-misleidende en wetenschappel?k onderbouwde informatie erover te verstrekken.

Het communautaire duurzaamheidslabel kan worden toegekend aan de goederen en diensten die op de gemeenschappelijke markt worden gebracht die voldoen aan bepaalde essentiële eisen en aan criteria die worden vastgesteld per productengroep.

De wet voorziet het opstellen van een werkprogramma dat onder andere de ontwikkeling van gemeenschappelijke maatregelen voor het bevorderen van producten die van het duurzaamheidslabel voorzien zijn, alsmede op de invoering van een mechanisme voor de uitwisseling van informatie over bestaande en toekomstige productengroepen op nationaal en EU-niveau vaststelt.

Men vindt er ook de procedures voor de vaststelling van de criteria en de toekenning van het duurzaamheidslabel in terug. Ook de vormgeving van het label, de gebruiksvoorwaarden, de aanvraagkosten en de gebruiksvergoeding worden er gespecificeerd. Maatregelen ter bevordering van het label en de noodzakelijke coördinatie tussen dit communautaire systeem en eventuele nationale systemen binnen de lidstaten.

Een bureau voor het duurzaamheidslabel van de Europese Unie wordt voorzien, bestaande uit bevoegde instanties en een raadplegingforum, alsook een comité dat de commissie bijstaat.

Opmerkingen bij voorstel voor voorontwerp van verordening

#### **3.2 OPMERKINGEN GEBRUIKERSCOMITÉ**

Op dit hoofdstuk kwamen weinig opmerkingen.

Er werd gevraagd of aanpassingen aan de vooruitgang van de techniek en maatregelen in geval van inbreuken werden voorzien, alsook een overgangsbepaling voor de intrekking van het Europese ecolabel. Dit was inderdaad het geval.

Er werd ook gevraagd of in principe het Europees label de nationale labels vervangt? Dit is enkel het geval voor die productgroepen waar zowel nationaal als Europees criteria zijn. Daar moet het Europese het nationale label vervangen.

### **4 INTEGRATIE MET ANDERE LABELS**

Tijdens het gebruikerscomité werd tevens de integratie van het duurzaamheidslabel met andere labels besproken. Er werd opgemerkt dat de integratie belangrijk is omwille van de administratieve vereenvoudiging (bijvoorbeeld door het samenvallen van de comités). De markt kan regulerend werken maar kan ook een handje geholpen worden bijvoorbeeld door via openbare aanbestedingen een vraag te creëren.

Uit het onderzoek van Réseau des Consommateurs Responsables en Velt blijkt dat de consumenten vinden dat verschillende labels naast elkaar kunnen bestaan maar en té groot aantal zorgt wel voor verwarring. Het label moet zeer duidelijk worden gecommuniceerd<sup>24</sup>. Vele consumenten verwachten van het duurzaamheidslabel dat het het summum wordt. De verwarring komt eigenlijk vooral door de selfclaims (eigen verklaringen van de producent of distributeur zoals 'biologisch afbreekbaar' of 'milieuvriendelijk'). Er zijn weinig ISO type I labels, dwz labels die worden gecontroleerd door een onafhankelijke derde partij.

Integratie van labels is wenselijk tot op zekere hoogte maar labels kunnen niet zomaar afgeschaft worden. Het moet mogelijk zijn tests en controle-attesten te gebruiken die ook voor andere labels / certificaten werden gebruikt. Hierbij is de uitvoeringsdatum belangrijk.

Consumenten vinden opbouwlabels (\*\*\*) wel goed, maar de informatie moet duidelijk zijn. De uitgewerkte theorie laat toe er een opbouwlabel van te maken.

## 5 ONTWERPNOTA BETREFFENDE DE VERENIGBAARHEID VAN EEN DUURZAAMHEIDSLABEL MET DE WHO-REGLEMENTERING

### 5.1 ALGEMENE CONTEXT

1. A priori is er geen beletsel tegen het invoeren van een duurzaamheidslabel, dat als bijzondere vorm van eco-label kan worden aangemerkt. Ecolabels bestaan reeds in verschillende landen van de wereld onder verschillende vormen: verplichte negatieve informatie-labelling, verplichte informatieneutrale labelling, vrijwillige multicriteria-labelling, enz.<sup>25</sup>

2. Met betrekking tot **verplicht** na te leven technische voorschriften voor producten, door nationale overheden opgelegd, is de overeenkomst inzake technische handelsbelemmeringen (*Technical Barriers to Trade Agreement, TBT-agreement*) van het WHO van toepassing.

Met betrekking tot **vrijwillige** normen (zoals een ecolabel en het voorgestelde duurzaamheidslabel) wordt de toepassing van het TBT-akkoord echter betwist door de geïndustrialiseerde landen<sup>26</sup>.

3. Voor zover zij de beperkingen van het TBT-akkoord in acht nemen, kunnen nationale normgerichte beleidsmaatregelen in elk geval worden getroffen.

4. Het TBT-akkoord beoogt vooral het inperken van verborgen protectionistische maatregelen (nationale maatregelen die op arbitraire wijze bepaalde technische vereisten opleggen voor producten, waardoor de lokale industrieën beschermd worden en (potentiële) handelsbelemmeringen gevormd worden voor exporterende landen), en wil tevens beletten dat producenten en exporterende landen geconfronteerd worden met uiteenlopende normen die onnodige kosten en moeilijkheden met zich meebrengen wanneer zij hun producten wensen af te zetten op diverse buitenlandse markten.

Art. 4 van het TBT-akkoord voorziet een systeem van vrijwillig na te leven normen. De WHO-leden moeten erop toezien dat de normalisatie-instellingen die onder hun centrale overheid of onder lokale overheden ressorteren, evenals de niet-gouvernementele normalisatie-instellingen op hun

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<sup>24</sup> <http://www.rcr.be/explorer/document/La%20perception%20du%20consommateur%20doc>

<sup>25</sup> K. Bodard en M. Pallemarts, De haalbaarheid van een geïntegreerd milieuproductenbeleid in België, Tussentijds rapport project voor Belgian Science Policy PODO II, Vrije Universiteit Brussel, 2003, 47. Onderhavige nota is in grote mate op dit rapport gebaseerd.

<sup>26</sup> Het *Committee on Trade and Environment (CTE)* van de WHO werd gelast met het formuleren van aanbevelingen over de vraag of eco-labelling (zowel onder de vorm van verplichte als vrijwillige normen) onder de toepassing van het TBT-akkoord valt. De Vijfde Ministeriële Conferentie in Cancun, in september 2003, leverde evenwel geen concreet resultaat op, zodat de discussie tussen de geïndustrialiseerde landen en de zgn. ontwikkelingslanden verder duurt (K. Bodard en M. Pallemarts, 51).

grondgebied en de regionale normalisatie-instellingen waarvan zij als centrale overheid of waarvan één of meer organen die actief zijn op hun grondgebied lid zijn, de Praktijkrichtlijn voor het opstellen, het aannemen en de toepassing van normen (*Code of Good Practice for the Preparation, Adoption and Application of Standards*), in bijlage 3 bij het TBT-akkoord, aanvaarden en naleven<sup>27</sup>.

Deze praktijkrichtlijn omvat een aantal principes zoals het niet-discriminatiebeginsel, het beginsel dat er geen onnodige internationale handelsbelemmeringen dienen gecreëerd te worden, het baseren van productnormen op internationale normen, het deelnemen in standaardisatieorganisaties voor de ontwikkeling van internationale normen met het oog op het harmoniseren van normen, het formuleren van op de productvereisten gebaseerde normen in termen van performantie (werking van het product) eerder dan in termen van ontwerp of beschrijvende karakteristieken, en informatie-, notificatie- en publicatieverplichtingen<sup>28</sup>.

5. Naast het TBT-akkoord is ook het GATT-akkoord (1994) van toepassing op staatsmaatregelen die de handel kunnen beïnvloeden, doch in het geval van een duurzaamheidslabel legt het GATT-akkoord geen striktere voorwaarden op aan de lidstaten dan het TBT-akkoord. Artikel XX van het GATT-akkoord laat toe aan de lidstaten om bepaalde maatregelen in te voeren voor zover deze maatregelen geen arbitraire of onverantwoorde discriminatie of verborgen handelsbeperking inhouden en voor zover aan één van de doestellingen opgesomd in het artikel is voldaan.

6. Er moet wel worden gewezen op de onduidelijkheid van de TBT- en GATT-voorschriften. De WHO-lidstaten zijn op basis van artikel 2.9.4 van het TBT-akkoord wel geacht rekening te houden met de commentaren van andere landen, maar nergens wordt bepaald hoe dit moet gebeuren<sup>29</sup>. Zo voerde België de wet ter bevordering van sociaal verantwoorde productie in - die een label invoerde dat ondernemingen kunnen gebruiken bij de promotie van producten die beantwoorden aan een aantal criteria zoals verbod op kinderarbeid, recht op vakbondsvrijheid, verbod op discriminatie inzake tewerkstelling en verloning enz. - ondanks de kritiek van ASEAN-landen, de V.S., China, Canada, en nog meerdere andere landen. Toch is er totnogtoe geen melding van enige procedure voor de WHO-geschillenbeslechtscommissie<sup>30</sup>.

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<sup>27</sup> Opm. : een van de discussiepunten m.b.t. de toepasselijkheid van het TBT-akkoord op vrijwillige normen is de vraag in hoeverre het TBT-akkoord de activiteiten van subnationale en private labellingorganisaties kan reguleren. De WHO-leden moeten wel alle ter hunne beschikking staande redelijke maatregelen nemen opdat de lokale en niet-gouvernementele normalisatie-instellingen de Praktijkrichtlijn naleven, maar welke soort redelijke maatregelen door de WHO-leden moeten genomen worden om de naleving af te dwingen en wat de precieze omvang is van de verplichtingen die in de Praktijkrichtlijn werden opgenomen, wordt niet gespecificeerd. Het is ook onduidelijk in welke mate overheden verantwoordelijk kunnen gehouden worden onder de WHO-regels voor initiatieven van de private sector die een aanzienlijke impact kunnen hebben op de internationale handel van ontwikkelingslanden. (K. Bodard en M. Pallemmaerts, 29).

<sup>28</sup> In artikel 5 van het TBT-akkoord worden een aantal randvoorwaarden bepaald voor conformiteitsbeoordelingsprocedures, die moeten verzekeren dat de normvereisten voor een bepaald product voldaan zijn en die bijgevolg aan de consumenten het vertrouwen moeten bieden dat een aantal legitieme beleidsdoelstellingen effectief gevolgd worden waardoor hun gezondheid, veiligheid en andere behoeften, zoals bezorgdheid voor het behoud van een goed en evenwichtig milieu, gevrijwaard blijven (K. Bodard en M. Pallemmaerts, 28-30).

<sup>29</sup> K. Bodard en M. Pallemmaerts, 78-79.

<sup>30</sup> Er dient wel opgemerkt dat de criteria die de wet ter bevordering van sociaal verantwoorde productie vooropstelt, de IAO-normen inhouden. Het voorontwerp tot instelling van een duurzaamheidslabel daarentegen verwijst niet naar nader gespecificeerde internationale normen en houdt in wezen slechts indirect de internationale normen in : "*de toetsingscriteria (...) impliceren minstens de naleving van nationale en internationale wetgevingen betreffende deze criteria*" (art. 5 § 1). Deze omschrijving zou best worden verduidelijkt.

7. Het opleggen van een duurzaamheidslabel als een gunningsvoorwaarde voor openbare aanbestedingen zou niet enkel een WHO-vraagstuk zijn, maar bovendien een kwestie van EU-recht. Openbare aanbestedingen worden immers gereguleerd door EU-richtlijnen.

Wat de benadering vanuit de WHO-hoek betreft : Het opleggen van een duurzaamheidslabel als een gunningsvoorwaarde zou neerkomen op het verplicht maken van dat label. Op dat ogenblik is het de facto geen *vrijwillig* label meer, maar een *verplicht* label, met alle hiervoor vermelde WHO-bepalingen erop van toepassing.

Het is overigens niet duidelijk of productieomstandigheden of leefomstandigheden onder de noemer "normen", zoals voorzien in de WHO-reglementering, kunnen vallen. Het door de WHO gehanteerde begrip "normen" viseert namelijk *technische* normen van een product. De productieomstandigheden of leefomstandigheden zijn dus niet te beschouwen als de "normen" die in het WHO-recht worden geviseerd. De bepalingen uit het ECOSOC-verdrag, het kinderrechtenverdrag, het W.A.O.-verdrag e.d zijn overigens niet allemaal concreet genoeg om als "norm" te worden gehanteerd (vele bepalingen houden veeleer beginselen in).

Wat de benadering op EU-vlak betreft: Het eisen van een label om te mogen deelnemen aan openbare aanbestedingen valt onder de regels voor openbare aanbestedingen, die vanuit de Unie worden opgelegd. De EU-richtlijnen verbieden maatregelen die de vrije mededinging van alle ondernemingen en producten zouden hinderen, en in het bijzonder clausules die technische specificaties zouden vermelden waardoor bepaalde ondernemingen of producten worden begunstigd of uitgeschakeld. Een verplicht label zou als zulke maatregel worden beschouwd.

De gunningscriteria zijn beperkend omschreven in de richtlijnen : hetzij alleen de laagste prijs, hetzij technische criteria – variërend naargelang de aard van de opdracht – zoals kwaliteit, technische waarde, functionele kenmerken, leveringstermijn, klantenservice én prijs<sup>31</sup>. Er mogen aan de ondernemer wel voorwaarden worden gesteld, maar deze betreffen dan enkel de beroepsbekwaamheid, de inschrijving in het handelsregister, het voldoen aan de sociaalzekerheidswetgeving, de financiële gezondheid van de onderneming enz.

Het opleggen van ecologische of sociale voorwaarden is dus momenteel niet toegelaten tenzij die inschrijver toevallig ook de laagste prijs zou hebben. Recent hebben het Europees Parlement en de Raad wel een akkoord bereikt over twee nieuwe richtlijnen m.b.t. de procedures die binnen de EU voor het gunnen van de overheidsopdrachten zullen worden uitgevaardigd en waarin de door het bedrijf gebruikte productiemethoden in aanmerking kunnen worden genomen bij het omschrijven van milieueisen in de technische specificaties van de opdracht<sup>32</sup> - op het vlak van arbeidsvoorwaarden werd niets opgenomen – maar die richtlijnen moeten nog worden opgesteld en uitgevaardigd .

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<sup>31</sup> Gelijkaardige bepalingen zijn van in den beginne in de EU-richtlijnen opgenomen: zie o.m. de richtlijnen 71/305 EEG van 26.07.1971, 77/62/EEG van 21.12.1976, 90/531/EEG van 17.09.1990, 92/50/EEG van 18.06.1992, 93/50/EEG, 93/37/EEG en 93/38/EEG, van 09.08.1993. De tekst die als standaard wordt gehanteerd in latere besprekingen is die van de richtlijn 93/38/EEG van 14.06.1993 houdende coördinatie van de procedures voor het plaatsen van opdrachten in de sectoren water- en energievoorziening, vervoer en telecommunicatie (P.B. nr. L199 van 09.08.1993, 84; gewijzigd bij richtlijn 98/4/EG van 16.02.1998, P.B. nr. L101 van 01.04.1998, 1), inzonder art. 34.1: "(...) zijn de criteria aan de hand waarvan de aanbestedende diensten een opdracht gunnen : a) hetzij, indien de gunning aan de inschrijver met de economisch voordeligste aanbieding plaatsvindt, verschillende criteria die variëren naar gelang van de aard van de opdracht, zoals de leveringstermijn, de uitvoeringstermijn, de gebruikskosten, de rentabiliteit, de kwaliteit, esthetische en functionele kenmerken, de technische waarde, de klantenservice en technische bijstand, de verbintenissen met betrekking tot reserveonderdelen, de gewaarborgde materiaalvoorziening en de prijs ; b) hetzij alleen de laagste prijs".

<sup>32</sup> Bemiddelingscomité Europees Parlement/de Raad, Akkoord over de richtlijnen inzake overheidsopdrachten, ref. 15379/03, dd. 02.12.2003, <http://europa.eu.int/prelex>. Over de ganse ontwikkeling van de ontwerprichtlijnen sinds 2000, zie de bijlage.

Zodra de richtlijnen zullen zijn uitgevaardigd, zullen productiemethoden – op het vlak van het leefmilieu – dus in beginsel in de gunningsvoorwaarden kunnen worden opgenomen. Een 'label' als zodanig niet, maar dit kan worden opgevangen door in de gunningsvoorwaarden de voorwaarden op te nemen die geveerd zijn om het – vrijwillig - ecologisch label te bekomen.

## 5.2 CONCLUSIE

Het invoeren van een vrijwillig duurzaamheidslabel is niet verboden door de GATT- of WHO-akkoorden.

Gouvernementele vrijwillige eco-labels/duurzaamheidslabels vallen onder toepassing van de GATT-bepalingen : indien de verplichtingen m.b.t. het label geen arbitraire of onverantwoorde discriminatie of verborgen handelsbeperking inhouden en het milieubeschermend doel van de maatregel wordt aangegeven, is het invoeren van een vrijwillig label toegestaan.

De toepassing van de TBT-regels op de vrijwillige eco-informatielabels is totnogtoe betwist; de beslissing tot al dan niet naleving van de TBT-regels is op dit ogenblik dus eerder van ethische aard; Indien België de TBT-regels volgt voor het invoeren van een duurzaamheidslabel, is er in elk geval geen enkel beletsel. In dat geval is de overheid wel verantwoordelijk voor de overeenstemming van het vrijwillige duurzaamheidslabel met de bepalingen van het TBT-akkoord, met name:

- niet-discriminerend
- geen handelsbeperking
- gebaseerd op internationale normen.

Het opleggen van een label voor het meedingen aan een openbare aanbesteding staat gelijk met het invoeren van een verplicht duurzaamheidslabel ; daarop zijn de TBT-bepalingen van toepassing.

Twee Europese Richtlijnen m.b.t. het gunnen van overheidscontracten zullen in de toekomst (*technische*) milieuvorwaarden als mogelijke criteria voor de toekenning van zulke contracten in aanmerking nemen.

## 6 DE PROBLEMATIEK VAN DE OVERHEIDSOPDRACHTEN

De problematiek van de overheidsopdrachten, de procedure en de criteria ervan, is sedert een drietal jaren in beweging. Een recent voorstel voor een Europese richtlijn voorzag dat ecologische criteria in aanmerking zouden mogen worden genomen<sup>33</sup>, doch mits zij rechtstreeks met de opdracht verband zouden houden.

Het voorgestelde artikel 54 – "Gunningscriteria" zou luiden :

1. (...) zijn de criteria aan de hand waarvan de aanbestedende diensten een opdracht gunnen: a) hetzij, indien de gunning aan de inschrijver met de voor de aanbestedende diensten economisch voordeligste inschrijving plaatsvindt, verschillende **criteria die rechtstreeks verband houden met het voorwerp van de opdracht**, zoals de leveringstermijn, de uitvoeringstermijn, de gebruikskosten, de rentabiliteit, de kwaliteit, de esthetische en functionele kenmerken, **de milieutechnische eigenschappen**, de technische waarde, de klantenservice en technische bijstand, de verbintenissen met betrekking tot reserveonderdelen, de gewaarborgde materiaalvoorziening en de prijs ; b) hetzij alleen de laagste prijs.

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<sup>33</sup> Voorstel voor een richtlijn van het Europees Parlement en de Raad houdende coördinatie van de procedures voor het plaatsen van opdrachten in de sectoren water- en energievoorziening en vervoer, P.B. nr. C029E van 30.01.2001, 112.

2. In de in lid 1, onder a), bedoelde geval specificceert de aanbestedende dienst het relatieve gewicht dat hij voor de bepaling van de economisch voordeligste inschrijving aan ieder van de gekozen criteria toekent." (vet door ons aangebracht).

In de adviezen van de verschillende organen, m.b.t. dit voorstel, werd erop gewezen dat ook sociale criteria (arbeidsomstandigheden e.d.) in aanmerking zouden moeten komen :

*"Bij het evalueren van de kwaliteit van de offerte mag de aanbestedende **dienst rekening houden met sociale en milieucriteria**, mits het beginsel van gelijke behandeling wordt gerespecteerd en de vigerende nationale en Europese sociale en milieuwetgeving alsook de (door de lidstaten geratificeerde) IAO-bepalingen in acht worden genomen. Dit dient echter ook uit de richtlijn zelf te blijken."*

en **"Voorts wordt onvoldoende aandacht geschonken aan milieu-aspecten**, die toch bepalend zijn voor de toekomst van Europa. In artikel 53 zou een specifieke bepaling over milieucriteria kunnen worden opgenomen; deze zouden dan in redelijke mate verenigbaar met de overheidsopdracht moeten zijn en de inhoud ervan niet mogen veranderen. Er zou pas rekening mee behoeven te worden gehouden wanneer zij een element van doorslaggevend belang vormen waar het gaat om de milieugevolgen van de wijze van uitvoering van de opdracht zoals voorgesteld door de mededingers. **Het is ook opvallend dat in de gunningscriteria sociale aspecten helemaal niet aan bod komen. In artikel 53 zouden ook sociale criteria kunnen worden uitgewerkt**

*Het Comité realiseert zich dat het moeilijk is alle sociale aspecten in detail op te nemen en raadt daarom aan van interpretatieve Commissiemedelingen inzake sociale en milieu-aspecten in de toekomst richtsnoeren voor de lidstaten te maken, waarin in detail wordt aangegeven hoe in de praktijk zulke aspecten in aanmerking genomen kunnen worden.*

*Momenteel werkt de Commissie aan een "groen" handboek voor overheidsaanbestedingen waarin overheidsinstanties aanbevelingen krijgen voor de wijze waarop zij milieuaspecten in de gunningsprocedures kunnen verwerken. Voor sociale aspecten zou een vergelijkbaar handboek moeten worden opgesteld."*<sup>34</sup> (vet door ons in de tekst aangebracht).

In een gemeenschappelijk standpunt van de Raad van Europa van 20 maart 2003<sup>35</sup> werd er op gewezen dat aanbestedende diensten kunnen bijdragen aan de bescherming van het milieu en het bevorderen van duurzame ontwikkeling – mits nog steeds de beste prijs-kwaliteit-verhouding gerespecteerd blijft – zodat maatregelen in die zin zouden kunnen worden voorgeschreven, "op voorwaarde dat deze maatregelen in overeenstemming zijn met het Verdrag tot oprichting van de E.G."<sup>36</sup>. In het voorstel van richtlijn werd echter enkel verwezen naar *milieubeheersmaatregelen, – systemen of –normen die, wegens de aard van de werken of diensten bij de uitvoering van de overheidsopdracht moeten worden nageleefd*<sup>37</sup>. Deze overweging werd verwoord in ontwerpartikel 52.3:

*"Voor overheidsopdrachten voor het uitvoeren van werken of het verrichten van diensten, en uitsluitend in passende gevallen, kunnen de aanbestedende diensten, teneinde de technische bekwaamheid van de ondernemer te verifiëren, de vermelding eisen van de maatregelen inzake*

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<sup>34</sup> Advies van het Economisch en Sociaal Comité over het "Voorstel voor een richtlijn van het Europees Parlement en de Raad houdende coördinatie van de procedures voor het plaatsen van opdrachten in de sectoren water- en energievoorziening en vervoer", P.B. nr. C 193 van 10.07.2001, 1, punten 2.3.1. en 2.5.

<sup>35</sup> Gemeenschappelijk standpunt (EG) nr. 34/2003 van 20 maart 2003, vastgesteld door de Raad, met het oog op de aanneming van een richtlijn van het Europees Parlement en de Raad houdende coördinatie van de procedures voor het plaatsen van opdrachten in de sector water- en energievoorziening en vervoer (richtlijn nutsbedrijven), P.B. nr. C 147 E van 24/06/2003, 137.

<sup>36</sup> Overwegingen 12 en 13.

<sup>37</sup> Overweging 52.

*milieubeheer die de ondernemer kan toepassen in het kader van de uitvoering van de opdracht. Ingeval de aanbestedende diensten in deze gevallen de overlegging verlangen van een door onafhankelijke instanties opgestelde verklaring dat de ondernemer aan bepaalde normen inzake milieubeheer voldoet, dienen zij te verwijzen naar het communautair milieubeheer- en milieuauditsysteem (EMAS) of naar normen inzake milieubeheer die gebaseerd zijn op de desbetreffende Europese of internationale normen die gecertificeerd zijn door instanties die beantwoorden aan het Gemeenschapsrecht of aan de relevante Europese of internationale normen voor certificatie. Zij erkennen gelijkwaardige verklaringen van in andere lidstaten gevestigde instanties. Zij aanvaarden tevens andere bewijzen inzake gelijkwaardige maatregelen op het gebied van milieubeheer die de ondernemers overleggen."*

Dit betekent dat geen milieu-eisen aan het productieproces konden worden gesteld. Het Comité van de Regio's heeft deze tekortkoming gelaakt in haar advies over het voorstel: "*Het Comité acht het van doorslaggevend belang dat bij overheidsopdrachten niet alleen eisen aan de eigenschappen van een product (bijvoorbeeld het PVC-gehalte in plastic) kunnen worden gesteld, maar ook objectieve eisen t.a.v. de totale belasting van het milieu door product en bedrijf, waaronder eisen t.a.v. het productieproces. Het Comité is er zeer mee ingenomen dat het milieu als voorbeeld van gunningscriterium wordt genoemd. Zelfs al is dit in wezen geen verandering - de opsomming dient alleen ter illustratie - dan nog gaat hiervan een belangrijk signaal uit naar de aanbestedende diensten en worden zij eraan herinnerd dat zij milieukeurmerken mogen laten meewegen. Wel zou de term "milieukeurmerken" moeten worden vervangen door "gevolgen voor het milieu", omdat de huidige mogelijkheden om milieu-eisen te stellen anders worden beperkt*"<sup>38</sup>.

De Raad stelde daarom voor om een artikel, met hoofding "Verplichtingen ten aanzien van de bepalingen inzake belastingen, milieubescherming, arbeidsbescherming en arbeidsvoorwaarden" op te nemen als volgt:

*"1. De aanbestedende dienst kan, al dan niet daartoe door een lidstaat verplicht, in het bestek aangeven bij welk orgaan of welke organen de gegadigden of inschrijvers de ter zake dienende informatie kunnen verkrijgen over belastingen, milieubescherming en de verplichtingen die ten aanzien van de bepalingen inzake de arbeidsbescherming en de arbeidsvoorwaarden gelden in de lidstaat, het gebied of de plaats waar de verrichtingen moeten worden uitgevoerd, en die gedurende de uitvoering van de opdracht op de op de arbeidsplaats verrichte werken of verleende diensten van toepassing zullen zijn.*

*2. De aanbestedende dienst die de in lid 1 vermelde informatie verstrekt, verzoekt de inschrijvers of gegadigden voor een aanbestedingsprocedure aan te geven dat zij bij de voorbereiding van hun inschrijving rekening hebben gehouden met de verplichtingen ten aanzien van de bepalingen inzake arbeidsbescherming en de arbeidsvoorwaarden die gelden op de plaats waar de verrichting moet worden uitgevoerd. (...)"*<sup>39</sup>.

Het Comité van de regio's stelde dan weer dat het hanteren van ethische normen aanzienlijke problemen stelde qua weging van de criteria bij de bepaling van de financieel voordeligste offerte: "*In de praktijk is dit een vrijwel onmogelijke opgave, die bovendien volstrekt zinloos is indien "zachte" criteria, zoals esthetische waarden, worden gehanteerd. Een dergelijke weging van criteria zou ronduit onmogelijk zijn bij aanbestedingen die zeer veel verschillende producten omvatten, zoals levensmiddelen, medische apparatuur en geneesmiddelen. Aanbestedende diensten die de voorgestelde procedure hebben bekeken, achten deze in de praktijk niet uitvoerbaar. Het Comité vindt dat regels die in de praktijk niet werken, niet in de richtlijnen mogen worden opgenomen. Bovendien*

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<sup>38</sup> Overwegingen 2.6.1 en 2.6.2.

<sup>39</sup> Ontwerpartikel 39.

*bestaat het gevaar dat de regels aanleiding zullen geven tot tal van onnodige rechtszaken over het gewicht dat aan criteria wordt toegekend. De aanbestedende diensten zouden objectieve, niet-discriminerende sociale criteria moeten kunnen hanteren die een gelijke behandeling en vrije concurrentie zouden garanderen."*<sup>40</sup>, hoewel het idee van het kiezen voor milieugevoelige producten of diensten als beginsel niet uitgesloten werd tijdens de besprekingen.

Zo vond het Comité van de Regio's dat milieugerichte aanbestedingen - die in het richtlijnvoorstel niet aan de orde kwamen – door de aanbestedende diensten moesten kunnen, voor zover de richtlijnen transparantie en gelijke behandeling waarborgden : *"Een aanbestedende dienst die bijv. biologische groenten of hormoonvrij vlees wil kopen, moet daartoe het recht hebben en gebruik kunnen maken van relevante milieukeuren en certificeringssystemen. Dergelijke eisen zouden in het bestek moeten worden vastgelegd. De Commissie wil dit recht in haar interpretatieve mededeling inzake milieugericht aanbesteden en door de strengere bepalingen in de richtlijnen kennelijk ter discussie stellen. Het Comité vindt dat de richtlijnen evenwel de mogelijkheid moeten bieden om eisen aan het productieproces en de wijze van levering te stellen en milieukeuren en milieucertificaten te verlanger"*<sup>41</sup>.

Na maandenlange discussie kwamen het Europees Parlement en de EU-ministerraad op 2 december 2003 tot een akkoord over de uitwerking van twee richtlijnen die de openbare aanbestedingen in de EU zouden regelen, en waarin productiemethoden en milieuoverwegingen in aanmerking zouden kunnen worden genomen voor het toekennen van contracten<sup>42</sup>.

De criteria die het overlegorgaan aanvaardde, blijkt echter weinig mogelijkheden te bieden. Het akkoord omvatte qua milieu en sociale bepalingen de volgende elementen<sup>43</sup>:

- de door het bedrijf gebruikte productiemethoden kunnen door de aanbestedende dienst in aanmerking worden genomen bij het omschrijven van de milieueisen in de technische specificaties van de opdracht;
- de lidstaten kunnen sommige overeenkomsten reserveren voor beschutte werkplaatsen;
- de niet-naleving van de richtlijnen over gelijke behandeling van werknemers kan beschouwd worden als een inbreuk op de beroepscode van het betrokken bedrijf (waardoor het dus niet kan meedingen);
- bedrijven die niet voldoen aan de EU-wetgeving inzake economische, sociale of milieuaangelegenheden worden niet toegelaten tot het meedingen.

Dit akkoord moet nog bevestigd worden door het Europees parlement en de Raad alvorens de richtlijnen kunnen worden aangenomen, waarna de voormelde criteria voor de toekenning van overheidsopdrachten zullen mogen worden gebruikt.

Duidelijk moet evenwel zijn dat indien milieueisen mogen worden gesteld, deze eerder in de zin van *technische* eisen moeten worden gezien (dus een "eco-label" kan in se niet als voorwaarde worden

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<sup>40</sup> Overwegingen 2.6.5 tot 2.6.8 van het advies van het Comité van de Regio's.

<sup>41</sup> Overweging 3 van haar advies.

<sup>42</sup> "Environment Daily" nr. 1567, 04.12.2003, [www.environmentdaily.com/articles/](http://www.environmentdaily.com/articles/). Het bemiddelingscomité nam een uitspraak van het Europees Hof van Justitie als basis : de "Finnish Buses"-zaak, C/513/99, zie persbericht van het Hof CJE/02/73. In die zaak werden uitlaatgassen en geluidshinder als voorwaarden voor het gunnen van overheidsopdrachten aanvaard door het Hof.

<sup>43</sup> Bemiddelingscomité Europees Parlement/de Raad, Akkoord over de richtlijnen inzake overheidsopdrachten, ref. 15379/03, dd. 02.12.2003, <http://europa.eu.int/prelex> en Press Release IP/03/1649 dd. 03.12.2003, <http://europa.eu.int/>.



gesteld – maar wél de voorwaarden die voor het bekomen van het ecolabel worden gevraagd), en dat arbeidsomstandigheden (in de zin van een "sociaal label") eigenlijk totaal niet in aanmerking worden genomen.

## CHAPTER VIII

# CONCLUSIONS AND RECOMMENDATIONS

This last chapter is an overview of the main results and conclusions, accompanied by some comments and suggestions (some of them being comments by the researchers, others being recommendations made by other stakeholders or experts).

## 1 METHODOLOGY

A genuine integrated product assessment means that the impacts throughout a product's life cycle are to be assessed in all aspects of sustainability: environmental, social and economic considerations. This assessment can be carried out based on a two-fold model, in which the product-related LCA method is complemented with an organisation-related approach, where place-specific analysis is important. This two-fold method is employed for the development of criteria, for chain delimitation and for monitoring.

## 2 CRITERIA

In order to be awarded the label, the products as well as the organisations involved in the production chain have to comply with certain criteria. Some of the criteria are product-related, others organisation related. Product-related criteria are specific for a product group and are mainly environmental. Organisation-related criteria apply to all kinds of products and can be environmental as well as social, economic or integrated.

The criteria development process started with a literature study, resulting in an extensive list of possible criteria, making it necessary to apply a method to select the most important criteria. The most suitable method was a selection based on quality requirements - relevance, technical and economic feasibility, measurability, discrimination -, which depends on the input of a reference group. The reference group in this research project was the users committee of stakeholders, who were willing to participate but – most of them – only in a limited degree. To make their contribution less time-intensive, the research team prepared a proposal and presented it to the stakeholders for comment. This guaranteed stakeholder participation without making the consultation process too intensive for the committee members. The selection was also adapted based on the experiences with the case study.

A list of general criteria, product- and organisation-related, was developed. The organisation-related criteria are ready-to-use. The product-related environmental criteria however are a general checklist which needs to be adapted to specific product groups (cfr. LCA), and they also require adapted indicators and measuring methods.

The criteria can be used for different purposes. Companies can apply them as a tool for sustainable product design, for product assessment and management or for integral chain management. In this project, the criteria are used for the policy-supporting purpose of developing a 'sustainable development' label. In the frame of the label, the adaptation of the general criteria list to selected product groups should be performed by working groups composed of experts and stakeholders.

It could be considered to fine-tune the criteria by adapting them to regional and sector related situations. E.g. if the main environmental problem in a certain region is the availability of water, corresponding attention should be paid to this issue in the criteria. In the frame of the label, this is not possible as long as the system stays at the Belgian level. But it can be imagined that in a further stage, and if the label becomes European, this system can be introduced and a collaboration with FSC (who are already applying such a model) can be considered.

One of the aims of the project was to harmonise existing labels. The criteria of some existing labels (Belgian social label, European eco label, Sa 800, FWF ...) are included in the proposed criteria list, so the sustainability label could harmonise some existing product labels. Other labelling systems only partially overlap. Labels for organic production and fair trade labels e.g. have a very specific aim and target group. A sustainability label has to be more broadly applicable, without being too permissive to less sustainable products.

In 2003, Réseau de Consommateurs Responsables and Velt studied the attitude of the Belgian consumer towards a future sustainability label<sup>44</sup>. The study showed that most consumers have high expectations towards a sustainability label and expect it to include all aspects of sustainability; it should be the best of all labels. The researchers however found that including 'everything' would be very complex and expensive, and tried to balance completeness and practicability.

The study also showed that a lot of consumers are not aware at all of the circumstances many products are made in. They assume most of the products they buy are produced in acceptable circumstances. At the information and discussion sessions<sup>45</sup> it was suggested that consumer information would be more interesting when identifying 'the rather fairly (and fairly) produced' products, as to distinguish them from 'the bad ones'. This means that a much less demanding product label only considering basic criteria should be used, but on a much wider scale. The proposed criteria could be revised through a very specific stakeholder committee. If applied on a wide scale, this system would have only a limited impact on the product price, since turnover is very likely to increase as well. Instead of labelling 'excellent' products, this system would label 'good' products. This could be an incentive for many producers to ameliorate the social and environmental impacts associated with their products (but only to a limited extent).

### **3 CHAIN DELIMITATION**

One of the main issues of the labelling system is that companies applying for the label need to know and draw up the process tree and the production chain of the product concerned. These can be very extended and complex, so it can become impossible for the applying company to draw them up completely. Monitoring a very complex chain would not be possible either. The collection of company related data is time consuming, difficult and expensive. The demands concerning chain management and the complexity of the criteria are the main reasons for companies to consider the labelling system as impossible to implement.

To make the labelling system workable and less expensive, the most relevant processes and chain actors are concentrated on. The expert committee identifies them when developing the product

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<sup>44</sup> Réseau de Consommateurs Responsables a.s.b.l., Le positionnement du consommateur Belge vis-à-vis d'un futur label développement durable, Recherche financée conjointement par la ministre de la santé et de la Consommation et le secrétaire d'Etat au développement durable, Etude soutenue par la Fondation Roi Baudouin, Rapport définitif, 29/06/03

<http://www.rcr.be/explorer/document/La%20perception%20du%20consommateur%20.doc>

<sup>45</sup> Brussels, 02/02/04

specific guidelines. An LCA study can be used to locate the main environmental problems and the associated life cycle stages. The identification of the chain actors to be considered is based on sector specific and regional information in which possible problems are described. The chain delimitation guidelines should take into account the practical feasibility of drawing the selected production chain. If the proposed chain is too complex, companies will not be inclined to apply for the label.

Companies are expected to have a good chain management system, since they are also considered responsible for what happens in other parts of the production chain. Chain management facilitates closer relationships with chain actors and makes it possible to detect and discuss problems within the chain with the concerned chain actors. Chain management creates the possibility to work out preventive actions and as a consequence, the risk of scandals diminishes considerably. Chain management can also be useful for quality control and sustainable product management.

#### **4 MONITORING**

Through the monitoring of the criteria it can be checked whether or not a product is complying with the requirements of the label 'sustainable development'. To each criterion, indicators and measuring methods are attributed. Some criteria can be monitored based on product-specific information (e.g. results of laboratory test) others require place-specific assessment.

The proposed monitoring system has to be reliable to make the label trustworthy. At the same time, it is important that the system is affordable. Both elements (reliability and price) are to be conciliated. This is not easy, if an extensive list of criteria has to be monitored for several companies.

Two models for place-specific assessment were proposed. One includes desk-top screening and - if serious problems are likely - visits on site. The other 'light version' only uses screening, to keep down costs. Screening is a cost efficient method for verifying compliance with the criteria. It gives an overview of the entire chain and can discover flagrant non-compliances. As the screening does not only take into account information given by the company but also by stakeholders, it can give an independent view of the situation. Some of the criteria are difficult to monitor through screening. Moreover, small companies and companies situated in third world countries are difficult to monitor through desk-top screening.

An on-site monitoring gives a thorough impression of the company. Working circumstances can be assessed and a dialogue can be held with the workers. But on site visits to companies give only a momentary view of the company. Many facts can be hidden. It needs to be done by qualified monitors understanding the local culture, the workers and the management and with a thorough knowledge of the requirements of the label. It is also important that they have a feeling with social and environmental issues. They can meet different problems, e.g. in building up trust with as well managers as workers, getting the necessary and trustworthy information.

Monitors should follow a course on the labelling system and/or the team should consist of several experts: they need to be aware of social, economic and environmental aspects, health and safety issues, production processes, sector specific problems, the monitoring and evaluation systems, local customs and language.... . A monitoring guide with extended explication on the criteria and the procedures of the labelling system and with concrete examples of possible of situations could be useful. It can be based on the proposed monitoring manual.

The preferred method can influence the number of products for which the label is applied for, as it will have an influence on the monitoring costs. The more expensive the system, the less small producers or products with links in third world countries can afford it.

Most of the organisations visited during the case study had been monitored before. Since all monitoring institutions seem interested in similar aspects, it would be interesting to develop a network with controlled access to these monitoring reports, thereby avoiding unnecessary costs.

## **5 EVALUATION**

To evaluate whether or not a product can be attributed a label 'sustainable development' it is proposed to work with mandatory and optional criteria. All chain actors have to comply with all mandatory criteria, which cover basic sustainability. On top of this, the optional criteria need to be lived up to a defined minimum score of e.g 1/3 for each of the 4 categories of criteria. Combining optional and mandatory criteria has both the advantages of flexibility as well as guaranteeing compliance with the main sustainability aspects. However, some users committee members were not convinced that this combined method is the most appropriate, the main concerns being that different producers can comply with different criteria and that this is difficult to communicate to the consumer. They preferred to work exclusively with mandatory criteria.

All mandatory criteria should have equal weight. The optional criteria could have different weights to make the evaluation more subtle. However, the attribution of the weights will then require an intensive stakeholder consultation process.

The most practicable evaluation method for individual criteria is to distinguish between 'compliance' and 'non compliance'. Monitors see this as being difficult. It could be considered to apply a more varied scale – and thereby simplifying the monitor's task - but, especially with large numbers of criteria, this makes the evaluation process a lot more complicated.

## **6 LEGAL BASIS**

The main goal of the label 'sustainable development', which should be issued by the government, is to have a positive effect on working conditions and on the environment through consumer pressure. It aims to promote products, which are manufactured with respect for social, environmental and economic issues and with a transparent production chain. It wants to reward responsible producers and to provide consumers with information on the circumstances the products were made in.

The label is designed to be issued by the Belgian government in the first place and ultimately by the European Union. It is clear that it would be much more efficient if introduced at European level. Members of the Belgian and the European parliament were contacted, and are found interested in introducing the law proposals.

The proposed procedures and laws are partly based on those of the Belgian Social label and the European Eco label. The monitoring procedures were also made to be compatible with other label systems.

The compatibility of the sustainable development label with the WTO regulations was studied. The introduction of a voluntary label is not forbidden by the GATT and WTO agreements. The GATT agreements stipulate that governmental voluntary standards may not lead to arbitrary or irresponsible discrimination or hidden trade restriction. The environmental and social purpose of the label must be

explicated. If the label will be used as a condition in public tenders, it has to conform to the TBT agreements. It must be non discriminatory, not lead to trade restrictions and be based on international standards.

## **7 PROCEDURES**

Procedures were worked out for the application of the label, the external monitoring the attribution of the label, the follow-up, the renewal and the complaint system.

The label is meant to be awarded to one product. If however different products have the same production chain, it could be possible to apply for a label for different products at one time, as the monitoring will be the same for all. In some cases the production chain contains different end products at different stages. In that case the different end producers could apply at the same time for the label. In the case of a T-shirt the producers of the cotton, those of the textile and those of the final product, the T-shirt, can all together introduce an application for the different products. This reduces the monitoring costs considerably, and gives the opportunity for more products to obtain the label.

Considering the complexity of the label a handbook for applying companies should be developed, containing more detailed information on the criteria and demands, the difficulties one could meet, etc.

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