

SUMMARY LITERATURE STUDY LABEL 'SUSTAINABLE DEVELOPMENT'

The following initiatives were studied:

Ecological 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), EU EcoFlower (EU)

Biolabels: The Soil Association (UK), Demeter (The Netherlands), Agriculture Biologique (France), Eko label (The Netherlands), Biogarantie (Belgium)

Certificats: EMAS, ISO 14024

Other Initiatives: Eco-rating International, Global Eco-labelling Network, Centre for Environmental Labelling, Austrian Label on Tropical Wood, Öko-tex, the Marine Stewardship Council (MSC) (UK).

Social initiatives

Social labels: Abrinq (Brazil), Kaleen (India), Rugmark, Belgian Social Label (Belgium)

Certificats: Social Accountability 8000 (SA 8000), Fair Wear Foundation (FWF) (The Netherlands)

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

Integrated initiatives

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

Certificats: World-wide Responsible Apparel Production (WRAP),

Other initiatives: Global Compact, Global Reporting Initiative (GRI).

1 GENERAL INFORMATION

1.1 AIM AND OBJECTIVES

The nine **eco-labels** studied all have similar objectives:

- to identify and promote products / services that cause less harm to the environment than similar products / services;
- to provide consumers with better information on the environmental quality of products and services, to help them make informed environmental choices in their purchases;
- to encourage the supply of products and services that are more environmentally responsible, and
- by doing so: to contribute to achieving a more sustainable world.

An essential additional objective of the *EU eco-label* and the *Nordic Swan* was the harmonisation of national eco-labelling programmes in order to avoid confusion in the marketplace resulting from a proliferation of eco-labelling schemes, in Europe and in the Nordic countries respectively.

The five **bio-labels** want to promote a sustainable alternative to intensive farming methods: *Demeter* promotes biodynamic food and farming, the others promote organic farming.

EMAS, the Eco-Management and Audit Scheme, aims to promote continuous environmental performance improvements of activities by committing organisations. *ISO 14024* is an international standard for the development of multiple criteria-based, third party environmental labelling programs (Type I). By promoting market-driven demand for and supply of products meeting a Type I environmental labelling program, this standard aims at reducing environmental burden.

Other **ecological** initiatives studied are the *Global Eco-labelling Network*, a non-profit association of eco-labelling organizations from around the world; Eco-Rating International, an environmental rating agency aimed at providing an indicator for environmental performance or risk associated with corporate facilities; the *Austrian Label on Tropical Wood*, which is a mandatory label on tropical wood and a testing and *Öko-tex*, a certification organisation for textile products and production sites. In a bid to reverse the continued decline in the world's fisheries, the *Marine Stewardship Council* is seeking to harness consumer purchasing power to generate change and promote environmentally responsible stewardship of fisheries. It uses a product label to reward environmentally responsible fishery management and practices.

Most of the **social** initiatives want to improve social conditions of the workers, with an emphasis on third world countries. Some only treat the issue of child labour, and want to give children access to education (*Abrinq, Kaleen, Rugmark*). *AA1000* is more focused on dialogue with stakeholders in developed countries.

The **integrated** initiatives examined aim, in general terms, at improving or ensuring social and environmental conditions and socially and environmentally responsible management in the respective production areas – while keeping in mind economic viability. *Eco-OK* and *FLO* aim to support marginalised producers on the road towards sustainable development. *Ethibel* wants to create high quality ethical funds, to promote corporate social responsibility. The *Global Compact* seeks to provide a global framework to promote sustainable growth and good citizenship through committed and creative corporate leadership. It aims, in the words of Secretary-General Kofi Annan, to contribute to the emergence of “shared values and principles, which give a human face to the global market.” The *GRI* mission is to elevate the comparability and credibility of sustainability reporting practices world-wide.

1.2 HISTORY AND DESCRIPTION

In 1977, the Federal Republic of Germany was the first country to implement a national **eco-labelling** programme for consumer products and served as a model for other countries' efforts. Interest in environmental issues increased during the 1980s. Countries all over the world developed their own national eco-labelling programme, and some set up private programme's. The eco-labels are developed to identify consumer products, which are environmentally friendly, and to encourage producers to adopt environmentally friendly production methods. In the 1990's, consumers seemed to be confused by the proliferation of eco-labelling schemes. The *Flower EU* scheme (1992) and the *Nordic Swan* were created in an attempt to harmonise different existing eco-labels. The *Centre for Environmental Labelling* and the *Global Eco-labelling Network* also aim at harmonising eco-labelling schemes all over the world.

The Soil Association was founded in 1946 by a group of farmers, scientists and nutritionists who were concerned about the way their food was produced. The certification organism *SA Cert* was established in 1973. *Skal* was established in 1985 as the *Foundation for Inspection of EKO-Quality* symbol and operates as *Skal* since 1992. It is not clear when *AB* and *Biogarantie* were founded. These logo's guarantee that food contains in average 95% ingredients coming from **organic farming**, the result of a natural production method, respecting the balances, without use of synthetic chemical products. The *Society for Biodynamic Agriculture and Food* was founded in 1937. Its basis is the biodynamic agriculture method, originated by Rudolf Steiner. In 1997 Demeter-International was founded by 19 Demeter organisations from Europe, America, Africa and Australasia for closer co-operation in the legal, economic and spiritual spheres.

The *EMAS* Regulation was first introduced in 1993 as an environmental policy tool devised by the European Commission. The scheme was open for voluntary participation by organisations from 1995. The revised regulation was adopted in 2001.

In the wake of the world environmental conference in Rio de Janeiro of 1992, Austria adopted a law for the mandatory labelling of wood products and a 70 % tax on tropical timber in 1992. This law was protested by major tropical wood exporting countries. Threats of boycotts on Austrian products by ASEAN members and a lack of support by other West European countries, forced Austria to reconsider and eventually to revoke its ground-breaking law on 'eco-labelling'.

The Eco-rating initiative started in 1992 in Switzerland. The US office 'Eco-rating International' was founded later, and there are now offices 'world-wide'.

The concept of the *MSC* was conceived in 1996 and legally ratified in 1997 by Unilever, one of the world's largest buyers of frozen fish, and WWF, the international conservation organisation. By 1999, it had become fully independent of its two founders and was able to expand its staff and increase its profile as a serious participant in the marine conservation debate. Today, the *MSC* has its international headquarters based in London, UK and its US office was established in Seattle in 2000.

All the **social** initiatives are recent. *Abrinq* and the *Clean Clothes Campaign* are the earliest (1990). Most of them were realised in reaction to scandalous situations in the South. Four initiatives are government driven (*Kaleen*, *FLA*, *ETI* and the *Belgian social label*). The others are based on NGO's. *Kaleen* was funded in collaboration with the industry, *ETI* and *FLA* on tripartite basis (government, NGO's, industry). *ETI* is eventually operated without government participation.

Kaleen, *Rugmark*, and the Belgian Social Label are product labels. *CCC*, *SA 8000*, *FWF* and *FLA* are aiming at, or are giving a certificate. *AA1000* provides a management system, and *ETI* tries out different monitoring systems. With the exception of *AA1000* all initiatives set up criteria that companies have to meet, if they want to participate. Some impose a management system in order to assure a structural implementation of the criteria (*CCC*, *FWF*, *FLA*, *SA 8000*). *AA1000* limits itself to a management system.

The **integrated** initiatives generally originate from a response (by ngo's, manufacturers or exporter associations) to an alarmed public opinion directed towards the serious environmental and social problems associated with production. These programs are grounded in the belief that certification is the most effective way to ensure that workplaces comply with certain social and environmental principles. They hold those who own and operate the companies primarily responsible for improving workplace conditions. *FLO* is an umbrella organisation, born out of the need to harmonise existing fair trade labelling initiatives world-wide.

The *Global Compact* was created –under the leadership of the UN– to help organisations redefine their strategies and courses of action so that all people can share the benefits of globalisation, not just a fortunate few. It calls on companies to embrace nine universal principles in the areas of human rights, labour standards and the environment and brings them together with United Nations organisations, international labour organisations, ngo's and other parties to foster partnerships and to build a more inclusive and equitable global marketplace. The *Global Compact* encourages learning, dialogue, compact initiatives, and country outreach.

The *GRI* is an international multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of organisation level of activity. It incorporates the activity of businesses, accountancy, human rights, environmental, labour, and governments organisations.

1.3 INTERNAL ORGANISATION

Most initiatives have a staff, headed by a chief executive who reports to the governing (independent and non-partisan) Board with members coming from different stakeholder groups (industry, experts, ngo's). This Board is the final decision-maker and arbiter and generally represents the initiative in public whenever appropriate – strongly guided by the expert Technical Advisory Board. In other cases this Stakeholder Council will have less decisive power, but act as a point of reference, participation, liaison and representation.

With the exception of the *Belgian Social Label*, all managing organisations of **social** initiatives are NGO's. The *Belgian Social Label* is situated within the Belgian administration, and has an advisory Committee, that represents different stakeholders (NGO's, union's, government).

1.4 FUNDS

Most of the initiatives are non-profit (only *Eco-Rating International* and *Öko-tex* operate as companies with the aim of making profit) and are funded by the participating companies (fees etc), government subsidies and foundations: cfr table 1. Some initiatives stress that they do not accept gifts from industry to ensure their independence. *ECO-O.K.* seeks alternative sources of funding for those producers who cannot afford certification expenses. Ethibel is not funded, and auto sufficient. On the funding of the initiatives which are not mentioned in table 1, no information was found.

Table 1: Funds of selected programmes

	Government	Participating companies	Foundations/ organisations	Individuals	Universities	Selling books etc
<i>Nordic Swan</i>	x	x				
<i>Milieukeur</i>		x				
<i>EU label</i>	x	x				
<i>Soil Association</i>		x	x	x		x
<i>Demeter</i>		x	x	x		
<i>ISO 14024</i>	x					
<i>Kaleen</i>	x	x				
<i>MSC</i>	x		x			x
<i>Rugmark</i>		x	x	x		
<i>SA 8000</i>		x	x			
<i>EHH</i>		x	x			
<i>FLA</i>	x	x			x	
<i>ETI</i>	x	x				
<i>Belgian Social Label</i>	x					
<i>Abrinq</i>		x		x		
<i>FSC</i>	x	x	x			
<i>ECO-O.K.</i>		x	x			
<i>MSC</i>			x	x		
<i>WRAP</i>	x					

1.5 LEGAL BASIS

The *US Green Seal*, the *Swedish Good Environmental Choice* and the Japanese *Ekolabel* are private labels. The *German Blue Angel*, the *French NF Environnement*, the *Dutch Milieukeur*, the *Nordic Swan* and the *European eco-label* are official government hallmarks. The *Canadian Environmental Choice Programme* is government-owned and directed, but delivered by a private company. To obtain *Agriculture Biologique*, *Biogarantie* or *EKO label*, the farmer, processor or importer of organic products must be controlled and certified by a government approved certifying organisation. The *Soil Association* and *Demeter* do not have a legal basis. *EMAS* and *ISO* have an EU legal basis. The *Austrian label on tropical wood* had a legal basis, the other ecological initiatives (*GEN*, *EcoRatin*, *Ökotex* and *MSC*) don't.

The *Belgian Social Label* has a legal basis. The Dutch government recognised the *Kaleen Label*. The other social and integrated initiatives do not seem to have a legal basis.

1.6 DIFFICULTIES

The development of the French eco-label *NF Environnement* began in 1989. However, because of initial opposition from industry, the program was not fully operational until 1992.

Most of the **social** initiatives have difficulties with the monitoring system (*SA 8000*, *ETI*, *CCC*, *FWF*, *SA 8000*, *Rugmark*, *Kaleen*).

The *Belgian Social Label* faced strong political resistance to the introduction of the bill.

Some initiatives are developing slowly due to the fact that companies hesitate to step into the process (*AA1000*, *SA8000*, *EU Ecoflower*).

The *FWF* had a hard time to get organised, and to set up pilot studies.

Rugmark had problems with the counterfeit of the label.

STEP mentions competition with other initiatives (i.c. *Care and Fair*), a massive drop in the oriental carpet business and less pressure from the consumers.

None of the other initiatives gave information on the difficulties they met.

1.7 CHANGES THAT WERE INTRODUCED

In 2000, a new revised regulation for the *EU Flower label* entered into force. The major changes were:

- streamlining of the scheme;
- widening the scope of the scheme to services;
- introducing a ceiling on the annual fee and decreased fee structures for SME's and developing countries;
- increasing the transparency of the scheme;
- improving stakeholder involvement, in particular in developing the environmental criteria;
- creation of the EU Eco-labelling Board;
- renewed emphasis on the promotion of the scheme;
- reinforced co-operation and co-ordination with the national eco-label schemes;
- more information on the label;
- possibility for traders and retailers to apply directly for their own brand products;
- possibility for non-EU producers to apply directly.

After a couple of years, *Green Seal* started working with Federal agencies on their purchasing programs and with large purchasing groups or industry sectors. *Green Seal's Environmental Partners' Programme* assists institutions to incorporate green policies into their purchasing decisions.

The major changes the *Environmental Choice Programme* has gone through are:

- Delivery of the programme has been privatised and it has evolved from a confrontational to a collaborative relationship with industry;
- The scope of the programme has been extended to the inclusion of services and events;
- A strategy is presently being developed to involve retailers in promoting the label and to incorporate the label programme in the development of public procurement policies.

Since 1998, Norway and Finland are working with same criteria as the *Swedish Good Environmental Choice*, in co-operation with sister organisations.

Since *Milieukeur* expanded to food products in 1995, the Ministry of Agriculture, Nature and Fisheries is also involved with Stichting Milieukeur. Another change has been an increase in reliance on market trends.

Originally, the *NF-Environnement* Mark planned to use a multi-criteria matrix (assessing products using a systematic LCA to evaluate their overall environmental impacts at each of these stages). However, because of the time-consuming nature and costs associated with LCA, AFNOR decided upon a modified life-cycle analysis approach, called the 'New Simplified Procedure'. This procedure uses a semi-qualitative life-cycle assessment for the product, and identifies the 'key stages' in the product's life cycle that have the most significant environmental impacts. This process was adopted to make the label less expensive and more available to small and medium-sized businesses and industries.

In 1996, revised guidelines for the *Nordic Swan* and an Environmental Strategy for the Nordic Eco-Labeling Board were adopted in 1996, primarily aimed at preserving and reinforcing the credibility of the system among consumers, purchasers and producers. In 1997 steps were taken to improve the efficiency of the system.

From January 2002 on, Stichting *Skal* focuses completely on the certification of biological production. All other tasks are exercised in a private organisation, Skal International BV, which is responsible for the private certification programme Biological Production International, for Sustainable Textile Production and Sustainable Forest Management and Wood Production. In addition, the company does all physical controls of companies, those for biological production as well as on charge of Stichting Skal. Stichting Skal remains the owner of the EKO-mark.

The main elements of the revised *EMAS* Regulation are:

- the extension of the scope to all sectors of economic activity including local authorities;
- the integration of ISO 14001 as the environmental management system required by EMAS;
- the adoption of a visible and recognisable EMAS logo;
- the involvement of employees in the implementation of EMAS;
- the strengthening of the role of the environmental statement to improve the transparency of communication of environmental performance between registered organisations and their stakeholders and the public;
- a more thorough consideration of indirect effects including capital investments, administrative and planning decisions, procurement procedures, choice and composition of services (eg catering).

The MSC became independent of its founders, 2 years after its conception. The MSC's governance structure is the result of a recent ten-month long review, completed in 2001.

FLO started a process of restructuring in 2000

- to ensure a high quality and independent certification process: consumers need to be guaranteed that products from Fairtrade producer groups are traded in a fair way;
- to harmonise Fairtrade criteria, including contracts and monitoring reports of all the Fairtrade labelled products, in order to assure more transparency and improve efficiency for all stakeholders;
- to improve the marketing of labelled Fair Trade: producers and traders need to be better and more involved in marketing activities;
- to structurally integrate producer and trade participation in all levels of FLO by inviting external representatives to participate in FLO bodies, such as the Board, the Certification and Appeals Committees, the Standards and Policy Working Group, in regional and marketing meetings and the FLO Fairtrade Forum;
- to improve performance and efficiency by establishing a Database with producer profiles, information on inspections, markets and sales and educational and advocacy material accessible through the internet;
- to improve communication and co-operation with all other organisations and companies trying to promote socially and ecologically sustainable production and trade with disadvantaged producers in the South. One of the most important changes in the FLO structure is the creation of an autonomous Certification Unit, responsible for all inspection and certification, in order to enhance credibility as a certification organisation and to differentiate it from the support and trade facilitation tasks.

The other initiatives did not mention any changes.

1.8 WHAT PRODUCTS/SECTORS AND GEOGRAPHICAL AREAS ARE COVERED BY THE INITIATIVE?

The **ecological initiatives** cover the following geographical areas:

- | | |
|---------------------------------------|---|
| - <i>Green Seal</i> | USA |
| - <i>Environmental Choice Program</i> | Canada |
| - <i>Eco Mark Program</i> | Japan |
| - <i>Blue Angel</i> | Germany |
| - <i>NF-environnement</i> | France |
| - <i>Milieukeur</i> | The Netherlands |
| - Good Environmental Choice | Sweden |
| - <i>Nordic Swan</i> | Norway, Finland, Sweden, Denmark, Iceland |
| - EU EcoFlower | all 15 EU Member States, plus the EEA (Norway, Iceland, Liechtenstein) and some candidate member states |
| - The Soil Association | UK |
| - <i>Demeter</i> | The Netherlands, Belgium, Luxemburg |
| - <i>Agriculture Biologique</i> | France |
| - Eko label | The Netherlands |
| - <i>Bio garantie</i> | Belgium |
| - EMAS | all 15 EU Member States, plus the EEA (Norway, Iceland, Liechtenstein) and some candidate member states |
| - ISO 14024 | |
| - <i>Eco-rating International</i> | offices 'worldwide' |
| - <i>Global Eco-labelling Network</i> | 25 members from 23 different countries |

- | | |
|--|--|
| - <i>Austrian Label on Tropical Wood</i> | Austria |
| - <i>Öko-tex</i> | Austria, Belgium, China/Hongkong, Denmark, France, Germany, Hungary, UK, Italy, Japan, Korea, Portugal, Switzerland, Spain, Sweden, Turkey, USA. |
| - <i>MSC</i> | especially Europe (UK) and US |

Table 2 gives a comparative overview of the product groups covered by the eco-labels. *Miliekeur* has a wide range of criteria for food products, the Canadian label set criteria for coffee. All other eco-labels exclusively cover non-food product categories.

The Soil Association covers all farmers, all growers; manufacturers or suppliers of 'inputs permitted' for use within organic farming systems, educational courses, food traders, retailers, wholesalers, distributors and packers, grain traders, merchants, wholesalers of bulk organic products, small scale on-farm packing or processing, multi-collection milk hauliers, brand holders who supply ingredients to contractors to process on their behalf, packers and pre-packers of organic fruit and vegetables, importers.

Biogarantie covers farmers, processors, *repackers*, distributors, importers, sales points.

Demeter covers agricultural, horticultural and dairy products; livestock and poultry and their products; bread, biscuits, rusk, pastry; forestry products.

Öko-tex covers textile products, the Austrian label on tropical wood covers tropical wood.

The *MSC* principles and criteria apply at this stage only to wild capture fisheries (including, but not limited to shellfish, crustaceans and cephalopods). Aquaculture and the harvest of other species are not currently included.

Two **social** initiatives are situated in the carpet industry (*Rugmark*, *Kaleen*) and three in the garment industry (CCC, FWF, FLA). In the future FLA will be applicable for a wider range of products. All the other initiatives can be applied in almost every industry.

The **integrated** labels also seem to work with more restrictive product categories. The *Flower label* focuses on cut flowers sold in Germany or Austria. *WRAP* looks at all sewn product manufacturing facilities in the United States and off-shore. The Step Foundation is concerned with oriental, hand-knotted, carpets and is active in Pakistan, Nepal, India Morocco and Iran. *Eco-OK* and *FLO* work on agriculture in developing countries. The *FSC*-initiative concerns wood coming from certified forests, situated all over the world. Only *Ethibel* looks at enterprises in all kinds of product categories, all over the world.

2 CRITERIA

2.1 CRITERIA

A description of the criteria / standards products or companies have to comply with, is given in the 'criteria' document.

2.2 CRITERIA DEVELOPMENT

2.2.1 Eco-labels

All eco-labels set criteria for specified product categories. The first step in the criteria development is the **selection of product categories**.

Anyone can present suggestions for new product categories for *Green Seal*, the *Japanese EcoMark*, *Milieukeur* and *NF Environnement*. In practice, it seems that especially industry representatives make proposals. The *Japanese Eco Mark* Secretariat then carries out a survey following which the products categories will be selected by the *Eco Mark Promotion Committee*. The *Milieukeur* board approves or rejects this application based on a screening study, which may be contracted to an outside company.

Environmental Choice uses a 'Demand Side Management Approach', whereby industry expresses interest in the development of a guideline for a product category. Industry interest is generally identified through the Panel Review Certification Process. This process was developed to certify products for which product guidelines do not exist. If no criteria exist for the product or service type, a panel of experts convened by the *Canadian Environmental Choice Programme* determines that a specific product or service has significantly less adverse environmental impacts than competing products or service. Products recognised as environmentally preferable to their alternative on the market may obtain the EcoLogo certification following evaluation by the Panel. If more than three companies wish to obtain certification for a product in the same product category, a technical guideline for the product category may be developed.

The initiative for selecting a product group for the *EU Flower label* is taken either by the Commission or by the EUEB. A certain amount of the preparatory work is led by a Competent Body. An ad hoc working group, led by a lead Competent Body and composed of experts from the Member States and representatives of all interested parties concerned, evaluates the preparatory phase. On the basis of these results and consultations, the EUEB will request the Commission to initiate the second step. The *Good Environmental choice* Board is responsible for selecting the product categories. National agencies handle proposals for new *Nordic Swan* product groups. It is not clear who selects *Blue Angel* product categories.

Green Seal, *Nordic Swan*, *EU Flower label* and *Milieukeur* consider similar factors in selecting product categories:

- the significance of the environmental impact and the potential for its reduction;
- the key environmental impacts and key elements relating to the product's fitness for use;
- the market situation (sales volume, market structure, etc);
- feasibility;
- the opinions of all interested parties (consumers, manufacturers, ..).

It is not clear what criteria for selecting product categories *Blue Angel* and *Good Environmental Choice* consider.

Once a product category has been chosen, the next step is **to develop criteria**. All eco-labelling schemes use more or less the same procedure:

1. A technical board develops drafts for criteria, guided by experts and a group of stakeholders;
2. Drafts are reviewed and commented by stakeholders: representatives of manufacturers and trade associations, product users, government agencies, academia, and environmental and public interest groups, NGO's.
3. Invitation to the public at large to comment on the draft standard ('relevant parties' are invited to give their opinions and the draft is posted on the web site: Canada + USA + Japan
4. Revision of criteria
5. Finalised criteria are voted upon by decision-making board
6. If necessary to reach consensus: further revision
7. Adoption and publication

The Swedish *Good Environmental Choice* criteria are based on single attributes. After analysing a resource impact matrix for a particular product category, the most important aspect (e.g. bleaching for paper products) is identified as the basis of the criteria. The Society does not attempt to perform a life cycle analysis (LCA) to determine product criteria because it believes that unequivocal judgements, upon which LCA is based, are not possible, even given 'unlimited time and resources'. For this reason, the program has decided to concentrate its efforts on 'things that can be changed now'.

NF bases environmental evaluations on the "New Simplified Approach". This procedure uses a semi-qualitative life-cycle assessment for the product, and identifies the 'key stages' in the product's life cycle that have the most significant environmental impacts. Once identified, these impacts are quantified for setting threshold levels (e.g. limits on toxicity of chemicals, VOC content, hazardous materials content, etc.). Products are also assessed on the following: energy use, raw material extraction and use, emissions during production, product uses, potential for recycling, disposal, product ingredients, type of wastes generated, environmental and health and safety hazards, and durability as well as real duration of use. This process is based on both qualitative and quantitative data. Additionally, the *NF-Environnement Mark* conducts a generic environmental impact analysis when developing product criteria. This process was adopted to make the label less expensive and more available to small and medium-sized businesses and industries. Though a full LCA is not conducted, information from other programs' LCAs, where available, and information from producers is used in evaluating a product's suitability for the label. In addition, the program follows SETAC guidelines in its evaluations.

All other eco-labelling programmes conduct a life cycle evaluation of the product category, that evaluates the major environmental impacts in each life-cycle stage (including resource extraction, production, distribution, use, and eventual disposal or recycling). The evaluation considers energy, resource use, and emissions to air, water, and land, as well as other environmental and health impacts. The purpose of this evaluation is to ensure that all significant environmental impacts of a product are considered, and to identify the most important impacts. Criteria are then set for the most important points in the different stages of the product's life cycle. The evaluation also ensures that the environmental criteria selected will not lead to the transfer of impacts from one stage of the life cycle to another or from one medium (air, water, land) to another without a net gain in environmental benefit. The environmental evaluation uses both quantitative and qualitative input from manufacturers, trade associations, users, government, environmentalists, and the literature.

Although *Blue Angel* also uses life-cycle-analysis to identify the most important environmental impacts in a products' life-cycle, criteria that directly address the production stage of a product have rarely been defined. The *Canadian Environmental Choice* and the *Japanese Ecomark* also focus on final product-related criteria (use and disposal phase).

2.2.2 Labels for organic / biodynamic production

Proposals for new or amended *Soil association* standards may come from any source and are received by the standards department. These proposals are referred to the relevant standards committee of which there are currently nine (agriculture, horticulture, specialist livestock, aquaculture, processing, retailing, health products, textiles, catering). These committees consider any proposals from a technical and practical point of view and make their recommendations to the standards board. The standards board is chaired by a council member and answerable direct to the council. It is made up of the chairs of all the standards committees and also representatives from the *Scottish Organic Producers Association* and *Soil Association Certification Ltd*. The board's review takes into account the wider implications of the recommendations from the standards committees, including public perception and their cohesion with the *Soil Association's* aims and philosophy. The standards board amends the proposals as necessary and approves them for consultation (or rejects them).

Consultation takes place with both licensees and with *Soil Association* members by means of a consultation document. The results of the consultation return to the standards board for consideration and a final recommendation for the new standard is made. This is submitted to council for authorisation.

The last stage in the process is to hand over the new standard to *Soil Association Certification Ltd* and agree a timetable for notification to, and implementation by, licensees.

The standards are promoted both nationally and internationally. When the internal processes are completed in approving a new standard, the aim is to secure adoption of the standards by other UK certifiers, UKROFS (national control body), the EU and IFOAM (International Federation of Organic Agriculture Movements).

The *Demeter* Standards Commission deals with the standards and criteria, application process, Demeter International developed new Standards, which will be operational from January 2003 on. The international Demeter standards will also be operational in the Netherlands.

It is not clear how and by whom standards are set for *Agriculture Biologique*, *biogarantie* and *EKO*. The criteria are based upon the EU-Regulation 2029/91.

The *MSC* Principles and Criteria were developed after extensive international consultation, to make sure the standard was internationally relevant and applicable. The Principles and standards are based on the Code of Conduct for Responsible Fisheries, drawn up by the United Nations Food and Agriculture Organisation (FAO).

2.2.3 Social labels

2.2.4 The criteria for the FWF were developed by the CCC. All other initiatives developed their criteria themselves, some of them based on ILO, Human Rights or the Rights of the Children (CCC, SA8000, FWF, Belgian Social Label, FLA, ETI). Integrated labels

The principles/criteria of the integrated initiatives are the result of extensive (international (*WRAP*)) consultation of experts (*WRAP* even worked with a consultant team) and stakeholders, to make sure the standards are (internationally) relevant and applicable. FSC and STEP explicitly support the development of national and local standards by national and regional working groups. A broad range of formal and informal documents are also considered.

The *Eco-OK* criteria are developed through a transparent and negotiated consensus process that involves all the stakeholders in agriculture: scientists, conservationists, workers, community leaders, government agencies, research institutions, consumers and, of course, the farmers themselves.

It is not clear how and by whom FLO and Flowerlabel criteria are set.

2.3 TRANSPARENCY

Most **eco-labelling** programmes claim the process is totally transparent. However, the level of transparency varies from one scheme to another. Most of the selected programmes publish information, through newsletters, official publications or newspapers on the status of developments. Varying by scheme, the information published includes new products selected for eco-labelling, the draft eco-label criteria and the final eco-label criteria, the list of licensees and more. Schemes which do not make information available through publications, have set up inquiry points (e.g. *Nordic Swan*).

The **social** initiatives SA 8000 and FLA have a clause of confidentiality. For AA1000 there is no disclosure of information and no transparency needed.

For a lot of initiatives no information on transparency was found.

2.4 STAKEHOLDER CONSULTATION

From the description provided above (2.2), it appears that **eco-labelling** schemes generally follow the same type of consultation process. Once product groups have been selected by the decision-making body, the development of criteria for the award of the eco-label is undertaken. Expert groups formed of representatives of various interest groups are generally involved in this process: experts, representatives of manufacturers and trade associations, consumers, government agencies, academia, and environmental and public interest groups, NGO's. The draft eco-label criteria are then sent out for public review. Although, in theory, nothing prevents foreign producers from participating in the expert working group responsible for the development of the draft criteria, in practice, foreign producers rarely participate. Even though, in principle, information is made available to interested parties, it often does not reach foreign producers.

The critical point remains the consideration given to comments and proposals in the final decision-making process. Criticisms relate to the lack of consideration given to comments, the opaque decision-making process and the lack of feed-back. Decision-making in general is not an open process. Interest groups are not part of this process unless the decision-making body itself is comprised of representatives from various interest groups. In any case, foreign interests are not represented.

In practice, foreign producers and more particularly developing country producers have rarely been involved in the development of criteria because:

- when eco-labels are created for product groups which are produced in foreign countries, and more particularly developing countries, the importer or distributor is often the one applying for the eco-label not the foreign producer directly;
- the products may be manufactured in foreign countries by large multinationals which are represented in the importing country, their local representative could then participate in the development of the criteria;
- few eco-labels have been developed, to date, for products which are manufactured largely in developing countries.

Most of the **social** initiatives worked intensively with different stakeholders, while developing the criteria and the guidelines (*CCC, FLA, SA8000, ETI, Belgian Social Label, AA1000*), and took into account their opinions.

All studied **integrated** labels claim an input from diverse stakeholders at one point or another as well. (*Eco-OK, FSC: development of guidelines, Flowerlabel: critical remarks on guidelines, Ethibel, FLO*). It is not clear to what degree their opinions are taken into account.

2.5 PERIODIC REVISION OF CRITERIA

Eco-labelling criteria are usually re-evaluated after a period of 2 to 5 years. The criteria may however be revised at any time (eg when technology or market structure changes). It is then decided whether it is necessary to revise the criteria or abolish the eco-label for a product category on the basis of considerations such as:

- Technical improvements;
- To ensure their continued relevance;
- To ensure stringency: the objective of the programmes is to cover a small percentage of products within a product category. If labelled products cover a large portion of the market for one product category, then the criteria for the product group will also be revised to increase the stringency of the criteria or the product category will be abolished;

- In order to keep an incentive for the producers to develop new production processes that mean less environmental pressure.

After criteria have been revised, licensees usually have to reapply for the label or get instructions in order to proceed with necessary adjustments to remain in compliance with the new guideline.

Demeter periodically adapts the criteria, considering increased inspection, expanding opportunities and technological innovations. The *Soil Association* also mentions periodic revision of the criteria. It is not clear how and how often the other organic labels revise criteria.

Most **social** criteria are revisited regularly, and adapted to new conventions, or new developments (ex. introduction of living wage, replacing the minimum wage).

For most **integrated** initiatives the criteria are reviewed and revised as appropriate in light of relevant new information, scientific research technologies, practical experiences and additional consultations, at regular intervals (*Flower label* about every 2 years) or whenever it seems appropriate. It is not clear when criteria for *Eco-OK*, *FSC*, *STEP* and *WRAP* are revised.

2.6 NATIONAL DIFFERENCES

Three **social** initiatives refer to the national social legislation, two to the prevailing or national wages and two to the national legislation on child labour (cfr. 2.1.).

The *Flower label* and *Eco-OK* were specifically developed for enterprises in developing countries. They do not seem to take into account differences between these countries. They stress that complying with the standards (often stricter than national laws) does not pre-empt or substitute for the responsibility to comply with local and state laws as well as relevant international accords. Farms in violation of the law cannot be certified.

FSC supports the development of national and local standards that implement the international principles and criteria of *Forest Stewardship* at the local level, by national and regional working groups, which work to achieve consensus amongst the wide range of people and organisations involved in forest management and conservation in each part of the world. *FSC* has developed guidelines for developing regional certification standards to guide working groups in this process.

The criteria of the *STEP* code of conduct are adjusted to each country.

Ethibel does not take into account national differences in its criteria.

2.7 SPECIFIC CRITERIA FOR DIFFERENT SECTORS OR PRODUCT CATEGORIES

Eco-labelling criteria are set for specified product categories and are specific for each product group.

All social initiatives use criteria that can be used for different sectors or products, even if they only work with one specific sector.

Most **integrated** labels are already working with only one product category. Therefore they have not developed different criteria sets. *Eco-OK* has developed criteria for bananas, coffee, citrus, cacao, flowers, foliage and *FLO* for coffee, tea, cocoa, honey, sugar, orange juice and bananas. *Ethibel* does not have specific criteria for different product categories either.

2.8 ISO 14024 STANDARD

ISO 14024 is a guideline for Type I Eco-labelling. *Green Seal*, *Milieukeur* and *Nordic Swan* follow the standard. *Environmental Choice*, *Good Environmental Choice*, *Japanese Ekomark*, *Blue Angel* do not. It is not clear whether or not the *EU Flower label* and *NF Environnement* comply with the standard.

This standard does not concern social or integrated initiatives.

3 APPLICATION

3.1 APPLICATION PROCEDURE

For the **social** initiatives the company has to fill in an application form, give detailed information about the company and the reason why they want to participate. They have to sign a contract with the leading organisation in which they promise to try to comply to the code, or to fulfil the conditions of the initiative. *AA 1000* has no formalities to accomplish and the formalities for the *Belgian Social Label* are not yet defined.

For the **integrated** labels the companies have to contact the labelling organisation (or the local partner organisation) to apply¹ and upon registration in the certification program they receive the necessary documentation on the requirements for compliance for self-assessment (or request a preliminary site visit to determine what changes must be made to achieve certification (*Eco-OK*)). Then they are asked to fill out a “pre-inspection-questionnaire”. An inspection of the plant is the next step. Based on the findings of this inspection in a detailed report, the “certification board” will decide upon certification. In order to complete the certification process, the producer must enter into a contract with the organisation governing the use of the label, the handling of certified products and marketplace promotion.

3.2 APPLICATION PROCEDURE FOR FOREIGN PRODUCERS

The **eco-labels** claim that foreign producers can apply for the labels without discrimination and can be awarded the label if they comply with the criteria. However, the eco-label is often awarded to the importer or distributor. It is also possible that testing and certification of foreign applicants may be more expensive if plants are located overseas.

Products certified as **organic** by a EU recognised inspection body can be marketed as such within the whole EU. Producers however cannot simply use the different organic labels, for each label has its own additional requirements. For the import of organic products from outside the EU the importer needs an import certificate and an import authorisation. This does not apply for products outside the scope of the EU-regulation nr. 2092/91 (animal foodstuffs, pat food, non-food products from plants and escargots). For these products one does not need an import authorisation. If the country and the inspection body are registered on the list of third countries for the import of plant products an import authorisation is not necessary. When importing **biodynamic** products, it needs to be proven where the products come from (from which country and from which company) and whether the company has a *Demeter* licence. When importing organically grown products, in order to use them as ingredients for products which will be *Demeter* labelled, they need to be accredited by an organisation that has been positively evaluated by IFOAM, the International Federation of Organic Agriculture Movements.

¹ This is not the case for *Ethibel* which looks itself for companies that are trend-setters in the field of social responsible entrepreneurship in their respective sector and region companies which may be considered for inclusion in the investment register. This is done on the basis of annual reports and websites of the companies, international databanks and directories of companies with a good social or environmental policy or that are otherwise involved in controversial technologies and trade practices, publications of consumer and third world organizations, etc. Every company will go through a strict selection procedure. The evaluation is done by an independent committee of experts and is based on an extensive investigation. The *Ethibel* label is not given to the company, but to the investment funds that use exclusively companies out of the register.

For the **integrated** labels (*STEP, Flower label, FLO and FSC*) and the **social** initiatives the procedures are the same in every country.

3.3 COSTS FOR BEING CERTIFIED

For all **eco-labels**, an application fee, monitoring testing and verification fees, and a fee for the use of the label have to be paid.

- Application fee

Upon application, an application fee has to be paid. This fee is once only and is withdrawn with the request irrespective of it leading to a licence or not. The amount of the fee varies greatly between the different labels (between 64 € for *NF Environnement* and 2200 € for the *Nordic Swan*).

The *EU Flower label* is the only eco-label which does not have a fixed application fee, but one that varies between 300 and 1300 €, with reduction possibilities for SME's (25% reduction) or manufacturers or service providers from a developing country.

- Monitoring, testing and verification fees

For all the labels, the costs for monitoring, testing and verification have to be borne by the applicant. These costs have to be paid upon application and when the licensee is re-evaluated (e.g. annual monitoring costs for *Milieukeur*). These costs are product-dependent.

- Licence fee for the use of the label

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 for *NF Environnement* and 0.4% for the *Nordic Swan*.

Most programmes have set thresholds to these fees. The maximum threshold for the *EU label* is 25000€ with obligatory 25% reductions for SMEs and developing countries. There are also reductions for EMAS/ISO 14001 certified companies (15%) and some further options for 'first movers' (optional 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). All these reductions are cumulative but only up to a total 50% from the threshold i.e. from 25000 to a maximum 12500€. The maximum fee for the *Environmental Choice* is 6987€ per agreement. For a company with several license agreements, the maximum fee is of 13975€, the minimum fee is 245€ per licence. The licence fee for the *Good Environmental Choice* is 730€ for the first product and 220€ for any additional products. The *Japanese Eco-Mark* licence fees vary between 685 and 1714€. The licence fee for the *Blue Angel* is in the range of 180 € to 2035 €. For the *Nordic Swan*, a ceiling is fixed for each country which is 33200 € in Norway, 37600 € in Sweden and 32200 € in Finland.

- Additional fees

In *Japan*, a consumption tax is added to these fees. Every *Blue Angel* licensee must contribute to an advertising fund. Applicants for *Milieukeur* for food products also have to pay for the costs for organising the certification programme.

The costs for being certified as an **organic** producer are:

Soil Association's costs are based on size of operation and cover inspection, certification, a one year licence, and access to additional support services.

Once the application for *Biogarantie* is sent in, the market participant receives a first invoice from the controlling and certifying organisation. This serves as covering and payment for the opening of the certifying file. The membership of the professional association requires a yearly contribution – the major part of which is turnover dependent. For a company starting in the sector, this contribution is limited to 170€. Until now there are no fees or royalties for the use of the biogarantie-mark!

The costs for the *Demeter* label consist of: a fee for a first inspection visit (180€); a base contribution (90€ for farmers and 575€ for processors and retailers); a variable contribution per animal or per hectare for farmers; a percentual contribution of turnover of Demeter labelled products; a warrant for processors and retailers. For farmers during the conversion period, only 75% of total *Demeter* contribution is accounted for.

All costs of inspection and certification for the *EKO-label* are chargeable to the organic producers. They pay a composed fee consisting of: a fee for registration (once); a fixed yearly fee; a variable yearly fee, depending on the size of the company or the market value of the organic production concerned and additional fees for specific services and activities.

The external costs of implementing *EMAS* include consultancy support, registration and verification. The internal costs and internal and external benefits are more difficult to quantify and allocate specifically to *EMAS*. Especially for SME's the costs for participation in *EMAS* can be considerable. The Commission encourages individual Member States to provide support mechanisms for organisations (particularly SMEs) wishing to implement *EMAS*.

It is not clear what the costs for participating in the other ecological initiatives are.

For the **social** initiatives the costs are:

- Annual fees to the organisation (*SA 8000, CCC, FWF, FLA, ETI, Rugmark and Kaleen* (both only retailers)).
- Costs for independent monitoring (*SA 8000, CCC, FWF, FLA, Belgian Social Label, AA1000*).
- Internal costs for adaptation to the requirements of the initiative.

The *ETI* fee is turnover dependent and varies between 1560 € (turnover up to **£10m**) and 39000 € (turnover in excess of **£1 billion**). *Kaleen* requires 0.25% of the carpet exports, whereas *Rugmark* claims a 1.75% royalty on the net import value. The annual assessment for each participating company in *FLA* ranges from 5370 € to 107350 €, based upon the annual consolidated revenues of the company (an assessment of 107350 € is required for companies with annual consolidated revenues in excess of 10 billion €). *FLA* reimburses the company for a portion of its total direct cost of required inspections during the company's initial implementation period (50% in the first year, 45% in the second year and 30% in the third year, if applicable). The costs for the other social initiatives are not yet known. *AA 1000* has no application fee.

The **integrated** labels implicate the following possible costs for companies:

- Application fee

WRAP charges 800 € per factory.

- Preliminary site visits

For *ECO-OK*, this visit is billed on a fee-for-service basis and includes a day rate for technicians and all direct travel related costs.

- First inspection

The *Flower label* charges between 2470 and 2680€. The cost for the original *WRAP* on-site evaluation is agreed upon between the manufacturing facility and the selected independent monitor.

- Follow-up inspection

The *Flower label* charges 430€ + accommodation and travel cost + visa cost for two inspectors + inspection report 48€. All independent *WRAP* monitors must charge an additional 10% of the cost of an on-site evaluation 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, which may, or may not, be required of the manufacturing facility during the duration of the certification period.

- Annual certification fee

ECO-OK bases the fee on the size of the farm. Companies licensed to use the *ECO-O.K.* or *Better Banana* seals pay an annual fee based on the type of use. The *Flower label* charges 1000 €. *FSC* charges 80€ for individuals, 160 € for non-profit organisations and companies with less than 16 employees, 320 € for companies with 16 employees or more. These fees apply to northern applicants. Southern applicants get a 50% reduction.

- Flat rate

FLO charges 4 Sfr for each m² of carpet sold. The *Flower label* charges 107€/ha up to max 1600€. Producers of tropical cut flowers pay only 50% of the flat rate. Producers do not pay for their *FLO*-certification. The cost of the system is included in the retail price. Traders pass on to consumers the higher fair-trade price and premium that they pay producers. There are no costs in the *Ethibel* system.

3.4 FINAL ASSESSMENT SYSTEM

Most **eco-labelling** criteria either exclude certain substances or are numerical in the form of minimum values or threshold levels. The final assessment system simply implies that all criteria must be complied with. There is no aggregation or weighing up of criteria.

For the **social initiatives** not much specific information was found. Most initiatives demand to comply to all given criteria of the standard (*CCC*, *FWF*, *Belgian Social Label*, *Rugmark*, *Kaleen*). *SA 8000* works with a system of minor and major non-compliance. The certificate is given in function of the number of major non-compliances, and the effective measures that are taken to achieve compliance in the near future.

For the **integrated initiatives** *WRAP* states that only those participating manufacturing facilities that can demonstrate compliant management policies and practices with all twelve production principles will be considered for the "good factory seal of approval" by the Certification Board. The *Flower label* only notes that when national law and the above standards address the same issue, the most stringent provision applies. It is important to note that for the *Ethibel*-label, the performance of the company is evaluated in relative terms to overall performance of its sector and region. *Ethibel* uses a rating based on an extensive list of criteria for each of the four fields of examination. The scores vary from 1 to 5, ranging from "far below average" to "normal for the sector" and right up to "exceptional, plays a pioneering role". Only those companies that score at least 'average', 'well' or 'very well' in all four areas are presented to the "Register Committee".

3.5 LOGO AND ACCOMPANYING INFORMATION

All **environmental labels** have a logo. The symbol of *Milieukeur* and the *Japanese Eko-mark* indicate the character of the program. In addition, the effect in terms of environmental conservation for a particular product category appears in the lower half of the *Eko-mark* logo. The *Green Seal* symbol is accompanied by a description of the basis for certification. Under the new *EU Flower scheme* some of the main reasons why the Flower has been awarded to the product will appear in the information box on the product. On the packing of a *Blue Angel* labelled product the environmentally friendly aspect is indicated (e.g.: *Blue Angel* awarded because of 100% recycled paper). The *Öko-tex* logo mentions: "tested for harmful substances".

Labelling and advertising of **organic** products are subject to special rules detailing the proportions of organic ingredients. Regulations have broken down the products into five groups:

1. Over 95% organic

The sales descriptions of these products can refer to organic farming as the farming method that was used and may use the customary terms for each member state. Inspected organic plant products whose raw materials were harvested and processed within the EU may bear the following compliant label: '*organic farming – EEC Control System*'. This labelling is optional but, if used, must be printed as follows:

- '*organic farming – EEC Control System*';
- name of the certifying organisation;
- name or company name of the producer, processor, or seller.

2. Over 70% organic

Processed plant products with at least 70% of organically grown ingredients. The term organic can not be used in their trade name, however the sentence "X % of the agricultural ingredients were grown in compliance with organic farming methods" must appear within the same visual field as the trade name, but in a separate part. The indications referring to organic farming must be on the list of ingredients. They must clearly pertain only to the appropriate ingredients.

3. Less than 70% organic:

Processed plant products containing less than 70% organic farming ingredients. Any mention of organic farming is prohibited.

4. Over 50% organic:

This category ceased to exist on 31/12/1997.

5. During conversion:

Inspected products whose raw materials are from farms that have been converting to organic farming for at least one year before the harvest. Unprocessed agricultural plant products and food stuffs with a single agricultural ingredient may bear labelling that says 'converting to organic farming, at time of sale. Converted products may not be used as ingredients for processed products with several organically grown ingredients.

The name of the certifying organisation is mandatory on all organic products. For Belgian products 'Belgium' has to be placed underneath the *Biogarantie*-logo. For products in conversion the text "in conversion to organic farming" (in bold) has to be placed underneath the logo.

Two **social initiatives** deliver a certificate: *FWF*, and *SA 8000*. They have no specific logo. *AA1000* does not deliver a certificate. *FLA* thinks of creating a certificate with a service mark. *Rugmark* and *Kaleen* have a logo for products. *Rugmark* only mentions its name on the logo. The *Kaleen* logo mentions: 'promoted by the Government of India, the hallmark for commitment to child welfare'. The *Belgian Social Label* is still developing its logo.

All **integrated** labels have logos.

3.6 VALIDITY PERIOD

Eco-labels are usually awarded for a well-defined period. *Green Seal* certified products are monitored annually. Products and services certified against *Environmental Choice* panel criteria remain certified for at least two years at which time the panel reviews whether initial claims and assigned criteria remain relevant. *Eco Mark* can be used for a specified period of two years starting on the day the contract is established. When *Eco Mark* users wish to continue using *Eco Mark* after completing the specified term, they have to apply for a contract renewal (at least) one month in advance of the completion date. The *Nordic Swan* label is usually valid for three years, after which the criteria are revised and the company must reapply for a licence. One may use the *EU-Flower label* from the date it is awarded until the end of the period of the validity of the criteria. Product group criteria are usually valid for a period of 3-5 years. If criteria have been revised one will have to renew the contract. If criteria have been prolonged the contract is automatically renewed, as long as the criteria remain valid. The *Blue Angel* label may be awarded for a maximum of 4 years. *The Soil Association* and *AB* are valid for 1 year. It is not clear for which period the other eco/biolabels are valid.

Information in the *EMAS* environmental statement must be updated and verified on an annual basis.

Social initiatives: *SA 8000* is given for three years. The certificate can be withdrawn if there are infractions. *Kaleen* and *Rugmark* are monitored regularly. The label is withdrawn if there is an

infraction on the code. *ETI* membership has to be renewed every year, if no progress was made and no report given, the organisation is not allowed to apply again.

Little is known about the **integrated** labels. The *WRAP* Certification is in principle valid for one year, but the term of certification will be based on risk factors and specified by the board. The board determines how often the factory must renew its certification status. The companies of the *Ethibel* register are regularly checked.

3.7 MONITORING

Products **eco-labelled** in the *EU scheme* guarantee that their compliance with established ecological criteria has been tested by independent third parties, the national and regional Eco-label Competent Bodies. The Competent Body can request the necessary documentation from the holder in order to monitor the compliance with the product's ecological criteria and the terms of use set out in the contract. The Competent Body can also visit the holder's premises without prior notice. *Green Seal* meets the U.S. Environmental Protection Agency's criteria for third-party certifiers of environmentally preferable products that specify that a legitimate third-party certifier must have. A key aspect of the *Environmental Choice* certification process is the requirement for third party verification of compliance to certification criteria as a condition for certification and licensing. This process includes:

- a) a review of each applicant company's product and process information;
- b) an examination of the company's quality assurance (QA) / quality control (QC) measures;
- c) and, where deemed necessary by Canadian Environmental Choice Programme officials, an audit of the company's facilities for purposes of initial certification.

Stichting *Milieukeur* licences independent certification organisations (guaranteed because they only work with institutes that are recognised by the Accreditation Council). These institutes have to be accredited by the Council for Accreditation and will do the monitoring. The verifying process has to comply with the criteria according to EN 45011 (European standard for product certification).

Companies applying for a licence to use the *Swan* label must provide results from independent testing to prove that the criteria have been met. The Swan checks that products fulfil certain criteria using methods such as samples from independent laboratories, certificates and control visits. *NF* has given accreditations to several independent monitoring organisations.

Most of the **social initiatives** have developed a system for independent monitoring. When signing the application forms, the organisations have to allow a visit of an independent monitor, who will verify if they comply with the standard (*CCC, FWF, FLA, Kaleen, Rugmark, Belgian Social Label, SA 8000*). Only *AA1000* does not oblige the company to have an independent monitoring, however, it is encouraged. Companies can say they follow the AA 1000 system without being monitored.

CCC, FWF, FLA and *Kaleen* apply the "Foundation Model" system. In this model, the organisation managing the initiative is responsible for the organisation of the independent monitoring: setting up a monitoring system and a guidance for future monitors, accreditation of independent monitors, (sometimes) providing training. A company wishing to be recognised by one of these initiatives has to apply for an independent monitoring at the Foundation. The Foundation will appoint and pay the monitor. There will be no financial transaction between the monitor and the company.

The Belgian Social Label and *SA8000* apply the "Accounting Model". This model differs from the previous, in the sense that the company can choose from different independent monitors, accredited by the organisation. They have to contact and pay the monitor themselves.

Rugmark is not working with outsiders. They have their own monitors, experienced with on-site visiting. *ETI* is in fact a project that tries out different monitoring systems, to find out which systems give the best results, and in which circumstances. All systems (except *AA1000*) include the possibility of unannounced visits.

Most of the monitoring systems (FLA, SA 8000, CCC, FWF, ETI) include more or less the following aspects:

- written guidelines for the monitoring;
- preparatory phase;
- unannounced visits;
- the monitor has to consult stakeholders;
- interviews with management;
- interviews with workers;
- consultation of written documents (pay rolls,...);
- a complaint procedure;
- evaluation report.

Generally, the **integrated** initiatives count on independent monitoring organisations that are accredited by the labelling organisation to do the inspections. *WRAP* and *FSC* mention their rigorous procedures for this accreditation. *Eco-OK*-evaluations on the contrary, are executed by Technical teams of the Network staff itself. *STEP* and *Ethibel* also have organisational researches. In *FLO* the monitoring is done by an autonomous Certification Unit who is responsible for all inspection and certification. Mostly cited as requirements for independent monitors are:

- monitoring Independence;
- required Qualifications for Accreditation;
- transparency.

The first inspection is generally an on-site check. The labelling organisation sends the independent monitors (*Flower label*), or the companies choose their monitor themselves (*WRAP*). The monitors assess the companies against the principles and criteria by conducting a comprehensive review of the company's operations, including confidential interviews with the company's workers (stressed by the *Flower label*) and managers. They prepare a report analysing the company on all certification criteria. In *MSC* the work of the certifier is also peer reviewed to ensure rigour in the process. The peer reviewers have to confirm the certification report.

3.8 FOLLOW UP OF THE MONITORING

If some of the characteristics of the product have changed the *EU label* Competent Body should be notified of significant modifications. One will not need to submit a new application if only characteristics that do not affect compliance with the criteria have changed. If consumers have reason to believe that an eco-label is not genuine, they can report it to the Competent Body in the Member State in which one saw the product. Once certified, products are monitored annually to ensure that the product offered for sale continues to meet the *Green Seal* standard. Terra Choice monitors, investigates and attempts to alleviate misuses or abuses of the EcoLogo: When Terra Choice can not achieve a remedy, Environment Canada is notified for follow-up action. Environment Canada, as owner of the EcoLogo official mark, has the authority to demand and control proper use. Licensed companies must submit annual attestations, and Terra Choice officials may also conduct inspections or product testing, to confirm continued compliance. *Eco mark*: Relevant data certifying conformity of the product to each of the prescribed criteria for the *Japanese ecomark* shall be submitted with the application form. No verification or investigation system exists as such to ensure the proper use of the *Eco-Mark*. However, information regarding the misuse of the Eco-Mark is provided by consumers, manufacturers and governmental organisations. The follow up for *Milieukeur* differs from product to product. Nordic swan verification is not undertaken systematically but may be undertaken if suspicions arise with respect to a licensed product on the market. *NF* effects a regular surveillance (essays and/or audits) to verify – and this way guarantee the consumers - the permanence of the conformity of the products or services to the exigencies of the referential of certification.

Most **social** initiatives try to plan have regular visits. *FLA* visits 10% of all facilities every year, *SA 8000* has visits every 6 months. *ETI* visits sometimes even more often, as it concerns pilot projects.

Generally, certified companies that produce products with an **integrated** label have surprise visits on a regular basis (mostly at least annually) for a follow-up inspection, to ensure they continue to comply with the criteria. In the *Flower initiative* human rights groups and trade unions are entitled as well to carry out spot checks and trustworthy complaint centres for employees are set up in each country. The *Flower label* also demands that a list of records and documentation must be available and continuously updated. *Ethibel* does a quick updating every year, which is followed by a thorough re-evaluation after three years.

3.9 NON-COMPLIANCE AND REPERCUSSIONS

Non-compliance with **eco-labelling** criteria can be

- the applicant has made a false statement in the application form;
- the applicant has violated a law or regulation applicable to the product;
- the applicant has not entered into the agreement within the agreed time period;
- misusing the ecomark;

and may result in :

- legal procedures;
- fines;
- termination of the license agreement and the manufacturer's privilege to carry the eco-label on its product.

Most **social** initiatives will first propose remedial actions (*FLA*, *SA 8000*, *Rugmark*, *Kaleen*, *FWF*, *CCC*). If the problem lasts, the label of certificate will be removed.

Integrated initiatives: *WRAP*-certification can be denied, revoked or reclassified. During the certification compliance review, if a participating facility is determined to be at risk of maintaining full compliance with the *WRAP* Production Principles, the Certification Board can classify it as a 'risk-based' certification. Risk-based certifications are also valid for one-year, but the risk-based certified facility will receive an unscheduled follow-up visit by an accredited monitor during the certification period. After successive certifications by a risk-based facility, the Certification Board can reassess a facility's compliance status and consider re-classification. *Ethibel* removes companies from the list, after giving them the opportunity to react the allegations. If a *Step* licence holder does not conform to the licence agreement or willingly hurts other parts of the agreement the *Step* licence is withdrawn after several warnings. If a producer of a *Step* licence holder does not collaborate, and even under pressure of the licence holder does not show any will of collaboration, the *Step* licence holder does stop its business contact with the producer.

3.10 PROMOTION

Some **social** initiatives are promoted through conferences and seminars (*SA 8000*, *ETI*, *AA1000*, *FWF*). Others promote themselves through the media (*Rugmark*, *Kaleen*, *CCC*, *FWF*). Some have newsletters and regular reports (*FLA*, *CCC*, *ETI*, *SA 8000*, *AA1000*). All have a website.

Integrated labels are promoted through advertising, NGO channels, media work (events/bilateral contacts), publications (also consumer organisation's publications), web sites, promotion actions, databases,

4 EFFECTS

4.1 EVALUATION

In 1996, the OECD Joint Session of Trade and Environment Experts examined actual market, trade and environmental effects of 6 **eco-labelling** programmes: *the EU Eco-label Award Scheme, the Nordic Swan, the Swedish Environmental Choice Programme, the Canadian Environmental Choice Programme, the Blue Angel, the Green Seal, the Japanese Eco-Mark and NF Environnement*. The main conclusions were:

- In general, eco-labelled products have not had a significant impact on the market, except in specific product categories. However, in countries with a relatively high level of environmental awareness (e.g. Sweden) there has been a significant impact on the market: the impact on the market is directly linked to the general level of environmental awareness and consequently the consumer demand for green products.
- The involvement of environmental NGOs, consumer organisations and the media are key factors, which have contributed to increasing the level of consumer awareness of environmentally preferred products in certain countries (e.g. Sweden, Germany).
- Overall, eco-labelling has been, at best, moderately successful with individual consumers.
- The proliferation of all types of environmental labels on products has created confusion among consumers and official eco-labelling programmes have not succeeded in avoiding this problem.
- Eco-labelling schemes have greater impact when eco-labels become a requirement imposed by retailers and/or when they are used as tools to identify green products for government procurement and institutional purchasing.
- The impact of the eco-label on the market for a specific product is difficult to evaluate. The eco-label is only one of many factors, which can influence the market penetration of products. Nevertheless, in choosing the eco-label for their products, manufacturers are often motivated by the potential competitive advantage the eco-label may procure them.
- It should be stressed that market impact of eco-labelled products is only one indication of an eco-labelling programme's success. In fact, eco-labelled products should not cover more than a small percentage of the market in order to attain their goal of selectivity.
- The environmental effectiveness of eco-labelling in terms of measuring improvements to the environment due to eco-labelling is very difficult to evaluate.
- Public awareness and attitudes to eco-labels vary considerably depending on the country. In a country with a high level of environmental awareness, such as Sweden, the level of consumer awareness to eco-labels is significant and there is a demand for eco-labelled products. The market presence and therefore the visibility of eco-labelled products have contributed to the awareness of consumers. In countries such as Germany, Canada and Japan the level of consumer awareness of eco-labels seems to vary between 45 to 50 %.
- Eco labels have also had an impact on the behaviour of manufacturers in specific product categories, such as detergents and cleaning agents.
- In general, eco-labels seem to be more credible to consumers than other types of environmental labels. However, the proliferation of environmental labels may have turned consumers away from eco-labelled products.
- Surveys have shown consumers' limited willingness to pay extra for environmentally preferable products.
- Surveys conducted for some of the schemes indicate that eco-labels are better known to women than and to younger people than older people.
- It is interesting to note that within a product category, successful eco-labelled products often exceed 30 per cent of market coverage, e.g. detergents in Sweden, recycled paper in Japan and many others. Eco-labels are therefore no longer effective in identifying a small selection of

products which are environmentally preferable to other products in the same product category but tend to become a the facto voluntary standard.

Studies undertaken in 1990 and 1991 have shown that the Blue Angel is more important for professional purchasers than for private consumers. A 1996 survey on environmental consumer awareness in Germany provides some indications on environmental awareness of Germans to the Blue Angel. In general, the findings correspond to the results of the above mentioned OECD study, and so do the conclusions of the 1994-95 Annual Report on the Canadian Environmental Choice programme.

The 'Milieukeurmonitor' concludes that potatoes grown according to *Milieukeur* requirements have considerably less environmental impact than those grown in intensive farming.

Velt provided us with an overview of surveys on consumer awareness to products from organic farming (2000). The main results were:

- bio-labels are not very well known. Most consumers trust the statement 'bio' or 'organic';
- about 50% of consumers buy products from organic farming (to lesser or greater extent);
- the main reason for buying products from organic farming is that they are considered healthier. Taste, quality, environmental and animal welfare considerations are less important. This probably explains why non-food eco-labelled products are much less popular;
- the main reason not to buy products from organic farming is the price.

Evaluations have shown that the **integrated initiatives** (*Flower label, Eco-OK, STEP*) are basically successful and are achieving improvements for sustainable development. On the *Flower labelled* farms, workers enjoy better working and living conditions than before: a) through Flower Label Program, many female flower workers receive permanent contracts and paid maternity leave for the first time. Minimum wages and additional social benefits are guaranteed. b) In the African countries, workers often live on the flower farms. Proper houses with adequate water supply are therefore also a requirement for entitlement to use the label. c) The provision of low-price groceries and small vegetable gardens is important in guaranteeing the human right to food. d) Strict precautionary measures are laid down for the use of pesticides. Their use still cannot be avoided but problem products are excluded from the program. e) More than ten percent of the enterprises organised in "Expoflores" (the Ecuadorian Flower Growers and Exporters Association), are now operating in compliance with the requirements of the Flower Label Program.

Following are the results of improving social and environmental conditions on *ECO-OK* farms, illustrating the benefits of sustainable production: the Rainforest Alliance has certified almost 130,000 acres in the production of bananas, oranges, coffee and cacao; more than 40,000 farm families directly benefit from the program; complying with the program's standards dramatically decreases pollution of rivers and beaches; reforestation of 2,000 acres of key buffer zones using native species; integrated crop management used on all farms; the most dangerous pesticides are prohibited, all agrochemicals are strictly regulated and farmers must demonstrate continual reductions in toxicity and quantity with the goal of eliminating the problematic pesticides altogether; many smallholders have increased production and quality without resorting to agrochemicals; wages on certified banana farms throughout Central America now average twice the minimum wage; workers on certified farms enjoy all the rights of international treaties and national laws as well as the benefits guaranteed by the certification program, such as clean water, sanitary and bathing facilities, access to health care, safe and sanitary working conditions, dignified housing, training, and environmental education; collaborations between farm managers and neighbouring parks; working with coffee farmers in the biological corridor between two national parks, El Imposible and Los Volcanes, helping them regain environmental and economic sustainability through sustainable farm management practices; helping

more than 1,500 cocoa farmers in five communities south of Guayaquil, Ecuador, to improve living standards and conserve biodiversity, while reclaiming their heritage; Chiquita Brands International, Inc. and Reybancorp S.A., two leading banana companies, achieved Rainforest Alliance certification on 100% of their banana farms in Latin America.

4.2 WHAT ARE THE POSITIVE EFFECTS FOR THE COMPANY/PRODUCT?

The **social** initiatives give the following responses:

- it improves the social organisation of the company;
- it shows customers that they have a real interest in improving workplace conditions;
- an independent monitoring makes the system credible.

Integrated initiatives: The *Fairtrade* label (FLO) provides a powerful and positive link between the consumer and the producer: it empowers marginalised producers to take more control over their lives through the fair deal it guarantees, it helps consumers understand, and take responsibility for, the role they play when buying products from the third world

4.3 MARKET SHARE

Green Seal labelled products have only been moderately successful with the individual consumer. In Japan, a wide variety of environmentally preferable products are available. However, their sales have been negligible, with exception of recycled printing and copy paper. The programme does not cover complicated products such as household appliances, office machines, automobiles or detergents. In spite of strong green consumer movements, green purchasing is not yet reflected in consumer behaviour. This is in part due to a lack of information regarding greener products and the general perception among consumers that environmentally preferable products are more expensive. To date, 103 licenses for the use of the *EU-flower-logo* have been granted for several hundred products. Because the *NF-Environnement* Mark is a relatively new program, there have been no studies to determine overall trade and market effects. Concerning data on the actual market share of *Blue Angel*-labelled products, very little information is available. The following gives an indication for certain specific product categories. In 1981, the market share for Blue Angel paints was 1 %. In 1995, it was above 60 % in the Do-It Yourself-sector, but only 20 % in the handicraft sector. For recycled paper products, an increase in market share of eco-labelled products was observed as follows: in 1993, 2/3 for sanitary paper products compared to 1/3 in 1986; and respectively 1/4 for administrative paper products compared to 13 %. According to the Verband de Lackindustrie and the Pigments and Coatings Research Institute² most low solvent/solvent-free emulsion coatings used for painting and decorating and reported in official production statistics now bear the Blue Angel eco-label. Low-solvent/solvent free coatings have gained market share and that the market share of emulsion varnishes, awarded the Blue Angel, increased by more than the average. It may be plausible to conclude that the Blue Angel was the key factor behind this increase in market share, especially as the market share of the directly substitutable product, alkyd resin varnish, fell by more than the average. The average production value by weight of emulsion varnishes, the majority of which have been awarded the Blue Angel, rose by more than the average, almost doubling between 1987 and 1993. There is no information on the market share of *Nordic Swan* and *Canadian Environmental Choice Programme*.

² Karl Ludwig Brockmann und Jens Hemmelskamp, *Umwelzeichen und Verbraucherverhalten – Wie „grün“ ist der Blaue Engel?*, Zentrum für Europäische Wirtschaftsforschung, Mannheim, 2 October 1995.

The total share of the 14 *STEP* licence holders within 34 branches is 25% of Swiss imports. *ECO-OK* claims that more than 15% of the bananas in the international trade come from certified farms.

4.4 IN WHAT OUTLETS AND COUNTRIES ARE LABELLED PRODUCTS AVAILABLE?

Bioproducts are available in: Supermarkets, specialised stores, markets and directly from the producer.

The products with a **social** label are mostly available in Western countries (*Kaleen, Rugmark, Belgian Social Label*). Most labels do not explicitly mention in what outlets and countries labelled products are available. *ECO-OK* does, and is available in major supermarket chains Albertson's, Kroger's, and Safeway carry coffee from a Rainforest Alliance-certified Guatemalan estate. *STEP* lists more or less 30 shops in Switzerland that have the step label and sell step carpets.

4.5 PRICE DIFFERENCE BETWEEN COMPARABLE LABELLED AND UNLABELLED GOODS

The EU **eco-labelling** programme claims that labelled products are not necessarily more expensive, and that this differs from product to product. The *Japanese Eco-Mark* programme indicates that, in general, green products are relatively expensive but that eco-labelling is not a cause of price difference. Products of some categories i.e. kitchen utensils and stationery do not differ much in price whether they are environmentally designed or not. When evaluating the *Blue Angel* it was investigated whether or not people are willing to pay more for eco-labelled products. This could indicate that labelled products are usually more expensive. There is no information on this item from other eco-labelling programmes.

Food products from **organic** or **biodynamic** agriculture are usually more expensive than products from intensive farming methods.

The **social** labelling or certification does not seem to have an influence on the price of the products (*Kaleen, Rugmark*). The certification of a company does not seem to have a direct influence on the price of their products (*SA 8000, FWF, FLA*).

STEP-carpets are normally not more expensive. The carpet business can afford to take the costs on their margins.

4.6 ARE THE GOALS ATTAINED?

As all **social** initiatives are quite recent, most of them are not yet attaining a lot of companies. *Rugmark* seems to have an increasing public. *SA 8000* and *AA1000* are increasing only slowly their number of participating companies. The initiatives around *ETI* and *CCC* are only pilot projects. *FWF* and the *Belgian Social Label* did not yet started to be operational.

Ecoflower and *Ethibel* claim they attain their goals, pointing at the success of their label that is supposed to bring improving sustainable development.

4.7 COMPLAINTS

- *SA 8000* had some complaints concerning the monitoring system. The accredited monitors of big consultancy firms did not always have enough experience, or enough feeling with the monitoring of the social aspects.

- *FLA* received a lot of criticisms concerning their set of criteria, as they allow too much overtime, did not introduce the living wage and do not refer enough to the ILO.
- *AA 1000* was criticised because of their lack of content. A management system alone cannot guarantee a correct social behaviour of a company.
- The monitoring system of *Kaleen* does not seem to function as good as they pretend. In reality only few companies seem to have been monitored, in a very superficial way. The initiative tends to accept simply the declaration of a company. If a company wants to use the label, they do not have to wait for a monitoring. Filling in the application form allows them already to use it.
- *Rugmark* also had some problems with the monitoring and falsification of the logo. They try to prevent this, but are not capable to assure that all companies comply. They also use the minimum wage as a criteria, which is sometimes far below the living wage.
- The *Flower label* is under fire from human rights organisations who question its credibility, since it is essential that environmental or social labels are awarded and controlled by independent bodies; that suppliers can demonstrate and consumers can be informed how standards are controlled and what is done to ensure compliance; that all the companies involved in the scheme should accept the right of their workers to form independent organisations.

4.8 PROTECTIONISM

The 1996 OECD-study investigated this item for selected **eco-labelling** programmes. No hard evidence arose of changes in trade flows arising from the eco-labelling programmes. However, fears and concerns have been voiced as to potential effects. If the product group chosen by the eco-label is a product which is largely imported from foreign countries and if it contains production and process related criteria, the eco-label may constitute a barrier to competing in the market place for foreign products which do not conform to the eco-label criteria. The same may apply when retailers wish to carry a majority of eco-labelled products. The facto barriers to market entry for non-labelled products may be created if eco-labels or similar criteria become a requirement in government procurement or institutional purchasing (which may also have direct economic effects).

In general, industry has not been very supportive of Type 1 environmental labelling and some industry representatives, particularly in the US, are clearly against it. Industry criticisms have generally focused on the lack of scientific basis for criteria, the potential for inhibiting innovation, concerns that symbols do not educate consumers, and the trade restricting nature of schemes that reflect national or regional environmental priorities. Eco-labels are meant to identify a portion of products in one product category that are environmentally preferable. Therefore, only a small number of producers are likely to benefit from the eco-label.

The *Austrian 'eco-labelling' law* was discriminatory because it singled out tropical timber, while excluding temperate timber. This may lead some to conclude that this law was merely protectionism disguised by environmentally friendly intentions. The protectionist flavour of this measure however was not intended to slow or halt deforestation as a whole. In fact, the legislation only focused on tropical timber deforestation, while the temperate timber industry of Austria and Europe would be expected to experience little or no negative impacts. Malaysia further argued that such laws were "counterproductive ... because they reduce the value of tropical rainforests...[and]...make it even more difficult for developing countries to protect them from people who want to clear them for small farms."

None of the **social** initiatives seem to be protectionist, though there are complaints from developing countries. They see the application of social criteria to products and companies as a form of protectionism of western products, as it is harder for companies of developing countries to meet the criteria.