

ANNEX 2: LITERATURE STUDY CRITERIA

1 ECOLOGICAL CRITERIA

1.1 NON-FOOD

Except for *Milieukeur*, all ecolabelling programmes set criteria exclusively for non-food products. The selected programmes can be divided in 2 groups:

- the first group includes product related and processing requirements, and sets criteria for the most important impacts during the product's life cycle;
- the second group focuses on final product-related criteria (use and disposal phase) and often covers products which in themselves serve an environmental purpose.

Group 1: EU-Flower label, Green Seal, Milieukeur, Nordic Swan, NF Environnement

These ecolabels are awarded to products that have less impact on the environment and work well. The standards are set so that they identify the most environmentally preferable products currently available. They are leadership standards and are set so that only a specified percentage (eg 20%) of the products in the category can be awarded the label. When the criteria are no longer stringent enough, they have to be revised.

Scope

The certification scheme and criteria apply to a certain product category. Criteria documents start with the definition of the product group.

Performance requirements

The product must be made in accordance with reasonable industry practice with respect to quality and performance. A product should first do its intended job before its environmental impacts are considered. For example, an environmentally responsible paint that requires multiple coats may defeat the environmental benefits it seemingly offers. Performance requirements can also include e.g. limited energy consumption and noise generation. Performance must comply to specified results according to standard testing methods (whenever they are available).

Environmental requirements

The environmental criteria include product related and processing requirements. Criteria are set for the most important points in extraction, manufacturing, distribution, use and disposal stages of the product's life cycle. The evaluation considers:

- energy;
- resource use;
- emissions to air, water, and land;
- nuisance;
- other environmental and health impacts.

The criteria either exclude certain substances or are numerical in the form of threshold levels or minimum values.

Examples of criteria:

- Substances the product shall not contain
- Threshold levels that shall not be exceeded (eg. PH, heavy metal restriction, ...)
- Exclusion of products that are environmentally dangerous, hazardous to health and flammable;
- Production process requirements (eg. no de-inking using a solvent containing chlorine)
- Biodegradability of certain ingredients; ...

In addition, demands can be made relating to

- Packaging
- Lifetime / durability;
- Reparability;
- Possibilities for reuse in the waste phase;
- Operation / maintenance / dosage / disposal instructions;
- Prohibition of 'own brand' environmental logo's

Testing requirements

The criteria documents define how compliance with criteria must be proved, eg:

- Testing according to standard testing methods (whenever they are available);
- Testing frequency;
- The applicant must have documents from the supplier that confirm that certain compounds are not added to the product;
- Observation.

Stichting *Milieukeur* indicates which certification institute has to do the assessment. These certification institutes are licensees for Stichting Milieukeur. The applicant for the *Nordic Swan* label may choose between impartial and competent laboratories that employ EN 502 42. Advice on which laboratories may be employed is available from the ecolabelling body in the country in which the application is submitted. The ecolabelling body ensures that the analysis laboratory meets the general requirements in the EN 45 0001 standard or ISO-IEC guide 25, or that it has official GLP approval. *NF* certification institutes also meet the demands described in the standards EN 45011 or EN ISO/CEI 17025.

Labelling requirements

- Standards for the use of the label.
- Some labels have standards concerning an accompanying message on the product package.

Compliance with legislation

Most initiatives demand compliance with national laws, regulations, directives and guidelines on environmental protection and safety in the country and place of manufacture.

To have a product approved by the Swedish *Good Environmental Choice* program, manufacturers must declare the ingredients of their products to the Society. In certain cases, more information is required, such as the emissions of a product during production. Instructions of the required information are available from the Society. Certification institutes are specified.

Group 2: *Canadian Environmental Choice, Japanese Ecomark, Blue Angel*

These programmes focus on final product related criteria (use and disposal phase).

Environmental requirements

A majority of the criteria developed for these labels, aim to promote products which reduce environmental damage during the use and disposal phases of the products. These programmes encourage the use of recycled products to limit waste generation and limit consumption of non-renewable resources. They often cover products which in themselves serve an environmental purpose (e.g. containers for collecting used bottles, hot-water supply systems using solar energy,...). The criteria for the attribution of the eco-label to these products will then also guarantee their

environmental performance during the use and disposal phase of the product. The number of environmental criteria that have to be complied with is generally small.

The label can be awarded, for example:

- because the product does not contain certain pollutants such as heavy metals and solvents (or has reduced them to a minimum), or does not discharge such pollutants into the environment (e.g. low-impact paints, heating systems, ...);
- because the product was made from recycled materials (e.g. recycled paper or plastics);
- because the product can be re-used (e.g. re-usable bottles);
- because the product helps conserve environmental resources (e.g. water-saving fittings);
- because a product is quiet (e.g. low-noise lawnmowers and construction machinery);
- because products are manufactured with a view to their subsequent recycling, and are subject to mandatory return obligations (such as in relation to computers or copiers);
- because energy is conserved (e.g. refrigerators, heating systems, computers).

The *Canadian Environmental Choice* takes into account non-product-related externalities (such as energy consumption, chemical oxygen demand, effluent toxicity and waste generation during the production process) for only a limited number of products. The *Blue Angel* also focuses on final product related criteria. The reduction and avoidance of environmental damages that occur during the production stage of certain products are left to legislative and regulatory measures. Therefore, product categories that cause an unacceptable level of environmental damage during their production phase are not generally selected for eco-labelling. On top of this only aspects, not the whole product, are checked. Therefore big differences are possible, and important aspects can be missed (e.g. the ecomark awarded to a quieter electric lawnmower).

These programs also set standards concerning performance, compliance with related environmental laws, disposal / application instructions etc.

The *Environmental Choice* describes standard testing methods to prove compliance, the *Blue Angel* states that 'The applicant shall declare compliance with the requirements and submit the corresponding pages of the product papers'; the *Japanese Ecomark* mentions no testing requirements.

1.2 FOOD

1.2.1 Ecolabel: Milieukeur

Milieukeur is the only investigated ecolabel that certifies food products. The Stichting Milieukeur has been developing environmental criteria for agricultural products and foodstuffs since 1995. Agricultural Milieukeur products are inspected from cultivation to supermarket. Milieukeur products can always be traced back to the source and can therefore easily be combined with e.g. quality inspection systems.

Main environmental criteria

Milieukeur criteria are based on research in which the whole production chain is taken into consideration. In the Milieukeur criteria for arable crops and field vegetables, the emphasis is on the use of crop protection agents in agriculture, because it is there that the greatest benefit can be derived for the environment. The criteria for growing arable crops and field vegetables according to this certification system apply for the total agricultural production of one or more crops. Participation involving part of a crop is therefore not possible.

- Only limited use of crop protection agents is permitted;
- Only crop protection agents are permitted that are least damaging to the environment;

- The use of biological control is encouraged (eg. ichneumon wasps, bees, assassin bugs etc.);
- Demands have been set for the use of energy and fertilizers and for waste-disposal;
- Milieukeur pork mainly distinguishes itself by an operational management in which the farmer tries to limit the harmful discharge of acidifying substances and the use of energy as much as possible;
- Demands have also been formulated for the well-being of the animals.

For each growing season the grower is obliged to draw up a crop protection plan which provides evidence of Milieukeur requirements having been met. The purchasing, supply and use of crop protection agents on the whole holding has to be recorded. Chemical decontamination of the soil is prohibited for all planting. The list of crop protection agents permitted for Milieukeur certification is updated annually.

Before cultivation, a fertilizer plan has to be drawn up. A detailed record of the use of the fertilizers N, P and K on the whole holding is compulsory. In addition to this, everything to do with processing waste has to be recorded, in which separate collection is a requirement. Specific requirements are set for the type and use of spraying equipment and supplies.

Certification institutes, which are licensee for Stichting Milieukeur, assess whether the products comply with the criteria.

Relation with biological products

Milieukeur products distinguish themselves from biological products as only the limited use of chemical crop protection agents and artificial fertilizers is permitted for Milieukeur products. "Its well thought-out set of demands enables Milieukeur to realise environmental benefits often comparable to that of biological products".

1.2.2 Labels for organic production

All standards for organic farming, horticulture and food processing are subject to **EU regulation Nr. 2092/91**. The main components of an organic farming system are the avoidance of artificial fertilisers and pesticides, the use of crop rotations, and other forms of husbandry to maintain fertility and control weeds, pests and diseases. The management of organic livestock, soil and crops requires special care in nurturing positive health and vitality. Important aspects are:

- Conversion: Most farms will first need to go through a two year conversion period where the land is managed organically, but crops and livestock may not be marketed as organic;
- Soil fertility: The focus is on crop rotations and the use of animal manures and compost to maintain natural soil fertility, without the use of artificial/synthetic fertilisers;
- Pest, disease and weed control: This is achieved through rotation, choice of varieties, timings of cultivations and habitat management to encourage natural predators. All herbicides are prohibited. Where direct intervention is required a small range of approved inputs like sulphur may be used in a controlled manner;
- Conservation: The standards encourage the development of a healthy environment, enhancing landscape features, wild plants and animal species by, for example, maintaining hedges as an important wildlife habitat;
- Livestock: The livestock standards cover livestock conversion, animal feed, housing and stocking densities, veterinary treatments and animal welfare. The emphasis is on a positive system of livestock management to maintain healthy stock and a balanced system;
- Genetically modified organisms (GMOs): GMOs and their derivatives are strictly prohibited at every stage of production;

- Organic farming and processing must be certified by independent certification organisms.

The labels for organic production (*EKOlabel*, *biogarantie*, *Agriculture Biologique* and *the Soil Association*) comply with the EU-Regulation Nr. 2092/91.

EKO label: In the Netherlands the EU-Regulation Nr. 2092/91 has been implemented by the Decree on the Agricultural Quality of Organic Production Methods. This decree refers directly to the EU-regulation without additional requirements.

Biogarantie: Products with the Belgian biogarantie label comply with:

- EU-Regulation Nr. 2092/91
- National regulations
- Biogarantie-lastenboek

Agriculture Biologique regulations are supplemented by French specifications on organic farming and the preparation of animal products. The text contains the farming or processing methods that are not covered by community regulations (aquacrop, rabbits, labelling, animal feed control, etc). French specifications also detail the conditions governing the application of European regulations and lays down stricter provisions than said regulations (on animal feed, size of farm buildings, etc).

The AB-logo on the label of a French product guarantees:

- compliance with the EEC amended regulation 2092/91, June 24, 1991;
- compliance with French officially licensed specifications for animal farming and animal products, in compliance with article L 645-1 of the Rural Code;
- foodstuffs come from farms using special practices such as: spreading green manure, employing natural pest control, a strictly limited use of fertilisation, treatment, storage, and conservation products;
- that at least 95 % of the ingredients in a foodstuff come from organic farming controlled by a certifying organisation that has been ratified by the Ministry of Agriculture and Fisheries.

Special requirements in case of a farm practising both organic and conventional farming on the same holding:

- The same varieties may not be grown organically and with conventional methods (except for vineyard, hops, arboricrop, seed, seedlings, or crops for experimental research) (however, supplementary inspection requirements apply to the latter);
- if the farmer processes the foodstuffs, he must keep accounts of the store bought ingredients, additives, and adjuvants (nature, amount, and origin) and of the ingredients in the processed products.

Processing or importing organic products and conventional farm products must also comply with the following requirements:

- Separate storage locations must be available on the farm;
- Organic product processing must be done in full series, in physically separate premises or during completely different time slots than the processing operations for standard products. When the operations are sporadic, the inspection agency must be notified in advance of time and place;
- Batches of organic products must be clearly identified.

The *Soil Association's* 'Standards for Organic Food and Farming' are subject to EU regulation. In the UK they are regulated by the government organisation, the UK Register of Organic Food Standards (UKROFS). Inspection and certification are carried out by five approved organisations of which the Soil

Association is by far the largest. The Soil Association standards not only meet the legal minimum requirements but are often higher, particularly in farm animal welfare.

1.2.3 Label for biodynamic farming: Demeter

The Standards that have to be complied with for being allowed to use the Demeter label are not limitative. This means that not everything that is not prohibited will be allowed. This is why every single product or process needs the approval of the Society to use the label. The standards are subordinate to legal and statutory measures. The standards are based on:

- international BD-regulations;
- the Skal regulations;
- the international IFOAM regulations;
- the EU-regulation (EEC) nr. 2092/91 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs;
- Other sources of knowledge on BD.

The standards consist of :

- intentions: they describe what the aims of biodynamic agriculture are;
- regulations: they describe how BD can evolve and in what direction future changes of the standards have to be developed. Insufficient implementation of the regulations can lead to withdrawal of the licence;
- standards: minimum requirements which are obligatory.

Demeter certified products must comply with government mandated regulations for products from organic agriculture: EU-regulation no. 2092/91. But the Demeter standards exceed the EU-regulation by setting the following extra mandatory standards:

- Crop rotation and green manuring;
- Manuring: at least 60% organic animal manure;
- Livestock: at least 80% animal feed from the farm itself;
- Concentrates: BD-concentrates;
- Straw: organic straw;
- Foil: no weed control by means of foil;
- Animal welfare: cows with horns and chicken with intact bills

The regulations are not mandatory, but will also be taken into consideration when monitoring. Demeter exceeds the following EU-regulations:

- Mixed farming: individual or through collaboration;
- Manuring and composting: manuring of the bottom;
- Supporting the balance of processes between bottom, plants, animals, humans and environment;
- Nature development: landscape and variation;
- BD-development: BD-coaching, social and economical;
- Agricultural land: organic seeds and plant material, livestock breeding, tillage, mechanisation.

1.3 INTEGRATED INITIATIVES

The integrated initiatives studied also set ecological criteria. These initiatives usually concentrate on one specified product group and set criteria in a different way than the ecolabelling organisations. The criteria are summarised in table 1. The themes that are treated are: sustainable practice, production, agrochemicals, ecosystems, water, energy, materials, soil, waste, transport, pollution, residential areas and products.

Table 1: Overview ecological criteria for integrated initiatives

	Flower label	WRAP	Eco-OK	FSC	FLO		Ethibel	Global Compact	GRI
					small farmers	hired labour			
SUSTAINABLE PRACTICE									
precautionary approach								x	
compliance legislation		x			x	x			x
attitude towards legislation							x		
sustainable management	x	x	x	x			x	x	.
objectives and targets								x	
assessment-reporting								x	
public commitment							x		
public information							x	x	
environmental management system							x	x	
certification/voluntary charters							x	x	
involvement of employees	x						x	x	
complaint management							x		
environmental protection officer	x			x					
supply chain management							x	x	x
technology transfer								x	
PRODUCTION									
contribution to env problems							x		
integrated crop management				x	x	x			
AGROCHEMICALS									
pesticides			x	x	x	x			
GMO's				x					
chemical fertilizers	x			x					
ECOSYSTEMS									
ecosystem conservation	x		x	x					x
impact on ecosystem									x
conservation value assessment				x					
management plan				x					

exotic species				x					
Wildlife conservation			x						
WATER									
water use									x
sources protection	x		x						
management system	x		x						
recordings	x		x						
minimising consumption	x								
rain water	x								
water source affection									x
ENERGY									
energy use	x						x		x
sustainable energy sources	x								x
energy efficiency									x
MATERIALS									
material use									x
recycled material									x
packaging									x
hazardous materials									x
materials replacement programmes									x
TRANSPORT									
organisation related transport management programme									x
SOIL									
soil conservation			x						
WASTE									
management	x		x	x			x		x
composting	x								
disposal	x			x					x
waste to land									x
containers	x								
reuse/recycling	x								x
waste water treatment	x								x
POLLUTION									
reduction measures							x		
air pollution	x								x
greenhouse gas emissions									x
ozone-depleting substance emissions									x
ENVIRONMENT AND RESIDENTIAL AREAS									
protection	x								
communication with local community								x	
safety distance	x								
legislation compliance	x								

community projects support	x								
PRODUCTS									
Environmental impact							x		x
Measures							x		x
advertising									x
after-use fase									x
Advice and information to customers							x		

2 SOCIAL CRITERIA

Table 2 gives an overview of the different social criteria for the social initiatives; Table 4 gives an overview of the social criteria of the integrated initiatives.

AA1000 has no criteria as they propose a management system. *Rugmark*, *Abrinq* and *Kaleen* concentrate on child labour problems, *Rugmark* adds minimum wages to this. All other **social initiatives** refer directly or indirectly to the fundamental ILO conventions, concerning freedom of association and collective bargaining (C87, C98), no discrimination (C100, C111), forced labour (C29, C105) and minimum age (C138). Four initiatives refer directly to all of them, five to C87 and C98 and five to C138.

Six initiatives refer to the wages of the workers; four mention living wages, one minimum or prevailing wages and one minimum wages. Five initiatives mention the working hours. All give a max of 48 hours a week and a minimum of one day of. Overtime is voluntary, cannot exceed 12h, it may not be regular and has to be paid at a premium rate. For *FLA* and *SA 8000*, overtime can be done on a regular base, but only voluntary. More than 12 h of work can only be allowed on an irregular base. For *FLA* it has to be paid at least the same as normal work, *SA 8000* demands a premium. Five mention no harsh or inhumane treatment, and health and safety measures (3 of them referring to C155). Three initiatives mention recognised employment relationship, and social security (*CCC*, *FWF* and *ETI*). Three refer explicitly to the compliance to national legislation.

Half of the initiatives propose a management. The same amount gives conditions to suppliers. *SA8000* refers to the ILO C159 concerning vocational rehabilitation & employment/disabled persons.

Table 2: Overview social criteria social initiatives

	CCC	FWF	FLA	Belgian Social Label	SA8000
Compliance national legislation	-	-	x	-	x
Freedom of association	C87, C98, C135, R143	C87, C98, C135, R143	C87, C98	C87, C98, C135, R143	C87, C98, C135
Collective bargaining	C98	C98	C98	C98	C98
Employment is freely chosen	C29, C105	C29, C105	x	C29, C105	C29, C105
No discrimination	C100, C111	C100, C111	x	C100, C111	C100, C111
No child labour	C138	C138	15 years (14, if local law allows it)	C138	C138, C182, R146
Wages	Living wages	Living wages	Min. wage and prevailing wage	-	Living wages
Working hours	National laws and benchmarks, max.48h, one day of	National laws and benchmarks, max.48h, one day	National laws and bench-marks, max. 48h, one day of a	-	National laws, benchmarks, max.48h, one

	a week, max 12h overtime and not regular.	of a week, max 12h overtime and not regular.	week, max 12h overtime, and incidentally more.		day of a week, max. 12h overtime on a regular basis
No harsh or inhumane treatment, harassment or abuse	x	x	x	-	x
Health and safety	C155	C155	x	-	C155, R164
Recognised employment relationships	x	x	-	-	-
Vocational rehabilitation & employment/ disabled Persons					C159
Social security	x	x	-	-	-
Conditions for suppliers	x	x	-	x	X, C177 (home work)
Management system	x	x	x	-	x

	ETI	Rugmark	Kaleen	AA1000	Abrinq?
Compliance national legislation	x	-	-	-	
Freedom of association	x	-	-	-	
Collective bargaining	x	-	-	-	
Employment is freely chosen	x	-	-	-	
No discrimination	x	-	-	-	
No child labour	ILO standards	14 years	Act 86 of Indian Government (14 years)	-	
Wages	Living wages	Minimum wages	-	-	
Working hours	National laws and benchmarks, max. 48h, one day of a week, max 12h overtime and not regular.	-	-	-	
No harsh or inhumane treatment, harassment or abuse	x	-	-	-	
Health and safety	x	-	-	-	
Recognised employment relationships	x	-	-	-	

Vocational rehabilitation & employment / disabled persons					
Social security	x	-	-	-	
Conditions for suppliers	-	-	-	-	
Management system	-	-	-	+	

The social criteria of the **integrated labels** are more variable and less based on international agreements.

Five refer directly (*Flower label, both sets of the FLO*) or indirectly (*GRI, Global compact*) to the fundamental ILO conventions, concerning freedom of association and collective bargaining (C87, C98), no discrimination (C100, C111), forced labour (C29, C105) and minimum age (C138). *FSC* only refers to C87 and C98.

Table 3: Overview social criteria integrated initiatives

	Flower label	WRAP	Eco OK	FSC	Ethibel
Compliance national legislation	-	-		-	x
Freedom of association	C87, C98	x		C87, C98,	x
Collective bargaining	C98	x		C98	x
Employment is freely chosen	C29, C105				
No discrimination	C100, C111	x			x
No child labour	C138	x			
Wages	Living wage, ILO 110	Minimum wages		-	x
Working hours	National laws and benchmarks, max.48h, one day of a week, max 12h overtime and not regular	National laws		-	x
No harsh or inhumane treatment, harassment or abuse	x	x		-	
Health and safety	C155, international safety standards		x	x	x
Recognised employment relationships	x			-	x
Vocational Rehabilitation & Employment/Disabled Persons					x
Social security	x		-	-	x
Education of workers (excl.	x				x

health and safety)					
Improve standard of living			x		
Housing conditions	C110				
Children's education	x				
Stress, flexibility, delegation of responsibilities					x
Transport	x				
Transparency, internal communication					x
Conditions for suppliers			-		x
Management system	x				x
Social community projects	x		x	x	x
Customer satisfaction					x

	FLO Small farmers organisations	FLO Hired labour	GRI	Global Compact
Compliance national legislation	-		-	-
Freedom of association	C87, C98,	C87, C98,	x	x
Collective bargaining	C98	C98	x	x
Employment is freely chosen	C29, C105	C29, C105	x	x
No discrimination	C100, C111	C100, C111	x	x
No child labour	C138	C138	x	x
Wages	Minimum wages	Minimum wages	x	-
Working hours	Regulation within the company	Regulation within the company	-	-
No harsh or inhumane treatment, harassment or abuse	-	-	-	-
Health and safety	C155	x	x	-
Recognised employment relationships	x	x	-	-
Vocational Rehabilitation & Employment/Disabled Persons				
Social security	x	x	x	-
Education of workers (excl. health and safety)			x	
Housing conditions				
Children's education				
Stress, flexibility, delegation of responsibilities				
Transport				
Transparency, internal communication	x	x		
Respect human rights			x	x
Conditions for suppliers		-	x	-
Management system	x	-	x	
Customer satisfaction			x	

3 ECONOMIC CRITERIA

3.1 INTRODUCTION

Few of the initiatives studied take into account economic criteria. Only *FLO* defines economic criteria to which the company has to comply. *GRI* and *Ethibel* give a list of indicators that can be used for benchmarking. *Ethibel* introduces those indicators into their rating system, and uses them to evaluate the company.

Due to the lack of importance given to this item by the other initiatives, an internal discussion took place within *Ethibel*. This to try to see which criteria and indicators would be the most suitable for the label 'sustainable development'. It was held with economical analysts, who are experienced in the screening of the ethical and economical performance of companies. The available criteria and indicators were taken into account (see further). A proposal that includes the most important economic criteria and the most relevant and most practical indicators is given.

3.2 CRITERIA

The criteria on which this summary is based are:

FLO criteria:

- A price that covers the cost of production;
- Social premium for development purposes;
- Partial payment in advance to avoid small producer organisations falling into debt;
- Contracts that allow long term production planning;
- Long term trade relations that allow proper planning and sustainable production practises.

For *GRI* the following economic items are important:

- Profit;
- Importance given to intangible assets;
- Investments in human capital, research and development, others,...;
- Wages and benefits;
- Labour productivity;
- Taxes;
- Investment in community development;
- Correct economic relations with suppliers;
- Economic impacts of products and services.

For *Ethibel* the most important issues of the economic policy are:

- Economic potential of the company;
- Value creating potential;
- Innovative potential;
- Internal control procedures for economic risks;
- Clients;
- Quality control;
- Attention paid to customers relations;
- Information given to customers;
- Shareholders;
- The degree to which the Board of Directors safeguards the interests of all shareholders;
- The degree tow which all shareholders can express their stances at the AGM;
- Reporting of corporate governance;
- Attitude towards legislation;
- Respect for the rights of the suppliers.

3.3 INDICATORS

To evaluate the criteria mentioned in 3.2., both *GRI* and *Ethibel* developed indicators. Those are:

3.3.1 GRI

Profit

- Net profit/earnings/income;
- Earnings before interest and tax (EBIT) (net sales minus expenses, except interest expense and income tax);
- Gross margin (net sales minus cost of goods and services sold);
- Return on average capital employed (ROACE);
- Dividends;
- Geographic distribution of items 6.37 to 6.41.

Intangible Assets

- Ratio of market capitalization to “book” value (note those components of book value that comprise intangible assets).

Investments

- Human capital (e.g., employee training, community education);
- Research and development;
- Other capital investments;
- Debt/equity ratio.

Wages and Benefits

- Total wage expense, by country;
- Total benefits expense, by country.

Labour Productivity

- Labour productivity levels and changes, by job category.

Taxes

- Taxes paid to all taxing authorities.

Community Development

- Jobs, by type and country, absolute and net change;
- Philanthropy/charitable donations.

Suppliers

- Performance of suppliers relative to economic components of programs and procedures;
- Number and type of incidences of non-compliance with prevailing national or international standards;
- Nature and location of outsourced operations;
- Value of goods and services that are outsourced;
- Performance of organization in honoring contracts with suppliers.

Products and Services

- Major economic issues and impacts associated with the use of principal products and services, including disposal, where applicable;
- Include qualitative and quantitative estimates of such impacts, where applicable.

3.3.2 Ethibel

Economic potential of the company

- Value creating Potential : EBITDA/EBIT/Operational profit as % of turnover and share of net profit retained by the company (average over last 3 years);
- Innovative potential: presence of an innovation strategy and investments in R&D;
- Internal control procedures for economic risks;
- Presence of a policy, organisation and action plans.

Clients

- Quality control: the presence of quality certificates (ISO 9000, EFQM, TQM), awards and quality management systems;
- Relations with customers: presence of instruments to establish a dialogue with customers: complaint management, satisfaction, surveys, ...;
- Customers: information: quality of product information provided to customers.

Shareholders

- The degree to which the Board of Directors safeguards the interests of all shareholders: composition and organization of the Board of Directors;
- The degree to which all shareholders can express their stances at the AGM: the organization of the AGM;
- Reporting of corporate governance: Quality of financial information and reporting concerning Corporate Governance.

Compliance with economic legislation

- Seriousness/absence of infringements (fraud, money laundry, tax evasion, competition, ...), attitude towards authorities.

Respect of the rights of the suppliers

- Absence of abuse and the engagement in co-operative relationships.

3.4 PROPOSAL

As mentioned before, this proposal is based on the previous criteria and indicators, and the consultation of specialists. It includes relevant economical criteria, including indicators, for the label 'sustainable development'.

For all companies the following issues and indicators are important:

- Existence and correct management of profits
 - o Earnings before interest and tax (EBIT);
 - o Dividends are less than retained profits and stable.
- Investments in human capital, research and development, others, ...
 - o Investments in research and development as % of revenues;
 - o Other capital investments as % of revenues;
 - o Debt/equity ratio.
- Correct payment of taxes
 - o Taxes paid to all taxing authorities (%);
 - o Presence in tax heavens.
- Open and correct relations with clients
 - o The presence of quality control (quality certificates, awards and management systems).
- Correct economic relations with suppliers. Specially for small suppliers, this includes: partial payment in advance to avoid small producer organisations falling into debt; contracts that allow long term production planning; long-term trade relations that allow proper planning and sustainable production practises
 - o Number and type of incidences of non-compliance with prevailing national or international standards.
 - o Nature and location of outsourced operations.
 - o Value of goods and services that are outsourced.