Lecture 3

The Differences Between Voluntary Sustainability Standards

This course will focus on voluntary sustainability standards (VSS) and the various ways in which enterprises can approach them.

We will offer you several examples of the different issues and problems tackled by sustainability standards, grouped under fiver overarching sustainability areas (*quality, ethics & integrity, environmental, social and, economic & management*).



Landscape of voluntary standards and company-specific codes

As you know from lecture 2, apart from a range of mandatory standards which formally regulate the production and trade of products and services, voluntary standards and company codes also apply to production and trade. There is no consistent terminology or single internationally recognized definition used to denote such standards. Consider:

Private standards

Standards developed by private organizations, industry associations, etc. Compliance is typically not mandatory, as opposed to "technical regulations."

Voluntary standards

Standards that include both public and private voluntary standards.

Sustainability standards

Standards claiming to have an effect on any aspect of sustainability.

Social and environmental standards

Standards referring to social and environmental criteria by which production and processing can be assessed.

In this course, we focus on voluntary standards and company codes which aim to ensure **sustainability** along global value chains, touching upon all sorts of aspects: materials and processes, products and services. On the whole, we call them **Voluntary Sustainability Standards (VSS)**.

In this lecture, we will also refer to them simply as **"standards"**.

Introduction to voluntary sustainability standards



Today, the number of existing **voluntary sustainability standards (VSS)** is estimated at somewhere between **450 to several thousands**. Naturally, such a large number means that the VSS landscape may sometimes be difficult to navigate for producers, exporters and consumers.

How can we make sense of the different VSS based on their specific characteristics?

This lecture will provide you with a framework to categorize VSS using their **SCOPE**.

Product or sector scope

By "product" scope:

Some standards focus on specific products or groups of products (or services), while others focus on the actual methods of production and processes (extraction, manufacturing, processing).

Geographic scope

By "geographic" scope:

Standards operate in different parts of the world. Some operate in a single sourcing region or country, while others operate in multiple ones. At the same time, products are marketed differently in different countries/regions.

Sustainability scope

By "sustainability" scope:

Some standards may put more emphasis on quality or on social/ethical principles, while others may focus more on environmental considerations.

You will need to consider all of these factors in order to correctly identify the VSS which may be relevant to your business. The second half of this lecture will teach you how to do this, as well as how to navigate the VSS complex landscape more generally.

SCOPE: Product or sector

Standards might apply to any single product or group of products. A standard's "product scope" refers to the range of products to which it is applied:

Generic

A generic standard applies to all products and services and is generally based on a set of principles such as labor rights, working conditions, codes of conduct, or reporting processes.

Examples

Multi-product

A multi-product standard applies to multiple products using general principles, but adapting the standard to the specific characteristics of the product to which it is applied.

Product specific

Product-specific standards are specially developed for a single sector or product group.

Understanding product or sector scope

Product-specific:

Bonsucro aims to foster the sustainability of the sugarcane sector through a metric-based certification scheme, and by supporting continuous environmental and production improvements.

Multi-product:

The Global Organic Textile Standard (GOTS) aims to define worldwide requirements to allow companies to ensure that their organic fiber products are produced to very strict criteria of quality, tracking, and social and environmental considerations.

Generic:

Social Accountability International (SAI) aims to advance human rights at work by building and developing socially responsible labour standards.

SCOPE: Geographic

Standards differ in *where* they are recognized, both at:

The start of the value chain (producer)

The countries/regions in which a product or service is extracted, produced, manufactured or developed:

VSS often set requirements specific to the sustainability issues of a given region or country group, and which may be specific to a given product or service. Not all standards operate globally.

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The end of the value chain (consumer)

The countries/regions in which a product or service is retailed.

Even though different buyers or retailers recognize different standards at their end markets, they typically re-sell the certified products or services all over the world.

Examples:

Better Cotton Initiative (BCI)

A specific VSS, Better Cotton Initiative (BCI), certifies cotton in 19 cotton-producing countries. Producers based in these countries can become BCI-certified. Producers located elsewhere, however, either need to either contact the BCI head office, or search for a different certification.



H&M

A large retailer such as the international Hennes & Moritz (H&M) brand may retail products made with BCI cotton in any of its shops across 55 countries. H&M is currently the biggest user of organic cotton in the world.

H&M aims for all cotton in its product ranges to come from sustainable sources by 2020.



SCOPE: Product, sector & geographic

Scenario

You are a producer or exporter interested in getting certified to a VSS. You need to consider the following fundamental questions:

Does the standard apply to your product or service?

Make sure that the VSS is applicable to the products manufactured or processed by your company, or to the services which your company provides.

Does the standard operate in your country?

Make sure that the VSS operates in your country. If it currently does not, this does not mean that it becoming certified is impossible. You can contact the head office of the standard and ask for further information.

Are certified products/services retailed in your target market?

VSS create and additional layer of compliance on top of regulatory/mandatory requirements, if your company already developed business relationships and complies with the technical regulations of a given target market, check whether or not the market in question retails products certified according to the standards in which you are interested.

SCOPE: Sustainability

VSS aim to address a whole range of sustainability topics, issues and problems related to a particular product and/or its production process and methods Most sustainability standards tackle the "three pillars of sustainability": environmental, social, and economic/financial. Product quality, management practices, and ethics also constitute a very important part of sustainability. Ultimately, VSS can be involved in all facets of a company's operations, governing the business practices and the methods which it adopts**. Here are some examples of the different issues and problems tackled by sustainability standards, grouped under five overarching sustainability areas:**

Quality: product quality, production process, food safety

Ethics & Integrity: anti-corruption, anti-bribery, business relationships, political or charitable contributions, sponsorships, gifts, hospitality, due-diligence assessments

Environmental: biodiversity, climate change, forest management, organic production, renewable energies, soil management, waste management, water management

Social: child labor, employment practices, gender issues, health and safety, ILO core conventions, local communities, work and labor rights

Economic & Management: economic development, finance and investment, productivity

Examples

Companies need to ensure that there are systems in place to detect, assess, avoid and respond to potential hazards to product safety - **Quality**

Producers need to employ management strategies to prevent soil erosion or chemical alteration through overuse - **Environmental**

No children under the national legal working age may be employed or work on the premises - **Social**

Companies need to employ standard decision-making practices with regards to price premiums - **Management**

All workers need to have equal opportunities and adequate wages when performing the same level of work, regardless of color, religious affiliation, or gender - **Ethics**

The focus on the various sustainability areas within a standard differs across the VSS

Depending on their purpose and objectives, different VSS are designed to address different sustainability areas or more specific topics. Taken together, these can roughly describe the focus of the VSS.

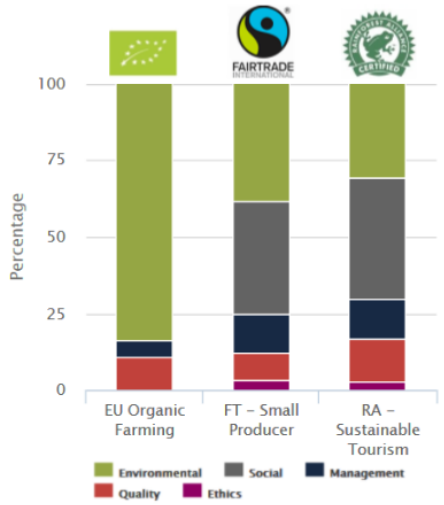
For example, as you can see from the graph, the **EU Organic Farming** scheme clearly focuses on **environmental topics**, while the **Fairtrade Small Producers** standard focuses on **environmental and social** sustainability topics roughly equally. **Social topics**, meanwhile, dominate the **Rainforest Alliance Sustainable Tourism** standard. We can also note, as a point of interest, that the **EU Organic Farming** does not address topics of "ethics".

This difference in focus areas among different standards may be linked to the types of products or services which they certify, as well as to the regions or countries where these standards operate. This also means that compliance with multiple VSS may be necessary for an individual producer.

The graph below shows the proportion of different areas emphasized by various sustainability standards, based on their number of individual requirements.

Graph

The proportion of different areas emphasized by various sustainability standards, based on their number of individual requirements.



The focus on the various sustainability areas within a standard differs across the VSS

The number of requirements covered by the different initiatives also roughly portrays the focus of a VSS. These requirements act as a "checklist". To become certified against these standards, all of the requirements need to be complied with. As will be explored in a few slides, the number of requirements does not provide an accurate picture of the implementation process**. Take a look at the table on the right for a more concrete example:**

Table: Sustainability hotspot

Sustainability hotspot	Number of Requirements per Standard		
	EU Organic Farming	Fair Trade Small Producer Organizations	Rainforest Alliance Sustainable Tourism
Environmental	47	53	35
-- soil	6	6	1
-- chemicals/natural organic inputs	7	15	4
-- biodiversity	10	18	9
-- animals/livestock	14	0	0
-- forests	0	5	0
-- waste	4	8	10
-- water	4	9	6
-- energy	2	4	4
-- climate/carbon	0	3	1
Social	0	52	46
Management	3	12	15
Quality	6	17	16
Ethics and Integrity	0	5	3