



## THE EU, SUSTAINABLE SUPPLY CHAINS AND VOLUNTARY STANDARDS SYSTEMS

Under the European Green Deal, the European Commission is currently assessing a variety of regulatory and non-regulatory policy options to protect and restore the world's forests. Possible instruments being considered include mandatory labelling, voluntary commitments, due diligence, verification schemes and methods such as the Product Environmental Footprint.

ISEAL, the Rainforest Alliance, the Forest Stewardship Council (FSC), Fairtrade International and the Roundtable on Sustainable Palm Oil (RSPO) wish to:

- support the EU's understanding on how to work with standards systems and certification in order to maximize their value as sustainable development tools;
- provide expertise and data on standards systems and their supportive and complementary role vis-à-vis EU policies for effective, smart-mix approaches; and
- clarify the role of standards systems and certification in EU and national policy frameworks.

### Credible voluntary sustainability standards systems – what are they?

A voluntary sustainability standards system (hereafter "standards system") is a market-based tool used by producers, companies, governments, financial institutions and consumers, to signal positive impact on people and the environment. They help actors choose between products made with unsustainable or more sustainable methods, drive better production practices and promote long term sustainability improvements.

There are many standards systems available, and there are significant differences in how they are managed and implemented. A credible standards system, at a minimum, has these characteristics:

- It defines good social and environmental practices in an industry or product.
- Its principles and criteria are regularly reviewed through an inclusive multi-stakeholder process that strives for continuous improvement and ensures its ongoing relevance.
- It has reliable and transparent verification and assurance systems. These have an independent, impartial basis. Standards systems strictly oversee certifier performance, ensuring audits are consistent and provide an accurate assessment of sustainability performance.
- It has a traceability system ensuring that a certified product can be connected to a verified source.
- It actively manages claims, labels or other communications marks related to its standards, whether on products or related to economic actors in supply chains.<sup>1</sup>

It is often accompanied by:

- Training and support to producer organizations to facilitate the implementation of the standard criteria.
- Elaborate and frequent impact assessments on-the-ground to understand effectiveness of the system and to continuously improve.
- Communications in the market, consumer campaigns, advocacy and other educational work.

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<sup>1</sup> ISEAL has developed a globally recognized framework to understand and assess the credibility of sustainability standards in the [ISEAL's Credibility Principles](#).



Credible standards systems provide an inclusive, collective and transparent mechanism to drive more sustainable supply chains. In various markets, this has made them accessible to and recognized by substantial parts of their sectors. For example, an estimated 32% of the world's cocoa, 30% of the world's coffee and 19% of the world's palm oil, and at least 10.8% of the global productive/ industrial forestry area is certified.<sup>2</sup> Because of their focus on collective action, Standards systems have been successful in stimulating sector-wide dialogues on sustainability.

### **Regulatory frameworks and standards systems are complementary**

Sustainability standards systems are not meant to replace or pre-empt effective regulatory frameworks – rather, they **complement** each other. Credible standards systems can be an important ingredient in a smart mix of measures that combines public policy and regulatory measures, and effective private sector approaches and tools.

Many standards systems use legislation at international and national levels as the foundation on which to build a system of sustainable production and sourcing. While local systems and law enforcement ensure legality, voluntary schemes provide additional assurance of sustainable production and traceability in the supply chain.

Sustainability standards systems cover practices that go beyond legal compliance, aiming to maximize positive social, environmental, and economic impacts. These can include good agricultural practices to support better quality crops with higher yields, sustainable use of land, water and energy, effective planning and management systems, training on important sustainability topics and access to health care and safe housing for workers.

At the same time, standards systems alone cannot address certain structural economic weaknesses or widespread social and environmental problems, even if they have extensive support programmes linked to them. Formalizing governance of natural resources, land use planning processes across commodities, or legal remedy for disadvantaged groups, etc, are issues where governments need to take the lead.

### **Standards systems need an enabling policy environment**

Voluntary sustainability standards alone are not enough to make more sustainable supply chains a reality. In order to achieve their mission, standards need effective EU policies and other mechanisms to promote sustainable commodity production and sourcing, removing harmful incentives that may promote irresponsible or even illegal production.

Standards systems rely on the market demand for more sustainable products. Companies can differentiate themselves by using sustainability standards, including through on-package labelling of their products to inform consumers. But while the market share for certified products in Europe has grown, it is far from covering the majority of the market. A policy framework that is dependent on consumer choice, like a new label, will be insufficient in its effectiveness to mainstream more sustainable production.

An effective policy framework should ensure companies take their responsibility in addressing adverse environmental and human rights impacts of their sourcing practices, and ensure that governments take the necessary actions to create an enabling environment for this, also in producing countries. While companies can use certification as a tool to help them meet regulatory requirements, certification should never discharge companies of their legal responsibilities under a regulation.

Including the experiences of credible standards systems will be essential for setting criteria for company action related to sustainable production. In this regard, certification schemes can also

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<sup>2</sup> ITC - [The State of Sustainable Markets 2019](#).



support the EU Commission in achieving commodity-specific commitments and consumer oriented policies.

More broadly, the European Union can create a level playing field by making it mandatory for companies to assess and address deforestation in their supply chain. Ideally, EU policy efforts should aim to incentivize continuous sustainability improvements over time. By working with sustainability standards in such regulatory frameworks, governments can set clear expectations while preventing a race to the bottom and lowering the ambitions of companies. The quality and credibility of due diligence processes should be key in discussions regarding due diligence legislation and (public) procurement policies.

### **EU action and voluntary sustainability standards: better together**

As the European Union is considering innovative ways to make production and supply chains more sustainable, a combination of voluntary and mandatory measures should be explored. We call on the European Commission to:

1. Engage with credible standards in its policy development processes to better understand how they can be leveraged to protect forests and biodiversity
2. Where appropriate, integrate into policies the experiences of credible, independent standards systems that use strict criteria for minimizing the risk of deforestation and forest degradation.
3. Ensure that EU policies translate into clear, consistent and realistic market expectations for all supply chain actors, in particular for small and medium enterprises and smallholder producers.

ISEAL, the Rainforest Alliance, the Forest Stewardship Council (FSC), Fairtrade International and the Roundtable on Sustainable Palm Oil (RSPO), are committed to support EU action for more responsible and sustainable supply chains.

### **For further information, kindly contact:**

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