

# **Continuous improvement of sustainability performance in tea producing countries**

*CSR initiatives in the tea sector*

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**AIDEnvironment**

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## *CSR initiatives in the tea sector*

Report commissioned by the Dutch Tea Consortium

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## Foreword

The Dutch tea sector<sup>a</sup> together with an alliance of NGO's<sup>b</sup> have formed a round table on sustainability referred to as the Tea Consortium. The parties involved are committed to contribute to sustainable production and trade in the global tea industry, with a focus on the tea producing countries that are most relevant for the Dutch market. Sustainable tea production and trade is understood as production and trade that respects international agreed upon social, economic and environmental standards, guidelines and norms. Both the Dutch tea sector and the Dutch Tea Initiative recognise the added value of a joint effort between business partners and NGO's in stimulating a process of continuous improvement.

A primary tool for ensuring sustainable tea production and trade is legislation, both on international and national level. However, adherence to and enforcement of legislation is flawed in many tea producing countries. In this vacuum, a number of voluntary initiatives have sprung up over the past years, including Corporate Social Responsibility (CSR) initiatives. Most parties involved in the Tea Consortium are convinced that CSR initiatives can have a positive impact on both social and environmental performance. In order to optimise the positive effect it is important to know the elements in the CSR initiatives which are most effective and to investigate whether there are specific hampering elements.

Against this backdrop, the Tea Consortium is conducting a joint project with the working title '*Continuous improvement of sustainability performance in the global tea sector*'. The companies involved in the project are using, or planning to use different CSR initiatives to ensure a better performance in their supply chains. In a first step, the Tea Consortium has commissioned an analysis of eight<sup>c</sup> existing and emerging CSR initiatives in the tea sector. The project is being carried out by AIDEnvironment, a consultancy and research institute which has been involved in commodity-related initiatives and research for many years. The analysis is aimed at providing a basis for better understanding factors, which may have a stimulating or hampering effect on the selected CSR initiatives. For this it was necessary to look at the scope and structure of the different schemes and the issues they are covering in the standards. This report provides an overview of that analysis, and is based on desk study and interviews with representatives from the CSR initiatives concerned.<sup>d</sup> In a next step, the joint project will consult the experience gathered so far in the various CSR initiatives regarding their effectiveness, and it will entail field research and consultation with stakeholders in producing countries, as that may further enhance validity and reliability of the analysis in the view of the Tea Consortium.

Since we realise that other efforts are currently being made to investigate the same CSR initiatives for other sectors, with this publication we would like to share what has been done so far. We realise that this study may have its limitations, as it is only intended to make an inventory of the characteristics of the various CSR initiatives. The project is not aimed at comparing the CSR initiatives or providing a judgement on their performance. We hope however the report will provide a basis for continued dialogue with CSR initiatives on potential improvement aspects and that it will facilitate shared learning when it comes to implementation.

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<sup>a</sup> Represented by Unilever, Sara Lee International, the Netherlands Association of Coffee Roasters and Tea Packers (VNKT) and the Netherlands Association of Tea Importers and Tea Exporters.

<sup>b</sup> BothENDS, Fairfood, India Committee of the Netherlands, Oxfam-Novib and SOMO.

<sup>c</sup> Business Social Compliance Initiative (BSCI), Ethical Tea Partnership (ETP), GlobalGap, International Federation of Organic Agricultural Movements (IFOAM), Fairtrade Labelling Organizations International (FLO), Rainforest Alliance (RA), Social Accountability International (SAI) and Utz Certified (Utz).

<sup>d</sup> An earlier version of this report was presented at a joint session in Utrecht on October 25th, 2007 with most of the CSR initiatives participating. The Tea Consortium would like to thank all participants for their valuable contribution.

## Executive summary

The Dutch tea sector<sup>e</sup> together with an alliance of NGO's<sup>f</sup> (jointly referred to as the Tea Consortium) have commissioned the analysis of eight existing and emerging international CSR initiatives in the tea sector:

- Business Social Compliance Initiative (BSCI);
- Ethical Tea Partnership (ETP);
- GlobalGAP (formerly EurepGAP);
- International Federation of Organic Agriculture Movements (IFOAM);
- Fairtrade Labelling Organizations International (FLO);
- Rainforest Alliance;
- Social Accountability International (SAI, known for the SA8000 standard);
- Utz Certified (formerly Utz Kapeh).

The analysis is aimed at providing a better insight of these CSR initiatives, creating a *first understanding* of the factors that increase or hamper their effectiveness and facilitating a process aimed at continuous and shared learning and improvement among the initiatives. This report is the product of the first phase; the second phase is planned to consist of field visits to tea plantations involved in the initiatives.

Through desk study and interviews, the initiatives were assessed against an extensive research framework, resulting in spider charts with eight axes, four about the initiative itself and four about the compliance rules for certified producers. All of the axes are expected to have an effect on the *theoretical* effectiveness of the initiative – the degree to which it is able to improve sustainability in the tea sector.

Initiative	Compliance rules
1. Governance	5. Labour and social rights
2. Verification framework	6. Community and livelihoods
3. Supply chain coverage	7. Environment – plantation
4. Continuous improvement	8. Environment - landscape level

Key distinctions between the initiatives were:

- 'Multi-stakeholder' (FLO, IFOAM, SAI, Rainforest Alliance, Utz Certified) versus 'Business-led' (BSCI, ETP and GlobalGAP)
- 'All-round' (FLO, IFOAM, Rainforest Alliance, Utz Certified) versus 'specific' (SAI, BSCI, ETP, GlobalGAP). 'All-round' initiatives focus on both environmental and social/labour issues, while three 'specific' initiatives (ETP, BSCI, SAI) focus on labour, and to a lesser extent social issues, and one (GlobalGAP) focuses mainly on environment.

Main conclusions were:

- Five initiatives (BSCI, GlobalGAP, Rainforest Alliance, SAI, Utz Certified) have only recently expanded into the tea sector. This implies that most of the initiatives included in this research at present have limited effect on the tea sector.

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<sup>f</sup> BothENDS, Fairfood, India Committee of the Netherlands, Oxfam-Novib, SOMO

- ‘Multi-stakeholder’ initiatives score significantly higher on *overall* governance than ‘business-led’ initiatives, it is expected that this has a positive influence on their effectiveness, amongst others because it enhances the legitimacy of the initiative.
- With regard to the *overall* verification framework, there is considerable variation amongst initiatives. GlobalGAP, Utz Certified, IFOAM, SAI and FLO have well-developed verification frameworks. It is expected that this has a positive effect on their effectiveness, in particular by ensuring that what is included on paper is also applied in practice and by improving credibility.
- All initiatives that support an on-product consumer label and thus have a high supply chain coverage (Utz Certified, Rainforest Alliance, FLO and IFOAM) are ‘all-round’ multi-stakeholder initiatives. It is expected that these three elements have a positive influence on their overall effectiveness.
- None of the initiatives has a high score on continuous improvement. Not in the least because no initiative has a robust impact monitoring system in place. It is expected that this hampers the effectiveness of the initiatives. Several initiatives have started to develop tools and procedures for impact monitoring.
- Compared to the ‘labour’ initiatives, the ‘all-round’ initiatives have a higher or equal inclusion of labour and social rights control points in their standard.

In addition to the above, the researchers conclude that there is a basis for shared and continuous learning and improvement amongst initiatives. This conclusion is based on three observations. Firstly, some initiatives are complementary in terms of focus area, so added value may be gained from getting together. Secondly, initiatives struggle to a large extent with similar issues, increasing the possibility of positive impact of co-operation. Thirdly, (market) conditions allow for the co-existence of initiatives.

Initiatives are however also competitors, therefore a supportive environment should be created to facilitate shared learning. To stimulate such an environment the following recommendations are made to the Tea Consortium:

- Continue to build on the relationship with the initiatives;
- Start a dialogue with the initiatives to define “best practices” for the tea sector;
- Explore the possibilities for cooperation between initiatives.

## Introduction

The improvement of social and environmental circumstances in tea production is increasingly drawing attention from NGOs and companies. As a result, there is at present a strong growth of Corporate Social Responsibility (CSR) initiatives in the tea sector. Some of these initiatives have been active in the tea sector for many years, others are expanding after successful experiences in other agricultural sectors, such as coffee and tropical fruit.

The Dutch tea sector<sup>g</sup> together with an alliance of NGOs<sup>h</sup> (jointly referred to as the Tea Consortium), have embarked on a joint project with the working title of 'Continuous improvement of the sustainability performance in the global tea sector'. The project consortium has commissioned an analysis of eight existing and emerging international CSR initiatives in the tea sector. The initiatives were selected by the consortium based on their current market coverage in the tea sector or the expected market coverage in the near future. This report is the result of that analysis. The CSR initiatives that are included in the analysis are:

- Business Social Compliance Initiative (BSCI, Brussels);
- Ethical Tea Partnership (ETP, London);
- GlobalGAP (formerly EurepGap, Cologne);
- International Federation of Organic Agriculture Movements (IFOAM, Bonn);
- Fairtrade Labelling Organizations International (FLO, Bonn);
- Rainforest Alliance (RA, New York/ Amsterdam);
- Social Accountability International (SAI, New York/ The Hague);
- Utz Certified (Utz, Amsterdam).

The analysis is aimed at providing a better insight of these CSR initiatives, with the guiding questions: How are they organised? What issues do they focus on? How do they bring about increased sustainability in the tea sector? In addition, the analysis aims to create a *first understanding* of the factors that increase or hamper the effectiveness of the initiatives. This report is the primary step in creating this understanding. The necessary second step will consist of discussions with local stakeholders and field visits to tea plantations to validate and substantiate the results of this desk study.

## Acknowledgements

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# 1 Methodology

The main objective of the research is to provide an insight in eight selected CSR initiatives and a first understanding of the factors that increase or hamper the effectiveness of these initiatives. In order to provide this insight, the research was broken down into four steps, all of which will be described in more detail below:

1. Development of analytical framework;
2. Analysis of selected of CSR initiatives;
3. Review / self-assessment by CSR initiatives and telephone interviews;
4. Composition of profiles and spider charts.

## 1.1 Analytical framework

The objective of the analytical framework is to structure the analysis of the eight initiatives and to accommodate a clear description of the similarities and remarkable differences between the initiatives. The analytical framework was based on the “Civil Society Benchmark”, a list of issues identified by civil society organisations from consuming and producing countries, as important for the effectiveness of a CSR initiative. For the purposes of this analysis, the researchers structured and extended the list based on their experience with voluntary CSR initiatives.

The analytical framework has been structured into eight aspects, or axes, of which the first four deal with the initiative itself: how is it organised and how does it attempt to improve sustainability in the tea sector? The other four axes concern the compliance rules for producers under the various initiatives, i.e. the criteria included in the standard(s).

<b>Initiative</b>	<b>Compliance rules</b>
1. Governance	5. Labour and social rights
2. Verification framework	6. Community and livelihoods
3. Supply chain coverage	7. Environment – plantation
4. Continuous improvement	8. Environment – landscape level

All of the axes are expected to have an effect on the *theoretical* effectiveness of the initiative – the degree to which it is able to improve sustainability in the tea sector. This relationship between the axes and effectiveness is not *linear*. For example, a well-developed governance structure with balanced representation of civil society and private sector is expected to enhance effectiveness of the initiative, because it increases legitimacy of the initiative which makes it attractive to producers, buyers and consumers. However, inclusion of (too) many stakeholders can hamper a pro-active approach of the initiative and may possibly lead to an initiative unable to make any decisions. A similar observation can be made for the verification framework: the existence of a thorough audit procedure can improve effectiveness of the initiative, but can also lead to high certification costs for producers causing them not to get involved. To what extent the axes also have an effect on effectiveness in practice, should be verified in the second phase of this research.

The reasons why the various ‘*initiative*’ axes are expected to contribute to overall effectiveness are described in the next chapter. The ‘*compliance rules*’ axes are assumed to influence effectiveness on those particular aspects.

Based on the “Civil Society Benchmark” the main issues have been identified for each axis. Subsequently, control points have been formulated for each of the issues. The objective of the control points is to provide the researchers with a concrete and specific reference point to assess the initiative against. For example, one of the issues under the “Governance” axis, is transparency (see figure 2.1). For this issue four control points have been identified including public disclosure of board members and public summaries of audit reports.

Axis: Governance	
Issue:	Control points:
Transparency and reporting	Public disclosure of board members on website
	Public disclosure of all central and formal proceedings, documents, etc. on website
	Public disclosure of members, certified companies, etc. on website
	Public summaries of audit reports on website or specific rules

**Figure 2.1 – Extract of analytical framework**

## 1.2 Analysis of selected CSR initiatives

Using the analytical framework, documentation was collected and analysed in order to make a first “profile” of each of the initiatives. The documentation included:

- Standards relevant to tea, whether generic or sector-specific.
- Organisational charts, lists of board members and other documents on governance and organisation.
- Guidelines and procedures on verification, monitoring, accreditation and standard-setting.
- Other relevant documents and procedures, for instance on complaints handling.

Based on the documentation, the researchers filled out the analytical framework for each CSR initiative in order to construct a “profile”. On each control point, an initiative could score:

- “no mention” – if no reference to the control point could be found;
- “general mention” – if the control point was vaguely mentioned or if it was interpreted at a higher level of abstraction (for instance, no forced labour would get a general mention if an initiative had only stated to cover human rights at work);
- “specific mention” – if the control point was specifically addressed, either in a standard or in practice (for instance, civil society representation in the board could be mentioned in articles of association but could also be verified looking at the board members’ profiles on the website of the initiative).
- “mandatory” – if the control point was mandatory for companies to become approved or certified.

## 1.3 Review / self-assessment by CSR initiatives and telephone interviews

During the next phase of the research, the results of the analysis (the “profiles”) were shared with the initiatives. One or more representatives of the initiatives interviewed and in three cases (FLO, IFOAM and ETP) auditors were also interviewed.

The objective of this phase was three-fold. Firstly, the project consortium wanted to generate a commitment and participation amongst the initiatives for the research and its objectives. Secondly, sharing the outcomes of the analysis with the initiatives gave the researchers the opportunity to validate their findings. Lastly, through discussing the profiles with the initiatives, the aim was to get a better picture of how the control points covered in theory (i.e. according to the documentation) are actually applied in practice. To this end, the CSR initiatives were asked to do a self-assessment.

Besides a detailed discussion of the profiles, interviews with representatives of the initiatives focused on:

- The overall objectives of the initiative;
- The extent to which these objectives were met, or more generally what had been achieved by the initiative;
- Factors that had attributed to the success or achievements of the initiative;
- Factors that the initiative experienced as constraints for achieving its objectives..

## 1.4 Composition of spider charts

The scoring of the control points, based on analysis of the documentation and the feedback of the initiatives, was summarised in a score for each of the axes of the spider chart (see next chapters). The spider charts provide a quick visual profile as a basis for deeper understanding of the initiative. The summarised scores were not based on a weighted calculation, but on the professional judgment of the researchers based on the combined scores on the control points, taking into account their different nature and (assumed) importance. The highest score (5) indicates that an initiative is very well developed on a certain axis, while the lowest (0) indicates that that particular axis is not included in the initiative.

The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the initiative itself and of the 'beholder', i.e. each individual user or stakeholder of the initiative with his/her own perception of what is important. In other words, different initiatives may suit different user groups.

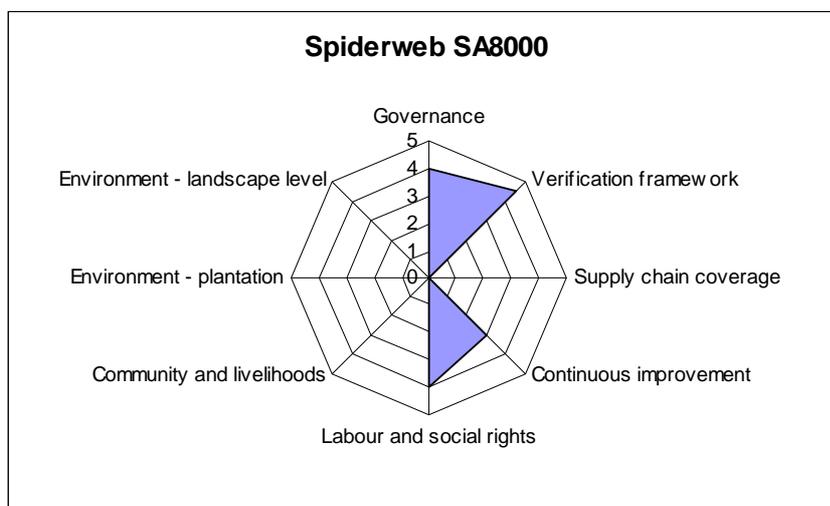


Figure 2.2 - Example of spider chart

## 1.5 Considerations concerning methodology and process

One of the main challenges in this research was the large variety amongst and even within the CSR initiatives. Key differences included:

- Degree of integration: umbrella or centralised organisation, outsourced or in-house auditing, accreditation and (national or sector-specific) standard-setting.
- Verification approach: basic monitoring to ISO compliant accreditation and certification.
- Supported claims: labels on consumer products to communication at company level.
- Issues covered: labour conditions, community and smallholder livelihoods, environmental management on plantation, and/or ecological impacts beyond the plantation.
- Involvement in tea sector: well established or just starting.

Because of these differences, imprudent comparison of initiatives may lead to incorrect conclusions. The researchers have attempted to overcome this difficulty by assessing the initiatives 'on their own merits' and not simply counting the number of control points included in the initiative. The reader is also advised to take the variation amongst the initiatives into account. Some of the initiatives, for example, have no objective to tackle environmental issues (BSCI, ETP, SAI). Similarly other initiatives have no objective to certify products but certify product facilities instead (BSCI, ETP, GlobalGAP, SAI), so chain-of-custody procedures seem pointless for those initiatives. However, the absence of certain control points in the standard of an initiative does give an indication of the theoretical effectiveness of that particular initiative.

In addition, the reader is advised to take into account that the underlying report is the result of a desk study and interviews and not on-the-spot fact finding. The results presented in this study need to be verified through field visits in a follow up phase.

Interviews with the various initiatives were an important part of the research, not only because they allowed the researchers to verify their findings but also because it provided a basis of understanding and because it gave representatives of the initiatives the opportunity to express their opinion on the research and its objectives. Most of the initiatives were positive about the research and the researchers were pleased that so many representatives were able to contribute in such a constructive way. Although most initiatives welcomed the research and sometimes stated that the profile was helpful in reviewing the own organisation, some representatives were unhappy with the lack of involvement in the development phase of project. Also some wondered whether the methodology would actually lead to a clear view on the achievements of the initiatives and the factors that increase or hamper effectiveness. For one initiative the timeframe of the research did not allow for a thorough contribution due to a shortage of resources.

In spite of these difficulties the objectives of the interviews have been largely met: the researchers were able to verify their findings thanks to constructive contributions of the representatives. Also a first foundation has been laid down for shared learning, a foundation which should be built upon by the project consortium in the coming period. Lastly, it was attempted through discussing the profiles with the initiatives, to arrive at some shared assertions how the control points were applied in practice. Concerning this last objective, the results of the interviews were too patchy to include structurally in this report. Not all CSR initiatives were able to perform a detailed self-assessment of the application in practice, either because that knowledge was not available within the organisation or because there was no practical experience within the tea sector yet. Also for those cases where auditors were interviewed (FLO, IFOAM and ETP), it was observed that an overview of how an initiative functions in practice is difficult to give because this information is rarely concentrated with one person. It is recommended that in the second phase, auditors are more structurally included.

Besides these practical constraints, the self-assessments on how control points were applied in practice did deliver certain insights. In addition, they can also be used for validation during future field visits.

A final note concerns the definition of the term multi-stakeholder initiative. It raises two questions: what is a 'stakeholder' and what is considered 'multi'? A stakeholder is usually defined as any group or individual who can affect or is affected by the operations of an entity, in this case a CSR initiative.<sup>1</sup> This definition, however, potentially includes a massive group of people, especially for organisations with extensive international coverage. Therefore, not all (groups of) stakeholders are considered equally important. The involvement of large producers and buyers may be important, but is almost always satisfactory. The inclusion of organisations (or people) that are seen to credibly 'represent' strongly affected people or natural areas is a more differentiating indicator of being 'multi-stakeholder'. These organisations are grouped under the term 'civil society' and refer especially to NGOs, trade unions and small producer associations.

Not all stakeholders can be included in decision-making bodies in person; consequently representation of stakeholder types or groups is necessary. This can be explicit, through elected representatives of chambers within a general assembly, or implicit, through direct appointment of individuals with a certain position or constituency. These observations underline that 'multi-stakeholder' leaves room for interpretation and there are more and less developed 'multi-stakeholder' initiatives. In this report, relevant civil society representation in the board is broadly taken as the determinant of the 'multi-stakeholder' status of an initiative.

## 2 Description of the analytical framework

As described in the previous chapter, an analytical framework has been formulated to create profiles of the eight selected CSR initiatives in the tea sector. The framework has been structured into eight aspects, or axes, of which the first four deal with the initiative itself and the other four concern the compliance rules for producers under the various programmes:

<b>Initiative</b>	<b>Compliance rules</b>
1. Governance	5. Labour and social rights
2. Verification framework	6. Community and livelihoods
3. Supply chain coverage	7. Environment - plantation
4. Continuous improvement	8. Environment - landscape level

Per axis, several main issues have been identified, for which concrete control points have been formulated. Below, a description is given of the issues that are included in the eight axes.

The performance of all eight initiatives has been assessed on the main issues and control points described below, using the methodology described in the previous chapter.

### 2.1 Governance

In general, governance comprises the policies, processes and division of tasks that determine how decisions are made, how stakeholders are given a voice, and how management is held accountable. In other words, governance is the system of checks and balances that keeps an organisation aligned with its goals. A well-developed governance structure is expected to have a positive effect on the overall effectiveness of the initiative for at least two reasons. First, it increases the legitimacy of the initiative, which makes the initiative more attractive to producers, buyers, consumers and government. Second, it is presumed to generate “better” decisions on any level of the organisation making it more effective in practice. An “over-inclusive” governance structure however, may hamper rapid decision making.

The following issues are essential when assessing an organisation’s performance related to governance:

- Representation of stakeholders in decision-making and standard-setting bodies;
- Transparency and reporting;
- Complaints and dispute resolution;
- Ethics and integrity.

#### **Representation of stakeholders in decision-making and standard-setting bodies**

Participation of all stakeholder groups of the CSR initiatives can be ensured by involving representatives of such stakeholder groups in decision-making processes and standard-setting bodies. The analytical framework includes three control points on representation of stakeholders: civil society versus private sector, producer vs. consumer countries, and presence of smallholders. For the first two control points, it is assessed whether the representation in decision-making and standard setting is balanced.

The widely-used term ‘multi-stakeholder initiative’ is primarily related to this issue of representation. For a brief discussion of this term, please refer to the end of paragraph 1.5.

#### **Transparency and reporting**

One of the main concerns, especially by NGOs, with regard to governance is transparency. If an organisation or initiative is not transparent, assessing its performance is impossible for outsiders. The following parameters have been identified as indicators of transparency and reporting:

- Public disclosure of board members on the initiative's website;
- Public disclosure of all central and formal proceedings, documents, etc. on the initiative's website;
- Public disclosure of members, certified companies, etc. on the initiative's website;
- Public summaries of audit reports concerning certified plantations on the initiative's website or specific rules for publishing such summaries.

## **Complaints and dispute resolution**

Fair and inclusive complaints handling and dispute resolution can both minimise negative consequences and provide input for organisational improvement. Two control points are distinguished on complaints procedures: one on certification decisions and results, and the other on all other issues such as membership, accreditation, standards etc. The accessibility of these procedures is also checked to assess its effectiveness, focussing on clear contact points for complaints and the acceptance of multiple languages and media. Also relevant is the possibility to appeal to an independent body.

## **Ethics and integrity**

The issue 'ethics and integrity' is focussing on the measures taken to avoid unethical behaviour and to raise the awareness and profile of ethics and integrity. The most common measure would be a Code of Conduct, specifying behavioural requirements and guidelines for the initiative's professional staff and/or its members.

## **2.2 Verification framework**

The second axis concerns the verification frameworks of the initiatives, which is the whole system of setting standards and verifying (and stimulating) compliance against those standards. A well-developed verification framework is expected to improve effectiveness of an initiative for at least two reasons. First, it ensures that what is included on paper is also applied in practice. Second, it improves credibility making the initiative more attractive for stakeholders. However, an overly detailed verification framework might also hamper effectiveness, for example because of its high costs for producers.

### **Standard setting**

There are several meta-standards (i.e. standards about standards) and standard-setting guidelines concerning sustainability, which can be used to base commodity-specific standards on. Two important guidelines are ISO 59 and the ISEAL Code of good practice on standard setting.<sup>1</sup> Stakeholder participation is also included as control point, being a key element of credible standards development. To accommodate large differences between different regions in the standard, initiatives might develop specific regional and/or national standards, often based on local multi-stakeholder interpretation of the generic standard.

### **Accreditation**

Accreditation concerns the requirements that certification bodies have to comply with to perform their certification activities (i.e. 'certifying the certifier'). Two potential requirements to ensure the quality of the accreditation body are compliance with ISO 17011, a standard with general requirements for accreditation bodies, and whether the accreditation body has specific social and/or environmental expertise (as in the case of Social Accountability Accreditation Services (SAAS) or the International Organic Accreditation Service (IOAS)).

### **Certification and monitoring**

The next activities within the verification framework are certification and monitoring. For both activities, procedures and requirements are needed, which can be based on standard guidelines such as ISO 17021 (on organisations that certify quality and environmental

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<sup>1</sup> ISEAL is the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance. ISEAL Members included in this study are FLO, IFOAM, Rainforest Alliance and SAI.

management systems, formerly ISO Guides 62 and 66) or ISO Guide 65 (on organisations that certify products).

The quality of certification and monitoring depends among others on:

- The presence of robust procedures for the assessment process in terms of audit scope, frequency, sampling, determination of corrective action requirements, unannounced audits, etc.;
- Requirements concerning the auditors and audit team (the auditors should be trained, capable, independent professionals with knowledge and sensitivity about the local context);
- Communication with stakeholders during the audit process;
- Procedures in case of corrective actions.

## **2.3 Supply chain coverage**

In order to put a certified product on the market, adequate control of the different stages of the supply chain is needed. In the analytical framework, this aspect is covered by two issues, namely claims and labelling, and chain-of-custody (CoC) requirements. A high degree of supply chain coverage is expected to have a positive effect on the overall effectiveness of an initiative for at least two reasons. First, it ensures the inclusion of more supply chain actors, stimulating them to make choices that have a positive impact on sustainability. Second, it ensures the involvement of consumers which is expected to have positive spin-off (increased demand of sustainable products, public pressure on companies, etc.)

### **Claims and labelling**

Not all initiatives carry a product labelling scheme; their communication model consists primarily of a business-to-business claim to their customers and business parties about the social and/or environmental conduct of companies they do business with. For both claims and labelling, clear rules and procedures are needed to prevent false statements and falsely certified products to enter the market.

### **Chain-of-custody (CoC) requirements**

The objective of a chain of custody (CoC) is to ensure that no more labelled products are sold than warranted by production (CoC systems are only relevant for labelled products). In practice, this generally means that all owners or processors in the supply chain have to be audited and certified, so that labelled products are guaranteed to come from certified production areas. CoC standards are normally aimed at (product) segregation and identification, and at maintaining adequate documentation. None of the initiatives has social or environmental requirements for CoC certification.

## **2.4 Continuous improvement**

Ensuring sustainable production is in most cases a lengthy process involving many parameters. For most producers, it is impossible to meet all requirements and recommendations at once. This prompts the question how participants are encouraged to progress. In addition, the CSR initiatives themselves and the standards they develop are subject to changing contexts and new insights, pointing at a need for structured learning and improvement. The expectation that the inclusion of continuous improvement requirements has a positive effect on the overall effectiveness of the initiatives seems apparent.

### **Continuous improvement of CSR initiative**

An initiative's ability to continuously improve depends on its capacity to use information from performance monitoring, evaluations, complaints, and feedback from stakeholders to improve its organisation, procedures, and standards. One control point is the presence of a performance monitoring and evaluation system. In addition, a training programme for staff and other stakeholders, including service providers such as certification bodies and consultants, supports consistent quality and the implementation of improvements both at initiative and producer level. Finally, standards should be regularly assessed and evaluated based on their impacts and new insights.

**Continuous improvement of certified parties**

The process of continuous improvement at producer level can be included in certification standards in different ways. Some initiatives state progress requirements next to the minimum requirements, while others mention that the percentage of compliance with non-minimum requirements should increase with time. In order to measure improvement, baseline assessment and impact monitoring is needed (but rarely done). Other parameters of continuous improvement of the certified party are requirements concerning training (needed to achieve improvement) and quality management systems (describing procedures for management, monitoring, impact measurement, etc.).

**2.5 Labour and social rights**

Labour and social rights issues generally receive much attention in compliance rules for producers entering in a certification programme. The International Labour Organisation (ILO), founded in 1919 and a UN-agency since 1946<sup>2</sup>, played an important role in attracting attention to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

**Wages and overtime**

To enable labourers to live in 'acceptable conditions', payment of a national minimum wage or living wage (the minimum hourly wage necessary for a person to achieve a basic standard of living and some discretionary income) is preferred, especially to estate and factory or warehouse workers. Compensation should be provided if labourers work overtime.

**Forced labour**

In the Forced Labour Convention, dating from 1930, forced or compulsory labour is defined as 'all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily'.<sup>3</sup> Most initiatives include the prohibition of forced labour in their standards.

**Child labour**

Child labour can be defined as the employment of children under an age determined by law or custom. This practice is considered exploitative by many countries and international organisations such as the ILO and UNICEF. Article 32 of the UN Convention on the Rights of the Child recognises that: 'the right of the child [is] to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development'.<sup>4</sup> Most initiatives include the prohibition of child labour in their standards.

**Discrimination**

Discrimination can be defined as 'treatment or consideration of a person or thing based on the group, class, or category to which that person or thing belongs rather than on individual merit'.<sup>5</sup> To comply with most standards, producers have to prove they are not discriminating their staff and labourers in any way.

**Freedom of association and right to collective bargaining**

In the international labour movement, the freedom of association is a right identified under international labour standards as the right of workers' to organise and collectively bargain. The freedom of association, in this international labour movement sense, is recognized as a fundamental human right by a number of human rights documents, including the Universal Declaration of Human Rights and International Labour Organisation Conventions. Collective bargaining consists of the process of negotiation between workers' representatives and employers concerning the terms and conditions of employment, such as wages, hours of work, working conditions and grievance-procedures.<sup>6</sup>

## **Health and safety**

Safe and healthy working conditions are internationally known as occupational health issues. The main focus in occupational health, as adopted in 1950 and revised in 1995 by the ILO and the World Health Organisation (WHO), is on three different objectives: (i) the maintenance and promotion of workers' health and working capacity; (ii) the improvement of the working environment and work to become conducive to safety and health; and (iii) development of work organisations and working cultures in a direction which supports health and safety at work.<sup>7</sup>

## **Disciplinary practices and abuse**

To prevent unacceptable disciplinary practices and abuse of labourers, such as physical violence and intimidation, procedures to protect employees can be formulated. These are often linked to prohibition of forced or bonded labour.

## **Security of employment**

Security of employment related to the conditions of the contract between the employer and employee, such as the duration of the contract (temporarily or permanent), the period of notice, and the conditions to terminate the contract.

## **Social benefits**

Social benefits are services and support that are offered to labourers, such as pensions, social security and related insurances, maternal and/or paternal leave, child care, etc.

## **Provision of social services (at or below market rates) to employees/ wider community**

In order to improve the standard of living of employees or the communities in which they live, employers can provide extra social services that are generally not included in international labour rights. These might include:

- Housing (with or without an option to buy);
- Food and/or food production resources;
- Safe drinking water;
- Education and encouragement to participate in it;
- Medical care (including insurance, HIV/AIDS programs, etc.);
- Transport infrastructure: roads, bridges, etc.;

## **2.6 Community and livelihoods**

Certification standards often aim to improve the conditions of local communities whose human and natural resources are used to produce the certified goods. This can be done in several ways, among which the most significant are described in more detail below:

- Inclusion of smallholders operating outside corporate plantations;
- Supporting producers to improve their performance levels;
- Agreements on prices to producers;
- Agreements on purchasing practices;
- Increasing local employment;
- Respecting land and property rights of communities.

## **Inclusion of smallholders**

For smallholders, compliance to the minimum requirements for certification often requires an investment they cannot make. Two ways to cope with this are formulating special standards requiring a smaller initial investment for group or smallholder certification, or supporting (larger) producers and/or processors to include smallholders in their certification activities.

## **Producer support**

Producers might encounter difficulties when trying to comply with certification standards or to assure long-term compliance. Assistance to these producers, either financially (by improving access to affordable loans and/or credits including pre-financing), technically (e.g. on commercial or agricultural issues), or economically (sharing price and trade information) might strengthen their position and performance.

**Prices to producers**

It can be unclear whether the market prices for their products will allow producers (both plantations and smallholders) to at least cover all their costs and pay their workers an acceptable wage. In addition, compliance with certification standards always requires additional costs and/or investments. Some certification schemes therefore include a standard price premium or minimum price level for certified products.

**Purchasing practices**

Agreement on purchasing practices, especially long-term contracts and buying commitments, are another way to guarantee a sustainable source of income for producers and thus also their labourers. Like a price premium, purchasing practices, may be important for producers to enable them to invest in sustainable production.

**Local employment**

Local employment is a relevant parameter if the objective is to have a positive effect on the local economy and thus the livelihoods of local communities. Producers can increase local employment by giving preference to (or at least doing working with) local workers and local suppliers.

**Respect for (customary) land and property rights**

In case the production area of a plantation is expanded, there is a potential for conflict with the customary owners or users of the land that is planned to be used as plantation. There are several requirements that should be taken into account to avoid any problems:

- Conversion of land should only take place after the producer has obtained the free prior and informed consent of the land owners and users;
- The land owner should receive a fair compensation;
- The producer should perform a social impact assessment in case of forest conversion, even when this is not required by law;
- No future or recent conversion of forest with important socio-economic or cultural conservation values should be allowed.

**2.7 Environment - plantation**

The environment at plantation level might be exposed to pollution and erosion due to agricultural activities. Certification standards often include specific requirements and recommendations to prevent pollution and erosion, because of their potential impact on employees, long-term (economic) sustainability and the wider environment including nearby natural areas and local communities.

**Agrochemicals**

The correct and harmless use of agrochemicals such as pesticides and fertilisers requires clear guidelines on their use, application, storage, book keeping, etc. A way to manage the use of pesticides is through integrated pest management, in which an array of complementary methods is applied, with pesticides as a last resort. This approach can significantly reduce or even eliminate the use of pesticides. The use of natural fertilisers can also reduce pollution risks.

**Waste and emissions**

Pollution can be managed and minimised by strict pollution and waste management. Depending on the activities in the plantation, attention should be paid to solid waste management, water and air pollution and the management of greenhouse gases.

**Soil conservation**

Prevention measures should be taken to protect the soil against erosion. These measures can range from no clearing on steep slopes to the use of ground cover crops.

## **2.8 Environment – landscape level**

Conversion of (part of) a natural ecosystem for agricultural production generally leads to a decrease in biodiversity and a high risk of (further) degradation of the ecosystem and its natural functions. In order to minimise the impacts, several measures need to be taken concerning biodiversity and natural resource use. These measures are discussed in more detail below.

### **Biodiversity**

Preserving biodiversity in a landscape with much agricultural activity is considered to be a difficult and complex objective. Each element of a natural ecosystem helps the system through complex relations to perform its crucial regulation functions (such as hydrological and climate regulation, and soil retention and formation), habitat function, and production functions.

Measures to preserve biodiversity include:

- Establishment of corridors, riparian zones, set-aside areas, and reforested areas to create a viable mosaic of natural and agricultural areas;
- Use of native shade trees at shade-grown plant plantations to increase biodiversity on plantation level;
- Protection of streams and water sources to ensure hydrological stability;
- Anti-hunting measures including awareness raising and provision of alternative protein sources;
- Prohibition of conversion of forest with important nature conservation values;
- Enforcing the performance and implementation of a Environmental Impact Assessment (EIA) in case of forest conversion;
- Other measures to protect biodiversity on and around plantations might include the planning of access roads, co-operation with fringe communities, control of illegal activities, etc.

### **Natural resource use**

Measures to manage the natural resource use can be aimed at irrigation and/or ground water consumption, and (fossil) fuel and fire wood consumption. Requirements and procedures concerning resource use can be established in natural resource management plans.

### 3 Profiles of eight CSR initiatives

This chapter contains the discussion of the individual initiatives following the analytical framework described in chapter 3. In addition all paragraphs include a description of the market coverage of the initiative, giving an indication on what volumes of tea are certified or monitored (if any) and which companies are making use of the initiative's assurance scheme. The initiatives are presented in alphabetical order:

- Business Social Compliance Initiative (BSCI, Brussels);
- Ethical Tea Partnership (ETP, London);
- GlobalGAP (formerly EurepGap, Cologne);
- International Federation of Organic Agriculture Movements (IFOAM, Bonn);
- Fairtrade Labelling Organizations International (FLO, Bonn);
- Rainforest Alliance (RA, New York/ Amsterdam);
- Social Accountability International (SAI, New York/ The Hague);
- Utz Certified (Utz, Amsterdam).

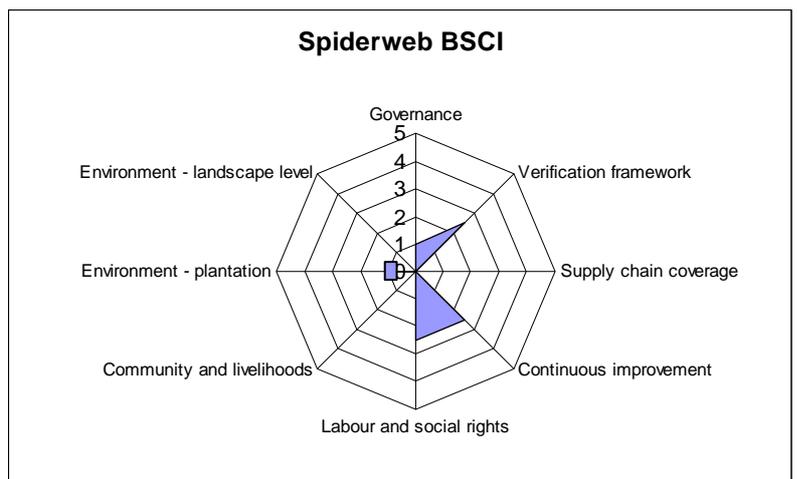
As was described in the methodology in chapter 1, the analyses of the initiatives was based on a series of (official) documents found on the websites and provided by the initiatives. In addition interviews were conducted with representatives of the initiatives. To complement the results and get a better impression of the auditor's viewpoint, interviews were also carried out with representatives of FLO-Cert and PricewaterhouseCoopers, which perform the audits for FLO and ETP respectively, and with a Chinese auditor for organic (IFOAM).

Note that IFOAM is actually an umbrella organisation that only issues a standard for more specific national standards to comply with. As a result, the level of detail is significantly lower than in the standards of the other initiatives. It was thus not seen as fair and appropriate to rate IFOAM on the social and environmental dimensions of the framework. This could have been solved by looking at relevant local standards for organic production, but this was not possible within the timeframe of the project. It is recommended that in the second phase a more detailed assessment of a national organic initiative is conducted.

### 3.1 Business Social Compliance Initiative (BSCI)

*“A common approach for European commerce (...) for social responsibility in global trade”*  
– From website BSCI<sup>8</sup>

- Year of foundation: 2003
- Product labelling: No
- Scope of standard: worldwide and sector generic
- Important sectors: textiles, shoes, consumer electronics
- Involvement in tea: pilot



#### Market coverage

BSCI recently started the roll out of the system into agricultural production. Regarding tea, (pilot) audits have taken place in Sri Lanka and Kenya.<sup>9</sup> In manufacturing for retail – notably textiles, garments, shoes, toys and consumer electronics – BSCI has considerable market coverage with 85 members, primarily European retailers. Members are committed to include “2/3 of their suppliers or 2/3 of their buying volume of soft goods [i.e. non-durable goods] in risk countries” into the programme.<sup>k10</sup>

#### Governance

The Business Social Compliance Initiative (BSCI) was founded by the Foreign Trade Association (FTA), an association for European commerce including retailers like Ahold, Carrefour and Lidl.<sup>11</sup> BSCI members (85) largely correspond with the members of FTA. BSCI membership is open to all companies and associations. There is no reference to membership possibilities for other stakeholders like NGOs.

The initiative consists of a secretariat, a Members Assembly, a Supervisory Council and Stakeholder Board.<sup>l</sup> The Members Assembly includes all members and convenes at least twice a year. It is responsible for long-term planning and strategic decision making. The Members Assembly decides who will represent the initiative to outside parties in the “Supervisory Council”. The 12-member Stakeholder Board is the only body that includes representatives from external stakeholders like trade unions, NGOs, the European Commission and the International

<sup>j</sup> The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the CSR initiative itself and of the stakeholders involved. In other words the spiderchart it is not aimed at providing a judgement on the performance of the CSR initiative.

<sup>k</sup> Risk countries are: Bangladesh, Bulgaria, Cambodia, China, India, Indonesia, Malaysia, Myanmar, Pakistan, Philippines, Romania, South-Korea, Taiwan, Thailand, Turkey, Vietnam, as well as all countries in Africa (except South-Africa) and Latin America.

<sup>l</sup> The governing structure of BSCI has recently been revised, however, the main bodies including their responsibilities and tasks, have been largely maintained.

Labour Organisation.<sup>12</sup> Its assignment is merely advisory. In the recent past NGOs have declined to enter into the predecessor of the Stakeholder Board because it lacked decision-making power.<sup>13</sup> Currently, BSCI is working on improved stakeholder involvement. In December of this year the Stakeholder Board will convene for the first time.<sup>14</sup> It was not disclosed to the researchers which stakeholders are participating in the Stakeholder Board. At the level of producer countries, BSCI aims to involve (local) stakeholders through the set up of Round Tables.

In addition, to improved stakeholder involvement, BSCI emphasises to also improve its complaints procedures.<sup>15</sup> With regard to transparency, BSCI can be described as a rather closed organisation: formal proceedings, a list of monitored companies and summaries of audit reports are not publicly available.

### **Verification framework**

BSCI is a monitoring system rather than a certification system and therefore does not issue certificates or support a consumer label. It does function as a business-to-business trademark. BSCI can be viewed as an alternative to the proliferation of company-specific supplier code-of-conduct audits, which is especially relevant in the clothing industry. The approach ensures uniform audit procedures and comparability of results.<sup>16</sup>

Civil society stakeholders are not included in the development of the BSCI standard. However, since BSCI refers to the SA8000 standard of SAI (see below) as its best practice (which does include stakeholder involvement) stakeholders are implicitly included.

Accreditation of the certification bodies is, again indirectly, included in the BSCI system: all the auditors that audit against the BSCI standard are SAI accredited. This implies that the auditors have the necessary skills (knowledge local language etc.) to perform the audits.

The audit process is rather robust, for example BSCI has described in detail which people should be included in the audit process (workers, quality manager, trade union representative etc.).<sup>17</sup> Also, there are guidelines on how these interviews should be conducted (e.g. 50% of the interviews should be conducted individually, protection of interviewees etc.). However, it should be noted that there are no unannounced monitoring visits and that regular audits are only performed once every three years, with surveillance visits in between should the corrective actions so dictate.<sup>18</sup> In addition, the focus of the BSCI audits for primary production lies on the *processing unit* where the production process takes place before the product reaches the BSCI member, and not the *farm* or plantation. The BSCI requirements must be fulfilled by all farms supplying the processing unit, but only a few of them are actually audited. The number of farms to be audited is determined by taking the square root of the number of farms connected to the processing unit with a minimum of five farms.<sup>19</sup> The audit on the farm level is primarily to assess if the social management system of the company is functioning.<sup>20</sup>

The audit is generally paid for by the supplier.

The BSCI standard includes minimum and progress requirements. The minimum requirements are the BSCI Social Requirements; corrective actions arising from non-compliance with these issues are compulsory for the farm and should be performed within a twelve-month timeframe. The progress requirements are those included in the SA8000 standard, corrective actions arising from these requirements are voluntary.<sup>21</sup> If companies are SA8000 certified, they are considered BSCI compliant without a separate BSCI audit.<sup>22</sup>

As mentioned, it is mandatory for BSCI members to integrate 2/3 of their suppliers or 2/3 of their buying volume of soft goods in risk countries into the BSCI programme. If members fail to do so, their membership may be suspended or terminated.<sup>23</sup>

## **Supply chain coverage**

BSCI provides a system to monitor *companies* or *production facilities* against social standards. The products themselves are not regarded. A chain of custody is therefore outside the scope of the system and no products are labelled under the BSCI scheme.

## **Continuous improvement**

Continuous improvement is one of the six 'pillars' that BSCI defines for its system. BSCI has established several working groups which aim to improve the system. Also a database has been created in which audit data are collected, which should allow for a certain level of impact monitoring.

At farm level continuous improvement is encouraged through the requirement of a social management system. This entails that companies should define short term and long term goals and make a list of activities to match these goals, including a timeline when to implement them, appointment of responsibilities, etc.<sup>24</sup> Also the system of minimum and progress requirements is intended to stimulate continuous improvement.

## **Labour and social rights**

BSCI aims to provide a common approach for social responsibility; the standard therefore includes mainly control points on social and labour issues.

Corrective actions arising from non-compliance with the BSCI Social Requirements are compulsory for the farm and should be taken care of within twelve months. However, since BSCI does not include certification, nor require that *all* suppliers of members are BSCI compliant, it is unclear what the practical consequences are if a farm does not meet the standard, in other words, how serious the corrective action requirements are taken.

It is worth noting that the BSCI standard focuses on 'primary' labour issues like wage, working hours, forced and child labour. Other, 'secondary' control points, including maternal leave, medical care and education for children are only generally mentioned in the standard. However, the audit questionnaires suggest that these points are also included in the BSCI audits.<sup>25</sup>

## **Community and livelihoods**

The BSCI standard does not include any control points concerning community and livelihoods. In particular, BSCI does not aim to interfere in the price mechanism between suppliers and buyers, nor does it explicitly stimulate a long-term relationship between supplier and buyer. However, it can be assumed that entering into the BSCI system will strengthen the relationship between supplier and buyer.

## **Environment – plantation level**

Although BSCI focuses on social and labour issues, some environmental control points are included mainly because they affect workers' health and safety, for example waste management and usage of agro-chemicals.

## **Environment – landscape level**

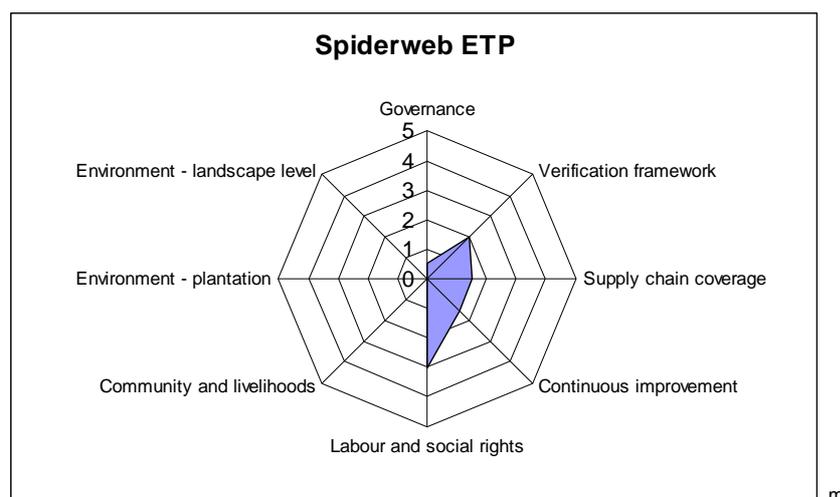
The BSCI standard does not include control points on environment at landscape level.

### 3.2 Ethical Tea Partnership (ETP)

*“Our long-term aim is to demonstrate that all the tea our members buy is produced in a socially responsible way”*

– From website ETP<sup>26</sup>

- Year of foundation: 1997
- Product labelling: No, but standardised membership statement allowed on product
- Scope of standard: worldwide with country-specific elements and only for tea
- Important sectors: tea
- Involvement in tea: 1600 tea estates covered, 12 production regions



#### Market coverage

Virtually all large tea traders and packers are members of ETP including Finlay Beverages, Sara Lee, Unilever, The Tetley Group (part of the Tata tea group) and R. Twining & Company. All the estates that the ETP members source from in the regions where ETP is active (currently 12 regions, jointly representing 70% of the world’s tea exports), are in principle included in the ETP programme.<sup>27</sup> The supplier base of the ETP members in these twelve tea producing regions includes some 1,600 tea estates of which 50% has been monitored so far.<sup>28</sup> It is unknown to ETP what volume of tea is sourced from ETP monitored estates in total or by ETP grade (see under verification framework).

#### Governance

The Ethical Tea Partnership (ETP) was initiated by several UK-based tea packing companies.<sup>n</sup> The members (22) of the ETP are large tea-packing companies including Finlay Beverages, Sara Lee, Unilever, The Tetley Group and R. Twining & Company. All members have to sign the ETP Code of Conduct.

Decision-making power ultimately lies with the member companies. Stakeholders are invited to participate through stakeholder dialogues but they do not have any formal decision-making power. Producer working groups can make recommendations on the development of the initiative.

With regard to transparency, ETP can be described as closed: only little information about the initiative is made publicly available. Some of the board members are mentioned on the website,

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<sup>n</sup> In 2004 the initiative changed its name from Tea Sourcing Partnership to its current name.

but certified companies or summaries of audit reports are not available. Central documents can be obtained upon request.

It should be noted that the ETP seems to be in a state of flux. It has become a member of the Ethical Trading Initiative (ETI) in the UK and is currently reviewing its system as well as its standard. Possibly this will result in more stakeholder engagement and the inclusion of environmental aspects in the ETP standard.<sup>29</sup> One of its largest members, Unilever, has recently announced a co-operation with Rainforest Alliance, which poses questions about Unilever's belief in ETP and the future of its membership.

### **Verification framework**

ETP is a monitoring system and is primarily a business-to-business trademark. It does not support certificates or product labelling, although tea packers can make a standardised on-product statement that they are member of ETP.

Until June 2007, all monitoring of producers within the ETP scheme was conducted against social standards, which encompassed country law, ILO Conventions and Collective Labour Agreements. During 2006 a process was started to develop an ETP standard which became operational halfway 2007.<sup>30</sup> This new ETP standard is based on the Ethical Trading Initiative (ETI) Base Code and includes primarily the social and labour aspects of tea production. Although (civil society) stakeholders have not been (structurally) involved in the development of the standard, they were indirectly involved because the development of the ETI Base Code did involve stakeholders. In addition, ETP attempts to involve stakeholders in the initiative through meetings on development of the initiative.<sup>31</sup> ETP is currently conducting a pilot for a country-specific standard for Kenya.<sup>32</sup>

PricewaterhouseCoopers (PwC) is the only organisation commissioned to perform the audits for the ETP. There is no formal accreditation process. The monitoring procedures of ETP can be described as detailed and robust: the ETP audits for example are said to include interviews with representatives of local unions.<sup>33</sup> However, it should be noted that audits are only performed every four years.<sup>34</sup> In between the comprehensive audits, follow-up visits may be conducted in between to follow up on corrective actions.<sup>35</sup>

The ETP operates a system of so-called graded verification. Grades range from A to F, grade A indicating total compliance or that only minor improvements are needed and Grade F indicating very low compliance and no improvement whatsoever. Tea estates awarded grades A, B or C obtain a 'certificate' and are placed on the "Approved Suppliers" list, grade D through F do not entitle the estate to a certificate. However, ETP members can buy from any producer with a grade down to E, also members can buy from suppliers which are not monitored yet.

The ETP standard (referring to the new document that is currently being pilot tested) includes 11 minimum requirements called "critical criteria" (such as forced labour and child labour). If a non-conformity is observed during the audit on any of the critical criteria, the estate will not be awarded a grade A to C.<sup>36</sup> It should be noted that the ETP itself awards the grades based on the audit report of PwC.

ETP members pay the audit costs of their suppliers.

### **Supply chain coverage**

Companies can make an on-product statement about their membership of ETP but there is no label claiming that the product originates from a monitored tea estate. Consequently, there are no chain-of-custody (CoC) requirements for tea traders or packers under the ETP programme. ETP is working on including several CoC control points in their audits.

## **Continuous improvement**

Regarding continuous improvement at initiative level no concrete steps have been implemented. However, a database is currently being developed to store information on impact in the future.

At farm level, continuous improvement is encouraged, through the system of graded verification. Through audit reports, preparation of action plans, and monitoring visits, estates are encouraged to improve their operations and their grades.

## **Labour and social rights**

ETP focuses on social and labour rights. And like BSCI, ETP has the most specific standards on 'primary' issues. On forced labour, child labour and safe drinking water, the ETP standard includes critical criteria. However, like BSCI, because ETP does not include certification and because members are allowed to buy tea from farms with grades down to E, it is unclear how "mandatory" these criteria are. Most 'secondary' control points including housing and medical care are mentioned in general terms.

## **Community and livelihoods**

No specific control points on community and livelihoods are included in the ETP standard. ETP is however working on a guideline for smallholders. ETP does not intervene in the price mechanism between supplier and buyer, nor does explicitly stimulate a long-term relationship between supplier and buyer.

## **Environment – plantation level**

The ETP standard does not include control points on environment.

## **Environment – landscape level**

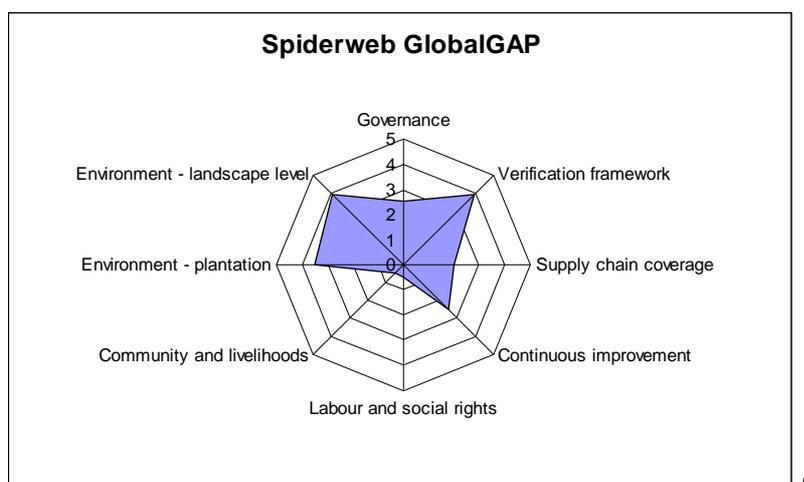
The ETP standard does not include control points on environment.

### 3.3 GlobalGAP (formerly EurepGAP)

*“The aim is to establish ONE standard for Good Agricultural Practice (G.A.P.) with different product applications capable of fitting to the whole of global agriculture.”*

– From website GlobalGAP<sup>37</sup>

- Year of foundation: 1997
- Product labelling: No
- Scope of standard: worldwide, farm standard with modules for different products
- Important sectors: meat, dairy, flowers, vegetables, fish and coffee
- Involvement in tea: Tea module since March 2006; three trials and several audits completed, but currently no ‘active’ certificates<sup>38</sup>



#### Market coverage

GlobalGAP has reportedly conducted three trials of their tea standard (India and Sri Lanka) and completed “several” successful audits, but currently has no certificates “in actual active status due to market requirements”. However, in other sectors, such as dairy, fruit and vegetables, (farmed) fish and coffee, GlobalGAP has considerable market coverage. Most Dutch retailers like Ahold, Laurus, Superunie and Schuitema are members of GlobalGAP.<sup>39</sup> It is unknown to the researchers which part of the retailers’ total buying volume is GlobalGAP certified.

#### Governance

In September 2007, EurepGAP was renamed to GlobalGAP. It started in 1997 as an initiative by retailers belonging to the Euro-Retailer Produce Working Group (EUREP). They reacted to growing concerns by consumers, primarily regarding food quality and food safety. On the practical side, retailers were interested in the development of common certification standards to avoid submitting their suppliers to multiple audits against different criteria every year. The GlobalGAP standard includes mainly environmental control points. GlobalGAP is currently discussing a possible broadening of the scope; there is however no public information on when and how this will be done.

GlobalGAP members include retailers, producers/suppliers and associate members like consulting firms and certification organisations. The highest governing body is a Board which includes representatives from retailers and suppliers only. Three sector committees (crops, livestock, aquaculture) discuss and decide upon product and sector-specific issues. All

<sup>o</sup> The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the CSR initiative itself and of the stakeholders involved. In other words the spiderchart it is not aimed at providing a judgement on the performance of the CSR initiative.

committees have 50% retailer and 50% producer/supplier representation. The work of the committees is supported by FoodPLUS, a not-for-profit limited company based in Cologne, Germany, that acts as the secretariat for GlobalGAP.<sup>40</sup>

Civil society stakeholders are not included in decision-making bodies and neither are smallholders. However, a smallholder ambassador has recently been appointed, who will represent smallholders in the sector committees of GlobalGAP.<sup>41</sup>

GlobalGAP is fairly transparent: board members, standard documents and certified suppliers are disclosed on the website. Summaries of audit reports are not publicly available but can be disclosed by producers to buyers via an internet platform.

### **Verification framework**

GlobalGAP is a certification system but does not support a consumer label. GlobalGAP certification is therefore exclusively used in business-to-business communication.

GlobalGAP claims on its website to welcome stakeholder recommendations regarding the GlobalGAP standard. However, until now, the involvement of civil society stakeholders has not been formalised into membership of the sector committees.

Certification bodies are accredited to certify against the GlobalGAP standard by existing national accreditation councils. Currently 24 Certification Bodies are accredited to issue a GlobalGAP tea certificate.

The procedures and requirements for the audit process can be described as robust. Clear procedures are in place in case of corrective actions. Generally the producers pay the costs of certification.

GlobalGAP operates a system of minimum and progress requirements. Both the “All Farm” standard and the “Tea module” include numerous major musts, minor musts and recommendations. In order to get GlobalGAP certified, a company should comply with 100% of the major musts and 95% of the minor musts. There is no minimum level of compliance for the recommendations.<sup>42</sup> There is thus a high level of compliance required (100% and 95%) in order to get GlobalGAP certified.

### **Supply chain coverage**

GlobalGAP proclaims to be a ‘pre-farm-gate standard’, which means the certificate “covers the process of the certified product from farm inputs like feed or seedlings and all the farming activities until the product leaves the farm”. However, newly developed standards for some products (including tea) also include a Chain-of-Custody. At present Chain-of-Custody certificates are under non-accredited status. Certification under accredited status is planned to become available in the future.

### **Continuous improvement**

Continuous improvement at initiative level is ensured, amongst others, through a three-annual revision of standards. Continuous improvement at farm level is promoted through “recommended control points” in the standard and through requirements regarding Quality Management Systems (QMS) for the certified party.

### **Labour and social rights**

Most of the control points on labour and social rights are not mentioned in the GlobalGAP standard, while some are mentioned in general terms. However, on healthy and safe working conditions the standard includes five minor musts and appropriate housing for workers is a major must. The focus on housing and health and safety may be related to the relatively easy inspection of compliance.

## **Community and livelihoods**

The GlobalGAP standard for tea includes only a few community and livelihood control points, among which the possibility for producer group certification (no separate standard). GlobalGAP does not actively influence the price mechanism between buyer and supplier, nor does explicitly stimulate a long-term relationship between supplier and buyer.

## **Environment – plantation level**

The GlobalGAP standard for tea includes two mandatory control points on environment – plantation level: pesticide and fertiliser usage. Other important control points like waste management are only included as minor musts or recommendations.

## **Environment – landscape level**

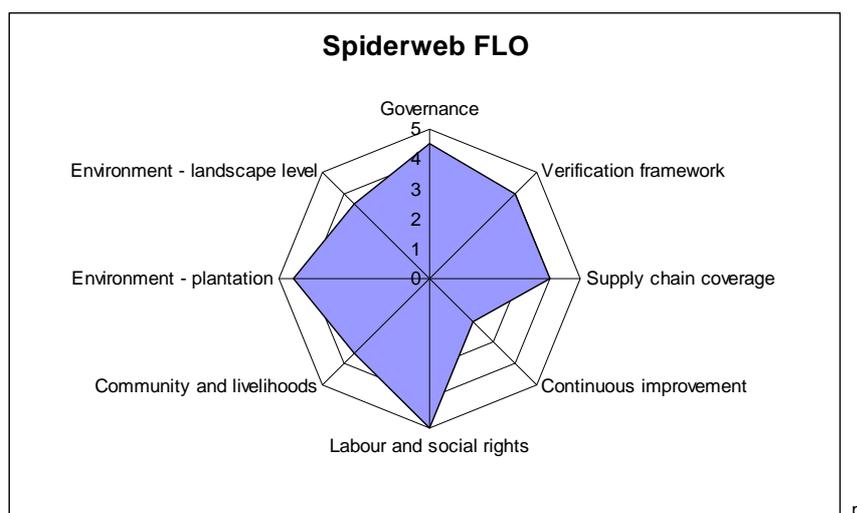
Regarding environment at landscape level, the GlobalGAP standard can be described as very inclusive. All control points are specifically included in the standard, most of them with (several) minor musts. The prohibition of deforestation is included as a major must.

### 3.4 Fairtrade and the Fairtrade Labelling Organisation (FLO)

*“To set Fairtrade Standards, to support, inspect and certify producers, as well as to harmonize the Fairtrade message across the movement.”*

– From mission FLO<sup>43</sup>

- Year of foundation: 1997
- Product labelling: Yes
- Scope of standard: worldwide and sector generic, with product-specific modules
- Important sectors: fruits, coffee, cocoa, tea
- Involvement in tea: 72 certified producers, total sales 2,615 tons in 2005.<sup>44</sup>



#### Market coverage

The market coverage of FLO is limited if compared to mainstream initiatives like ETP but is considerable compared to others like Rainforest Alliance, which only recently became active in the tea sector. 72 tea producers are Fairtrade certified and total sales increased from 1,964 tons in 2004 to 2,615 tons in 2005.<sup>45</sup> Dutch companies selling Fairtrade tea are Albert Heijn, De Drie Mollen and Simon Lévelt.<sup>46</sup> Another large tea company selling Fairtrade tea is Finlays.<sup>47</sup>

#### Governance

The Fairtrade Labelling Organisation (FLO) International was established to develop international Fairtrade standards and create a framework that enables trade to take place at conditions respecting the interests of poor producers. FLO members are the 20 national Fairtrade labelling initiatives (such as Max Havelaar) and three producer networks that represent producer organisations in Latin America, Asia and Africa.<sup>48</sup>

The Fairtrade governance structure consists of:

- a general assembly, including the national labelling initiatives and producer organisations;
- a board, including representatives of the labelling initiatives (5 seats), producer organisations (4), traders (2) and external members (2);
- the Standards Committee (members are appointed by the board);
- the FLO organisation.

<sup>p</sup> The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the CSR initiative itself and of the stakeholders involved. In other words the spiderchart it is not aimed at providing a judgement on the performance of the CSR initiative.

Independent of FLO but belonging to the Fairtrade system is FLO-Cert, which was spun off from FLO in 2004 and is the only organisation accredited to certify against the Fairtrade standard.

FLO has a balanced governing structure and is very transparent; for instance, summaries of audit reports are published on the website, something that only few initiatives do. It has an independent appeals body for certification decisions, the multi-stakeholder Certification Committee at FLO-Cert. Appeals against standards decisions can be directed at the Standards Committee which is also independent and multi-stakeholder.

FLO-Cert has an elaborate and accessible complaints procedure. All complaints, no matter the form, complainant or language, are accepted and investigated. Complaints are periodically analysed and the FLO-Cert Board decides on implications (for example training of staff).<sup>49</sup>

### **Verification framework**

The FLO standard-setting procedures comply with the ISO 59 guidelines for standard setting and the ISEAL code of good practice for standard setting. The standards are generic with a short tea-specific module.

Certification against the FLO Standards is performed by FLO-Cert, which is accredited by the German accreditation organisation DAP. The procedures for the assessment process are robust and there are strict audit team requirements regarding knowledge etc. "Outside" stakeholders (for example local NGOs or trade unions) are however not explicitly included in the audit process. It should be noted though that if relevant issues are raised by external stakeholders, FLO-Cert always includes these in the analysis.<sup>50</sup> Most of the Fairtrade audits are announced, but based on risk level, unannounced visits are also conducted periodically.<sup>51</sup> The certified company (a producer or a trader in case of CoC certification) generally pays the certification costs.

The fact that only one certification body is entitled to certify against the FLO standard has been criticised as well as supported. The advantage of having one certification body is that a strong degree of consistency in audits and in certification decisions is guaranteed. On the other hand, the lack of competition might drive up certification costs, which would be a serious risk to the credibility of an initiative that is explicitly focussed on improving the living standards and thus disposable income of producers. In addition, since the quality of FLO-Cert can not be compared to other Fairtrade certifiers, it is extra important that the accreditation and internal quality management of FLO-Cert are of the highest standards. According to FLO-Cert, it is likely that in a few years other certification bodies will also be eligible to certify against the FLO standard.<sup>52</sup>

FLO operates a system of minimum and progress requirements. The first should be met the moment the organisation receives a Fairtrade certificate (with some leeway on the part of the certification body). The progress requirements are very extensive and specific. While progress requirements can be assessed during audits (depending partly on the size of the farm and the relative share of fairtrade production), FLO focuses on annual progress reporting to show improvement. As such, it is the only initiative that encourages certified organisations to continuously keep track of a wide range of progress requirements, instead of only those with corrective action requirements.

### **Supply chain coverage**

FLO supports an on-product consumer label. Tea can only be labelled if all ingredients (100%) are sourced from Fairtrade certified producers. In order to make this label credible all operators may only source a Fairtrade product from another certified operator. All Fairtrade products must be traceable throughout the entire supply chain through a record system. Physical separation from non-certified products is required, unless explicit exceptions are made (for example for wine and juice). The requirement of physical separation for tea depends on the type of tea: *rooibos* tea from South Africa is physically separated, whereas physical separation of green tea from India is unpractical because of the nature of the auction system.<sup>53</sup>

**Continuous improvement**

Instruments to ensure continuous improvement at initiative level for example impact monitoring, are presently not in place. At farm level, continuous improvement is stimulated through a system of minimum and progress requirements as described above.

**Labour and social rights**

On labour and social rights issues, the Fairtrade standard is very thorough: all but one control point of the analytical framework (food production resources) are included in the standard. Most control points are included as a minimum requirement and are thus mandatory for FLO certification.

**Community and livelihoods**

Also on community and livelihoods the Fairtrade standard is fairly inclusive. About 50% of the control points in this section are mandatory. The most differentiating elements of the FLO system compared with other initiatives is its active interference with pricing. FLO is the only initiative that requires that a premium be paid to producers, generally amounting to about 10% of the price.<sup>54</sup> FLO has specific internal procedures how to determine premiums or minimum prices. In addition, FLO requires long term contracts between producer and buyer and has clear rules on prefinancing.

In addition, FLO operates a special standard for 'small farmers organisations' which enables smallholders to join Fairtrade if they form an organisation (co-operative, etc.). This organisation should be able to contribute to the social and economic development of its members and communities and should be democratically controlled by its members. Workers can also participate in Fairtrade if they are organised (unions, etc.) and if the company they work for is prepared to promote workers' development and is willing to pass on the additional revenues generated by Fairtrade. Such companies can get certified if they comply with the standards for 'hired labour'.

Furthermore the FLO standard includes several control points on producer support: technical assistance, access to affordable loans and a producer certification fund which should enable small producers to get Fairtrade certified.<sup>55</sup> Especially unique amongst the CSR initiatives is the obligation for the Fairtrade tea buyer to provide (60%) pre-financing if requested by the seller. The standard includes specific directions how this should occur.

**Environment – plantation level**

All control points in this section are mandatory in the FLO standard except the management of air pollution and the emission of Greenhouse gasses.

**Environment – environment level**

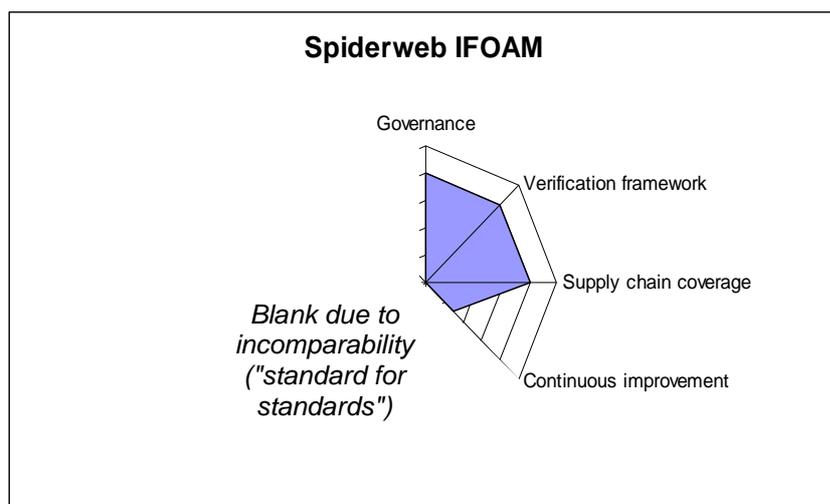
In this section most control points are mentioned, some generally and some specifically, such as the protection of water streams and the necessity of environmental impact assessments. However, none of the control points are mandatory including (refraining from) forest conversion, which is only a progress requirement in the FLO system.

### 3.5 International Federation of Organic Agriculture Movements (IFOAM)

*“Leading, uniting and assisting the organic movement in its full diversity”.*

– From mission IFOAM<sup>56</sup>

- Year of foundation: 1972
- Product labelling: Yes
- Scope of standard: worldwide and specific to agricultural production; central standard for national standards to comply with
- Important sectors: fruits, coffee, cocoa, tea, cotton
- Involvement in tea: 30,000 hectares certified<sup>57</sup>



q

*Note that IFOAM is an umbrella organisation that issues a generic standard, called the IFOAM Norms for Organic Production and Processing. This generic standard is translated into specific standards by national committees. As a result, the level of detail of the IFOAM standard is significantly lower than in the standards of the other initiatives. It was thus not seen as fair and appropriate to rate IFOAM on the social and environmental dimensions of the analytical framework. This could have been solved by looking at relevant national standards for organic production, but this was not possible within the timeframe of the project.*

#### Market coverage

Like Fairtrade, IFOAM has limited market coverage in the tea sector if compared to the ETP initiative. However, the organic movement does have a long history in the tea sector and according to the latest assessment 30,000 hectares of tea plantations worldwide are certified organic. Many well-known tea corporations, such as Unilever, Twinings and Tetley (part of the Tata tea Group), have organic product-lines.<sup>58</sup>

#### Governance

The International Federation of Organic Agriculture Movements (IFOAM) is the international umbrella organisation of organic movements worldwide and currently counts 750 member organisations in 108 countries.<sup>59</sup> The members are producers, certification organisations, institutions and NGOs. All members can participate in the General Assembly.<sup>60</sup> The General Assembly is the highest governing body and acts as the democratic decision-making forum for the international organic movement. It convenes once every three years. The General Assembly elects the World Board of 11 members and appoints members to official committees, working

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groups and task forces based on the recommendations of the IFOAM members.<sup>61</sup> The World Board has a balanced representation of producer and consumer countries. The daily operations are in the hands of the Executive Board which is elected from the World Board.

IFOAM is fairly transparent: all (board) members are disclosed via the website and conference proceedings are also publicly available (though against payment). Audit reports or lists of certified farms are not disclosed on the website, however, it might be possible that this information is made available on national level.

Since IFOAM is an umbrella organisation, only a few tasks relating to organic certification are performed by IFOAM itself. Standard setting for example lies with national organisations using the IFOAM standard as a basis, accreditation lies with International Organic Accreditation Service (IOAS), which is based in the US and formally independent from IFOAM.

### **Verification framework**

IFOAM is a member of ISEAL and complies with the ISEAL code of good practice for standard setting as well as the ISO 59 guidelines. Stakeholder involvement in the development of the IFOAM Basic Standards is thus guaranteed.

IFOAM also developed Accreditation Criteria, which are based on the International ISO norms for the operation of certifying bodies.<sup>62</sup> These criteria enable the IOAS to 'certify the certifier'. The criteria include elements on unannounced monitoring visits and audit team requirements. When a certification body gets accredited by IOAS, it may use the logo "IFOAM accredited". There are 35 IFOAM Accredited Certification Bodies (May 2007).<sup>63</sup> Since no audit guidelines were received from IOAS, it is unclear how robust the auditing procedures are. Producers are normally the ones that pay the costs of certification.

The IFOAM standard consists of basic standards, which are intended as the minimum requirements that a farm should meet in order to get certified. The standard also includes recommendations which are practical suggestions for operators to implement in organic farm systems. IFOAM promotes the recommendations as desirable practices but does not require operators to use them.<sup>64</sup>

### **Supply chain coverage**

IFOAM supports an on-product label which can only be used if 95% of the product is certified. Every entity in the chain of custody that has been involved in production, processing or packaging needs to be certified.

### **Continuous improvement**

IFOAM has no central tools or instruments for impact monitoring to ensure continuous improvement at initiative level or at farm level. It should be noted that national standards based on the IFOAM standards could require such tools at farm level.

### **Labour and social rights**

The IFOAM standard mentions almost all control points of this section. Control points that are not mentioned are maximum working hours and security of employment.

### **Community and livelihoods**

The IFOAM standard has only a few control points in this section. There is a possibility of group certification for smallholders and IFOAM does provide producer support in the form of technical assistance.

### **Environment – plantation level**

The IFOAM standard specifically mentions pesticide and fertiliser use and farms are required to take appropriate measures to avoid soil erosion. There are also generally mentioned requirements on waste management.

## **Environment – landscape level**

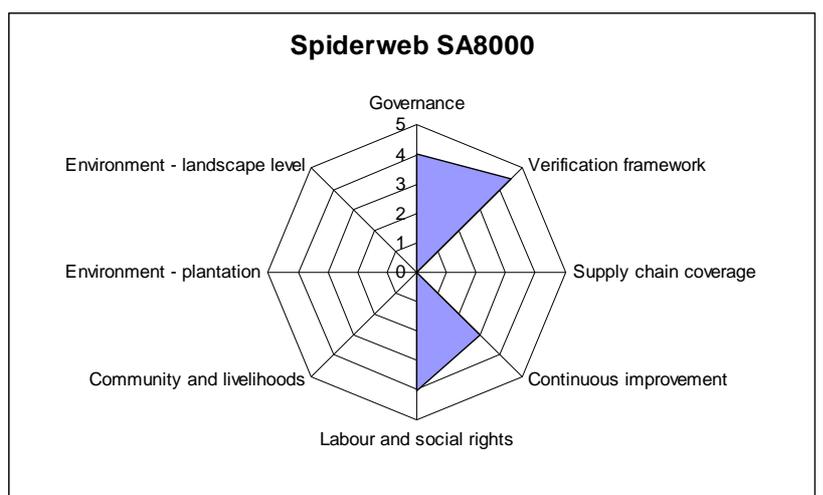
Most of the control points in this section get a general mention in the IFOAM standard. Again, national standards may be more specific.

### 3.6 Social Accountability International (SAI) – SA8000

*“To promote human rights for workers around the world”*

– From website SAI<sup>65</sup>

- Year of foundation: 1997
- Product labelling: No
- Scope of standard: worldwide and sector generic
- Important sectors: apparel, textiles, cleaning services and many others; agriculture small in terms of certified facilities, but second in terms of employees.<sup>66</sup>
- Involvement in tea: Tata implementing SA8000 for tea packing in India.



#### Market coverage

SAI originally developed its standard for manufacturing facilities and not for primary (i.e. agricultural) production. Its market coverage is therefore strongest in processed goods, from clothing to chemicals, but also in services, including cleaning and transport. Corporations that have (some of) their production sites certified include GAP, OTTO and Toys R Us. In total between 1,300 and 1,400 production sites are SA8000 certified.<sup>67</sup> Most SA8000 certifications have taken place in Italy, China, India and Brazil. SAI has broadened its scope towards primary production since several years, especially through the certification of banana and pineapple plantations of Dole and Chiquita. The first tea corporation that has started to implement SA8000 is Tata Tea (in 2005). The target is to have all nine packing units in India (i.e. not the plantations) certified by the end of 2008.<sup>68</sup>

#### Governance

Social Accountability International (SAI) is an international non-profit human rights organization. SAI's social standard, called SA8000, functions as a system for improving social performance of businesses and their supply chain partners. SAI members include NGOs, companies, trade unions and government agencies.

SAI is managed by a Board of Directors that is responsible for the general management of the organisation, it has no general assembly. There are no specific rules on the representation of stakeholders in the Board of Directors. Another important SAI body is the so-called SA8000 Advisory Board, elected by the SAI members. This Advisory Boards advises the SAI President on development and drafting of the SA8000 standard. The SAI President in turn is, together with

<sup>†</sup> The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the CSR initiative itself and of the stakeholders involved. In other words the spiderchart it is not aimed at providing a judgement on the performance of the CSR initiative.

his team, responsible for the day-to-day management of the initiative and also has a seat in the Board of Directors.

The various types of stakeholders seem to be fairly equally represented in SAI decision-making bodies. Smallholders are not represented in the SAI system, mainly because the SA8000 standard was developed for processing facilities and not for primary production.

SAI has a relatively good record on transparency: (board) members, formal proceedings and names of certified facilities are all disclosed. Public summaries of audit reports are however not disclosed.

### **Verification framework**

Under the SA8000 system, companies or individual production locations are certified. The product itself is not certified. SA8000 is a certification system that can be used in business-to-business communication.

The SA8000 standard is based on the core International Labour Organisation (ILO) and UN Human Rights Conventions. The development process was compliant with the ISEAL code of good practice for standard setting. Participation of stakeholders was thus ensured.

Certifying bodies wishing to certify against the SA8000 standard must be accredited by Social Accountability Accreditation Services, which was formally spun off from SAI in 2007 as an independent, not-for-profit accreditation agency. Currently, 16 certification bodies are accredited. With regard to the audit process robust procedures are prescribed by SAI. SAI appears to be the only initiative that requires bi-annual review audits, one of which is (semi) unannounced. However, this frequency is costly and therefore being challenged by certified companies. SAI also has detailed audit team requirements and specifically prescribes that auditors should consult regularly with external stakeholders like trade unions, NGOs, labour lawyers, minority groups and health workers.<sup>69</sup> It should be noted that social auditing, including the auditing against the SA8000 standard, has been criticised for not being thorough enough, leaving room for mishaps.<sup>70</sup>

The company getting certified usually pays the certification costs.

The SA8000 standard makes no difference between different levels of stringency, such as minimum and progress requirements. Major corrective action requests – referring to issues that are deemed severe, systemic and potentially endangering workers – can be issued by the auditor on any point in the standard. A facility cannot get certified if there are any major Corrective Action Requests (CARs) outstanding. Surveillance visits are paid every six months to monitor compliance and progress on minor CARs.<sup>71</sup>

### **Supply chain coverage**

Under the SAI system companies or production facilities get certified. There is no tracing or labelling of products. SAI is however investigating product labelling in a project carried out together with the Dutch NGO Solidaridad.<sup>72</sup>

### **Continuous improvement**

SAI attempts continuous improvement through periodically revising the guidelines and procedures. The regular country meetings are an important input for this.<sup>73</sup> The last update of the standard itself took place in 2001. Other information sources for improvement are the questionnaires sent to companies, case studies and feedback from trade unions. Aggregated impact monitoring however is not carried out by SAI. SAI states that one of the key difficulties in impact assessment is the absence of a meaningful baseline, since companies that go for certification are often ahead of their peers in many respects and may have already gone through an improvement process before actually contacting the certification body.<sup>74</sup>

At company level, continuous improvement is stimulated through the requirement of a Quality Management System (QMS). According to Eileen Kaufman of SAI a QMS is extremely important in order to ensure that “you don’t just catch them on a good day”, but that good performance on the SAI control points is permanent.

### **Labour and social rights**

The SA8000 standard includes all control points of this section. The ‘primary’ social and labour issues like wage, forced and child labour are all mandatory. Other ‘secondary’ issues like maternal leave, housing and medical care are mentioned in the standard in general terms. Sometimes the standard states that the company should comply with national law. This may pose difficulties where national laws are insufficient, unclear or conflicting.

### **Community and livelihoods**

No specific control points on community and livelihoods are included in the SA8000 standard. SAI does not intervene in the price mechanism between supplier and buyer, nor does explicitly stimulate a long-term relationship between supplier and buyer.

### **Environment – plantation level**

The SA8000 standard does not include control points on environment.

### **Environment – landscape level**

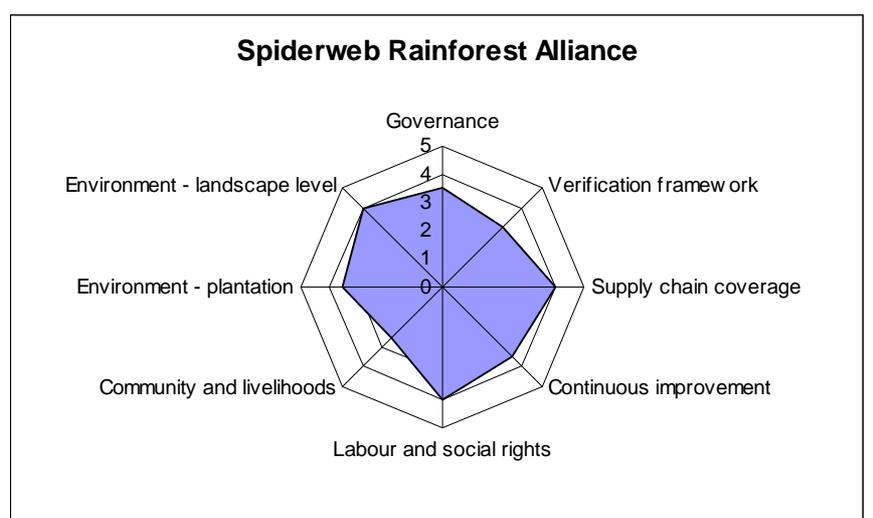
The SA8000 standard does not include control points on environment.

### 3.7 Rainforest Alliance

*“The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour.”*

– From website Rainforest Alliance<sup>75</sup>

- Year of foundation: 1987
- Product labelling: Yes
- Scope of standard: Worldwide, (tropical) agriculture standard with product-specific annexes
- Important sectors: bananas, coffee, cocoa, oranges and flowers
- Involvement in tea: Recently announced cooperation with Unilever, goal is to have all Lipton tea bags sold globally certified by 2015.<sup>76</sup>



#### Market coverage

Currently 14,100 ha of tea plantations are Rainforest Alliance certified, all of which situated in Kenya and operated by Unilever. A little over 8,000 ha of these plantations are actually productive at this moment.<sup>77</sup> With the recent commitment of Unilever to have all its Lipton and PG Tips tea bags Rainforest Alliance certified by 2015, Rainforest Alliance is set to significantly increase its market coverage in the tea sector. Unilever currently buys about 12% of the world's black tea supply.<sup>78</sup> In the coffee sector Rainforest Alliance has agreements with well-known companies such as McDonald's, Holiday Inn and Kraft.<sup>79</sup>

#### Governance

The Rainforest Alliance is a non-profit organisation which started with forest certification in 1990 under its Smartwood programme, later becoming one of the major Forest Stewardship Council (FSC) certifiers. In 1994/5, Rainforest Alliance extended its operations towards certification of sustainable agricultural, starting with bananas and coffee, and later of sustainable tourism.<sup>80</sup> Rainforest Alliance has its headquarters in New York City and branch offices in Costa Rica, Bolivia, Guatemala, Indonesia, Mexico, the Netherlands, Spain and several other locations in the US. Rainforest Alliance is active in 56 countries.<sup>81</sup>

Rainforest Alliance is a member of Sustainable Agriculture Network (SAN), a coalition of Latin American conservation groups, for which Rainforest Alliance also is the international secretariat. Rainforest Alliance and SAN together form the Rainforest Alliance “system”. Of the initiatives included in this study, the Rainforest Alliance “system” is the most integrated. It is the only

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organisation that performs all tasks involved in certification, including both standard-setting and certification. The organisational separation of these activities, which is often quoted as beneficial for a certification system's credibility, is unclear in the case of Rainforest Alliance.

The Rainforest Alliance does not have a general assembly but is governed by a Board of Directors of 25 members. The representation of southern (civil society) stakeholders in the Board seems to be limited to SAN members, other, for example Asian or African stakeholders, are not structurally included. In other important bodies (Sector Workgroups, International Standards Committee and International Stakeholder Forum) (southern) stakeholders seem to be better represented.

All names and functions of board members are disclosed on the website, as are all names of certified companies. Formal proceedings or audit reports are not disclosed.

### **Verification framework**

The standards for Rainforest Alliance are developed by the Sustainable Agriculture Network (SAN).<sup>82</sup> The standard setting process of Rainforest Alliance is said to comply with ISO 59. Rainforest Alliance is also a member of ISEAL. Stakeholder participation in standard development is also described in the Standard Development Handbook of Rainforest Alliance.<sup>83</sup>

The Rainforest Alliance system does not include accreditation of the certifiers. The audits are carried out by Rainforest Alliance staff members and/or consultants at least every year and other SAN member organisations make unannounced visits. The audit procedures and auditor requirements are reasonably robust (knowledge of local language etc.), although many elements that are deemed relevant for social auditing, e.g. guidance on worker interviews and requirement of a female auditor, are absent.<sup>84,85</sup> Certification costs are generally paid by the certified party.

For the certification of tea producers, Rainforest Alliance operates a general standard and a tea-specific annex with additional criteria. The general standard consists of 10 principles, each divided into 5 to 19 criteria. Of all criteria, 14 are called "critical criteria". A farm that does not comply with the critical criteria can not become certified.<sup>86</sup> In addition, a farm must comply with 50% of the criteria under each principle and with 80% of all criteria.

### **Supply chain coverage**

The Rainforest Alliance system supports an on-product label if at least 30% of the volume of the product is sourced from Rainforest Alliance certified producers. If a product contains between 30 and 90% certified content, a qualifying statement that communicates the percentage must be displayed on the product. If the product contains more than 90% certified content the percentage does not have to be communicated.<sup>87</sup>

Rainforest Alliance has recently revised its chain-of-custody requirements to include clear rules on product segregation, management systems and bookkeeping. It is worth noting that the Rainforest Alliance CoC document stipulate that companies "must provide evidence that they assess on a regular basis the level of compliance" with environmental and social legislation. Although the requirement does not state that the company *must comply* with the legislation, and the requirement is not mandatory, Rainforest Alliance is the only initiative that includes social and environmental aspects in the CoC certification.<sup>88</sup>

### **Continuous improvement**

Rainforest Alliance is conducting a pilot for monitoring impact of its certification activities. The first analysis of the data was planned for January 2007. The objective of the pilot is to be able to measure and improve continuous improvement of certified farms.

Rainforest Alliance states to encourage continuous improvement through its system of minimum compliance thresholds (see description of verification framework)<sup>89</sup>. However, it is unclear to

the researchers how this system in itself without reporting or progress requirements should stimulate continuous improvement.

### **Labour and social rights**

Most of the control points in this section are specifically included in the Rainforest Alliance standard. Four of them (on wages, forced labour, child labour and discrimination) are critical criteria and thus mandatory for Rainforest Alliance certification. The only notable control point which is lacking is maternity leave.<sup>90</sup>

### **Community and livelihoods**

Like the other initiatives, Rainforest Alliance is not very elaborate regarding the section community and livelihoods. However, Rainforest Alliance does have a specific standard for smallholders<sup>91</sup> and also provides technical assistance to producers (through the SAN members). It is unclear if producer support is also provided in regions where there are no SAN members e.g. Asia and Africa. Notably, the Rainforest Alliance standard is the only standard that specifically mentions that a farm should have a policy in place for prioritising the hiring of local people and contracting local suppliers.<sup>92</sup>

Rainforest Alliance does not interfere with price mechanisms. However, Rainforest Alliance expects that farmers are able to utilize their certification to receive a price premium because their product quality generally improves.<sup>93</sup>

### **Environment – plantation level**

Most control points in this section are specifically included in the Rainforest Alliance standard, although only one (water pollution and wastewater management) is a critical criterion and thus mandatory for certification.<sup>94</sup>

### **Environment – landscape level**

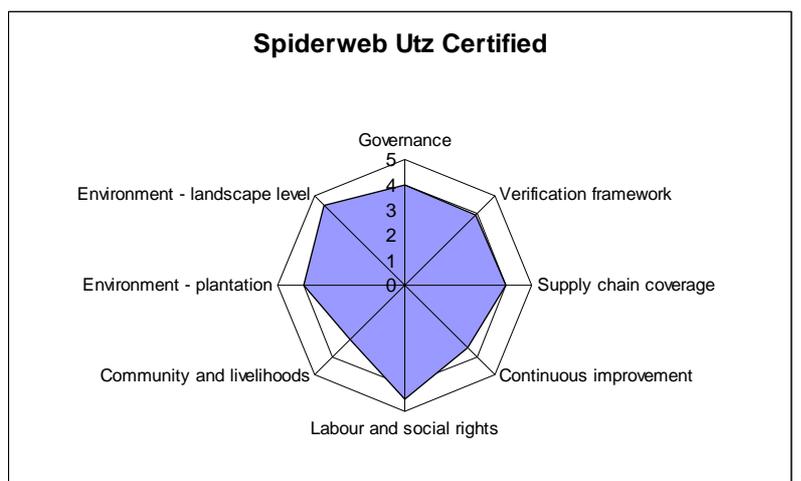
Most of the control points on environment at landscape level are also specifically addressed in the standard. Two control points are mandatory: anti-hunting measures and the prohibition of forest conversion. The use of native trees and the sustainable harvesting of fire wood are generally mentioned.<sup>95</sup>

### 3.8 Utz Certified

*“To implement a worldwide certification and traceability program for responsible agricultural commodity production and sourcing.”*

– Mission Utz Certified

- Year of foundation: 1997
- Product labelling: Yes
- Scope of standard: worldwide and sector specific
- Important sectors: coffee
- Involvement in tea: None at this moment, tea standard soon to be developed



#### Market coverage

Currently, there is no Utz Certified tea available on the market, while the standard for tea is still to be developed. In the coffee sector however, Utz Certified has considerable market coverage, especially in Europe. Registered Utz Certified buyers include Ahold, Sara Lee, Delhaize and Migros.<sup>96</sup>

#### Governance

Utz Certified, formerly known as Utz Kapeh which means ‘good coffee’ in Mayan, was developed by a consortium of Guatemalan coffee producers/exporters and the Dutch roaster Ahold Coffee Company. The aim was to improve the social, environmental and economic situation of coffee farmers. In addition, Ahold specifically wanted its coffee to meet the EurepGAP standards. Utz Certified focuses on the mainstream market, and uses a consumer label.<sup>97</sup> At the end of 2006, Utz made the decision to expand the programme into other tropical commodities, including tea.<sup>98</sup> Besides the head office in Amsterdam, Utz Certified has offices in Guatemala, Switzerland, Japan, North America, Colombia, Brazil, Kenya and Vietnam.<sup>99</sup>

Utz Certified does not have a general assembly but is governed by an appointed Board of Directors of five members. The Board does include representatives of the private sector, civil society, producer and consumer countries. Utz Certified is currently working on a new organisational structure which includes the expansion of the board to enhance its independence and stakeholder representation.<sup>100</sup>

Utz Certified is fairly transparent, (board) members and proceedings are disclosed on the website as well as certified producers. Public summaries of audit reports are however not

<sup>t</sup> The use of spider charts is not meant to suggest that an equal rating on all axes is the optimal situation. The optimum also depends on the objectives of the CSR initiative itself and of the stakeholders involved. In other words the spiderchart it is not aimed at providing a judgement on the performance of the CSR initiative.

available. Complaints procedures are available in several languages and there is an independent body of appeals which deals with complaints concerning certification.

## **Verification framework**

Utz Certified does not specifically adhere to the ISO 59 guidelines for standard setting, nor is Utz Certified a member of ISEAL. However, stakeholder representation in standard setting procedures seems to be guaranteed through institutionalised input of field representatives and a Sounding Board (including local producer representatives). In addition the standard is posted on the Utz Certified website for two weeks where it is open for (civil society) comments.<sup>101</sup>

The accreditation of certification bodies is part of the Utz Certified system. Currently there are more than 20 certification bodies accredited to certify against the Utz Certified standard. The audit procedures can be characterised as robust. In addition, producers are audited annually and unannounced.<sup>102</sup>

The Utz Certified standard is benchmarked against GlobalGAP with the results that Utz Certified farms are automatically also compliant with GlobalGAP. Utz Certified operates a system of major and minor musts and recommendations. In order to get certified, a farm should comply with 100% of the major musts and 95% of the minor musts. The recommendations are inspected during the audits but are not taken into account in the certification decision.<sup>103</sup> The producers normally carry the certification costs.

It is unclear at this moment whether the new tea standard will also be benchmarked against GlobalGAP.

## **Supply chain coverage**

Utz Certified supports a consumer label, which brands and roasters are authorized to use if 90% of the coffee in a pack is Utz certified. In order to guarantee the credibility of the label Utz Certified requires a chain-of-custody certificate for actors in the supply chain. Like most other initiatives, Utz Certified does not have social and environmental requirements for CoC certification. However, the new CoC guidelines envisaged for 2008 are planned to include such requirements.<sup>104</sup>

Besides the chain-of-custody requirements, Utz Certified operates a web-based traceability system that creates transparency in the supply chain both on the origin of individual batches and on the volumes and premiums. Every Utz Certified product is assigned a unique number. With this tracking number all members in the production chain can trace back the origin of their products and be assured that they were responsibly produced. Brands and retailers also use this traceability system to offer their consumers the opportunity to trace their coffee back to the original farm(s). In addition, the system provides market information on volumes and average premiums paid per country which may strengthen producers in their negotiation position.

## **Continuous improvement**

Utz Certified is currently in the process of developing an impact monitoring system which includes a database that will be integrated in the traceability system. Continuous improvement at farm level is stimulated through the inclusion of recommendations in the standard. However, it is unclear if and how certified companies should report on those recommendations. Furthermore, continuous improvement is stimulated through the requirement for producers to develop a Quality Management System and the assistance to producers in developing such a system through the Certification Support Network (CSN), a parallel extension organisation.

## **Labour and social rights**

Most of the control points in this section are mandatory in the Utz Certified standard. Security of employment is however not mentioned. Maternity leave and pensions are generally mentioned.

## **Community and livelihoods**

Utz Certified has a specific standard for smallholders and also provides technical assistance to producers through the Certification Support Network (CSN). Although Utz Certified does not actively intervene with prices paid to producers, the traceability system that Utz Certified operates provides information on average price premiums to the whole chain, from producer to end-buyer. This improves the producer's negotiating power and the probability that these premiums are passed on through the chain without unnecessary mark-ups.

There is no mention of preference for the employment of local people or preference for local suppliers.

## **Environment – plantation level**

Several control points in this section are mandatory, for example on pesticide and fertiliser use. Solid waste management is generally mentioned whereas air pollution is not mentioned at all.

## **Environment – landscape level**

Most of the control points are mandatory or specifically included.

## 4 Conclusions and recommendations

This chapter provides overall conclusions, based on the results of the analyses of the eight initiatives included in this research. Firstly, conclusions will be presented along the same structure used in previous paragraphs. Secondly, cross-cutting issues and thoughts on co-operation between initiatives are presented. In the final section, recommendations are made for follow-up by the Tea Consortium.

### Conclusions on the initiatives and standards

Two distinctions characterising the initiatives are helpful in drawing and understanding the conclusions:

#### *Multi-stakeholder versus Business-led*

Multi-stakeholder initiatives (FLO, IFOAM, SAI, Rainforest Alliance, Utz Certified) are initiatives that have civil-society representation in the primary decision making-bodies (Board and standard-setting bodies). Business-led initiatives (BSCI, ETP and GlobalGAP) on the other hand do not have (structural) civil-society representation in primary decision-making bodies.

#### *“All-round initiatives” versus “specific” initiatives*

All-round initiatives (FLO, IFOAM, Rainforest Alliance, Utz Certified) are initiatives that have a standard which includes environmental *and* social/labour control points. Specific initiatives have a strong focus on one area: social/labour (SAI, BSCI, ETP) or environmental (GlobalGAP).

It should be noted that IFOAM is only included in the conclusions on market coverage, governance, verification framework, supply chain coverage and continuous improvement, because of reasons explained in the section on IFOAM (3.5).

### Market coverage

- Of the initiatives included in this research, only three initiatives (ETP, IFOAM and FLO) were active in the tea sector before 2005.
- Five initiatives (BSCI, GlobalGAP, Rainforest Alliance, SAI, Utz Certified) have only recently expanded into the tea sector, in most cases after having gained experience in other agricultural sectors such as fruits and coffee. This implies that most of the initiatives included in this research at present have limited effect on the tea sector.
- ETP has the largest market coverage in tea: virtually all large tea traders and packers are ETP members and their combined supplier base falling under the ETP scheme includes some 1,600 tea estates.
- IFOAM has the second largest market coverage: 30,000 ha of tea plantations worldwide are certified organic. Most well-known tea corporations, such as Unilever, Twinings and Tetley, have organic product-lines.
- FLO has 72 certified tea producers, which produced 2,615 tons in 2005. Dutch companies selling Fairtrade tea are Albert Heijn, De Drie Mollen and Simon Lévelt. Also Finlays is known to have a Fairtrade product-line.
- Rainforest Alliance is currently most advanced of the newcomers in tea, primarily as a result of the recently announced commitment of Unilever to have all its black tea Rainforest Alliance certified by 2015. So far, 8,000 ha of Unilever tea plantations have been certified and further growth can be expected, since Unilever buys 12% of the world's black tea supply.
- BSCI and GlobalGAP have performed pilot audits, while Utz Certified is expected to start the development of a tea standard soon. In addition, Utz Certified is talking to “large players” in tea market in order to obtain commitment. SAI is apparently only active in tea packing, not in plantation operations.
- Although ETP has considerable market coverage, it is likely that the lion share of the global tea market is not affected by any of the initiatives covered in this research. The Indian,

Chinese and Russian markets for example, rarely demand certification or monitoring of products and production.

## Governance

- 'Multi-stakeholder' initiatives score significantly higher on *overall* governance than 'business-led' initiatives, it is expected that this has a positive influence on their effectiveness amongst others because it enhances the legitimacy of the initiative.
- Of the multi-stakeholder initiatives, only FLO and IFOAM have a general assembly that elects board members and thus stakeholder representatives. SAI, Rainforest Alliance and Utz Certified ensure civil society representation at board level through direct appointments. The former guarantees larger legitimacy of the board amongst the stakeholders of the initiative.
- 'Multi-stakeholder' initiatives are more transparent than business initiatives.

## Verification framework

- With regard to the *overall* verification framework, there is considerable variation amongst initiatives. GlobalGAP, Utz Certified, IFOAM, SAI and FLO have well-developed verification frameworks. A well-developed verification framework is expected to improve effectiveness, in particular by ensuring that what is included on paper is also applied in practice and by improving credibility.
- Two business-led initiatives, BSCI and ETP, have a relatively light or underdeveloped verification framework, amongst others because audits are only performed every three or four years (for BSCI and ETP respectively) and because there are no unannounced audits.
- Most of the 'multi-stakeholder' initiatives have a robust overall verification framework except to some extent for Rainforest Alliance, amongst others because it does not include an accreditation procedure.
- The business-led initiatives, especially BSCI and ETP, have low stakeholder participation in standard setting. However, they both use multi-stakeholder standards as input. The BSCI standard is largely based on SA8000 and ETP has based its new standard on the Ethical Trading Initiative Base Code.
- Most of the initiatives' verification frameworks include accreditation of the conformity assessment bodies, except for ETP and Rainforest Alliance.
- All initiatives have robust audit procedures and audit team requirements in place.
- All 'multi-stakeholder' initiatives perform unannounced monitoring visits, as does GlobalGAP.
- External stakeholders (representatives of trade unions, local NGOs, etc.) are only formally included by two of the initiatives: BSCI and SAI.

## Supply chain coverage

- All initiatives that support an on-product consumer label and thus have a high supply chain coverage (Utz Certified, Rainforest Alliance, FLO and IFOAM) are 'all-round' multi-stakeholder initiatives. It is expected that these three elements have a positive influence on their overall effectiveness.
- All of the business-led initiatives are primarily used for business-to-business communication purposes and thus have limited supply chain coverage. Although ETP also allows a standardised on-product statement on ETP membership.
- Rainforest Alliance is the only initiative that includes (basic) social and environmental requirements for chain-of-custody approval.
- All initiatives that support on-product consumer labels require at least 90% of the product volume to be sourced from certified producers, except for Rainforest Alliance (RA allows labelling from 30% onwards; between 30 and 90%, the actual percentage has to be mentioned).

## Continuous improvement

- None of the initiatives has a high score on continuous improvement. Not in the least because no initiative has a robust impact monitoring system in place, although they all reported that impact monitoring is considered to be very important. It is expected that this hampers the effectiveness of the initiatives. Several initiatives have started to develop tools and procedures for impact monitoring.
- Quality Management System requirements for producers are included in the standards of five initiatives (BSCI, GlobalGAP, Rainforest Alliance, SAI and Utz Certified).
- Most of the initiatives include some kind of minimum and progress requirements. However, the FLO system seems best equipped to ensure continuous improvement at producer level because in order to stay certified, producers are required to improve on the progress requirements and to annually report on development.

## Labour and social rights

- Compared to the 'labour' initiatives, the 'all-round' initiatives have a higher or equal inclusion of labour and social rights control points in their standard.
- ETP, BSCI and SAI are especially explicit on labour control points (wage, maximum working hours, child and forced labour) and less explicit on social control points (maternity leave, medical care, etc.).
- All initiatives include at least some control points on labour and social rights.
- Utz Certified is the most robust standard concerning labour and social rights: the majority of the control points are mandatory.

## Community and livelihoods

- None of the initiatives score very high on the community and livelihoods control points.
- It is noteworthy that the 'labour' initiatives (ETP, BSCI, SAI) do not cover any of the control points of this section in their standard. While all other standards include at least some.
- The 'all-round'-round initiatives have developed special standards for smallholder certification, whereas the other initiatives have not. GlobalGAP does support group certification, but has no separate standard.
- FLO is the only initiative that actively intervenes in the price mechanism between supplier and buyer. Utz Certified does not actively intervene, but provides information through its traceability system that enables producers to negotiate a better price for their products. Other interventions in purchasing practices of buyers (for example requiring long-term contracts and rules on pre-financing are only conducted by FLO. It is expected that this has a positive effect on FLOs effectiveness because the certification and improvement costs for the producer are more likely to be met.

## Environment – plantation level

- Of the initiatives with many environmental control points: FLO, Utz Certified, GlobalGAP and Rainforest Alliance, the first two have included most control points as mandatory.
- GlobalGAP and Rainforest Alliance include most of the control points as minor musts or recommendations.
- FLO is the most robust standard concerning environment – plantation level: the majority of the control points is mandatory.
- Two initiatives (ETP and SAI) do not include any environmental control points in their standards, BSCI includes some.

## Environment – landscape level

- Utz Certified, Rainforest Alliance and GlobalGAP have the most robust standard concerning environment – landscape level.
- None of the 'labour' initiatives include any control points on environment – landscape level,
- GlobalGAP, Rainforest Alliance and Utz Certified prohibit forest conversion; the FLO standard includes it as a recommendation.

**Cross-cutting issues and the potential for co-operation**

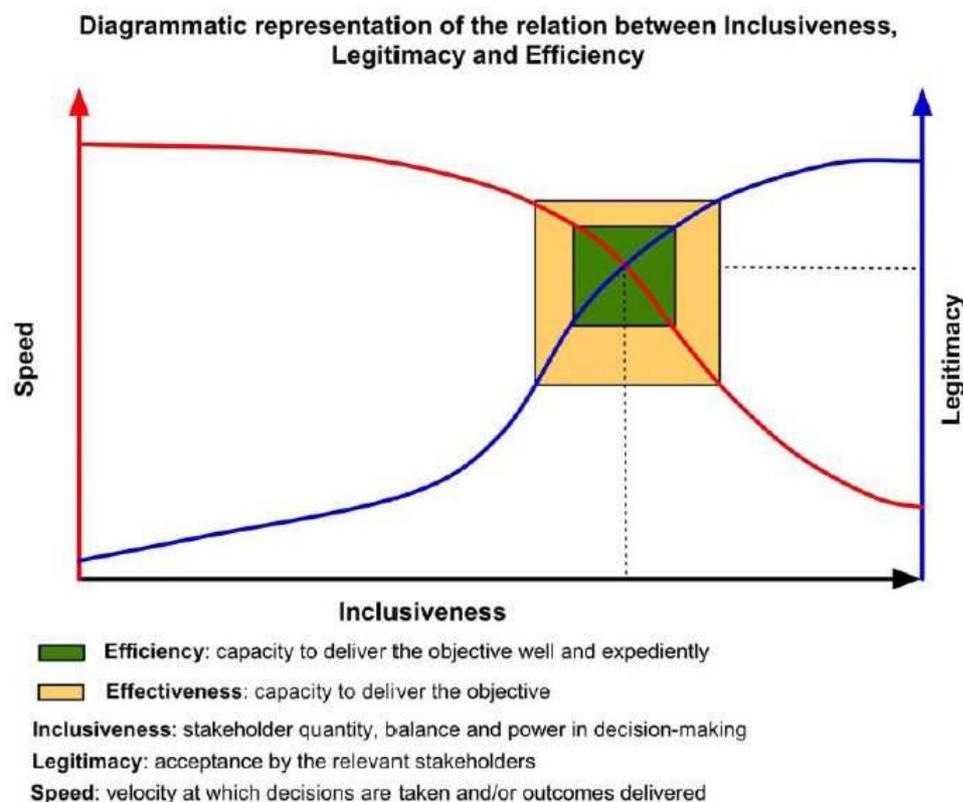
One of the objectives of the research was to provide a valuable input for continuous improvement of the eight initiatives and to initiate a process aimed at continuous and shared learning among the initiatives. The researchers conclude that there is a basis for shared learning amongst initiatives. The conclusion is based on three observations that followed from the interviews and the analysis of the initiatives. Firstly, initiatives are complementary in terms of focus areas (and experience), so added value can be gained from getting together. Secondly, initiatives struggle with similar issues, also increasing the possibility of positive spin-off of cooperation. Thirdly, the external conditions, such as market demand, allow for the co-existence of initiatives.

The first observation, i.e. that (some) initiatives are complementary in terms of 'focus areas', follows from a simple comparison of the eight spider charts. Whereas SA8000 includes mostly social and labour issues, GlobalGAP focuses on environmental issues. Sharing their respective experiences and track record on each of the issues could be very beneficial to both initiatives, making each standard more inclusive over time. Similarly, synergies and shared learning possibilities can be observed on each of the other axes.

The second observation is that initiatives are confronted with similar complexities in their work. A few stood out during the interviews. First, none of the eight initiatives has been able to construct a system that allows for systematic and reliable impact monitoring, not on producer level, nor on the level of the initiative. Although all initiatives have developed activities in the area of monitoring, none of them had been able to successfully overcome all difficulties of impact monitoring. Eileen Kaufman of SAI stated for example that it is extremely difficult to define a baseline, since companies that apply for (SA8000) certification have often already largely cleaned up their act. Furthermore, designing a methodology for impact monitoring is time-consuming. This, combined with the fact that most initiatives have limited financial resources, explains why initiatives have not structurally monitored their impact. At the same time most interviewed representatives underline the importance of impact monitoring, for market acceptance and credibility and for continuous improvement.

Another issue that most of the initiatives struggled with is the involvement of stakeholders. BSCI, and to a lesser extend ETP, reported during the interview that the lack of stakeholder involvement is considered a hampering factor because of legitimacy reasons. Both initiatives are working on improved stakeholder involvement. ETP, for example, has organised stakeholder meetings on the development of a "progressive approach" of the ETP initiative. The business-led initiatives could benefit from the experience that multi-stakeholder initiatives like FLO, SAI, Utz Certified and Rainforest Alliance have gained over the years.

Multi-stakeholder initiatives also reported difficulties in relation to stakeholder involvement, although these difficulties were of a different nature. FLO, SAI, Utz Certified and Rainforest Alliance stated that participatory processes result in relatively slow decision-making. This lack of speed is especially considered a hampering factor in an expanding market. The figure below gives a graphical representation of the relation between inclusiveness of stakeholders, legitimacy and speed: an inclusive initiative (involving many stakeholders) can attain a high level of legitimacy, but the trade-off is a lack of speed at which decisions are made or outcomes are delivered.<sup>105</sup>



**Source:** *PI Environmental Consulting*

The third observation is that the external (market) conditions allow for the co-existence of initiatives. First, there is a growing demand for sustainable produced goods and services. This demand is likely to continue to grow, since all initiatives indicated to experience an increasing awareness amongst consumers, companies and governments/ politicians. All initiatives included in the research reported growth in recent years in terms of members, products covered by the initiative, certified volume and/or certified or monitored farms. Second, there is a diversified demand for ‘sustainable products’ in terms of emphasis (social, environmental, all-round) and stringency. This leads to different market niches for different initiatives. Karin Bogaers of BSCI for example, described the BSCI model as an “entry scheme”, which is especially appealing to companies that are “just starting” with the issue of sustainability. FLO or Utz Certified on the other hand are robust systems that may attract companies that are more advanced in terms of sustainability.

In order to initiate a successful process of continuous and shared learning amongst CSR initiatives, identifying potential learning issues and favourable external conditions is however not enough. Although many topics are fit for shared learning, initiatives are also competitors. Utz Certified and Rainforest Alliance, for example, reach out to the same (kind of) companies and markets. And although it is an appealing idea, there is no evidence that companies entering the BSCI system eventually move on to a more inclusive system. During the interviews the representatives of most initiatives (SAI, GlobalGAP, Rainforest Alliance, FLO and Utz Certified) raised concerns on competition between standards. As one interviewee put it, the competition between standards could lead to a lack of acceptance with buyers, too high costs for producers and confusion amongst consumers.

### **Recommendations**

Following these observations, one can conclude that there is a basis for continuous and shared learning amongst CSR initiatives if a supportive and non-competitive environment can be

created. The researchers would like to make the following recommendations to the members of the Tea Consortium:

- Continue to build on the relationship with the initiatives. The research has created a momentum for dialogue with the initiatives, as many expressed their interest in and support for the research and its objectives. This momentum should be taken advantage of, in designing and executing the second phase, but also in the period following the conclusion of the project.
- Start a dialogue with the initiatives to define “best practices” for the tea sector. This report provides a pool of information about the initiatives and how they address issues in their organisations and in their standards, each in their different ways. A joint discussion with the initiatives is likely to provide further insights in “best practices” and may create a basis within the initiatives to improve.
- Explore the possibilities for co-operation between initiatives. The initiatives are confronted with much the same issues. Impact monitoring was mentioned as a concrete example, but it is most likely that also on other aspects synergies between initiatives can be identified, such as lobby activities, capacity building in producer countries, etc. Examples of co-operation between initiatives like the ISEAL alliance and SASA project<sup>u</sup> should be taken into consideration.

### **Recommendations for the next phase of the research**

- In this research, the assumption has been made that the eight axes have an impact on the *theoretical* effectiveness of the initiatives – the degree to which the initiative is able to improve sustainability in the tea sector. During the second phase this assumption should be verified. This will with no doubt raise methodological difficulties: for example, how to measure the influence of stakeholder involvement at initiative level on sustainable tea production in practice? However, through field research (amongst others interviews) the researchers should be able to make the relationship between the axes and effectiveness more transparent.
- Throughout the research, it proved to be difficult to obtain a clear view on how the respective standards were applied in practice. The auditors that were interviewed seldom had all the information needed to obtain a clear picture. It is therefore recommended that in the third phase audit results are included on a more structural basis.
- NGOs and other organisations such as trade unions have frequently addressed the difficulties of social auditing. More than environmental audits, social audits have to be well prepared, making sure that an environment is created (anonymity of workers, etc.) in which it can be truly verified whether producers comply with the social requirements of an initiative. It is recommended that in the third phase it is verified how initiatives deal with the difficulties of social auditing in practice.
- All farms that engage in one of the initiatives mentioned above, have to improve their producing practices. This will usually come with some costs for producers. It is recommended that in the third phase it is researched in more detail how the initiatives aim to enable producers to meet these costs, for example through the promotion of long-term contracts, price premiums, supply conditions, etc.
- Because of its structure as an umbrella organisation, IFOAM was not analysed on the four “Compliance Rules” axes. Notwithstanding, IFOAM is an important worldwide initiative. It could be considered to give IFOAM some priority when designing and preparing for the second phase to compensate for the relative under-representation during the first phase.

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<sup>u</sup> Social Accountability in Sustainable Agriculture (SASA) was a collaborative project between 2002 and 2004 of four social and environmental verification systems in sustainable agriculture: FLO, SAI, SAN/Rainforest Alliance and IFOAM. SASA objectives were 1) to improve social auditing processes in agriculture and 2) to foster closer co-operation and shared learning between the four initiatives. The same initiatives later joined hands in ISEAL, together with several other certification schemes.

## **Annex 1 – Comments received by CSR initiatives**

### **GLOBAL GAP**

The scope of the report does not covers important aspects of GLOBALGAP: Strong emphasis on food safety and on integrity of certification process. This qualifies GLOBALGAP to be used as complementary basic level for any other standard assessed in this study. Via the GLOBALGAP Benchmarking process the other standards can gain global recognition for meeting these core criteria.

### **FLO**

We endorse important and valuable efforts to promoting sustainable agriculture techniques that benefit farmers and the environment. Given the increasing number of number of ethical trading schemes, all the stakeholders involved (from producers to consumers) have the right to know the true impact of their decisions. Therefore we fully support the attempts made by the organizations themselves and other initiatives at evaluating the effectiveness of the different schemes.

However, this effectiveness should be measured against the accomplishment of organization's mission and goals and cannot be only based on one or two particular issues. How the objectives are achieved cannot be disentangle from the instruments the organization has developed to achieve them and this analysis can only be meaningful if done in a comprehensive manner.

In consequence, the first step to develop an assessment of Fairtrade Labelling – or any of the other of the other initiatives - is to have a look at its mission. Impact has to be assesses against stated goals and mission of an initiative, not against what seems to be the overlap between different initiatives.

The Fairtrade mission is not captured in the study, the Fairtrade concept is not well understood in its coherence and external aims. For example what is quoted as FLO's mission (To set standards, to support, inspect and certify...) is in fact the means the organization has develop to enable the sustainable development and empowerment of disadvantaged producers & workers in developing countries. As a result, the particular target groups, the role of organisation, the place of capacity building and skills development, the function of financial instruments, development initiatives as part of the standard – it does not have the emphasis it has in the Fairtrade model, or it is even absent. The same goes for the support given to producers, the advocacy work around trade justice and the awareness created through campaigns on consumers. .

Fairtrade Labelling is different from any of the other systems included and any assessment of its effectiveness should be done consequently. Although there is some degree of overlapping with some of the initiatives included, the study is driven by a minimum common denominator and as a result important features are missing and Fairtrade's identity is lost. The question is then what the comparative value is of the results of the study.

Fairtrade Impact Assessment is a complex and resources intensive issue. The last couple of years at FLO we have been devoting efforts to develop and implement and impact assessment system that can capture the nature and special features of the organization. In this respect we have developed a three-pronged approach: 1) a results based M & E (Monitoring & Evaluation) system of basic generic on all certified producers, 2) cooperation with Labelling Initiatives and

others for case studies, responding to particular needs, using a common methodology; and 3) on the longer-term, elaboration of a producer self-assessment system to improve their own performance and to inform Fairtrade Labelling standard-setting and other relevant bodies.

FLO and its members are still on the process of rolling out the system but will be happy to share our learning and results with you as soon as they are available. Given the efforts we have devoted to implement the impact assessment system (as well as the means that will have to be invested in order to complete this task) and our very limited resources, you will understand that any new engagements in similar initiatives are critically evaluated.

## **On the results of the report and next steps:**

As you know from our previous exchanges I was concerned on the methodology implemented achieving the objectives and on the exercise being a very narrow look at our initiative (only from the standards and verification framework point of view). Although the study develops a useful picture to understand better how the initiatives involved work I still have the same concerns.

The analysis is aimed at “providing a better insight of these CSR initiatives, creating a first understanding of the factors that increase or hamper their effectiveness and facilitating a process aimed at continuous and shared learning and improvement among the initiatives”. A first understanding of the initiatives I think it has been achieved, how the different features of each organization increase / hamper their effectiveness has not. The definition of what “effectiveness” is referring to is linked to the term “improved sustainability” but it is not developed so there is no clear understanding on what exactly is being measured.

The next section highlights how given the criteria chosen to assess continuous improvement many key features of Fairtrade are left out.

## **General comments on the results of the analytical framework**

### **Continues Improvement:**

It seems that M&E was the only criteria used for ‘robust’ indicator of continuous improvement, as mentioned above Fairtrade Labelling is also implementing an impact assessment system. However, regular review of standards, standard setting and certification committees, evaluation of producer support, etc, has not been included in the study and are also a key factor to measure continuous improvement

### **Community and livelihoods**

You mention in your report that “none of the initiatives score very high on the community and livelihoods control points” and in page 16 you state the issues to be considered in this section as follows:

Certification standards often aim to improve the conditions of local communities whose human and natural resources are used to produce the certified goods. This can be done in several ways, among which the most significant are described in more detail below:

- Inclusion of smallholders operating outside corporate plantations;
- Supporting producers to improve their performance levels;
- Agreements on prices to producers;
- Agreements on purchasing practices;
- Increasing local employment;
- Respecting land and property rights of communities.

However, I disagree with the statement given Fairtrade labelling’ particular focus in addressing the particular needs of smallholder organizations, purchasing practices, capacity building (beyond trader support: it has in fact a fully dedicated unit in this respect), development of a minimum price –wherever possible- and a premium to be invested in social and economic

development projects with high impacts on the communities and livelihoods of the actors. This later issue, the premium and its impact on the communities is totally absent in the study.

## **Inaccuracies:**

### **P29. Governance: “... respecting the interest of poor producers”.**

Fairtrade Labelling target group is disadvantaged producers and workers, see the following link for more accurate information on this: [http://www.fairtrade.net/about\\_fairtrade.html](http://www.fairtrade.net/about_fairtrade.html)

### **P29. Coverage:**

If the researchers wanted to just focus on the NL market, then Finlays should be excluded. If the intention is to develop a picture of the Fairtrade global market for tea then the research is very incomplete.

### **P29. Verification Framework:**

As the previous reference to the ISO 59 guidelines for standard-setting procedures it would be useful to add the reference to the ISO 65 guidelines for product certification.

**P.31 Community and livelihoods, paragraph 3 of that section:** “the FLO standard includes several control points on producer support”—it should be clear that this alludes to traders support of producers. We additionally have a producer support department that is not related to traders. This is one of the main differences and strengthens of the Fairtrade system.

See: [http://www.fairtrade.net/producer\\_support.html](http://www.fairtrade.net/producer_support.html)

## **Page 45. Continuous improvement.**

An Internal Control System is also part of the Fairtrade Standards (environmental section).

[http://www.fairtrade.net/fileadmin/user\\_upload/content/Generic\\_Fairtrade\\_Standard\\_SF\\_March\\_2007\\_EN.pdf](http://www.fairtrade.net/fileadmin/user_upload/content/Generic_Fairtrade_Standard_SF_March_2007_EN.pdf)

## **Peter Low’s quotes:**

A couple of them seem a bit odd/ very inaccurate to me, I strongly recommend to double check directly with him if he agrees with the spirit of the sentences he is the reference to. For example footnote 53 regarding the physical separation of tea and the mention of audit reports being public on the website.

## **About the second phase**

Among the justifications for second phase it is stated:

- Potential for joint assessment of the effectiveness of the initiatives, individually and collectively
- Need to demonstrate impacts on the ground to plan continuous improvement
- Research fills a need: reliable impact monitoring methods are not available
- Increasing call for accountability: to convince donors, producers, buyers

Given the scope of the project and its methodology I maintain my reservations about a second phase of the project, expressed in previous communications. I really doubt that with a couple of field interviews you will be able to assess the effectiveness of any initiative. At the most you will have a case study that will describe a particular situation in a particular location but which results will not be able to be extrapolated nor comparable across and/ or within initiatives.

Although the final conclusion was that overall the CSR initiatives all agreed to cooperate on the field visits, it is reported in the minutes of your meeting impact assessment is a complex issue. One participant questioned with the purpose of the project and another questioned whether the tea consortium is the most appropriate forum to address such a global generic problem, I agree with both views.

We appreciate the work done by the consultants in trying to be as accurate and careful as possible. However, given the concerns had before the first phase and taking the methodology used to produce this report, our engagement in a second phase will depend on how the concerns expressed previously to the report and in this communication are being addressed.

## **IFOAM**

The IFOAM Norms consist of the IFOAM Basic Standard (IBS) and the IFOAM Accreditation Criteria (IAC). The study looks at IBS, but it is not a generic standard that is translated into national standards. It is a standard for standards that can be used as a reference for standards development. Also it is relevant for certification bodies that wish to be IFOAM accredited. It is important to note and understand that the IBS is NOT a certification standard, but a standard for standards!

Since IFOAM does not operate a certification standard, market coverage is not one of its objectives. IFOAM is the International Federation of the Organic Agricultural Movement, and it embraces a large part of the private bodies and organisations involved on organic agriculture. For relevant numbers of market share, organic production according to governmental regulations (e.g. EU regulation, USDA NOP; ...) must also be taken into account. IFOAM is not a certification body, thus there are no 'IFOAM certified farms' and comparable audits. Furthermore IFOAM is not organized in national chapters or sections and it doesn't have a decentralized structure based on national affiliations.

No tasks are performed by IFOAM staff, because IFOAM does NOT engage in certification. IFOAM is the federation of a movement, with the aim to unite this movement and it develops and maintains a standard FOR standards. This is NOT a certification standard and IFOAM does not certify. It is the members of IFOAM that do this!

IFOAM does not provide technical assistance to producers! It may have happened here and there in the context of specific field projects but it is really not IFOAM's role.

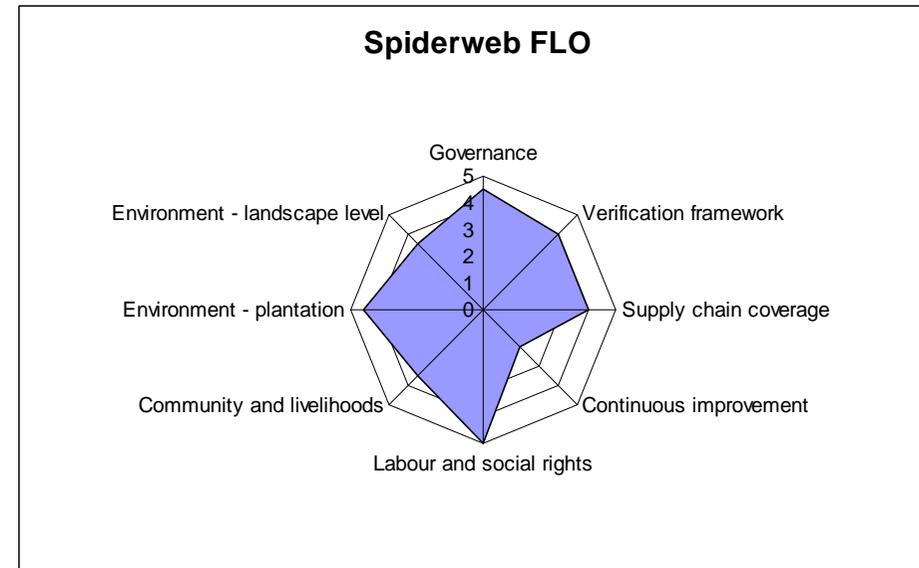
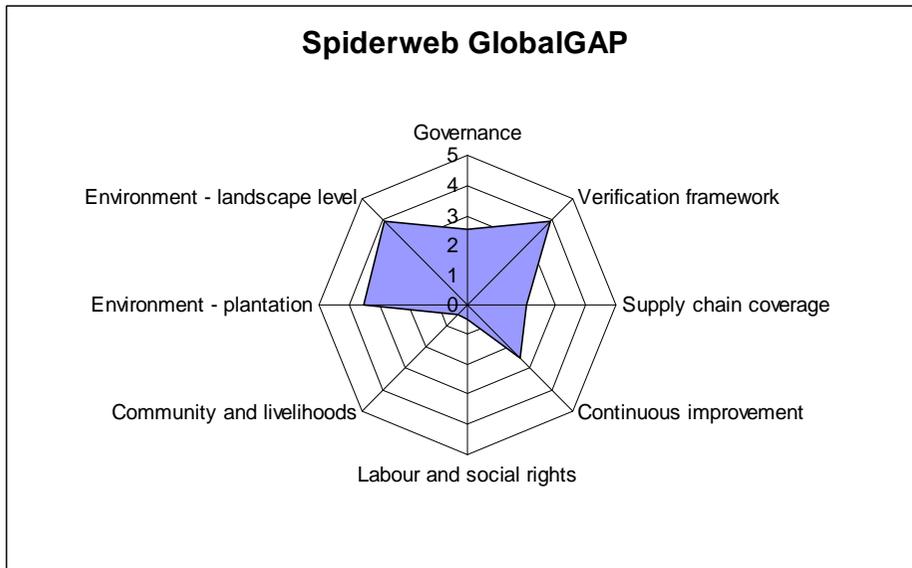
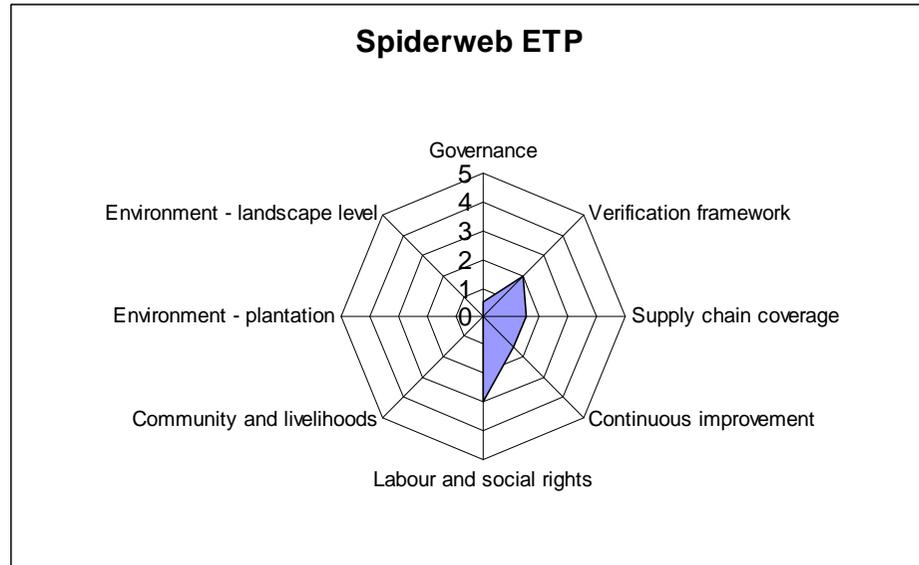
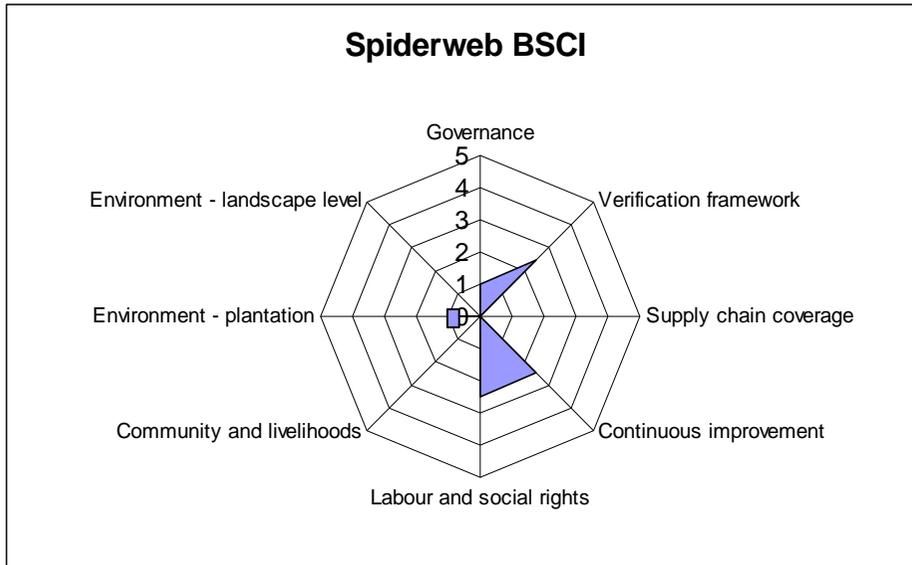
On the organizational structure of IFOAM. Every regular General Assembly elects ten World Board members. The World Board may co-opt up to three further World Board members. The World Board decides all issues not yet determined by the General Assembly. The World Board establishes rules of procedure for the World and Executive Board and the General Assembly, which are to be approved by the General Assembly. The World Board may set up Working Groups, Committees, and regional or thematic task groups. It may also delegate specific tasks to such bodies or to individuals.

## **Annex 2 – Profiling sheet**

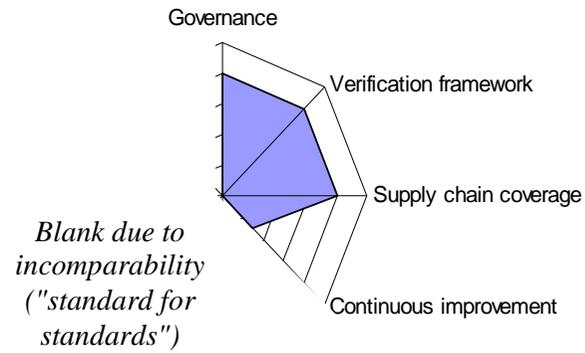
[initiative name]		Inclusion in theory <i>(please check)</i>			
		No mention	General mention	Specific	Mandatory
Issue	Control point				
<b>Governance (Initiative)</b>					
Representation in decision-making and standard setting	Balanced representation civil society - private sector				
	Balanced representation producer - consumer countries Smallholder representation				
Transparency and reporting	Public disclosure of board members on website				
	Public disclosure of all central and formal proceedings, documents, etc. on website				
	Public disclosure of members, certified companies, etc. on website				
Complaints and dispute resolution	Public summaries of audit reports on website or specific rules				
	Clear complaints procedures re. certification decisions and results				
	Clear complaints procedures on other issues (membership, accreditation, standards etc.)				
	Clear contact point(s) for complaints				
Ethics and integrity	Easy complaint filing for disadvantaged groups (acceptance of multiple languages and media: phone/e-mail/mail/fax)				
	Independent body for appeals				
	Membership requirements re. responsible behaviour (Code of Conduct etc.)				
<b>Verification framework (Initiative)</b>					
Standard setting	Adherence to standard-setting guidelines of ISO 59 and/or ISEAL				
	Stakeholder participation in standard development				
	Existence of regional and/or national (production) standards, based on local multistakeholder interpretation of central standard				
Accreditation	Membership of ISEAL				
	Accreditation body works according to ISO 17011				
Certification/ verification and monitoring	Accreditation body with social/ environmental expertise				
	Conformity assessment bodies adhere to ISO 62,65 and/or 66				
	Robust procedures for assessment process (scope, frequency, sampling, determination of corrective action requirements, etc.)				
	Basic audit (team) requirements, i.e. independent, third-party, trained, ISO compliant auditors				
	Auditor (team) requirements re. knowledge of local language, context and sustainability issues (and use of local auditors)				
	Stakeholder consultation in audit process (including use of participatory methods, workers' views in audit reports, etc.)				
	Procedures in case of corrective actions (esp. after acceptance)				
	(Un)announced monitoring visits				
<b>Supply chain coverage (Initiative)</b>					
Claims and labelling	Clear rules and procedures for claims (and labelling if relevant)				
	On-product labelling				
Chain of custody requirements	CoC certification required				
	Environmental requirements for CoC certification/approval				
	Social requirements for CoC certification/approval				
<b>Continuous improvement (Initiative)</b>					
Continuous improvement CSR initiative	Initiative-wide learning and training or other tools to ensure continuous improvement of the initiative				
	Aggregated impact monitoring and evaluation				
	Support to certified parties to set up quality management systems				
Continuous improvement certified party	System of minimum and progress requirements				
	Impact monitoring at certificate level (incl. baseline assessments?)				
	Training requirements				

Labour and social rights (Compliance rules)					
Wages and overtime	Payment of living wage (preferably), or minimum wage, especially to estate and factory/warehouse workers Maximum working hours (48 + 12) and overtime compensation				
Forced labour	No forced (or bonded) labour				
Child labour	No child labour				
Discrimination	No discrimination				
Freedom of association and right to collective bargaining	Freedom of association and right to collective bargaining				
Health and safety	Safe and healthy working conditions				+
Disciplinary practices and abuse	No use and tolerance of physical violence, intimidation, etc.				
Security of employment	Security of employment				
Social benefits	Pensions, social security and related insurance Maternal/paternal leave, child care				
Provision of social services (at or below market rates) to employees/ wider community	Housing (and option to buy) Food (food and/or food production resources) Safe drinking water Education (including encouragement to take it) Medical care (including insurance, HIV/AIDS programs, etc.) Transport infrastructure for communities				
Community and livelihoods (Compliance rules)					
Inclusion of smallholders	Special standards for group or smallholder certification Incentives or support for (larger) producers/ processors to include smallholders				
Producer support	Sharing price and trade information Technical assistance (commercial, agricultural, etc.) Access to affordable loans/credits (incl. pre-financing)				
Prices to producers	Coverage of at least cost of production, also for smallholders Price premium due to certification/participation				
Purchasing practices	Terms of payment, delivery, etc. Long term engagement/relations, contracts, buying commitments				
Local employment	Preference for employment of local people Preference for employment of local suppliers				
Respect for (customary) land and property rights	Free prior and informed consent Fair compensation No (recent) conversion of forest with important socio-economic or cultural conservation values Social impact assessment in case of forest conversion				
Environment - plantation level (Compliance rules)					
Agrochemicals	Pesticides usage (application, storage, book keeping, etc.), including integrated pest management Fertiliser usage (application, book keeping, etc.)				
Waste and emissions	Pollution and waste management - solid Pollution and waste management - water Pollution and waste management - air Management of greenhouse gases				
Soil conservation	Prevention of soil erosion (no clearing on steep slopes, use of ground cover crops, etc.)				
Environment - landscape level (Compliance rules)					
Biodiversity	Corridors, riparian zones, set-aside areas, reforestation Native shade trees and use of shade-grown tea varieties Protection of streams and water sources Anti-hunting measures: awareness raising, provision of alternative protein sources Other measures to protect biodiversity around plantation (planning of access roads, co-operation fringe communities, reforestation, control of illegal activities, etc.) No (recent) conversion of forest with important nature conservation values Environmental impact assessment in case of forest conversion				
Natural resource use	Irrigation/ ground water consumption (Fossil) fuel and fire wood consumption				

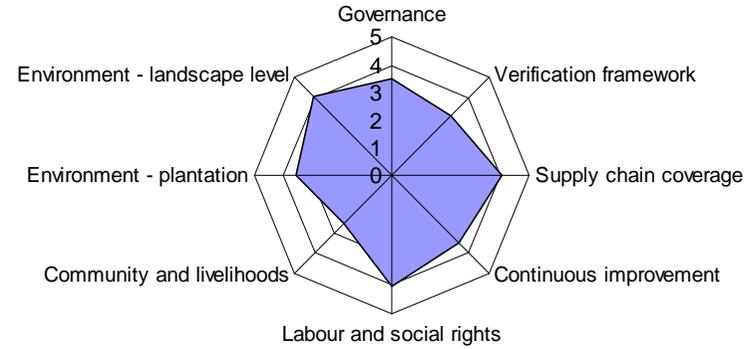
## Annex 3 – Spider charts of the eight CSR initiatives



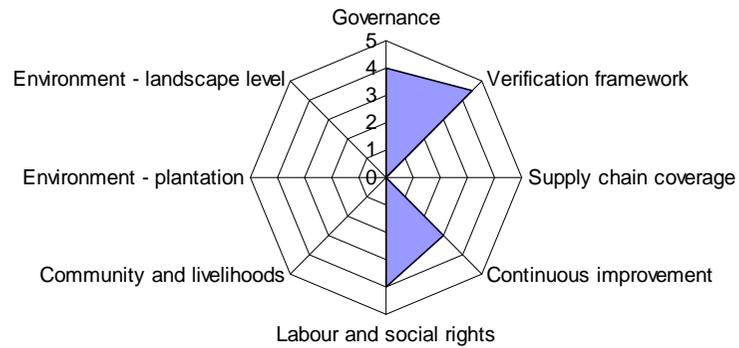
### Spiderweb IFOAM



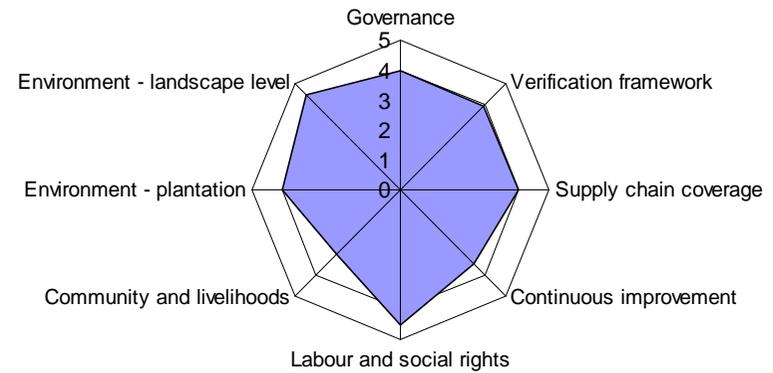
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### Spiderweb SA8000



### Spiderweb Utz Certified



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