

Assuring Consumer Confidence in Ethical Standards – Fact-Finding Process

0. Introduction & Situation Analysis

With the ever-increasing trade in ethical goods, with the FairTrade label alone retailing sales of over 2 billion Euros globally, and anticipated growth of 33 percent annually; it is clear that consumers want to support and build towards increased social and environmental sustainability through ethical trade purchasing choices. In order to do this, they need to have clarity about the increasing number of claims relating to 'ethical trade' schemes and labels that are appearing on foods and products in the marketplace.

Furthermore, consumers want to be sure that the ethical trade initiatives they do support with their purchasing power are credible (i.e. were developed through legitimate processes, actually deliver what they claim to, can demonstrate the impacts achieved, and are effective and efficient in doing so), have long-term commitment, and that any premium paid really does benefit the social and environmental objectives they aim to support. Primarily, consumers want to support 'good' ethical trade schemes and be confident that they have the information to decide at point of sale, to do just that.

Recent years have seen an explosion of interest in, and uptake of, social and environmental standards and labels. Consumer organizations are concerned that a number of ethical claims support 'business as usual' practices and are confusing consumers. Leading ethical standards and conformity assessment initiatives have long recognized the need to establish credibility criteria to address such concerns, and have worked towards their creation and adoption.

A number of different initiatives on national, regional and international levels have sought to clarify e.g. through harmonization between standards, better information or differentiation through credibility tools (e.g. 3rd party assurance and Codes of Best Practice) potential consumer confusion. Governments have also begun to operate more forcefully in the field of ethical standards, though many remaining reticent to define the scope of legitimate ethical claims.

However until now there has not been an inclusive international coherent approach, engaging all key stakeholders and seeking a consensus agreement, to find the most effective and efficient solutions to address consumer confusion and ensure consumer confidence in ethically traded products. Although a significant amount of research has been carried out, it comes from a number of different interest groups, uses different methodologies and cases, which makes objective comparisons difficult. The independence of such research can also be open to question. The aim of this project would be to develop a globally agreed vision developed by a multi-stakeholder roundtable under the guidance of a steering group, which is credible and so can be used as an effective tool to build trade in ethical products. The COPOLCO workshop (see below) provided for the first time, the possibility and opportunity for all the key international interest groups to debate and agree a way forward which is the basis for this project. This together with the growth in the up-take and range of ethical standards and labels, increasing market demand for them and growing governmental engagement in their provision provide the backdrop for this project proposal.

On 23 May 2007, ISO COPOLCO (Consumer Policy Advisory Committee) hosted a workshop titled “*Can consumers rely on Fair trade claims?*” in Salvador de Bahia, Brazil. The major international organizations involved in ethical trading participated, in addition to the national delegates from 31 ISO members, Consumers International (CI), and OECD. From the consumers’ vantage-point, the workshop gave a flavour for the variety of ethical claims associated to products and services, the added value and growing success of ethical trade schemes and labelling initiatives, and gaps in consumer information and awareness.

Preliminary work by AFNOR (the French National Standards Body) and CI in 2006 provided the information background to the workshop. This work identified a number of problems related to consumer confusion with ethical claims, such as:

- terms and definitions used in relation to ethical claims
- principles which differentiate ethical trade from normal trade practices
- communication to consumers on the nature and content of ethical claims
- scope and modalities of conformity assessment and third party certification

The discussions at the workshop recognized that there are different views regarding the existence, scope and nature of consumer confusion.

Stakeholders present expressed their willingness to work together more effectively and specifically to identify the potential for problems associated with inaccurate and unreliable claims concerning the ethical dimensions of consumer products and services.

The COPOLCO committee and participants of the workshop agreed to the resolution below, calling for the establishment of a fact-finding process to continue the dialogue, with a secretariat based within Consumers International, provisional on appropriate funds.

COPOLCO Resolution 10/2007

COPOLCO Workshop: Can consumers rely on fair trade claims?

COPOLCO

Thanks the speakers, moderators, panellists and rapporteurs for their excellent contributions to the workshop, and in particular representatives from the FairTrade and associated organizations for their participation

Emphasizes its interest in the area of ethical (“values-based”) purchasing

Acknowledges the need to better understand the potential for problems associated with inaccurate and unreliable claims concerning the ethical dimensions of consumer products and services,

Applauds the outcome of the constructive discussion, and the agreement to establish a joint fact finding process, including IFAT, FLO, ISEAL, CI, AFNOR, ABNT, and other interested stakeholders,

Welcomes the provisional offer of Consumers International to host and support this activity,

Invites the fact-finding group to report its research to COPOLCO for discussion at its next plenary meeting, and to other interested parties.

Since the COPOLCO meeting, the stakeholders named in the resolution have established a Steering Group to jointly develop this project proposal and to seek the necessary funds and resources to support its implementation.

This proposal lays out the aims, objectives, activities and timeline of a fact-finding process.

1. Overall Aim

To build consumer confidence in purchasing ethically traded products and services by recommending solutions to reduce the potential for consumer confusion caused by inaccurate and unreliable 'ethical' claims.

2. Specific Project Objectives

- To establish a multi-stakeholder driven fact finding process to clarify the nature and extent of inaccurate or false 'ethical' claims, and the problems such claims present for consumers wishing to make 'ethical' purchasing decisions.
- To develop potential solutions to address the problems identified.

3. Implementation Structure

a. Steering Group

A Steering Group for this project proposal and ensuing fact-finding process was established in July 2007, comprising a representative from each of the organizations mentioned in the COPOLCO resolution, as they represent a diversity of consumer, standards and ethical interests. There is also space for the COPOLCO secretary to participate as an observer.

It was further agreed to leave one to two places nominally open for further organizations to join, should the fact-finding process identify the need to include a further stakeholder (e.g. government) or perspective (e.g. retailers), and the Steering Group agree to do so.

Terms of Reference for the Steering Group are attached.

b. Implementing Individuals

The project proposal and ensuing fact-finding process will be implemented through two individuals, to be appointed by the Steering Group:

- A **Co-ordinator** (administrator) to carry out operational tasks, including: organizing the meetings and workshops, circulating papers, administrative support to the work of the expert, multi-stakeholder fact finding process and SG.

The Co-ordinator will be recruited by the Steering Group, and will work within the premises of CI headquarters in London (U.K.)¹. The Co-ordinator will be line-managed by CI; however the Steering Group will exclusively manage their programme and content of work.

- An **independent expert** (consultant) to carry out all activities relating to content, including: research, report writing, preparation of workshop agendas, briefing of speakers etc.

Following approval of this project proposal, and funding obtained to implement the fact-finding process, the Steering Group will define the Terms of Reference for the work of the independent expert.

¹ CI has several years of experience running projects that are overseen by a steering committee within its work on TACD (the TransAtlantic Consumer Dialogue). To date this has functioned effectively and has given the multi-stakeholder project the necessary and appropriate accompaniment. The TACD project coordinator works closely with the Steering Committee to routinely evaluate the effectiveness of the structure and working methods, as well as work plans and progress made against activities. This ensures that the project is efficient and working well with all stakeholders. The coordinator has regular discussions in meetings and tele-conferences of the Steering Committee to monitor the work of external researchers (if any).

In defining the ToRs for the expertise required, the Steering Group may decide to enlist the help of up to two independent experts, whether at the same time or for each phase of the project, for example.

The independent expert(s) will report to the Steering Group. The Steering Group will collaborate in and actively support the activities of the independent expert(s).

Both these roles will be required for the duration of the fact-finding process. However, it is understood that neither will work full-time for this project.

4. Scope of Research

The Independent Expert will undertake research along four areas of enquiry:

i. Breadth of the problem: how widespread is consumer confusion?

Based on interviews and a thorough review of existing primary research the expert will make a summary of the quantitative evidence relating to the number and significance of inaccurate and/or unreliable claims to consumers about the ethical dimension of products and services. The research will ensure that the concerns of consumers in developed and developing economies will be equally addressed.

ii. What are the impacts caused by the consumer confusion problems identified?

Drawing from the evidence collated, the expert will identify whether inaccurate and/or unreliable claims are leading to negative impacts. These impacts may relate, for example, to the credibility of ethical schemes, the up-take of credible schemes, health and safety of consumers or to unsustainable social or environmental practices.

iii. Beyond consumers, are other stakeholders affected by the confusion and/or impacts identified?

Where the expert provides evidence of negative impacts, it is possible these impacts also affect other stakeholders beyond consumers. Who are these stakeholders? The identification of these stakeholders will be a key step in organizing the multi-stakeholder roundtable.

iv. Are there examples of ways in which consumers or the other identified stakeholders have tried to address their confusion and / or impacts? How successful were these attempts?

Ultimately, this project proposal will want to identify the best and most relevant options to address any serious consumer confusion and / or negative impacts that the expert identifies through this project, relating to inaccurate and unreliable claims pertaining to the ethical dimension of consumer products and services. The expert will collate evidence of any measures developed for this purpose, and critically assess the benefits and constraints of these approaches.

v. Recommendations for Next Steps

The Steering Group, representing a diversity of consumer, standards and ethical interests will actively collaborate in the work of the independent expert.

5. Duration of the Fact-Finding Process

Between 12-24 months, in two phases. It is thought that two phases, each of 9 months duration may be the most realistic timeline, although the outcome of phase 1 will have bearing on the

timeline of phase 2. The Fact finding process would in any case report its progress to COPOLCO and other interested parties each May.

6. Activity Timeline

Below is a brief description of a timeline.

Phase 1: Month 1 – Month 9

- i. **Project Co-ordinator Recruited**
- ii. **Independent Expert Contracted**
- iii. **Research**

During phase 1 the independent expert will focus the research on the first three areas of enquiry highlighted in section 4, namely:

- Breadth of the problem: how widespread is consumer confusion?
- What are the impacts caused by the consumer confusion problems identified?
- Beyond consumers, are other stakeholders affected by the confusion and/or impacts identified?

iv. **Steering Group Meeting**

The Co-ordinator will convene a meeting of the Steering Group once the independent expert has completed the research.

The independent expert will prepare an informal report to the Steering Group presenting the information collected, as well as their expert assessment of the information.

Drawing from the third area of enquiry (i.e. other stakeholders affected), the independent expert will recommend to the Steering Group those stakeholders who should be invited to take part in a multi-stakeholder roundtable (see below) where the work of the fact-finding process will be discussed.

The Steering Group will review the report of the independent expert and agree on the stakeholders to be invited to the roundtable².

The Steering Group and the independent expert will also jointly agree on the programme for the roundtable and speakers to invite.

v. **Report Preparation**

Based on their own research, discussions at the Steering Group meeting, and bilateral discussions with Steering Group members, as necessary, the independent expert will draft a report as background document for the stakeholders participating in the multi-stakeholder roundtable.

vi. **Multi-Stakeholder Roundtable**

The purpose of the multi-stakeholder roundtable will be to evaluate the research report and advise the Steering Group on the research needs and potential methodology for Phase 2.

² The stakeholders invited to join the multi-stakeholder roundtable will be recommended by the independent expert, and agreed jointly with the Steering Group. For the purposes of illustration, beyond the Steering Group, this may include representatives from: governmental bodies, ethical trade organizations, ethical labelling organizations, academia, retail, producers, and others.

vii. Concluding Report Phase 1

The independent expert will prepare a report to be presented to all interested parties, as considered necessary by the Steering Group.

The report will be completed by early May 2008 to be available to present to the next COPOLCO meeting.

The report will summarize the research and decisions carried out to date and report the recommendations of the Steering Group and of the multi-stakeholder roundtable as to future research needs and potential methodology for Phase 2.

Phase 2: Month 10 – Month 22

The Steering Group will then coordinate, in cooperation with an independent expert, a fact-finding process which delivers recommendations on the best and most relevant means to address any widespread consumer confusion and / or negative impacts identified through the project, relating to inaccurate and unreliable claims pertaining to the ethical dimension of consumer products and services.

As mentioned above, the specific research needs and methodology for Phase 2 are to be agreed at the multi-stakeholder roundtable foreseen at the end of Phase 1. The activities outlined below outline potential Phase 2 activities, pending alternative recommendations from the multi-stakeholder roundtable.

i. Further Research

Drawing from the results of the first phase, and the recommendations of the first multi-stakeholder roundtable, the independent expert will again, under the direction of the Steering Group conduct research.

During this phase, the research will follow-up on the research needs identified during the first phase multi-stakeholder roundtable as well as focus on the fourth area of enquiry outlined in section 4, namely:

- Are there examples of ways in which consumers or the other identified stakeholders have tried to address their confusion and / or impacts? How successful or mitigated were these attempts?

The independent expert will conclude the work by making recommendations on next steps.

ii. Report Preparation (and 2nd Multi-Stakeholder roundtable)

The Co-ordinator will convene a meeting of the Steering Group once the independent expert has completed the research.

The independent expert will prepare an informal report to the Steering Group presenting the information collected, as well as their expert assessment of the information.

The Steering Group will decide, taking into account the advice of the independent expert, whether a second meeting of the multi-stakeholder roundtable would be useful or whether another more appropriate model may be more efficient.

iii. Final Report

The independent expert will, in consultation with the Steering Group, prepare a final report including recommendations identifying the best and most relevant means to address any

widespread consumer confusion and / or negative impacts that the expert identifies through this project, relating to inaccurate and unreliable claims pertaining to the ethical dimension of consumer products and services.

These recommendations will be presented in a report suitable for public presentation and disseminated to all interested parties, largely through Web-based means.

7. Outputs

Phase 1 outputs will include:

- Research report to Steering Group
- Report to multi-stakeholder roundtable
- Multi-stakeholder roundtable
- Concluding report to Phase 1, with recommendations for Phase 2.

As mentioned earlier, the methodology for Phase 2, and consequent activities and outputs, are to be decided in collaboration with the multi-stakeholder roundtable in Phase 1. The final outputs will include at least a report including recommendations.

The activities outlined above are solely aimed to act as one illustration of a possible Phase 2.

8. Budget

It is anticipated that the project will cost approximately Euros 170,000 for the first phase, or a total of Euro 357,000 for the two phases of the project.

A detailed budget is attached as an appendix to this project proposal.