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Centre for Social  
Responsibility in Mining

## DESIGNING SUSTAINABILITY CERTIFICATION FOR GREATER IMPACT

An analysis of the design characteristics of 15  
sustainability certification schemes in the mining industry

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## **CSR**

The Centre for Social Responsibility in Mining (CSR) is a leading research centre, committed to improving the social performance of the resources industry globally. We are part of the Sustainable Minerals Institute (SMI) at the University of Queensland, one of Australia's premier universities. SMI has a long track record of working to understand and apply the principles of sustainable development within the global resources industry.

At CSR, our focus is on the social, economic and political challenges that occur when change is brought about by resource extraction and development. We work with companies, communities and governments in mining regions all over the world to improve social performance and deliver better outcomes for companies and communities. Since 2001, we have contributed to industry change through our research, teaching and consulting.

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# Highlights

Sustainability certification schemes are a key way for mining companies to be held accountable. But how effective are these schemes?

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**40%** of the schemes do not define minimum requirements of compliance and establish consequences and sanctions for situations of non-compliance

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Only **20%** of the schemes have a mechanism for periodic evaluation of the effectiveness of the schemes in place

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**80%** of schemes use third-party assurance process to ensure compliance and 67% accredit the assurance providers

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Only **1** scheme had its annual report audited by an external auditor

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**87%** of schemes cross-reference other standards within their own standards or guidelines





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**53%** of the schemes only provided information on their official website in English, with 33% of schemes providing their guideline documents only in English, even though most of the schemes operated globally

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**40%** of the schemes make available to the public the assurance statements or the results of the assurance process

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**53%** have stakeholder representatives playing an oversight role in the governance and management of the schemes. However, 50% of those schemes did not publicly disclose how those representatives are selected

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**60%** incorporated the concept of chain of custody within their scope

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**40%** of the schemes analysed did not provide public information about how decision makers are chosen

# Acronyms

ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
ASI	Aluminium Stewardship Initiative
ASM	Artisanal and Small-Scale Mining
BC	Bettercoal Code
BMZ	Federal Ministry for Economic Cooperation and Development
CFGS	Conflict-Free Gold Standard
CFGS	Conflict-Free Smelter Program
DDS	Development Diamonds Standards
DRC	Democratic Republic of Congo
Fairmined	Fairmined Standard for Gold and Associated Precious Metals
Fairtrade	Fairtrade Standard for Gold and Associated Precious Metals
IBGC	Brazilian Institute of Corporate Governance
IEC	International Electrotechnical Commission
IRMA	Initiative for Responsible Mining Assurance
ICGLR	Mineral Certification Scheme of the International Conference on the Great Lakes Region
ICMC	International Cyanide Management Code
ISO	International Organization for Standardization
ISO 14001	International Standards Organization 14001
iTSCi	ITRI Tin Supply Chain Initiative
IUCN	International Union for Conservation of Nature
KP	Kimberley Process
OECD	Organisation for Economic Co-operation and Development
RJC	Responsible Jewellery Council
RSS	Responsible Steel Stewardship
UN	United Nations
US	United States



# Executive Summary

Certification schemes are one key means for civil society actors to hold mineral companies to account and for companies to demonstrate that they are operating responsibly. This research report identifies the full range of planned and operational schemes applicable to the mining, minerals and metals industries and their supply chains and analyses the design characteristics of those schemes, including the: objectives, focus, process for standards development and operation. Fifteen schemes are analysed. The design characteristics under analysis were determined from a review of academic literature on sustainability standards and their effectiveness.

This report represents the first stage of an applied research project looking into the effectiveness of certification schemes in the mineral industry and the potential role sustainability certification schemes can play to improve standards for responsible mining. The research is being undertaken by the Centre for Social Responsibility in Mining (CSRM) at The University of Queensland and funded by the Tiffany & Co. Foundation through a grant to the University of Queensland in America.

Previous studies on the specific topic of sustainability certification schemes suggest that there are few studies about certification schemes that have documented outcomes sufficient to determine what effects occurred and whether they are attributable to certification schemes. In particular, how the different design characteristics of different sustainability certification schemes can work to improve environmental and social outcomes.

The 15 schemes analysed during the first stage of this project were classified considering three different categories of schemes: (1) a ‘certified standard’, where the scheme fully determines how the standard should be assured; (2) an ‘assured standard’, where the standard should be assured but the scheme does not fully determine how the standard should be assured; or (3) an ‘non-assured standard’, where participants apply the standard but assurance is not compulsory. According to this classification, the vast majority of the schemes analysed in this report were classified as a ‘certified standard’ (86%). One scheme was classified as ‘assured standard’ (7%) and one scheme was classified as ‘non-assured standard’ (7%).

The analysis presented in this report is based on publicly available information, validated by representatives of 8 of the 15 schemes analysed. Some of the key findings from this report are:

- The majority of the schemes are voluntary standards (73%), with a global geographic scope (Section 2.1).
- The thematic scope of the standards are dominated by social issues, followed by governance and the environment (Section 2.1.3).
- The majority of schemes are new, with 73% of the schemes becoming operative within the last four years or planned to become operative in the next two years. Furthermore, the time to establish, develop and launch the schemes differed significantly among the schemes analysed. This time difference demonstrates how challenging it can be to negotiate and achieve consensus amongst different stakeholders<sup>1</sup> when a multi-stakeholder approach is adopted (Section 2.1.1).
- There was evidence of interaction and support between schemes, with some new schemes using established schemes as templates and receiving assistance from already established schemes during the start-up phase. A vast majority of schemes (87%) cross-reference other standards within their own standards or guidelines; however few (33%) recognise the certificates, labels or claims provided by other schemes within their own processes (Sections 2.1.1 and 2.2.3).
- There was variation as to whether the standards used a ‘chain of custody’ approach. Of the schemes analysed 60% incorporated the concept of chain of custody within their scope, with the remaining 40% focussed solely

<sup>1</sup> Stakeholder is any group or individual who can affect or is affected by the achievement of the organisation’s objectives (Freeman 1984). Freeman, R. E. (1984). “Strategic management: A stakeholder approach.” *Advances in strategic management* 1(1): 31-60.

on the mining or processing stages (Section 2.2.2).

- The decision-makers of schemes varied, with 33% of schemes consisting of decision-makers dominated by industry representatives, 33% with multi-stakeholder representatives, 13% with government representatives. Information on the decision makers was unavailable for three schemes (20%; Section 2.2.5).
- Public information on some aspects of governance and accountability lacked transparency for a significant number of schemes. For instance 40% of the schemes analysed did not provide public information about how decision makers are chosen, 67% of the schemes did not provide public information about how long decision makers occupy their position, and 33% of the schemes did not make the names of the decision makers publicly available (Section 2.2.5). Only a slight majority (53%) publicly disclosed financial information about the scheme, with 34% of the schemes disclosing their financial information through annual reports. Only one scheme had its annual report audited by an external auditor. A minority of schemes (40%) provide information in the public domain on the costs associated with participation in the scheme (Section 2.2.22 and 2.2.23).
- The slight majority of the schemes (53%) have stakeholder representatives playing an oversight role in the governance and management of the schemes. However, 50% of those schemes did not publicly disclose how those representatives are selected, 75% did not disclose how long those representatives occupied their position, and 57% did not make the names of those representatives publicly available (Section 2.2.6).
- In general it was difficult to find important details about the design characteristics of many of the schemes analysed from publicly available information. For example: 27% of the schemes did not provide detailed information about the existence of periodic revision of the standard; 47% of the schemes did not provide detailed information about whether stakeholders were involved in the development phase of the scheme; 73% of the schemes that did engage stakeholders during the development phase did not disclose the identity of the stakeholders who were engaged; and, only 40% of the schemes make available to the public the assurance statements or the results of the assurance process (Sections 2.2.7, 2.2.8 and 2.2.15).
- The most common form of stakeholder engagement undertaken by the schemes analysed was to release the standard for public consultation during the development phase of the scheme (44%), followed by workshops and roundtables (28%), face-to-face meetings (22%) and regular teleconferences (6%; Section 2.2.8).
- Most of the schemes (60%) did not provide information about the existence of initiatives implemented to support internal or external stakeholders to participate in the development of the scheme or in the revision process. In addition, even though most of the schemes operated globally, 53% of the schemes only provided information on their official website in English, with 33% of schemes providing their guideline documents only in English (Section 2.2.9).
- A minority of schemes (33%) have a contact point for forwarding complaints, with a smaller number still (13%) publically disclosing the existence of a formal complaints and dispute resolution mechanism (Section 2.2.10).
- A slight majority of schemes (53%) were developed based on the ISEAL guidelines or are full members of ISEAL (Section 2.2.12).
- The vast majority of schemes analysed (80%) use third-party assurance processes to ensure compliance, with 40% of the schemes undertaking assurance processes on a yearly basis. Also, the vast majority of schemes (80%) provide guidance for the assurance process, such as definitions about the scope of the assurance, and procedures or protocols for the assurance process (Sections 2.2.12, 2.2.13 and 2.2.14).
- The majority of schemes (67%) accredit the assurance providers, 27% perform a quality review of the assurance process (and only issue the certificate, claim or label after this review), 13% provide criteria for the assurance provider to ensure quality, and 13% designate the assurance providers authorized to perform assurance services (Section 2.2.16).
- A range of support initiatives were identified to assist participants, assurers or other stakeholders in the assurance process. For example, 27% of the schemes provide training material for scheme participants about how to be prepared for assurance processes and how to conduct self-assessments, 27% provide financial support for early adopters or scheme participants with financial constraints, 20% encourage shared assurance and the use of local assurance providers to reduce costs, and 7% suggest the use of materiality to streamline



the assurance process (Section 2.2.18).

- The slight majority of the schemes assessed (60%) define minimum requirements of compliance and establish consequences and sanctions for situations of non-compliance (Section 2.2.19 and 2.2.21).
- The slight majority of schemes analysed (60%) did not provide detailed information about efforts to foster and improve the level of compliance of participants, especially new starters and participants with financial or technical constraints (Section 2.2.10).
- Only 20% of the schemes analysed have a mechanism for periodic evaluation of the effectiveness of the schemes, with a further 20% of schemes currently developing a process for periodic evaluation (Section 2.2.24).

# 1. Introduction

In the past decade the mining industry has attempted to strengthen their corporate policies, increase their engagement with government, civil society and community actors, and improve their professional capability to respond to environmental and social challenges. But doubt still persists in the minds of those outside the minerals industry about the authenticity of such change. There is also increasing concern from civil society actors about the dramatic shifts in the scale, technology and location of mineral developments. Certification schemes are increasingly being used by minerals companies as a tool to demonstrate that they are operating responsibly. Some schemes may also be used by civil society actors to hold mineral companies to account and for companies to demonstrate that they are operating responsibly. But how effective are they? And with the recent proliferation of different schemes, could they work together to lift the sustainability standards of the sector as a whole?

This applied research project will investigate the potential role sustainability certification schemes (schemes<sup>2</sup>) can play to improve standards for responsible mining. The project will review the design characteristics of proposed and existing schemes to develop practical resources and recommendations for how certification schemes can work to improve environmental and social outcomes. The project will assist civil society, business and governments to ensure that standards for the responsible mining of precious metals and gemstones lead to improvements in the performance of the mineral sector.

The specific objectives of the project are to:

- Identify the full range of planned and operational schemes applicable to the mineral industry and their supply chains and compare their design characteristics, such as: objectives, focus, process for standards development and operation of such schemes;
- Analyse the effectiveness of different design characteristics of schemes, and the collective effectiveness of schemes in the mineral industry as a whole;
- Undertake in-depth analysis and fieldwork to consider the relationship between design characteristics and scheme outcomes; and

Produce guidance material that captures the findings from all of the above, to support mineral operations, assurance providers, standards organisations, civil society groups, investors, and resource communities to improve practice and outcomes.

The project uses a mixed-method approach, including three consecutive stages: (1) desktop analysis; (2) semi-structured interviews and focus groups; and (3) field research and comparative analysis. This report refers to the stage one of this research project, which is an analysis of the design characteristics of selected sustainability certification schemes in the minerals sector through a desktop review.

The report starts by outlining the methods used in this first stage of the study and the schemes under analysis. Section 2 provides an overview of the selected schemes and a description of the design characteristics. Section 3 concludes the report.

## 1.1 Method

The research methods employed during the first stage (desktop review) of this research combined literature review, desktop review, and validation with representatives of the schemes. The literature review identified the design characteristics that have an influence on the effectiveness of sustainability standards and from this review a list of key

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<sup>2</sup> In this report we use the term sustainability certification schemes (schemes) to refer to all of the types of certification schemes and standards that address governance, social and/or environmental issues, and provide a claim, standard or certificate attesting to compliance.

design characteristics was developed. The desktop review accessed publicly available information (from documents, reports and official webpages) about the design characteristics of 15 sustainability certification schemes in the mineral industry. This information was then validated with representatives of the schemes who were identified from the official website of the schemes or additionally through personal networks. The scheme representatives were contacted by email and invited to provide missing information and validate information obtained from the schemes' official websites. When specific representatives could not be identified, the request was forwarded to the official contact email of the scheme. Representatives of the 15 schemes were contacted by email between 19<sup>th</sup> September and 23 October 2014. If the first information request email was not answered, the same email was sent again. Eight schemes validated the information gathered from publicly available material. Two schemes partially provided missing information, and five schemes did not reply to the information request emails. Once the information was validated by the scheme representatives an analysis of the design characteristics of the 15 schemes was performed.

### 1.1.1 Limitations

This report is neither a performance assessment nor an audit to test or assess the design characteristics of the 15 certification schemes under analysis. All of the information obtained from official documents, and verification of our interpretation of that information was sought from scheme representatives. While some information was verified by the scheme representatives, no further assessment or test to guarantee the veracity or quality of the information was undertaken.

The research is not a comparison or ranking of schemes, but an analysis of the design characteristics of schemes. We have endeavoured to be objective in our analysis and presentation of the information in order to offer a useful resource to enhance practice in the field of sustainability certification in the mining sector. In addition, due to the small sample used, statistical analyses in this report must be carefully interpreted and could not be generalised to a broader context based on this research project alone. The statistical analyses provided aim to illustrate where the certification schemes are in relation to the design characteristics rather than develop statistically significant conclusions.

### 1.1.2 Sample

- A purposive selection technique was applied to identify and select schemes to be assessed during the first stage of this research project. Purposive selection techniques are typically designed to select a small number of participants that will provide more information about a particular phenomenon and lead to greater depth of information from a smaller number of selected participants (Teddle and Yu 2007, Teddle and Yu 2007, Bloomberg and Volpe 2012). As a result of the purposive selection technique the following 15 schemes were selected:
- Aluminium Stewardship Initiative (ASI);
- Bettercoal Code (BC);
- Conflict-Free Gold Standard (CFGS);
- Conflict-Free Smelter Program (CFSP);
- Development Diamonds Standards (DDS);
- Fairmined Standard for Gold and Associated Precious Metals (Fairmined);
- Fairtrade Standard for Gold and Associated Precious Metals (Fairtrade);
- Initiative for Responsible Mining Assurance (IRMA);
- International Cyanide Management Code (ICMC);
- International Standards Organization 14001 (ISO 14001);
- ITRI Tin Supply Chain Initiative (iTSCI);
- Kimberley Process (KP);
- Mineral Certification Scheme of the International Conference on the Great Lakes Region (ICGLR);
- Responsible Jewellery Council Code of Practices (RJC); and
- Responsible Steel Stewardship (RSS).

## 2. Findings

### 2.1 Features of the selected schemes

This section provides an overview of the features of the 15 schemes analysed in this research project. The six features of the schemes are as follows:

- Names;
- Description and objectives;
- Commodities or activities;
- Geographic scope;
- Thematic scope; and
- Type of enforcement.

#### 2.1.1 Name and description of the schemes

Table 1 lists the 15 schemes under analysis providing the name of each scheme and a summarised description of its objective.

Name	Objective
<a href="#">Aluminium Stewardship Initiative (ASI)</a>	The ASI aims to design a standard that can be both a tool for responsible sourcing of aluminium, and a material stewardship collaborative framework to improve the overall sustainability performance of the entire value chain of aluminium-containing products.
<a href="#">Bettercoal Code (BC)</a>	BC is a global, not-for-profit membership-based organisation set up to advance continuous improvement of corporate social responsibility, including social, environmental and ethical practices, in the coal supply chain.
<a href="#">Conflict-Free Gold Standard (CFGS)</a>	CFGS provides a mechanism by which gold producers can assess and provide assurance that their gold has been extracted in a manner that does not cause, support or benefit unlawful armed conflict or contribute to serious human rights abuses or breaches of international humanitarian law.
<a href="#">Conflict-Free Smelter Program (CFSP)</a>	The CFSP is a voluntary initiative in which an independent third party audits smelter or refiner procurement and tolling activities and determines if the smelter or refiner demonstrated that all the minerals they processed originated from conflict-free sources.
<a href="#">Development Diamonds Standards (DDS)</a>	The DDS is an effort to help ensure that the most vulnerable group of diamond miners (Artisanal Diamond Miners and their communities) are not overlooked in the broader process of promoting ethical certification and responsible supply chains.
<a href="#">Fairmined Standard for Gold and Associated Precious Metals (Fairmined)</a>	Fairmined aims to promote the progressive organisation and formalisation of the Artisanal and Small-Scale Mining (ASM) sector, bringing with it improved labor rights, safer working conditions for miners, and strengthened miners' organizations with the capacity to campaign for legislation and public policies that promote their rights and enable a responsible ASM sector.
<a href="#">Fairtrade Standard for Gold and Associated Precious Metals (Fairtrade)</a>	Fairtrade aims to create opportunities for ASM miners and their communities promoting the formalisation of the ASM sector through the establishment of ASM organisations, bringing with it improved working conditions for producers, strengthened producer organisations with the capacity to lobby for legislation and public policies that promote a responsible ASM sector, improved environmental management, social security, gender equality, child protection and the elimination of child labour in mining communities, the well-being of families and children, fairer market access, benefits to local communities in mineral rich ecosystems, and improved governance to this sector.
<a href="#">Initiative for Responsible Mining Assurance (IRMA)</a>	IRMA aims to establish a third-party independent assurance system and develop standards that improve the social and environmental performance of industrial mining operations.
<a href="#">International Cyanide Management Code (ICMC)</a>	The ICMC is a voluntary initiative for the gold mining industry and the producers and transporters of the cyanide used in gold mining. The objective of this program is to improve the industry's performance in its management of cyanide, and to provide a framework of assurance for the industry's stakeholders.
<a href="#">International Standards Organization 14001 (ISO14000)</a>	The ISO 14001 addresses aspects of environmental management systems. It provides practical tools for organisations looking to identify and control their environmental impact and constantly improve their environmental performance.

Name	Objective
<a href="#">ITRI Tin Supply Chain Initiative (iTSCI)</a>	The iTSCI is a due diligence process designed to address conflict mineral concerns existing within the international supply chain. The iTSCI system aims to meet the needs of companies wishing to maintain trade with responsible supply chain actors in the Democratic Republic of Congo (DRC) and adjoining countries, as well as to meet due diligence expectations of the international community in terms of guidance from the United Nations (UN), The Organisation for Economic Co-operation and Development (OECD) and national laws such as the Dodd Frank Act in the United States (US).
<a href="#">Kimberley Process (KP)</a>	KP is a certification scheme that aims to stem the flow of rough diamonds (conflict diamonds <sup>3</sup> ) used by rebel movements to finance wars against legitimate governments.
<a href="#">Mineral Certification Scheme of the International Conference on the Great Lakes Region (ICGLR)</a>	The ICGLR aims to provide for sustainable conflict-free mineral chains in and between member states of the International Conference on the Great Lakes Region with a view to eliminating support to armed groups that sustain or prolong conflict, and/or otherwise engage in serious human rights abuses.
<a href="#">Responsible Jewellery Council Code of Practices (RJC)</a>	The RJC aims to provide a common standard, based on international standards for responsible business practices, to advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond, gold and platinum group metals jewellery supply chain, from mine to retail.
<a href="#">Responsible Steel Stewardship (RSS)</a>	RSS aims to provide consumer confidence in the responsible practices of organisations and their products within the steel supply chain to the Australian market including mining, steelmaking, steel product manufacture, fabrication and coating, use, bi-products and recycling.

**Table 1:** Name and description of the schemes.<sup>3</sup>

### 2.1.2 Commodity and geographic scope

Table 2 lists the respective commodities and activities operated by them, and the geographic areas where those schemes operate.

Name	Commodity / Activity	Geographic Area
ASI	Aluminium	Worldwide
BC	Coal	Worldwide
CFGs	Gold	Worldwide
CFSP	Tantalum, Tin, Tungsten and Gold	Worldwide
DDS	Diamonds	Africa and South America
Fairmined	Gold and Associated Precious Metals	Latin America, Caribbean, Africa, Asia and Oceania
Fairtrade	Gold and Associated Precious Metals	Developing Countries
IRMA	All kinds of industrial mining (except mining operations that produce fuels for energy generation)	Worldwide
ICMC	Cyanide and Gold	Worldwide
ISO 14001	Environmental Management System	Worldwide
iTSCI	Tin	Africa Great Lakes Region (Angola, Burundi, Central African Republic, Republic of Congo, Democratic Republic of Congo, Kenya, Uganda, Rwanda, South Sudan, Sudan, Tanzania and Zambia)
KP	Diamonds	Worldwide
ICGLR	Gold, Cassiterite (Tin), Wolframite (Tungsten) and Coltan (Colombo-Tantalite)	Africa Great Lakes Region (Angola, Burundi, Central African Republic, Republic of Congo, Democratic Republic of Congo, Kenya, Uganda, Rwanda, South Sudan, Sudan, Tanzania and Zambia)
RJC	Diamonds, Gold and Platinum Group Metals	Worldwide
RSS	Steel	Australia

**Table 2:** Commodity or activity and geographic area operated by the scheme.

<sup>3</sup> Conflict diamonds refers to rough diamonds that are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate Governments United Nations (2001). Resolution adopted by the General Assembly. G. Assembly. Geneva. A/RES/55/56.

The slight majority of schemes operate globally (nine out of 15; 60%). However many emphasise developing world contexts. Africa was specifically mentioned by four schemes (27%), South America by two schemes (13%), and Asia, Oceania, Central America and Asia were mentioned once. One scheme only operates in Australia, however a representative of the scheme indicated that depending on the success of the scheme there was the potential for the geographic scope to be expanded. Two schemes only operate in the Great Lakes Region, Africa.

2.1.3 Thematic scope

Three themes were identified: Governance, Environment and Social. In addition, for each one of the three main themes, sub-items were observed. Figure 1 presents the three themes, their respective sub-items and the number of schemes that included the sub-item within their scope.

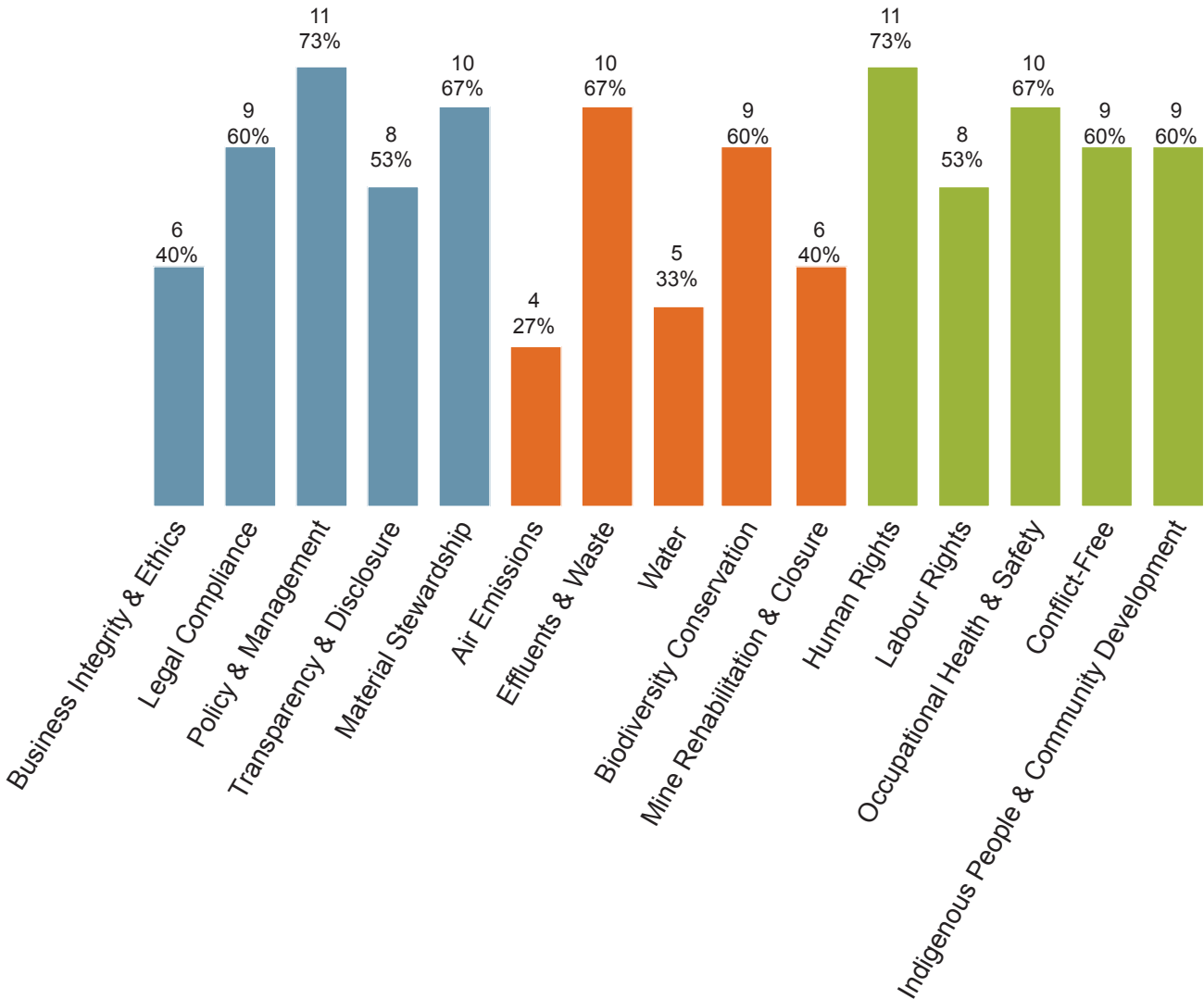


Figure 1: Thematic areas covered by the schemes

Social aspects (blue columns) were the most common of the themes, followed by governance (orange columns) and the environment (green columns). The most commonly addressed social sub-item was Human Rights, covered by 11 schemes (73%). Occupational Health & Safety was the second most addressed sub-item in this category covered by 10 schemes (67%), followed by Conflict-Free<sup>4</sup>, Indigenous Peoples and Community Development, covered by nine schemes each (60%). Labour Rights was the social sub-item least commonly addressed, covered by eight schemes (53%).

4 The term Conflict-Free used in this research refers to natural resources ethically sourced.



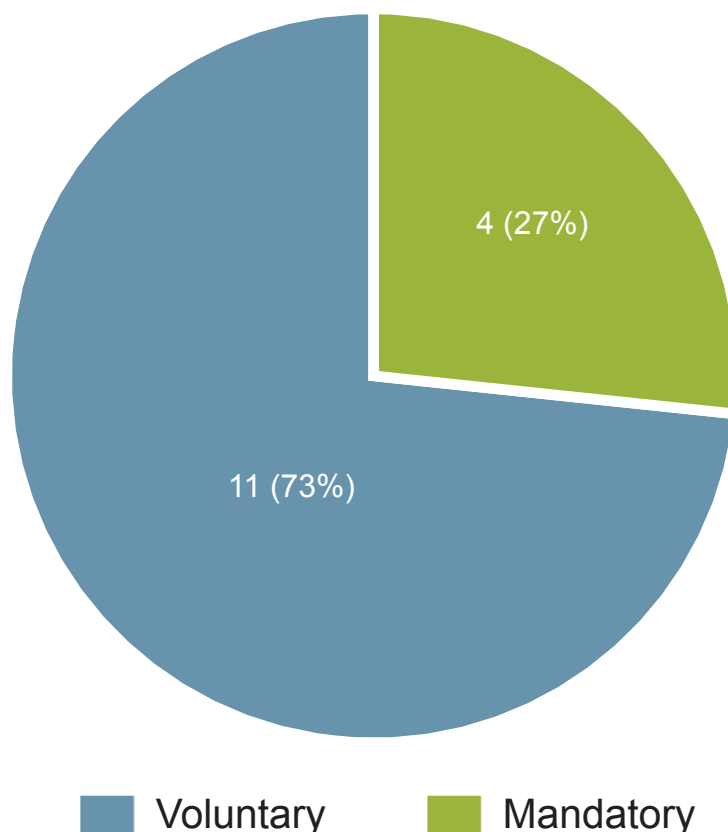
In Governance theme, Policy & Management was the most commonly addressed governance sub-item, covered by 11 schemes (73%), followed by Material Stewardship, with 10 schemes (67%). Legal compliance was covered by nine schemes (60%) and Transparency & Disclosure by eight (53%). The least commonly addressed governance sub-item was Business Integrity & Ethics, addressed by six schemes (40%).

The Environment theme was the least commonly addressed of the themes. The sub-items Effluents & Waste and Biodiversity Conservation were the most commonly addressed Environment sub-items, covered by 10 schemes (67%) and nine schemes (60%), respectively. Mine Rehabilitation & Closure was addressed by six schemes (40%) and Water addressed by five schemes (33%). The least common Environment sub-item was Air Emissions, mentioned by only four of the schemes (27%).

Although schemes more commonly included Governance and Social sub-items within their scope, two specific Environmental sub-items were used by the majority of the schemes: Effluents & Waste and Biodiversity Conservation were considered by 10 (67%) and nine (60%) of the schemes, respectively.

#### 2.1.4 Type of enforcement

The analysis considered whether the schemes were voluntary or mandatory. Voluntary certification schemes are those in which participants adopt the scheme voluntarily due to a business, reputation or other driver. Mandatory schemes are requirements of membership to an industry association or legislated by governments. Figure 2 shows that 11 schemes (73%) were identified as voluntary and with four (27%) mandatory schemes. Three of the mandatory schemes were regulated by governments and one was a mandatory requirement of an industry association.



**Figure 2:** Percentage of voluntary and mandatory schemes.

## 2.2 Design characteristics of the selected schemes

After an extensive literature review 24 design characteristics of sustainability certification schemes were identified. Table 3 lists these characteristics.

Aspect	Description
Established period	Date in which schemes were established and launched.
Chain of custody	Extent to which schemes consider the concept of chain of custody within its scope.
Interoperability	Whether schemes recognise or reference any other initiative, standard or scheme within its own process.
Type of standards <sup>5</sup>	Type of standards used by schemes (“performance based”, where the behaviour or outcome expected is specifically outlined, “management-system based” where the scheme measures the processes an entity has in place to manage a particular issue, or a “combined approach”).
Governance structure	Type of governance structure implemented by the schemes.
External entity with oversight of the scheme	Whether there are stakeholder representatives playing an oversight role in the governance of the schemes.
Revision process	Whether schemes have a periodic revision process in place.
Stakeholder involvement in development of the scheme	Whether stakeholder representatives were engaged during the development phase of the schemes.
Support for participation in development and governance	Whether schemes have actions in place to support internal or external stakeholders to participate in the development of the schemes, the decision-making processes, or the revision of the standards.
Complaints and conflict resolution mechanisms	Whether schemes have complaints and conflict resolution mechanisms in place.
Membership of peak standard setting body	Whether schemes are members or have been certified by any international association that guides schemes development (ISEAL-Alliance, ISO, etc.).
Type of assurance	Type of assurance process adopted (“first-party”, “second-party”, or “third-party”) <sup>6</sup> .
Assurance frequency	How often the assurance process is conducted.
Assurance guidance	Whether schemes provide guidance about the assurance process (guidance determining scope, procedures, protocols and assurance statement that should be applied and used by assurers during assurance processes, etc.).
Public availability of assurance material	Whether the name of the assurers, the assurance report and the assurance statement are publicly available.
Assurance oversight	Whether schemes have actions implemented to oversee the quality of the assurance provided (accreditation of assurers, quality review, etc.).
Assurance payment	The entity responsible for the costs involved with the assurance process.
Support for assurance process	Whether schemes have actions in place to support scheme participants, assurers or other stakeholders in the assurance process, and describe actions to make the assurance process affordable to scheme participants.
Compliance	Whether schemes have established minimum requirements to determine compliance.
Support for compliance	Whether schemes have actions implemented to foster and improve the level of compliance of participants (especially new starters and participants with financial or technical constraints).
Consequences of non-compliance and sanctions	Whether schemes have established consequences and/or sanctions in situations of non-compliance.
Public financial disclosure	Whether schemes provide public disclosure of financial information (e.g. scheme cost, funding, membership fees, accounts).

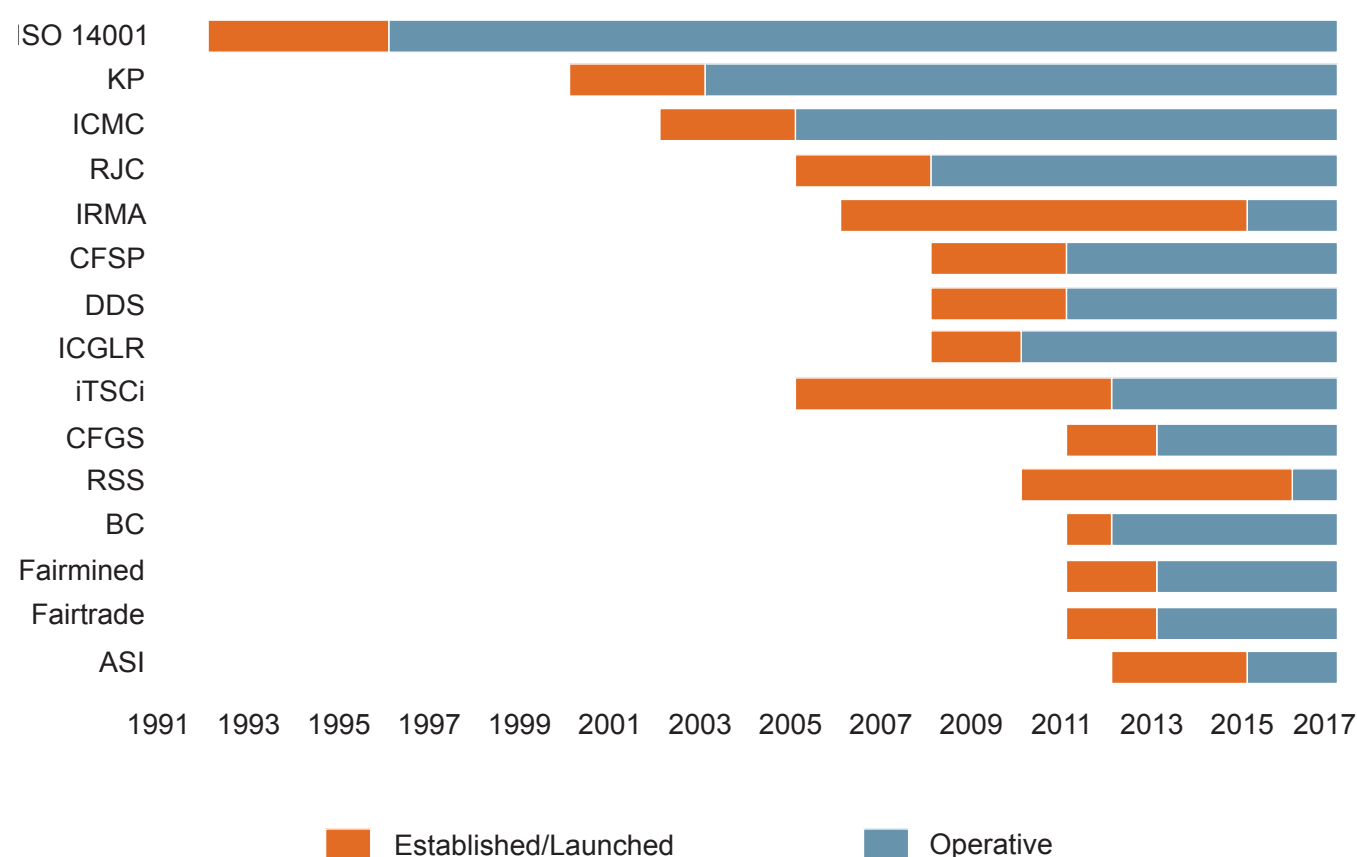
Aspect	Description
Public information about costs	Whether schemes provide public information about the costs associated with the schemes for participants (membership, certification fees, assurance, annual fees, etc.).
Effectiveness	Whether schemes have mechanisms implemented to evaluate their effectiveness (activities implemented to monitor, measure and/or assess impacts and outcomes of the scheme).

**Table 3:** List of the design characteristics assessed in this research project.<sup>5,6</sup>

The following sections present results of the analysis of the 15 schemes against the 24 design characteristics. Results are presented by design characteristic.

### 2.2.1 Establishment period

This design characteristic refers to the dates in which schemes were established and launched. Figure 3 presents details about the establishment period of the 15 schemes assessed in this research project.



**Figure 3:** Establishment period.

5 This research project adopts the definition of a standard used by Barry, Cashore et al. Barry, M., et al. (2012). Toward Sustainability: The roles and limitations of certification. Washington, RESOLVE, Inc.: “standards are a defined set of social, environmental, and/or economic criteria”.

6 First-party assurance is the assessment performed by the person or organisation that provides the object under assurance, second-party assurance is the assessment performed by a person or organisation that has a user interest in the object under assurance, and third-party assurance is the assessment performed by a person or body that is independent of the person or organisation that provides the object under assurance, and of user interests in that object under assurance (adapted from ISO and IEC International Organization for Standardization and International Electrotechnical Commission (2004). Conformity assessment - vocabulary and general principles. Genève.

It is clear from Figure 3 that the majority of the schemes were launched recently. Apart from one scheme that was launched in 1992 (ISO 14001), all schemes became operative or will become operative between 2003 and 2016.

Eleven schemes (73%) became operative in the last four years or will become operative in the next two years. Those results support the findings of previous studies that refer to sustainability certification schemes as a new area of practice<sup>7</sup>. Four schemes, ASI, IRMA, iTCSi and RSS are currently under development.

The time to establish, develop and launch a scheme differed significantly among the schemes assessed in this research project. For instance, IRMA was established in 2006 and is still under development while the BC was established in 2011 and launched in 2012. On average, the time between the establishment and launch of the schemes was found to be 3.5 years.

Schemes face a number of trade offs during their establishment period. Schemes that chose to involve diverse stakeholders in the development of the scheme must negotiate the different concerns, expectations and interests, of those constituents. This may account for some of the time differences observed in the establishment of the schemes under analysis. On the one hand, the more time you have to discuss and develop the scheme and achieve consensus the more prepared a scheme may be on implementation. On the other hand, a long development process could impact the credibility of the scheme under development, as stakeholders involved may lose interest. Furthermore, many design and implementation issues can be worked through during the initial years of operation of the scheme.

The potential for schemes to have a long establishment period has led at least one author to argue for supplementary forms of governance to address matters of concern in the interim, while schemes are established. Global Witness (2012) argued that to address the issue of conflict minerals in Africa, the idea of supply chain due diligence should be supported. These due diligence processes would be conducted by downstream organisations as a quicker instrument to tackle the trade of conflict minerals in Africa while regulatory frameworks and institutional infrastructure is established.

The ISEAL Alliance (2010) has issued guidance on how to establish certification schemes. The guidance deals with topics such as: the development of terms of reference and a public summary of the development process; stakeholder mapping; the establishment of mechanisms to ensure a balance of interests during the stakeholder engagement and decision making processes (including phases of public consultation, taking stakeholders' comments into account and provide accountability about those comments); implementing a decision-making process; regular communication; disclosure of the scheme and its standards; and periodic revision.

During our analysis we found evidence of interaction and support between schemes, with some new schemes using established schemes as templates and receiving assistance from already established schemes during the start-up phase. For instance, RSS has been referring to some of the RJC's mechanisms and procedures as a base to develop its own scheme. A similar approach was adopted by BC with regard to the RJC and the IFC's Performance Standards.

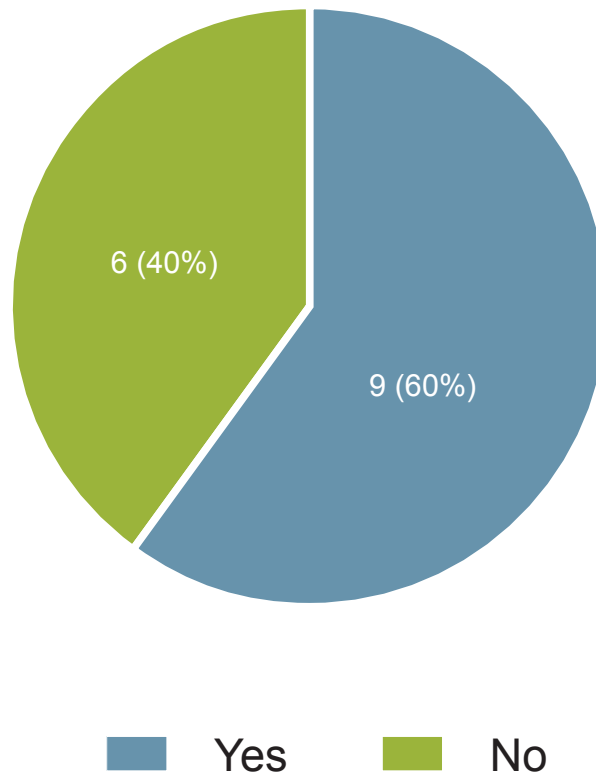
### 2.2.2 Chain of custody

This section analyses the extent to which the schemes under analysis incorporated the concept of chain of custody in their scope<sup>8</sup>. Figure 4 demonstrates that nine of the schemes (60%) incorporated the concept.

There are six schemes (40%) that do not consider chain of custody. Four (27%) of those schemes are focused only on mining operations and one is focused only on smelters. For at least one of these schemes there is a future intention to move into the rest of its supply chain over time, including transport and port handling operations.

<sup>7</sup> See for example Schiavi and Solomon (2007), Auld, Gulbrabdsen et al. (2008), Young, Fonseca et al. (2010), Blackman and Rivera (2011), ISEAL Alliance (2011), Barry, Cashoe et al. (2012), Manning, Boons et al. (2012), Reinecke, Manning et al. (2012), ISEAL Alliance (2013) and Derkx and Glasbergen (2014).

<sup>8</sup> Chain of custody refers to the traceability of a certificate, label or claim of a product throughout its value chain, from its origin to its end use by retailers or consumers.



**Figure 4:** Percentage of schemes considering and incorporating chain of custody.

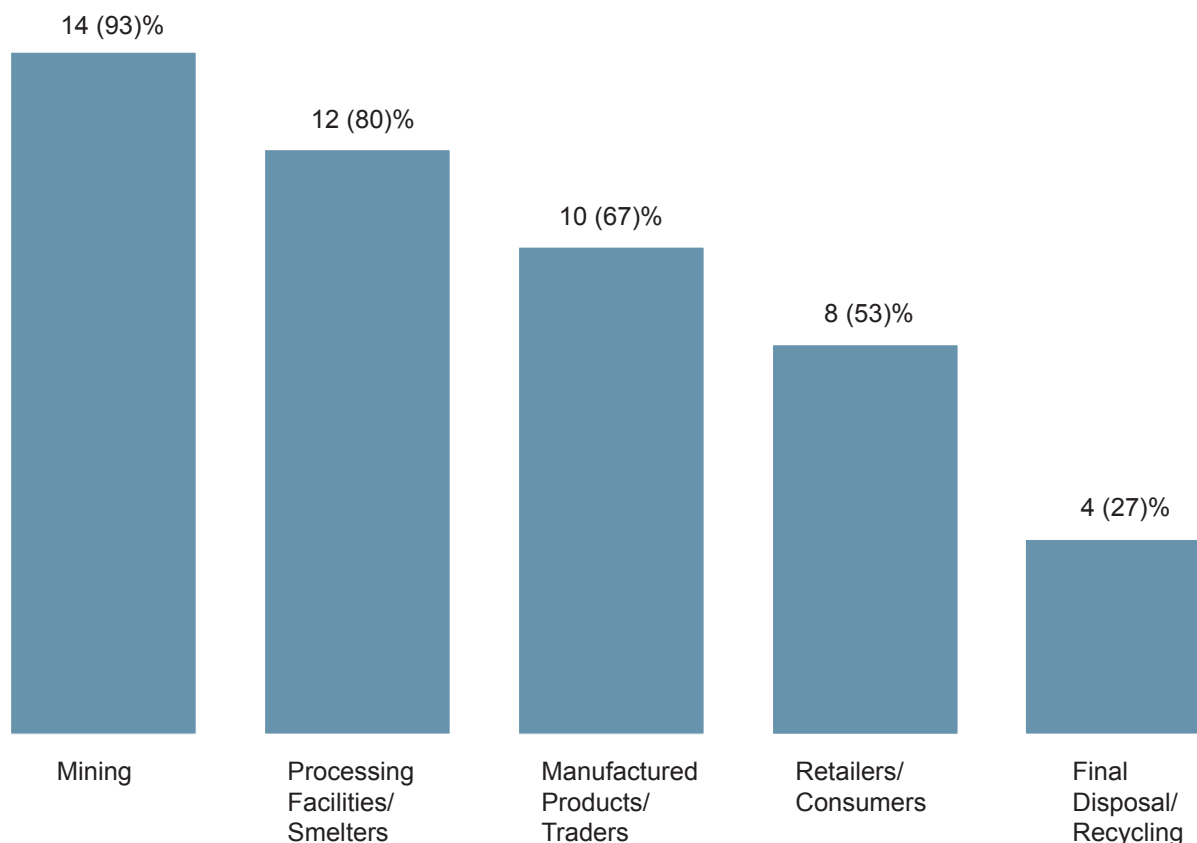
In addition, Table 4 and Figure 5 provide detailed information about the scope of each scheme analysed and the specific area where it operates. Eight of the schemes (53%) consider the whole chain of custody of minerals, from mines to final consumers and/or retailers. It is interesting to highlight that four of those schemes also considered within their scope the disposal and/or recycling phase of the mineral. One of the schemes applied the concept of the chain of custody only from the mineral extraction site to the point of export.

Certification	Chain of Custody	Mining	Processing facilities / Smelters	Manufactured Products / Traders	Retailers / Consumers	Final Disposal / Recycling
Scheme 1	Yes					
Scheme 2	No					
Scheme 3	No					
Scheme 4	Yes					
Scheme 5	No					
Scheme 6	No					
Scheme 7	Yes					
Scheme 8	Yes					
Scheme 9	Yes					
Scheme 10	No					
Scheme 11	No					
Scheme 12	Yes					
Scheme 13	Yes					
Scheme 14	Yes					
Scheme 15	Yes					

**Table 4:** Scope of the schemes along the chain of custody.

Another scheme developed a specific voluntary chain of custody standard to assist participants seeking to employ the chain of custody concept as a voluntary and complementary element of the scheme.

The most common phase covered by the schemes under analysis is the mining phase, with 14 out of 15 schemes (93%) applying to this phase. Four of these schemes (27%) are restricted only to mining operations. One does not consider the concept of chain of custody within its scope but does allow participants to have each part of their chain of custody certified independently.



**Figure 5:** Scope of the schemes along the chain of custody.

By incorporating the concept of chain of custody the reach of a scheme can be expanded, participants can trace the origin of their products, and transparency and accountability can be improved. Chain of custody provides the means for organisations to demonstrate their commitment to corporate social responsibility by assuring the sustainability performance of their supply chain (Barry, Cashore et al. 2012, Komives and Jackson 2014). Companies that make large purchases at the top of the supply chain can drive sustainability improvements through their suppliers.

The schemes that adopt chain of custody assist participants to manage their risks by ensuring access to more sustainable supplies of natural resources and providing accountability for publicly sensitive products. Chain of custody also assists participants to become more familiar with the social and environmental issues of their supply chain, which can help to manage social, environmental and business supply risks (Barry, Cashore et al. 2012, ISEAL Alliance 2013).

### 2.2.3 Interoperability

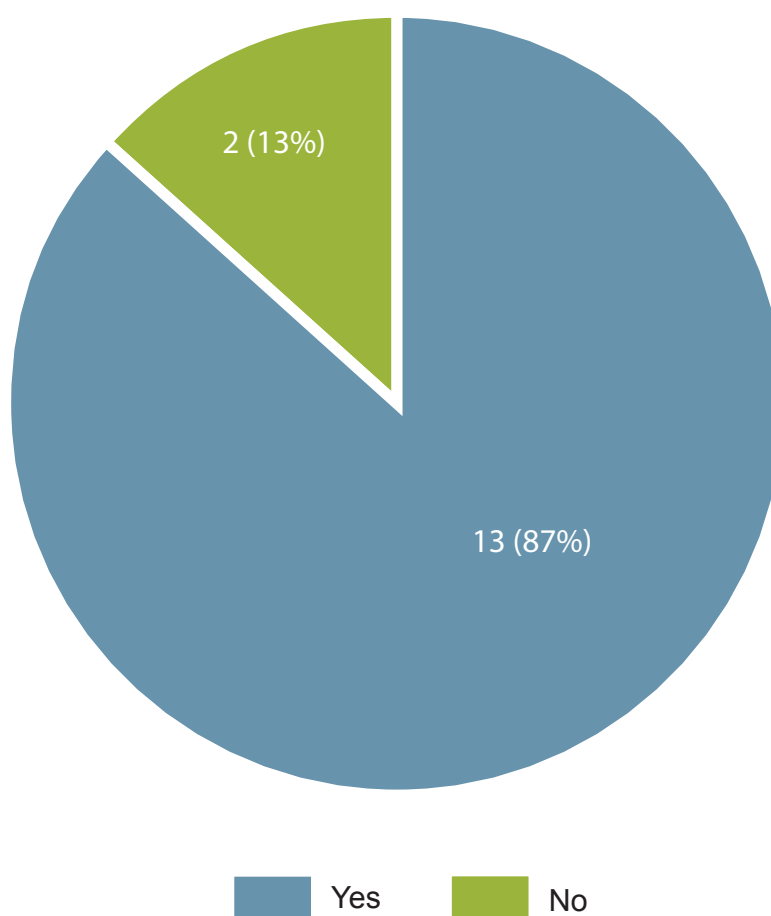
This section analyses the extent to which schemes apply the concept of interoperability, which refers to whether a scheme recognises or references any other schemes, standards, initiatives or guidelines within their own processes.

The vast majority of the schemes analysed (13 out of 15; 87%) reference other schemes, standards, initiatives or guidelines within their own scheme (Figure 6). Those references were made through two different forms: (1)



acknowledging that the scheme was developed based on other schemes, standards, initiatives or guidelines; and (2) providing guidance to participants to consider other specific schemes, standards, initiatives or guidelines during the implementation and operation of a scheme. For instance, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas was referred to by six other schemes (40%) as the process to follow when performing human rights and conflict-affected due diligence.

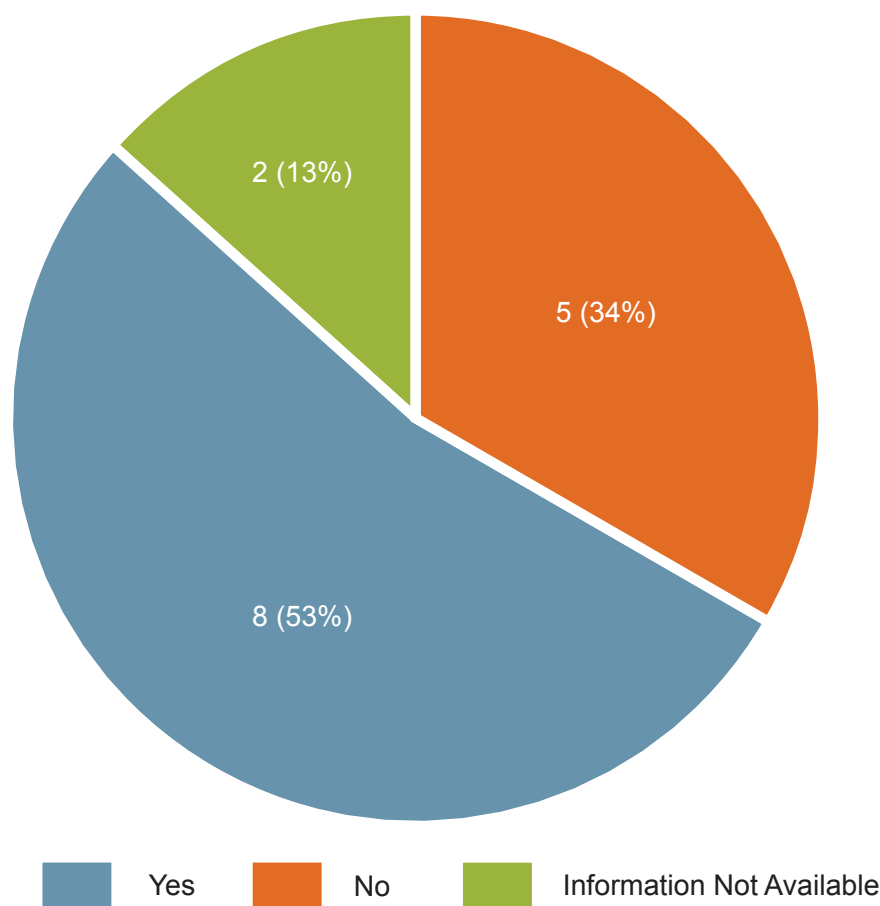
Other schemes, standards, initiatives or guidelines referenced in the schemes analysed include: United Nations Guidance on Responsible Business in Conflict-Affected and High-Risk Areas, RJC, ICMC, ISO 9001, ISO 14001, OHSA 18001, IFC's performance standards, United Nations Convention Against Corruption, Extractive Industries Transparency Initiative (EITI), UN Global Compact, Global Reporting Initiative (GRI), and Equator Principles. Only two of the schemes (13%) analysed in this research did not refer to other schemes, standards, initiatives or guidelines.



**Figure 6: Number and percentage of schemes referencing other standards, schemes or guidelines.**

While many schemes cross-reference other standards, there are few that cross-recognise the certificates, claims or labels issued by other schemes. Figure 7 shows that just five of the schemes assessed (34%) recognise the certificates, claims or labels issued by other schemes within their own process. For instance, CFSP, RJC, the London Bullion Market Association and the Dubai Multi Commodity Centre have agreed to cross-recognise assurance processes of gold refinery due diligence. This initiative aims to reduce duplication for refiners and to support broader supply chain efforts to implement Section 1502 of the Dodd-Frank Act for Conflict Minerals Provision<sup>9</sup>. Two schemes (13%) did not provide information on cross-recognition, a further eight schemes (53%) do not cross-recognise. One of the schemes not currently cross-recognising other standards is planning to do so in the future.

<sup>9</sup> More information about the Section 1502 of the Dodd-Frank Act for Conflict Minerals Provision is available at <http://www.sec.gov/spotlight/dodd-frank/speccorpdisclosure.shtml>.



**Figure 7:** Percentage of schemes recognising other certificates, claims or labels.

WWF (2013) argued that interoperability has the potential to reduce the costs of assurance. In addition to the cost reductions, interoperability can amplify the outcomes achieved by individual schemes as schemes coordinate and exchange knowledge and practices. Interoperability can also be designed to interact with governments, industry sectors and civil society organisations, in addition to amongst schemes themselves. Harmonization between schemes and regulations, laws, principles and/or initiatives already in place or under development allows schemes to further their reach and outcomes (Young, Fonseca et al. 2010, Stark and Levin 2011, Barry, Cashore et al. 2012, Main, Mullan et al. 2014). Certification schemes should ensure that their mechanisms complement regulations and/or are aligned with regulations rather than replacing them (Columbia Center on Sustainable Investment 2014).

Interoperability also helps to avoid duplication, which can lead to inconsistencies, competition and loss of credibility. Also, duplication and overlapping between schemes can create confusion in the market place and/or contribute to greenwashing<sup>10</sup>. The divergent monitoring, reporting and assurance requirements of different schemes increase the cost of compliance. Interoperability is one means to improve cost efficiency and increase scheme performance (International Organization for Standardization and International Electrotechnical Commission 2004, ISEAL Alliance 2010, Young, Fonseca et al. 2010, Stark and Levin 2011, Barry, Cashore et al. 2012, ISEAL Alliance 2013, Columbia Center on Sustainable Investment 2014).

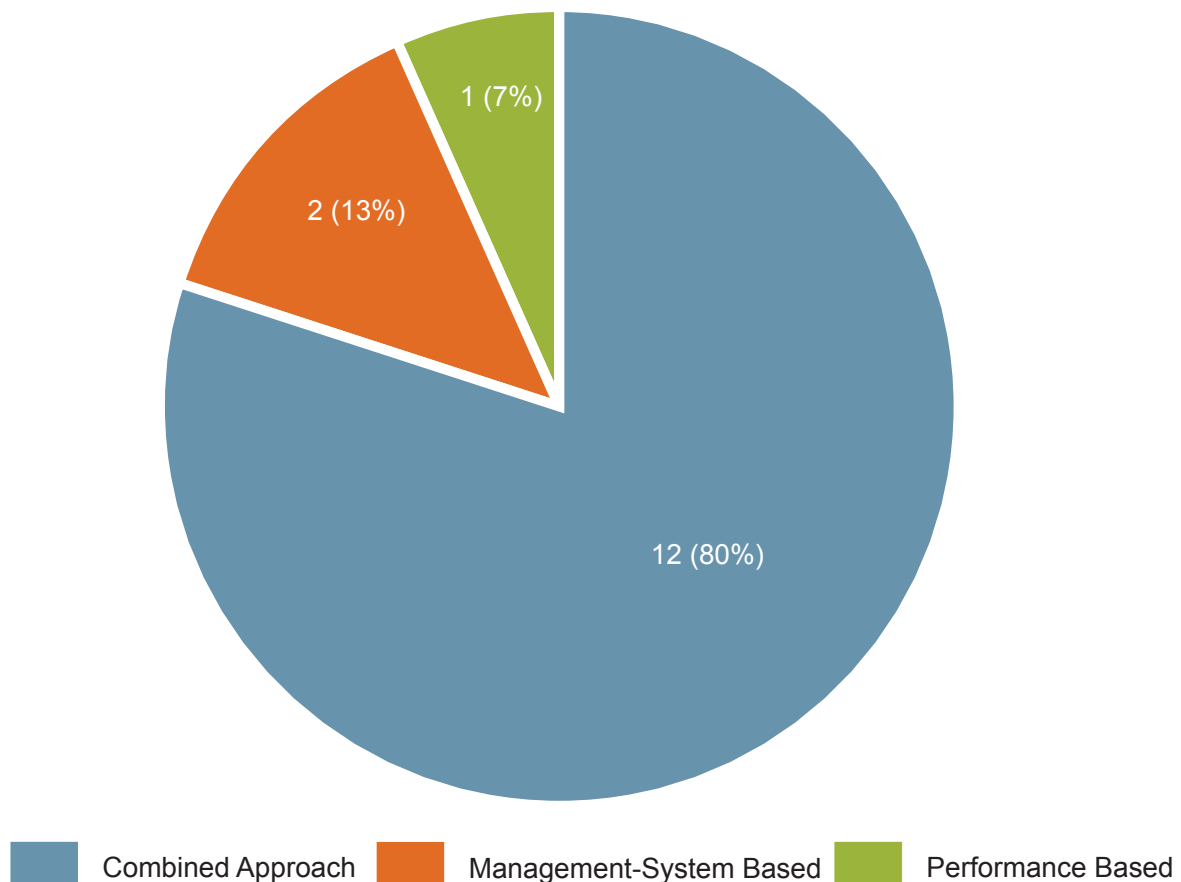
The potential for integration, competition, coordination, overlap, and interaction between schemes and with government regulations/laws and industry and corporate standards and policies should all be considered during the design, development, implementation, operation and revision processes of sustainability schemes.

<sup>10</sup> Stark and Levin (2011) refer to the potential for greenwashing in certification through the deceptive use of aggregated data to indicate compliance with schemes.

### 2.2.4 Type of standards

In this research we identified three broad types of criteria used within the sustainability standards analysed: (1) performance based, where the behaviour or outcome expected is specifically outlined; (2) management-system based, where the scheme measures the processes an entity has in place to manage a particular issue; and (3) combined approach, where both performance based and management-system based are used.

The majority of the schemes analysed use a combined approach (12 of 15; 80%). Two schemes (13%) developed their criterion based on a management-system based approach, and one scheme (7%) used only performance based standards.



**Figure 8:** Types of standards employed by schemes.

There are trade-offs to each type of criteria. Performance-based criteria can provide better accountability of the achievements of schemes, including the ability to produce measurable and quantitative results. However, performance-based criteria can increase costs due to increased measurement, reporting and assurance activities. Isolating the impacts and outcomes of a specific scheme from external factors can be very difficult (Gulbrandsen 2005, ISEAL Alliance 2010, Track Record Global 2010, Scarlat and Dallemand 2011, Barry, Cashore et al. 2012). Management-based criteria are based on the idea that management practices lead to intended results. This approach assesses the management practices that are in place as a proxy for performance. The approach may be particularly helpful for new starters, due to lower costs for measurement and reporting. However, management-based criteria are not always a good substitute for performance and some poor performing organisations may have in place the management systems without acceptable results. The management-system approach can also make it difficult to clearly determine the impacts, achievements and results of a scheme (ISEAL Alliance 2010, Barry, Cashore et al. 2012).

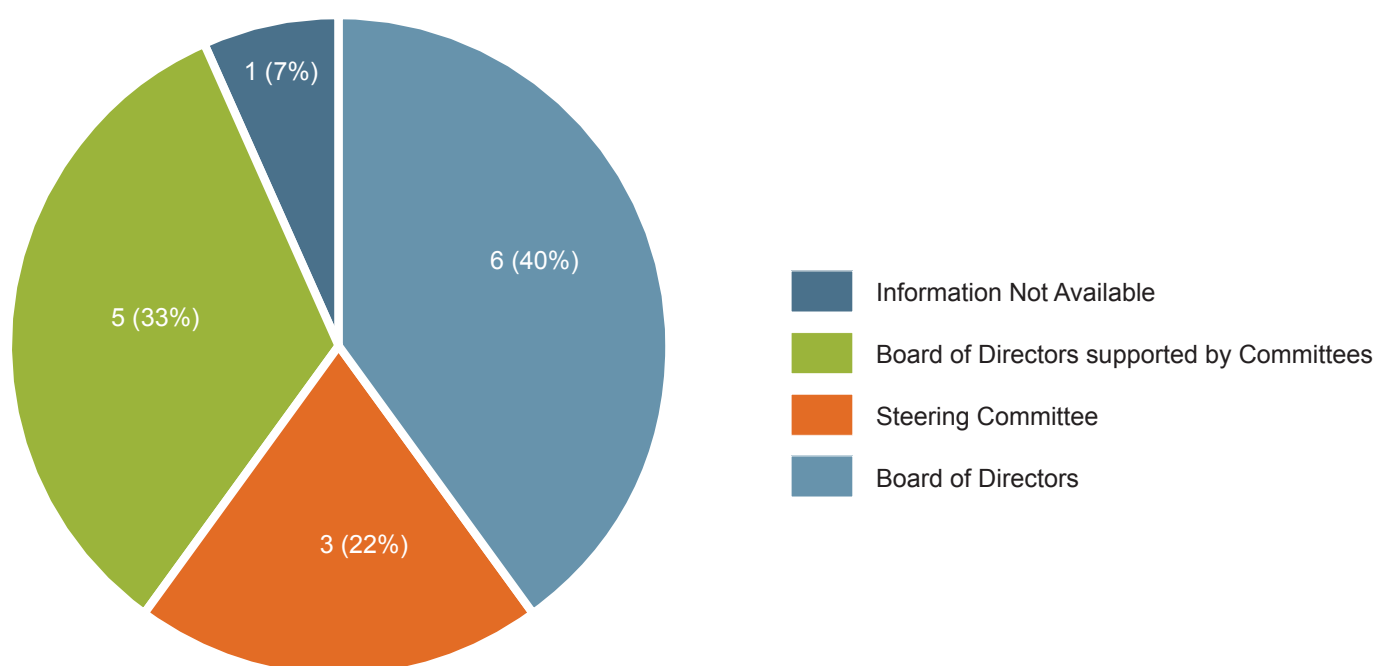
A combined approach that specifies performance requirements and requires the development and implementation of management systems to achieve those requirements can help schemes get the best of both worlds. One scheme in particular initially started with management-based criteria and over time substituted some of these criteria for performance-based measures.

According to Barry, Cashore et al. (2012), the critical aspect about different types of criterion is not necessarily about the use of management or performance-based criterion, it is about determining correct incentives to encourage scheme participants to continue to improve their performance over time rather than settle at the level of a low performance bar. Schemes have to be flexible and have to find a balance between encouraging scheme participants to continually improve performance and setting achievable criterion that allows new starters and participants with financial or technological constraints to participate. At the same time it is important to guarantee that current scheme participants will not leave the scheme because the costs and efforts associated with improved performance and compliance become too high.

### 2.2.5 Governance structure

The aspects of scheme governance analysed in this research cover five areas: the governance structure; who the decision makers are; how long decision makers occupy their positions; how decision makers are chosen; and if the names of the decision makers and the operators (secretariat) of the scheme are publicly available.

In relation to the governance structure of the schemes, the majority of the schemes (11 of 15; 73%) have a Board of Directors as the ultimate entity responsible for decisions (Figure 9). Five of these schemes (33%) complement their board of directors with committees, most often technical committees. Three schemes (20%) are governed by a steering committee. One scheme (7%) did not disclose information on its governance structure.

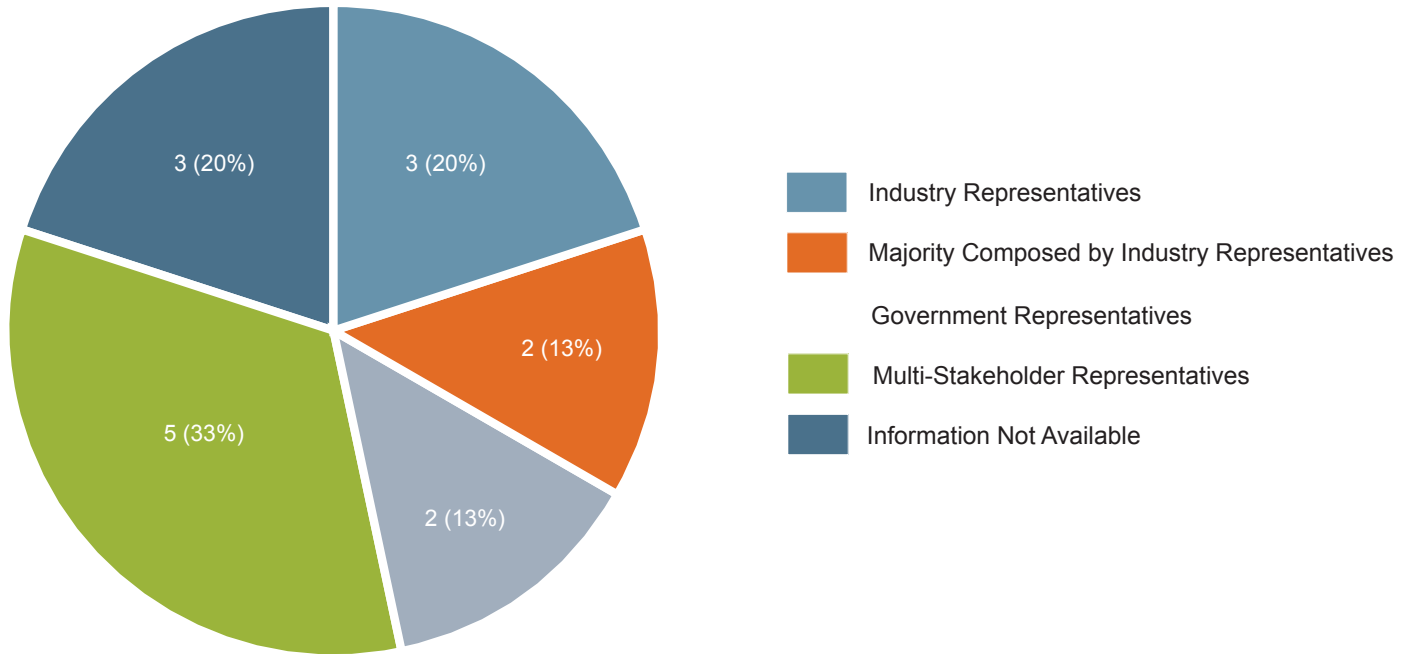


**Figure 9:** Governance structure.

All but one of the schemes analysed hosts a secretariat for day-to-day management of the scheme under the direction of a board of directors or a steering committee (14 of 15 schemes; one scheme did not disclose whether a secretariat was operative). One of the schemes does not run an independent secretariat. Instead the secretariat is auspiced under a global environmental organisation as the official coordinator of the scheme.

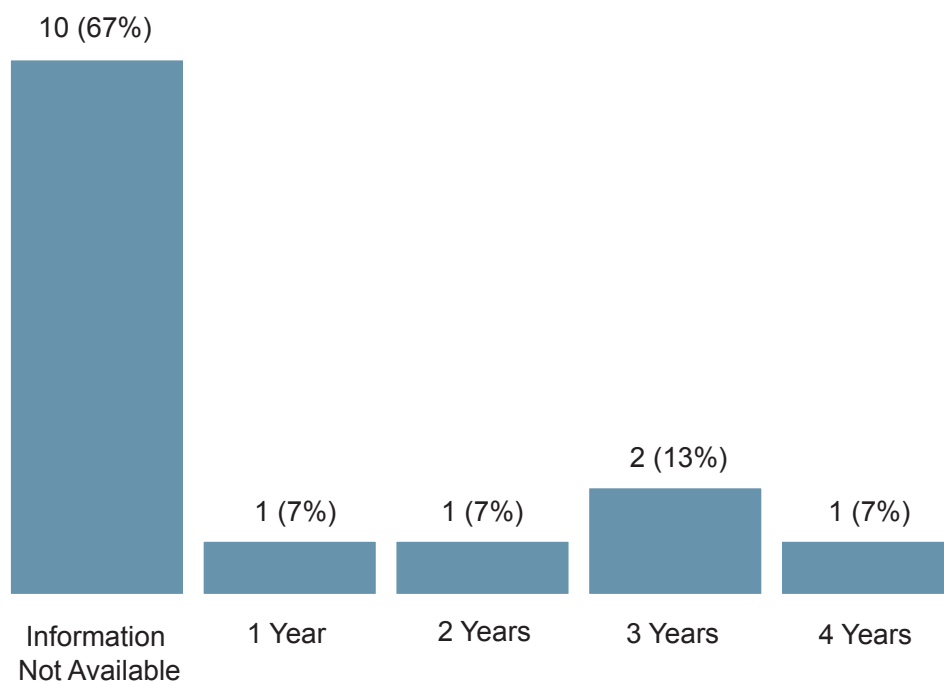
The second aspect of governance analysed relates to the composition of the decision makers (members of the board or the steering committee). Figure 10 demonstrates that five schemes (33%) have decision makers representing different groups of stakeholders (multi-stakeholder representatives). Five schemes (33%) have a board or steering committee where the majority of the decision makers are representatives of industry sectors. Three schemes (20%) do not provide information about their decision makers. Two schemes (13%) are composed of decision makers representing governments.

An interesting approach was employed by one of the schemes assessed in this research project. This specific scheme, in order to avoid bias and improve the independence of the board of directors, does not have members of the board representing industries. These members are selected based on their knowledge and experience, and they serve in their individual capacities.



**Figure 10:** Composition of the decision makers.

The third aspect of governance investigated was how long the decision makers occupy their position. The majority of schemes (10 of 15; 67%) do not publically disclose the length of the terms of their decision makers. Decision makers serve three-year terms in two schemes (13%), with one of these schemes allowing for the possibility of decision makers serving two consecutive terms. One-year, two-year and four-year terms were also in use (Figure 11).



**Figure 11:** How long decision makers occupy their position.

The fourth governance aspect investigated was how the decision makers are selected. Six schemes (40%) did not disclose information on the selection process. One scheme indicated that the process for selection was still under consideration. Of the eight schemes (53%) where information was available decision makers are selected through election in five schemes (33%), appointed by scheme participants in two schemes (13%), and in one scheme the decision makers are short-listed by board members before facing election (Figure 12).

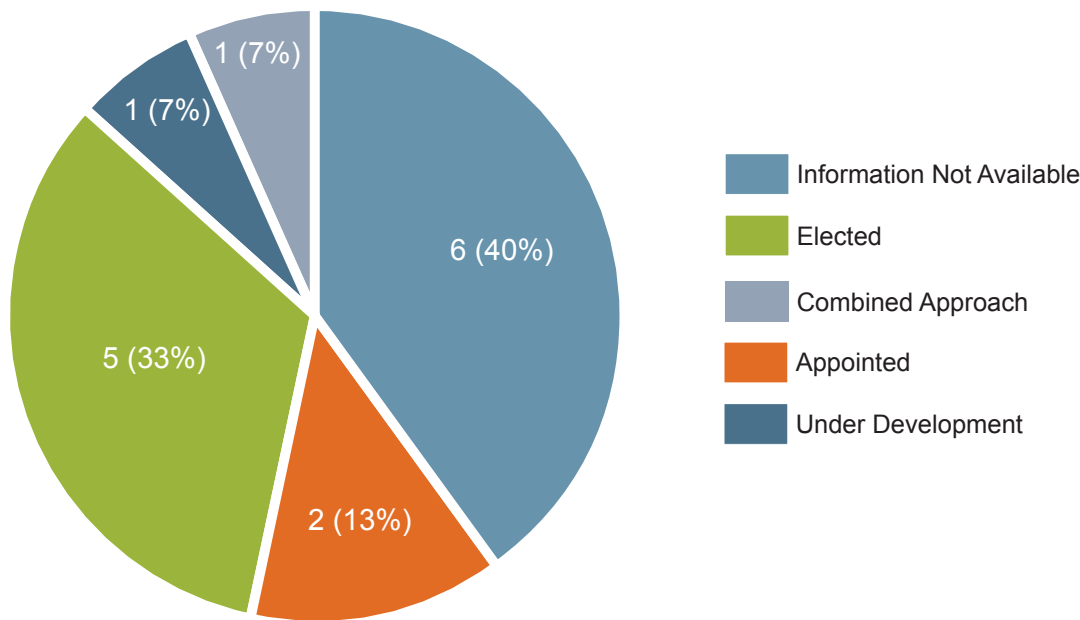


Figure 12: How decision makers are chosen.

The majority of the schemes disclose to the public the names of the decision makers (67%; members of the steering committee and board of directors) and of the secretariat (73%; Figure 13). Only 5 schemes (33%) do not disclose the names of the decision makers and 4 schemes (27%) do not disclose the names of the secretariat.

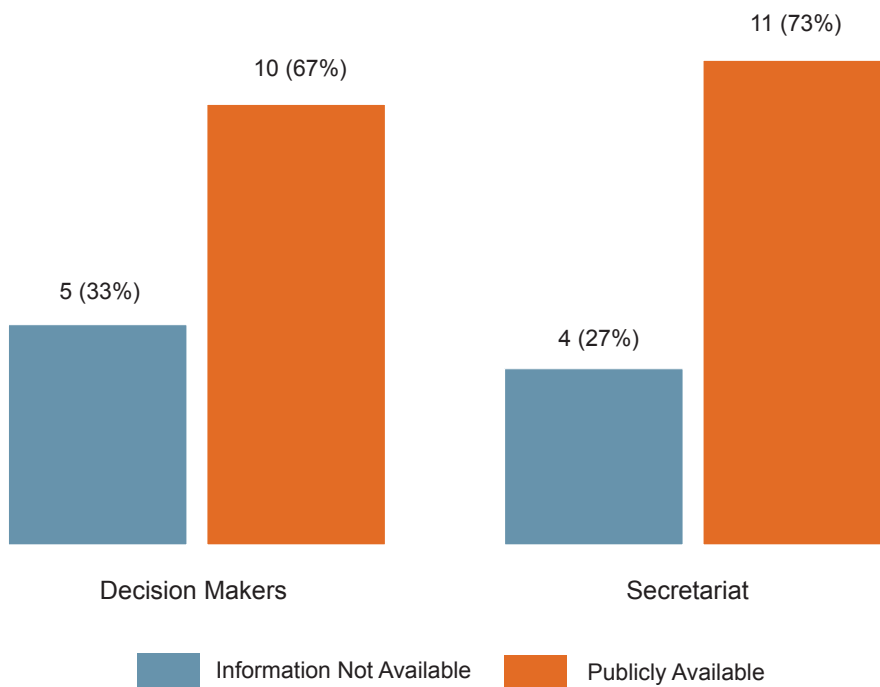


Figure 13: Name of the decision makers and secretariat publicly available.

A lack of transparency about how decision makers are chosen and how long decision makers occupy their position has the potential to impact the legitimacy of the scheme from the perspective of the stakeholders. Literature on the role of governance in fostering legitimacy and effectiveness indicates that transparent and accountable governance structures



increase the confidence that stakeholders and scheme participants have that their perspectives will be heard. These stakeholders tend to focus their efforts on the functioning of the scheme rather than on whether the scheme is legitimate. A governance structure that determines how objectives will be executed and outcomes will be achieved can help a scheme to streamline its processes and improve accountability. Therefore, an accountable governance structure increases the likelihood of field-level implementation, gives stakeholders confidence in the decision makers and on the decision making process, and minimises bias (Barry, Cashore et al. 2012, Deloitte 2012, Municipal Association of Victoria, Victorian Local Governance Association et al. 2012, ISEAL Alliance 2013, WWF 2013).

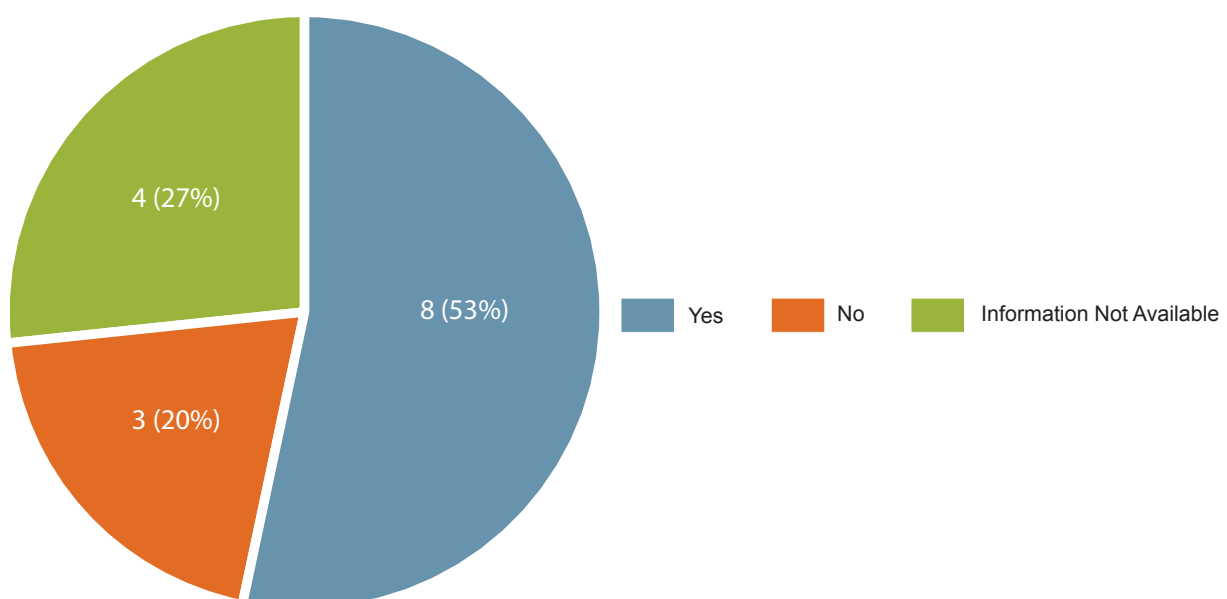
In addition, the governance structure can impact the robustness of the scheme (WWF 2013). The better the governance structure the better the development, management and operation of the scheme tends to be. A good governance structure is not about making correct decisions, it is about providing the best possible process for making decisions, giving the stakeholders the capacity to participate, or the opportunity to be represented in the decisions that affect their lives (Bosselmann, Engel et al. 2008, Sheng 2009, Municipal Association of Victoria, Victorian Local Governance Association et al. 2012, ISEAL Alliance 2013).

Governance is an instrument that aims to guarantee the sustainability of the entity over the long term and the achievement of its objectives, which leads to a positive influence of the entity on performance. Regardless of the design characteristics of the governance structure in place, schemes have to incorporate into their governance structure mechanisms to guarantee that they will be governed to achieve their objectives, that their key stakeholders are identified and engaged properly, and accountability is provided for those stakeholders. Transparency and disclosure of information for instance could be considered powerful instruments to improve accountability (World Bank 2005, International Finance Corporation and Organisation for Economic Co-operation and Development 2009, Columbia Center on Sustainable Investment 2014).

### 2.2.6 Oversight by external entities

Stakeholders play an important oversight role in the governance and management of many schemes. In this section we addresses four aspects of external oversight: the existence of external oversight by stakeholder representatives; the composition of stakeholders overseeing schemes; the duration of oversight roles; the selection of stakeholder representatives in oversight roles; and whether the names of these representatives are publicly disclosed.

Eight schemes (53%) have a mechanism whereby stakeholder representatives play an oversight role of the scheme (Figure 14). Three schemes (20%) do not have external oversight and four schemes (27%) did not disclose whether external oversight was in place.



**Figure 14:** Existence of stakeholder representatives overseeing the scheme.

The second oversight aspect investigated is the composition of the stakeholder representatives playing the oversight role. Of the eight schemes with an oversight mechanism three schemes (37%) have civil society representatives occupying these roles, two schemes (25%) have industry and civil society representatives in the roles, and one scheme (13%) has industry, civil society and government representatives. A further two schemes (25%) did not disclose the composition of the representatives overseeing the scheme (Figure 15).

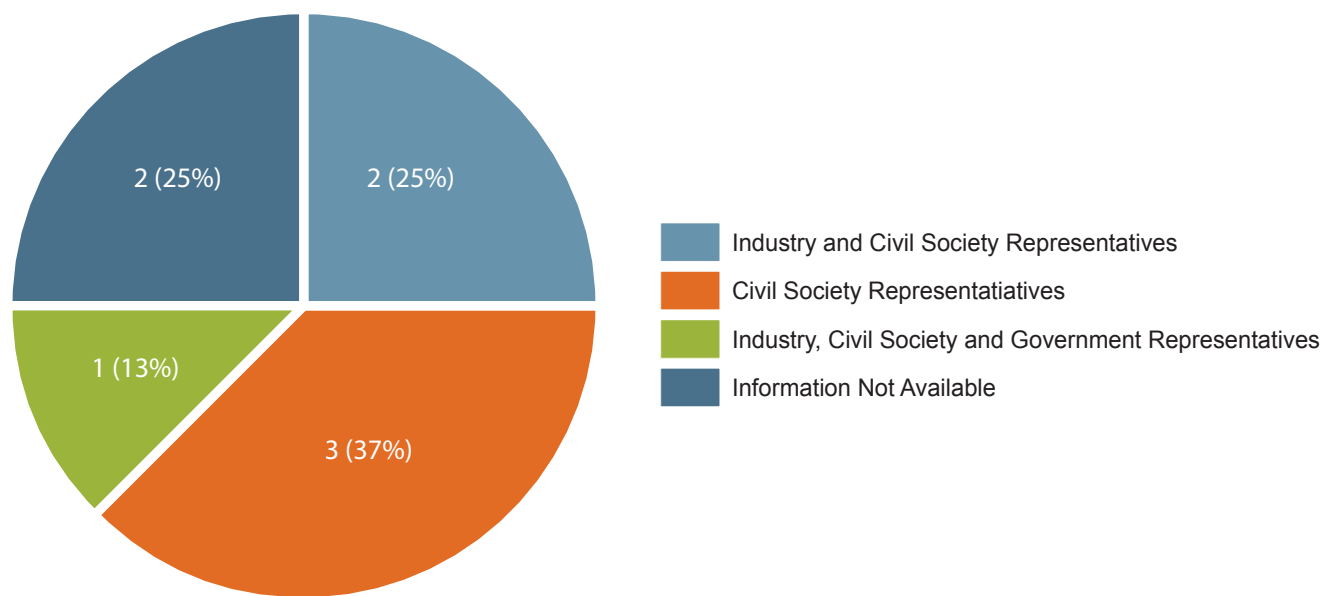


Figure 15: Composition of the stakeholder representatives overseeing the schemes.

The third aspect investigated was how long stakeholder representatives occupied the oversight roles. Seven schemes (87%) out of the eight schemes with an oversight mechanism did not disclose information on this aspect. Just one scheme (13%) disclosed that stakeholder representatives overseeing the scheme occupy their position for two year term, with the possibility of re-election or re-appointment, to enable continuity on standards development (Figure 16).

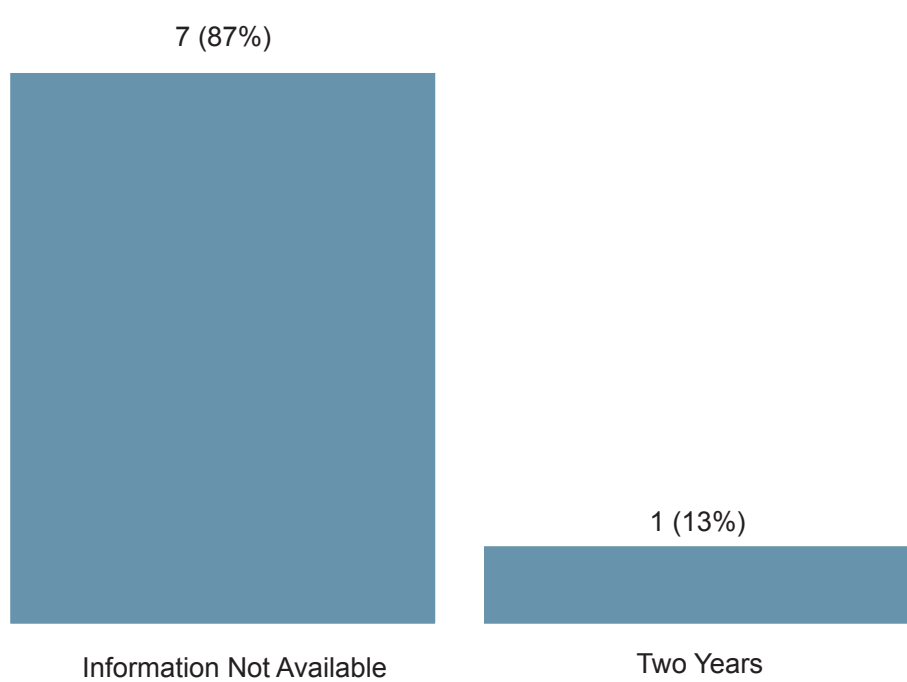
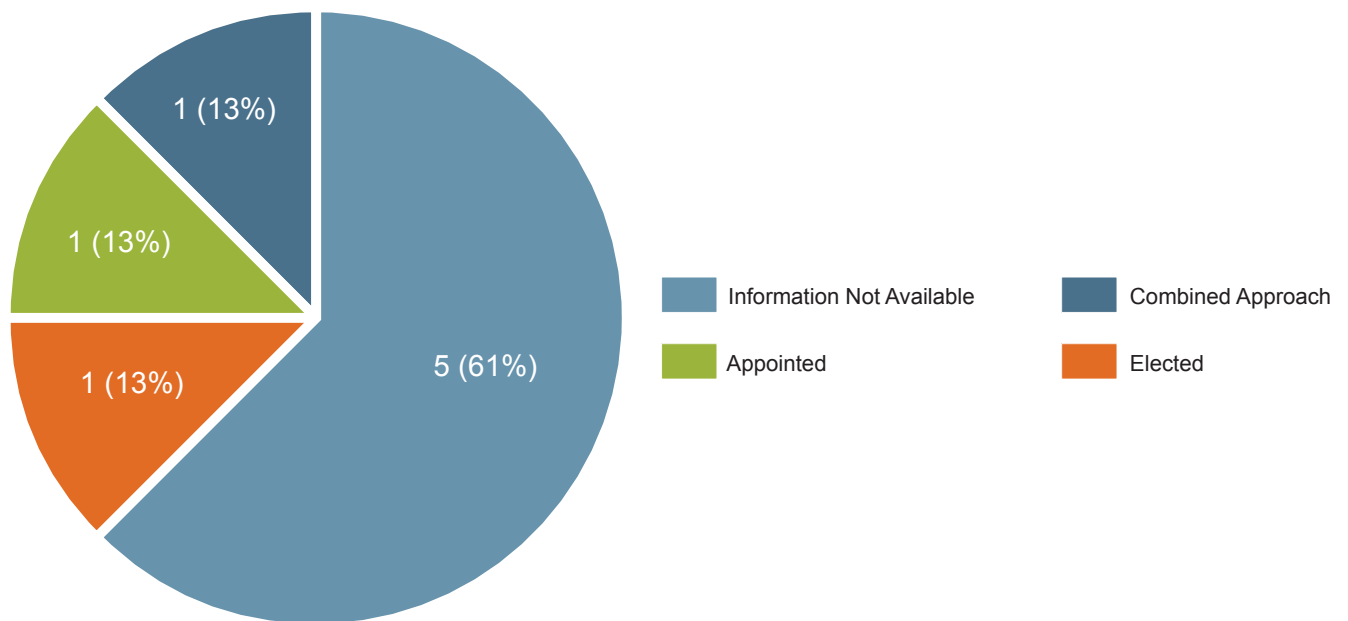


Figure 16: How long stakeholder representatives overseeing schemes occupy their position.

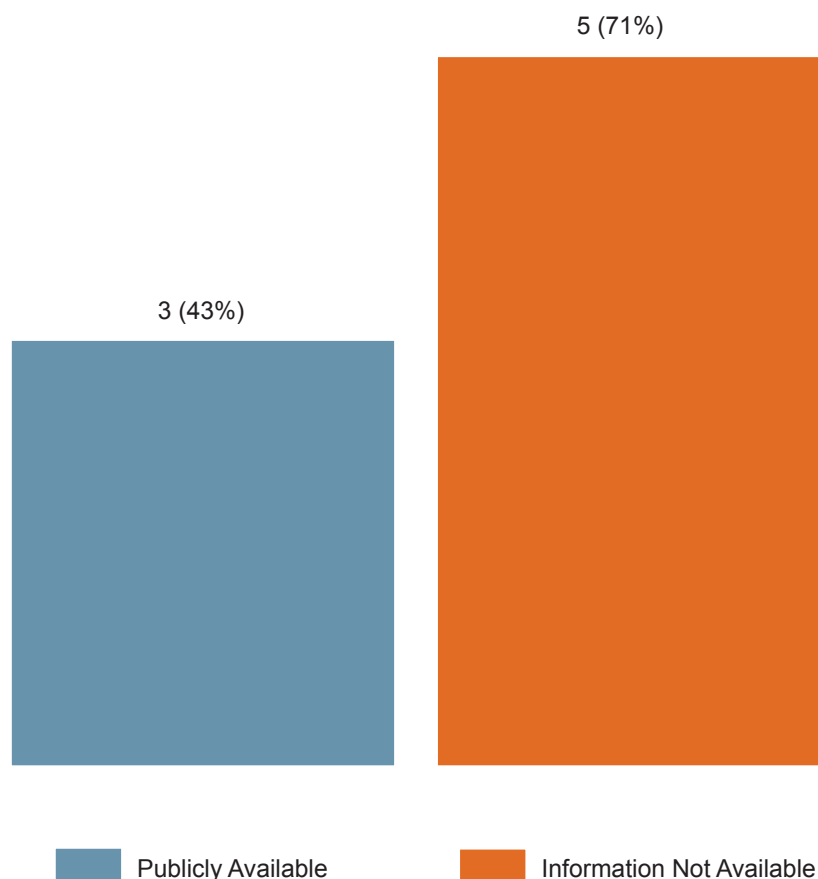
The fourth aspect investigated was how the stakeholder representatives overseeing the schemes are selected. Of the eight schemes with an oversight mechanism five (61%) did not disclose information about how stakeholder

representatives are selected. One scheme (13%) indicated that stakeholder representatives are elected, one scheme (13%) indicated that representatives are appointed by the board, and yet another scheme (13%) uses a combined approach (some of the stakeholder representatives are appointed by the board and some are elected; Figure 17).



**Figure 17:** How stakeholder representatives are selected.

The final aspect of external oversight investigated was whether the names of the stakeholder representatives overseeing the scheme are publically disclosed. Of the eight schemes with an oversight mechanism five (71%) do not provide public information on the names of the stakeholder representatives, where three schemes (43%) do (Figure 18).



**Figure 18:** Are the names of the stakeholder representatives publicly available.

Literature on sustainability certification considers the existence of external stakeholder oversight as good practice governance. External oversight improves accountability and credibility of the scheme, minimises bias, scrutinises the work of assurance providers, provides insights about aspects not initially considered by the scheme, and can protect the scheme from corruption. External oversight mechanisms are generally established to represent stakeholders, and may play a monitoring role and/or advisory function to the scheme (Australian National Audit Office 2003, Bosselmann, Engel et al. 2008, ISEAL Alliance 2011, Stark and Levin 2011).

The composition of external oversight mechanisms is also argued to be important. A multidisciplinary and independent external entity is fundamental to increase representativeness (Australian Public Service Commission 2007, Barry, Cashore et al. 2012). The diversity of perspectives improves legitimacy, and reduces the possibility for conflicts with stakeholders in the public domain (Gulbrandsen 2005).

2.2.7 Revision process

The slight majority of schemes assessed (9 of 15; 60%) have a process for revision of the standard and the procedures of the scheme in place. Four schemes (27%) did not publically disclose whether a revision process was operative and two schemes (13%) indicated that one was under development (Figure 19).

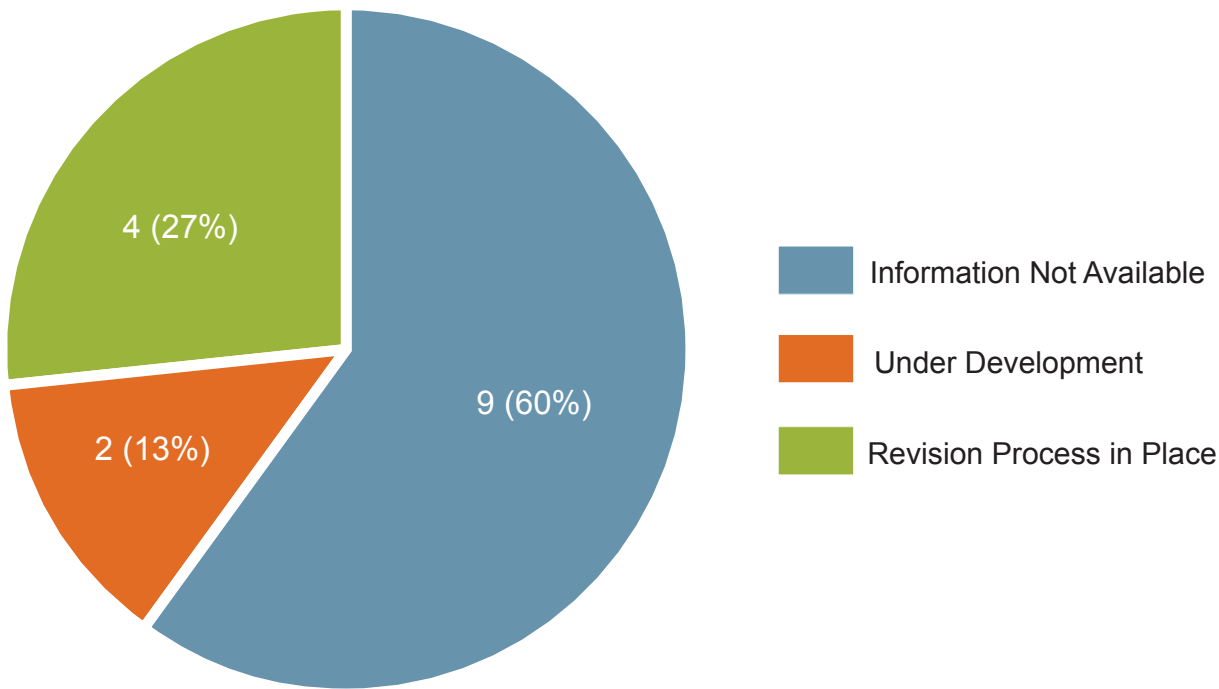


Figure 19: Revision process in place.

The revision time-period for the nine schemes with a revision process in place, ranges between three to five years. Two schemes indicated that the revision process is conducted on a 3-year cycle, three schemes indicated that the revision process is conducted on a 5-year cycle, and one scheme indicated that the revision process is conducted on a 3 to 5-year cycle. In addition, three schemes demonstrate an ongoing revision process, which allows participants and stakeholders to provide comments about technical and administrative problems at any time. In these cases the comments received are addressed and accountability about how those comments were addressed is achieved through correspondence with the person providing the comments.

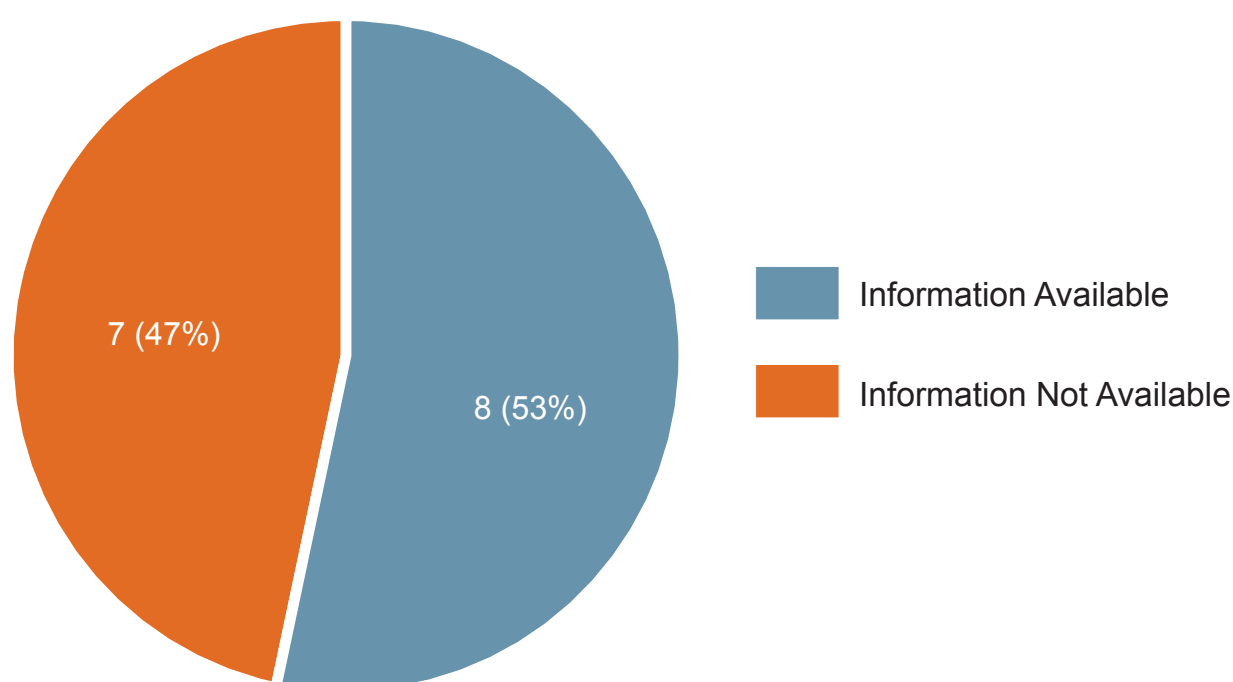
Periodic revision is considered fundamental to guarantee the continuous improvement of the scheme. The existence of a periodic revision process allows the scheme to identify flaws or improvement opportunities and develop action plans to address those flaws and realise the opportunities. Main and Mullan et al. (2014) argue that schemes should operate as management systems with a periodic revision mechanism implemented to measure and monitor processes and results. A predefined period of revision allows the scheme to adapt and improve over time incorporating new trends, advances in technology, changes to the industry and the market, reform of government regulation, new expectations and demands, and progressive learning. The inclusion of public participation during the revision process also contributes to the improvement of the scheme and increases the level of transparency and accountability (International Organization for Standardization 1999, ISEAL Alliance 2010, ISEAL Alliance 2011, ISEAL Alliance 2013).

Schemes progressively evolve, incorporating new trends, new expectations and demands, market changes, changes in regulations, changes in the industry, advancements in technology and by learning through practice.

### 2.2.8 Stakeholder participation in scheme development

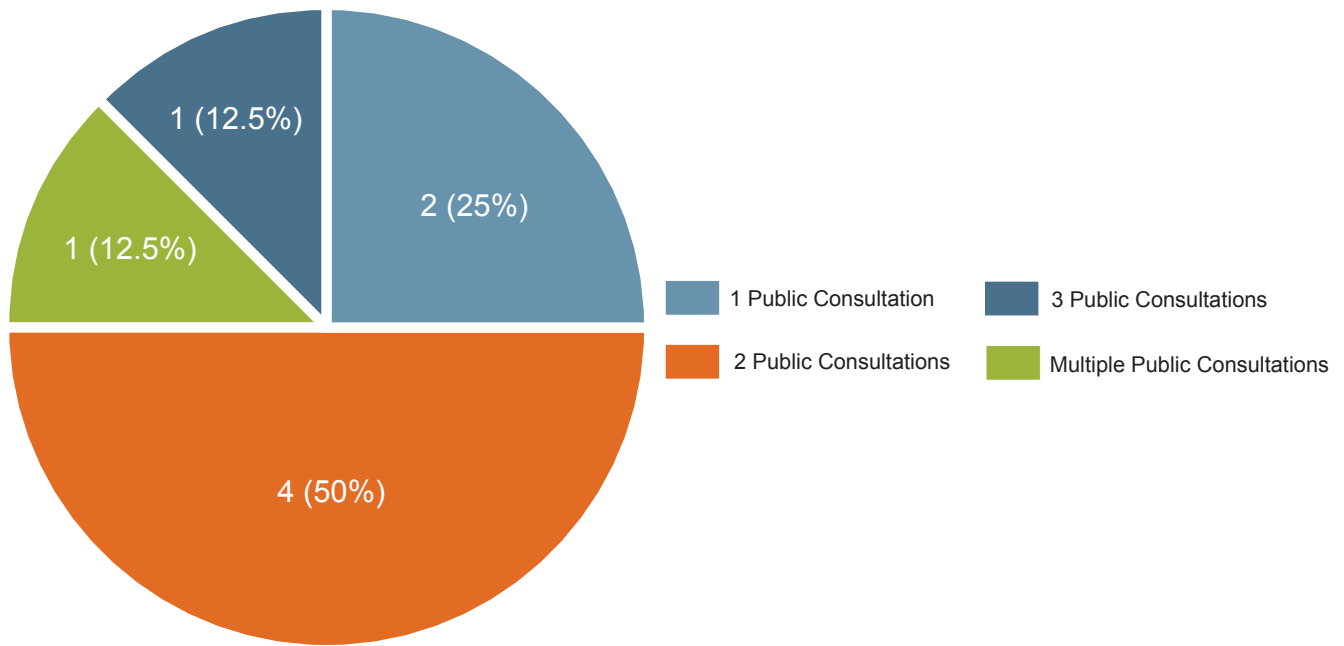
Four aspects were analysed regarding the involvement of stakeholders in the development phase of the schemes: the existence of a stakeholder engagement process during the development phase; the methods of engagement; the number of public consultations; and whether the identity of the stakeholder groups engaged are disclosed.

Eight of the schemes (53%) analysed provided information on the involvement of stakeholders during the development of the scheme, with seven schemes (47%) not disclosing the extent of public involvement (Figure 20).



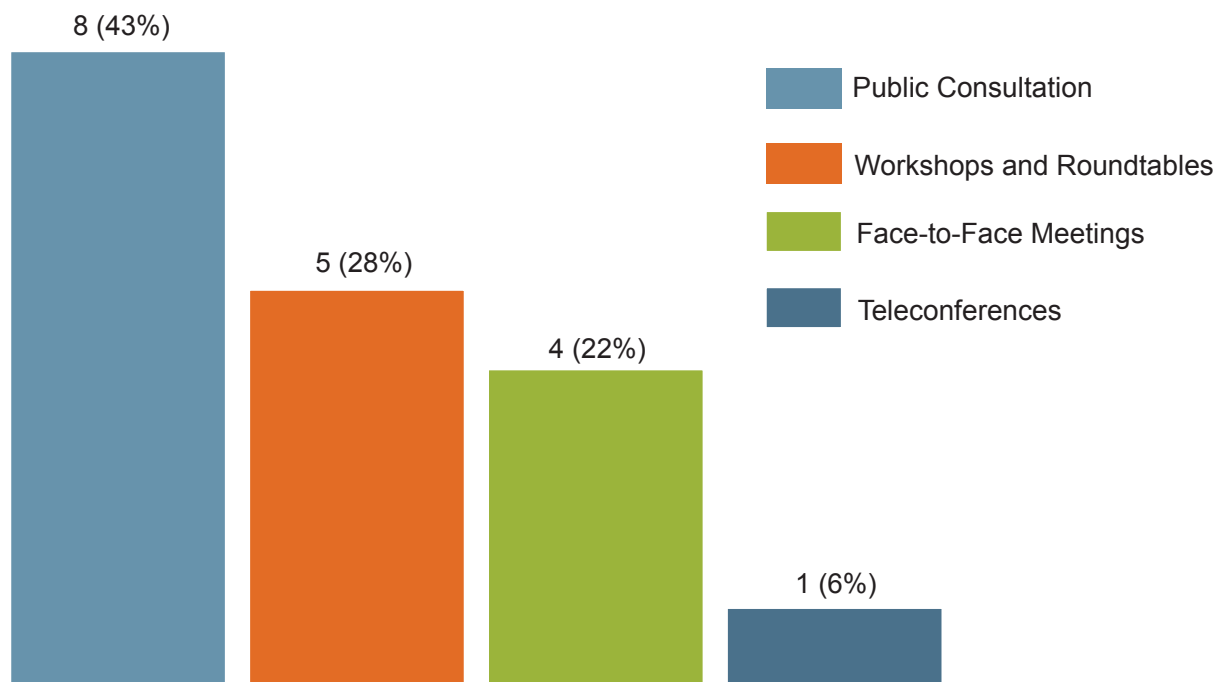
**Figure 20:** Stakeholder involvement during the development phase of the scheme.

A variety of engagement methods were used by the schemes. Public consultation was the most common method. Of the schemes that indicated the involvement of stakeholders in the design phase of the scheme all invited stakeholders to comment on the draft standard or the schemes design. However, the number of rounds of public consultation varied amongst the eight schemes. Two schemes (25%) conducted only one round of public consultation, four schemes (50%) held two rounds of consultation, one scheme (12.5%) held three and one scheme (12.5%) disclosed that they held 'multiple' rounds of consultation without providing an exact figure (Figure 21).



**Figure 21:** Number of public consultations conducted.

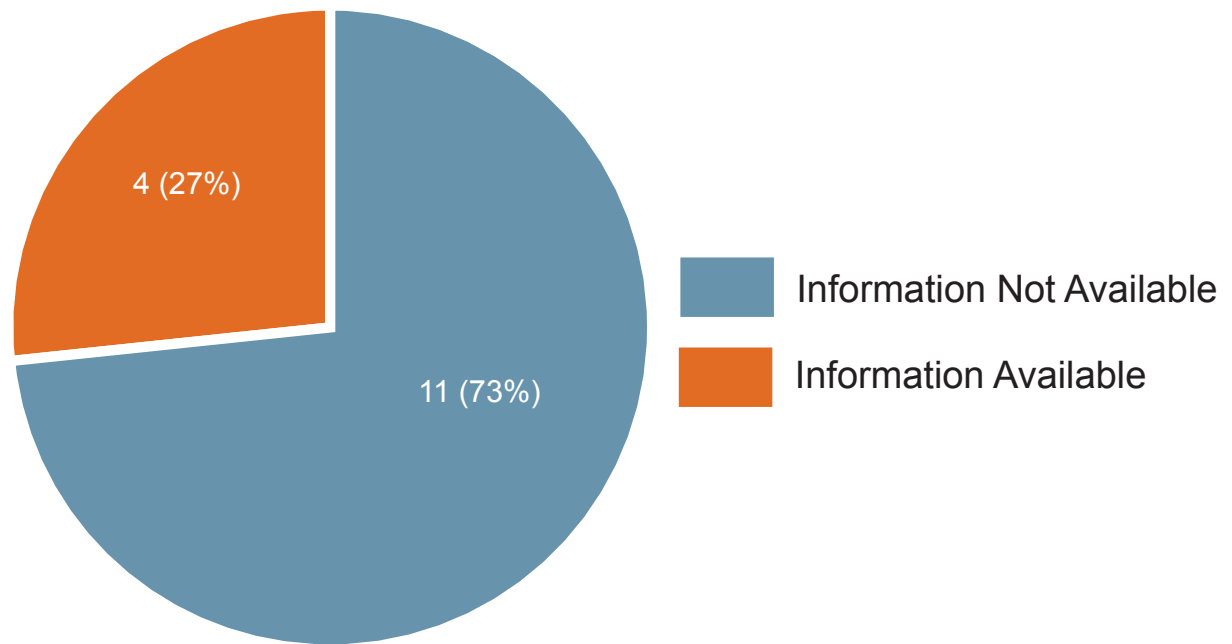
Of the eight schemes in which stakeholders were engaged during the development phase, a range of additional engagement activities accompanied the periods of public consultation on the draft standard or the draft scheme design. Methods included workshops and roundtables, face-to-face meetings, and teleconferences. Workshops and roundtables were used by five schemes (28%), face-to-face meetings were used by four schemes (22%) and one scheme (6%) employed teleconferences to engage the public (Figure 22).



**Figure 22:** Additional mechanisms employed to engage with stakeholders.

With regard to disclosure about who was engaged the results are mixed. Only four of the schemes (27%) disclosed information about the type of people who were engaged, while 11 (73%) out of the 15 schemes did not provide any information (Figure 23).





**Figure 23:** Identity of stakeholders involved publicly available (including the names of individuals, or the names of organisations, or generic descriptions of stakeholder types).

The stakeholder engagement process plays a very important role in any scheme. Participation and cooperation of stakeholders in developing, monitoring and reviewing schemes is essential to assure the success of any certification scheme with high quality outputs (Round Table Codes of Conduct 2009, ISEAL Alliance 2013). The different perspectives and experience of diverse stakeholders can strengthen the design of standards. Engagement can also help to regulate or reduce conflict and improve the legitimacy of the scheme.

However, the inclusion of divergent stakeholder perspectives, and attempts to reach consensus during scheme development can be challenging and can create unanticipated delays (International Finance Corporation 1998, WWF and World Bank 2006, AccountAbility 2008, Freeman 2009, ISEAL Alliance 2010, Barry, Cashore et al. 2012, ISEAL Alliance 2013). Barry, Cashore et al. (2012) argue that the content of a scheme is based on the negotiation between subject matter specialists and interested stakeholders. ISEAL Alliance (2013) goes further to argue that in addition to stakeholder participation in the development, monitoring and assurance phases, it is important to have stakeholders participating in governance. Through balanced input from organisations, civil society and governments, schemes can play a key role in addressing inequality (Giovannucci and Ponte 2005).

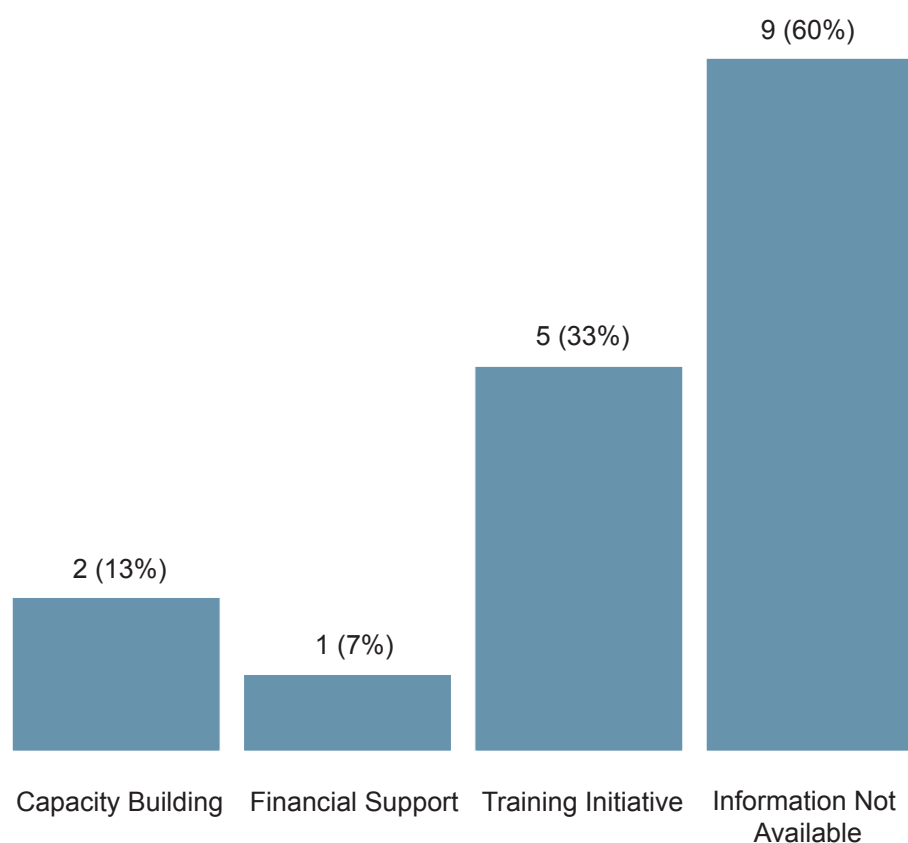
Barry, Cashore et al. (2012) warn that sometimes decision making based on stakeholder-driven processes can put stakeholders' interests ahead of decisions related to operation and objectives of the scheme. When it comes to decisions about specific aspects of the operation of the schemes (e.g. pricing policies, membership strategies) the multi-stakeholder model can make the decision making process slow. Moreover, ISEAL Alliance (2013) recommends that it is important to determine the most appropriate occasion to engage with stakeholders so as not engage stakeholders unnecessarily at the expense of efficiency.

Gulbrandsen (2005) Mueller et al. (2009) argues that fostering stakeholders' engagement and participation improves the legitimacy and credibility of the schemes. When schemes are developed in a broad and inclusive process the potential for conflict is lower and the potential for support from stakeholders is higher (Gulbrandsen 2005). Gold (2006) cited in Young, Fonseca et al. (2010), (Barry, Cashore et al. 2012) emphasise the importance of non-government organisations and civil society in developing and contributing to the improvement of schemes. Civil society plays an important role influencing consumer behaviour and the purchasing habits of the public with regard to certified products.

## 2.2.9 Support for stakeholder participation in development and governance

A number of schemes undertake activities and programs to foster and support internal or external stakeholders to participate in the development or revision of the scheme.

While the slight majority of schemes analysed (9 of 15; 60%) do not disclose the existence of any such support, five schemes (33%) have training initiatives in place, two schemes (13%) run capacity building activities with participants, potential buyers and local communities through their regional offices, and one scheme (7%) provides financial support (reimbursement for travel expenses) for members of its stakeholder advisory group to attend meetings (Figure 24).



**Figure 24: Initiatives in place to support participation of stakeholders in development and governance.**

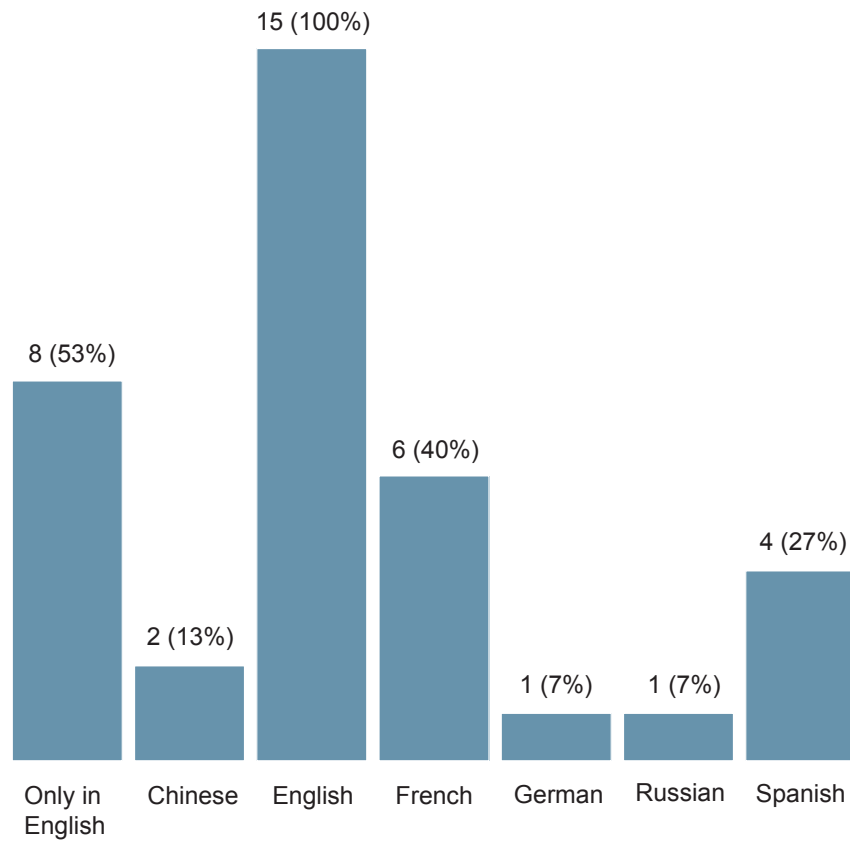
The accessibility of information about the schemes was also analysed. Although the majority of the schemes analysed are global in scope, the official websites of eight of the schemes are only available in English (53%), six schemes (40%) provide their official website in French, four schemes (27%) in Spanish, and two schemes (13%) in Chinese (Figure 25)<sup>11</sup>

<sup>12</sup>

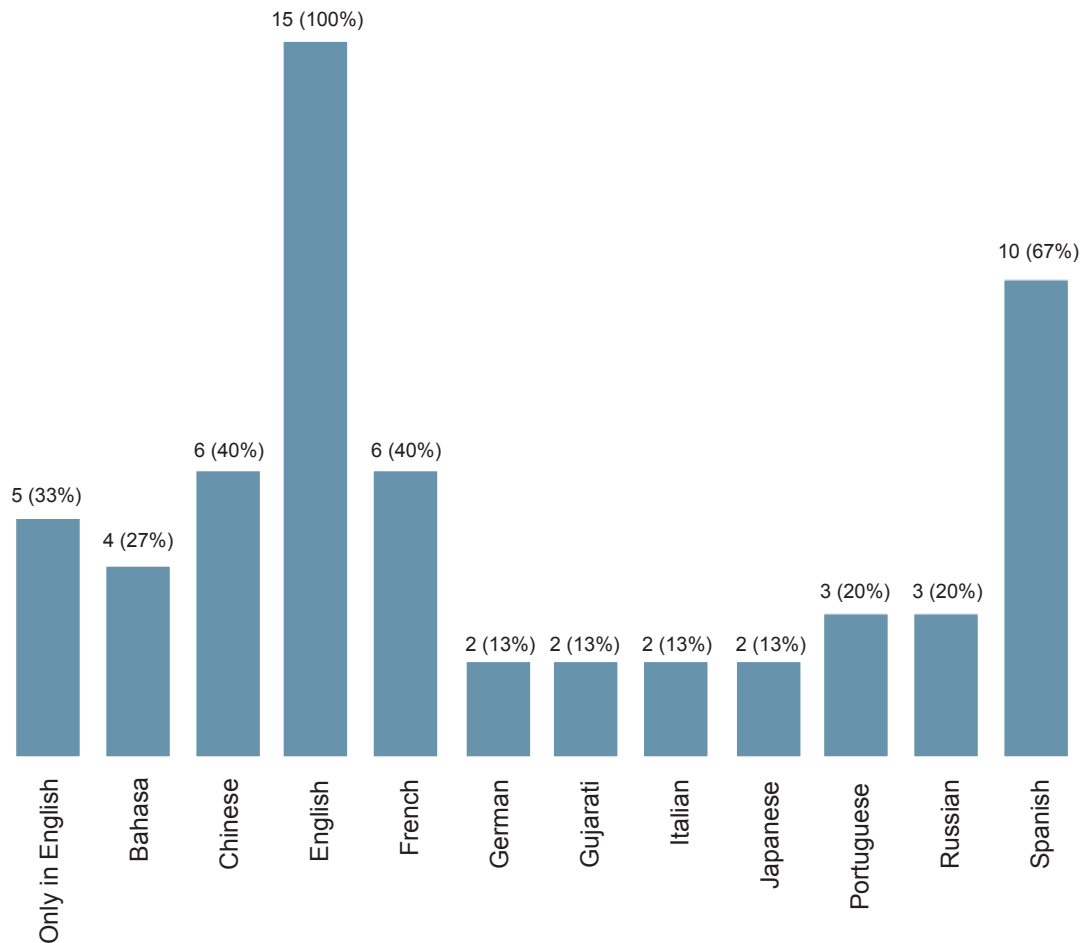
The guidelines for five of the schemes (33%) are only available in English (33%), ten schemes (67%) also make their guidelines available in Spanish, six schemes (40%) in French, six schemes (40%) in Chinese and four schemes (27%) in Bahasa. Russian, Portuguese, Japanese, Italian, Gujarati and German languages were all used by one scheme (Figure 26).

<sup>11</sup> ISO's central secretariat is located in Switzerland. However, ISO has members from 165 countries and 3368 technical bodies responsible to translate and keep available standards on their local languages.

<sup>12</sup> One of the schemes analysed operates only in Australia (RSS).



**Figure 25:** Languages used on the official websites.



**Figure 26:** Languages used for guidelines.

Initiatives to support stakeholder involvement and to improve accessibility are regarded as good practice by the literature on the effectiveness of sustainability certification schemes. In addition to the benefits described above of stakeholder involvement, accessibility initiatives broaden the reach of schemes and allow for communication with communities that might otherwise be disengaged with the process. Accessibility initiatives help to avoid misunderstandings and ambiguities in interpretation, and balance other potentially contradictory sources of information (International Finance Corporation 1998, ISEAL Alliance 2010, ISEAL Alliance 2013, Komives and Jackson 2014).

2.2.10 Complaints and conflict resolution mechanisms

Complaints and conflict resolution mechanisms are instruments used by schemes to address concerns and avoid and resolve disputes. The majority of the schemes assessed (10 of 15; 67%), do not disclose the existence of a communication channel to receive complaints or a dispute resolution mechanism to manage and respond to those complaints. Only two schemes (13%) have both a complaints channel and a dispute resolution mechanism, five schemes (33%) have only a communication channel to receive complaints. Two schemes indicated that they were planning to implement complaints and dispute resolution mechanism in the future (Figure 27 and 28).

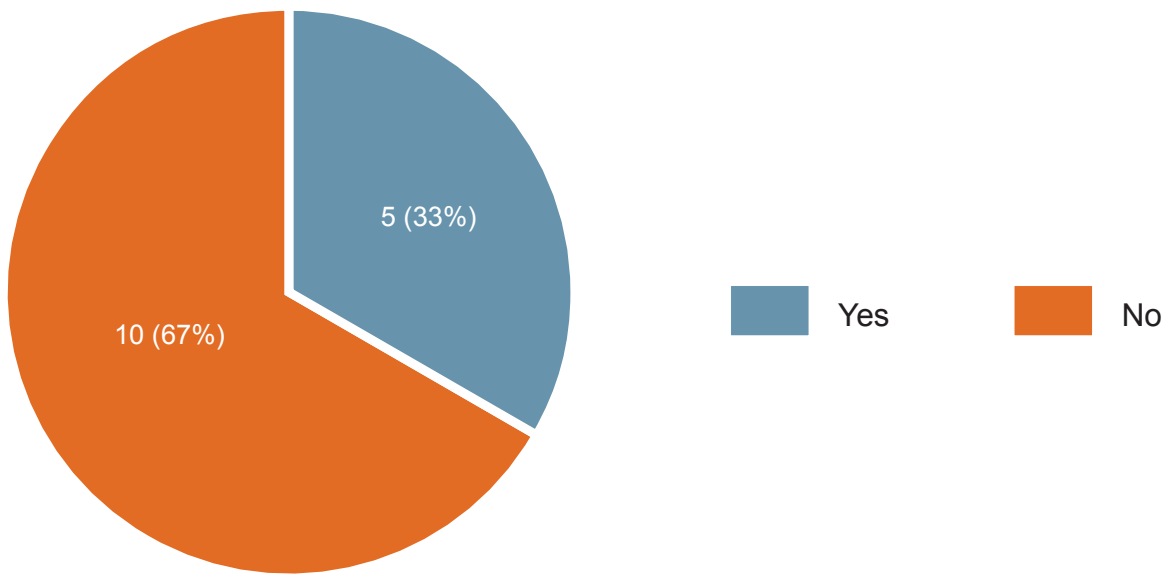


Figure 27: Communication channel for receiving complaints

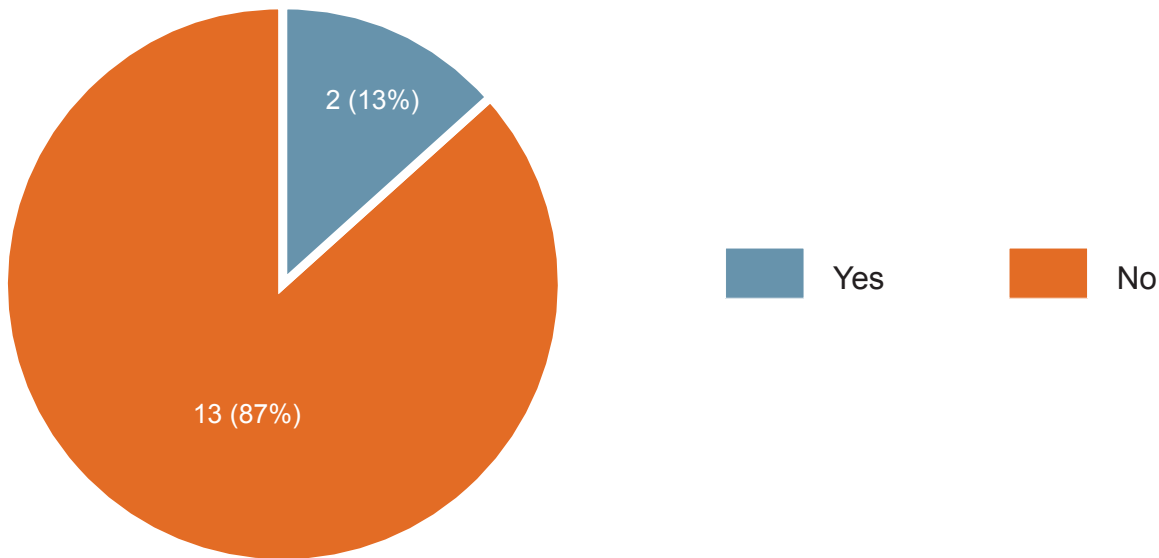


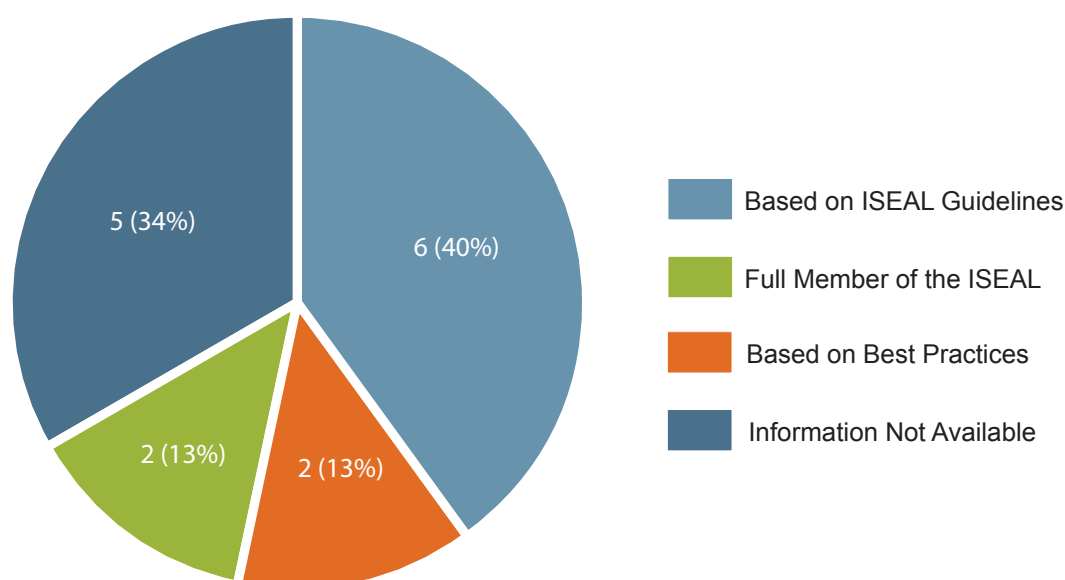
Figure 28: Dispute resolution for handling and responding to complaints.

Complaints and dispute resolution mechanisms offer an opportunity to address issues and concerns prior to escalation and are important processes for demonstrating accountability (International Finance Corporation 1998, WWF and World Bank 2006, ISEAL Alliance 2013). These processes should be open to addressing the concerns of both internal and external stakeholders and be accompanied by a clear policy or procedure. A large amount of literature is now available about how to design rights-compatible complaints handling processes. A credible complaints and dispute resolution mechanism should be impartial, documented (including a registry of complaints, clear decision-making processes, and a record of decisions), timely, transparent and fair (International Organization for Standardization and International Electrotechnical Commission 1996, ISEAL Alliance 2011, International Finance Corporation 2014).

### 2.2.11 Membership of a peak standard setting body

Certification schemes can themselves be based on best practices or be certified by a peak standard setting body, such as ISEAL Alliance or International Organisation for Standardization (ISO). ISEAL Alliance is a global membership association working to improve the impact and effectiveness of sustainability certification schemes through its Codes of Good Practice (Assurance Code, Standard-Setting Code, and Impacts Code). ISO is a non-governmental membership organisation developing voluntary international standards covering different industries and activities. Some of those standards address practices for standardization, such as the ISO/IEC Guide 2:2004 Standardization and related activities and the ISO/IEC Guide 59:1994 Code of Good Practice of Standardization. Six of the schemes analysed (40%) were developed based on the ISEAL Alliance guidelines and two schemes (13%) are full members of ISEAL. Five of the schemes (34%) did not disclose whether they are associated with a peak standards setting body. Two schemes (13%) claimed to be developed based on best practices, but without naming the specific practices followed (Figure 29).

Figure 29 demonstrates the important role the ISEAL Alliance has been playing to influence and strengthen schemes. Of the schemes that provided information about their membership of a peak standard setting body, the ISEAL Alliance was the only body mentioned. Furthermore, the slight majority of schemes (8 of 15; 53%), were developed based on the ISEAL Alliance Guidelines or are full members of the ISEAL Alliance.



**Figure 29:** Member or certified by a peak certification scheme setting body.

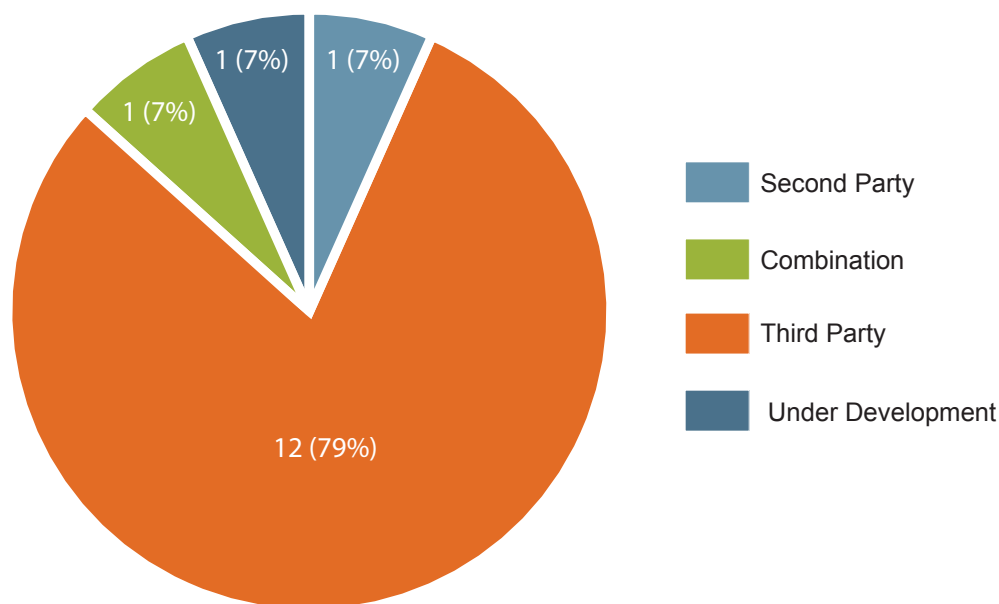
The use of recognised guidelines provided by peak standard setting bodies enhance the credibility of schemes. Membership represents a guarantee to stakeholders and participants that minimum aspects of quality and/or performance were implemented and achieved.

### 2.2.12 Type of assurance

Assurance processes can be performed by a first-party, second-party, or third-party entity (or some combination of

these). First-party assurance refers to assessment performed by the person or organisation that provides the object under assurance, second-party assurance refers to assessment performed by a person or organisation that has a user interest in the object under assurance, and third-party assurance is the assessment performed by a person or body that is independent of the person or organisation that provides the object under assurance, and of user interests in that object under assurance (adapted from ISO and IEC, (2004).

The majority of schemes analysed use a third party entity to provide assurance (12 of 15; 79%). One scheme (7%) uses a second party assurance process (participants of the scheme assuring other participants), and for one scheme (7%) the assurance process is still under development (Figure 30). A further scheme used a combined approach. In this situation, there is a requirement for an initial self-assessment to be conducted as part of the assurance process followed by a third party assurance. The use of a combined approach can improve the accessibility and rigor of the assurance process.



**Figure 30:** Type of assurance.

Assurance is considered an important aspect of any scheme. Assurance is the instrument used to assess the level of conformity of participants and identify situations of non-compliance (Track Record Global 2010). According to the ISEAL Alliance (2011), to be effective an assurance process should be in compliance with 6 principles:

- **Consistency:** assurance should present the same results when applied in different contexts and/or when involving different assurance providers;
- **Rigour:** aspects related to the intensity of the assurance should be defined to determine the level of rigour of the assurance process;
- **Competence:** assurance should be conducted by assurance providers with competence. Assurance providers should have technical knowledge of both, the assurance process and sustainability certification schemes;
- **Impartiality:** the assurance process should be conducted with impartiality. Impartiality could be demonstrated through independence, transparency and stakeholder engagement;
- **Transparency:** the assurance process should be transparent by itself. Publically available information about the assurance providers, scope, sampling strategy, methodology employed, and the assurance statement can be provided to improve transparency of the assurance process; and
- **Accessibility:** assurance process should be affordable.

The use of assurance providers to assess schemes is also an important instrument to avoid conflicts of interest, greenwashing and bias, enhance independency and provide accurate results (International Organization for Standardization 1999, Round Table Codes of Conduct 2009, Blackman and Rivera 2011, ISEAL Alliance 2011, Barry, Cashore et al. 2012, Komives and Jackson 2014). Schemes that make use of third-party entities to provide assurance tend to have a more independent assurance process than schemes that use only self-assessments or second party assurance. Third party assurance tends to be more rigorous because assurance providers are independent and do not have interests in the organisation under assurance (ISEAL Alliance 2011). On the other hand, third-party assurance processes are usually more costly (Barry, Cashore et al. 2012).

Although the use of third-party assurance providers is the most common practice, the combined approach can improve the accessibility and the rigor of the assurance process. According to (Barry, Cashore et al. 2012), a combined approach enables small-scale participants to share the costs of third-party assurance, which works towards accessibility. A combined approach can also enhance the rigor of the assurance process as two different assurance providers will conduct assurances of the same object.

### 2.2.13 Assurance frequency

The International Organization for Standardization and International Electrotechnical Commission (1996) recommends that certified products should be periodically evaluated to confirm that they continue to conform to the scheme. Six of the schemes (40%) under analysis undertake assurance on a yearly basis, three schemes (20%) undertake assurance every three years and three schemes (20%) did not publically disclose the frequency of assurance. Three schemes (7%) used a different approach whereby the frequency of assurance was based on past performance. If the assurance process identified major non-compliance the next assurance process is undertaken on a shorter time frame (one or two years). If the assurance process identified only minor non-conformance or did not identify non-conformance the next assurance process is conducted after three or four years. One of the schemes using performance to define frequency have a process whereby organisations that have demonstrated excellent compliance over many years, may be qualified for only “desk-top” reviews as part of a three year inspection cycle instead of full third party assurance (Figure 31). The use of performance to determine the periodicity of assurance rewards good performance and reduces costs.

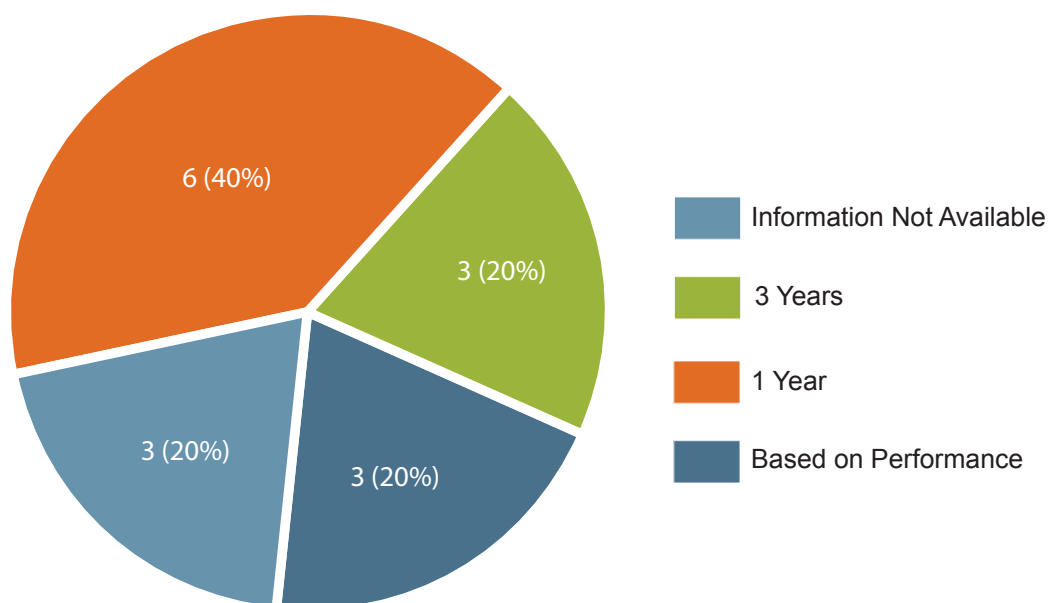


Figure 31: Assurance frequency.

### 2.2.14 Assurance guidance

Guidance is important for maintaining high standards in certification. Guidance may consist of definition of the scope of the assurance process, the procedures to be applied during assurance, the composition of the assurance team,



assurance protocols and details on the format of assurance statements. The vast majority the schemes analysed (12 of 15; 80%) provide some form of guidance to scheme participants about how the assurance process should be conducted. One scheme (7%) does not provide guidance about the assurance process, and two further schemes (13%) do not publically disclose whether guidance is available (Figure 32).

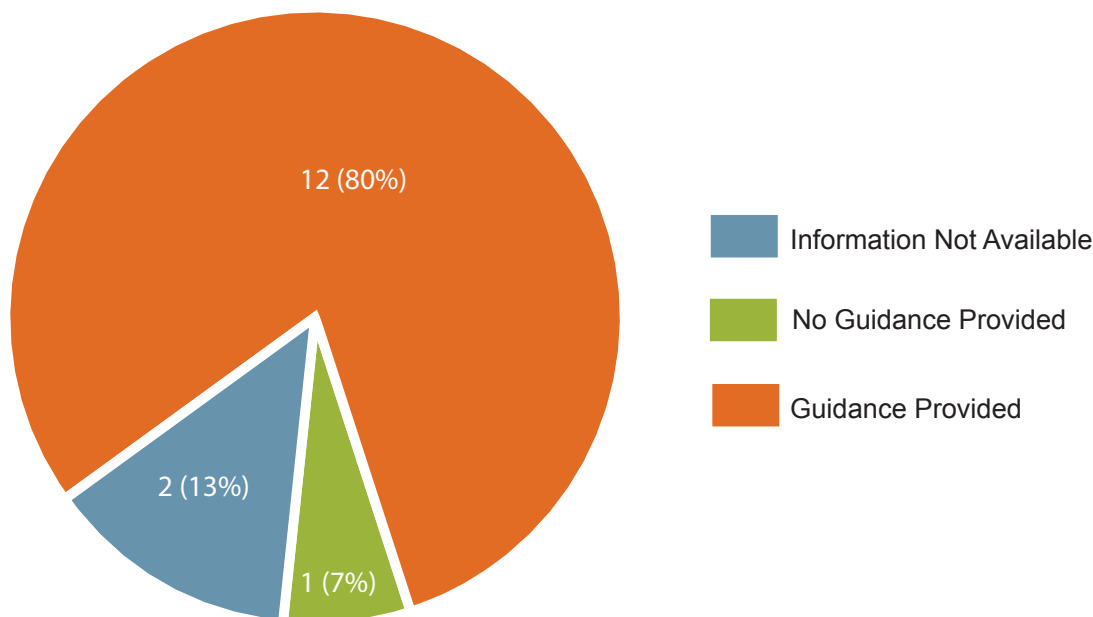


Figure 32: Assurance guidance.

The ISEAL Alliance (2011) states that schemes should define and document procedures for assurance processes and require that these procedures should be followed by assurance providers. Guidance should include: the frequency and intensity of the assurance process, the sampling protocols, the structure of the assurance team, the minimum scope that should be checked during assurances, the means of calculating the time needed for assurance, the documents to be reviewed, timelines for submission of reports and statements, and the minimum content for assurance reports and statements. The presence of guidance material assists to standardise expectations and outcomes. Standardisation helps to overcome variation in the application of the scheme and therefore improves the credibility of the process (Mori Junior 2014).

### 2.2.15 Public availability of assurance material

Transparency is important beyond the governance of schemes and can extend to disclosure of the results of the assurance processes, the name of assurance providers, and the availability of the assurance report and assurance statement. Seven of the schemes analysed (47%) do not publically disclose whether assurance material is available, two schemes (13%) indicate that assurance material is not publically available, four schemes (27%) disclose only the assurance statements, and two schemes (13%) make available all of the assurance documents (Figure 33). The documents made available by these two later schemes include: the assurance statements, summaries of the assurance report, assurer credentials, and any action plan assumed by the organisations under assurance.

There are two main benefits to disclosing the results of assurance processes: (1) public availability allows stakeholders to oversee the quality of the assurance process; and (2) assurers may feel more pressure to undertake rigorous assurance due to the exposure. Schemes that make assurance material public are essentially adding stakeholders as another assurance entity. Transparency in the assurance process is advocated by a number of authors (Mueller, Dos Santos et al. 2009, Track Record Global 2010, WWF 2013, Mori Junior, Best et al. 2014). Mori Junior et al., argues that to improve industry transparency the audit process itself must be transparent. They recommend that full versions of the assurance statements with detailed information about the work carried out, scope, methodology used, and results obtained should be made available in a form that is understandable to stakeholders. WWF (2013) goes further to argue that audit report summaries, guidelines for auditors and board meeting minutes should also be made available to the public to provide transparency and facilitate the involvement of stakeholders.

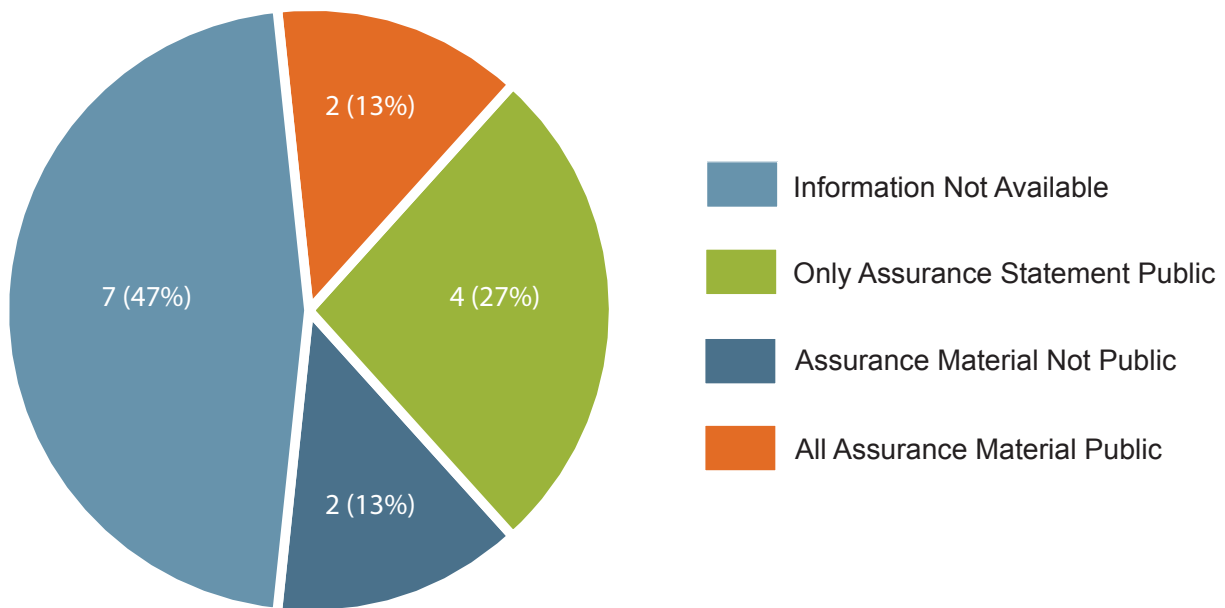


Figure 33: Public availability of assurance material.

### 2.2.16 Assurance oversight

There are varied approaches to assurance oversight adopted by the schemes under analysis. Three schemes do not assume the responsibility for oversight the assurance process. Instead, two of those schemes (13%) suggest quality criterion that organisations looking for assurance providers should consider, while the other scheme (7%) does not have any procedure in place for oversight the assurance process. Ten schemes (67%) have developed an accreditation mechanism, where assurers, must be accredited by the scheme or by an international accreditation body in order to provide assurance services. Two schemes (13%) recommend experienced assurance providers that must be used. Four schemes (27%) review the assurance process after it has been conducted and verify the quality and depth of the assurance reporting before providing a certificate, claim or label. In these situations the scheme becomes the entity responsible for assessment of the quality of the assurance. Two schemes (13%) do not disclose how they approach oversight of the assurance process (Figure 34).

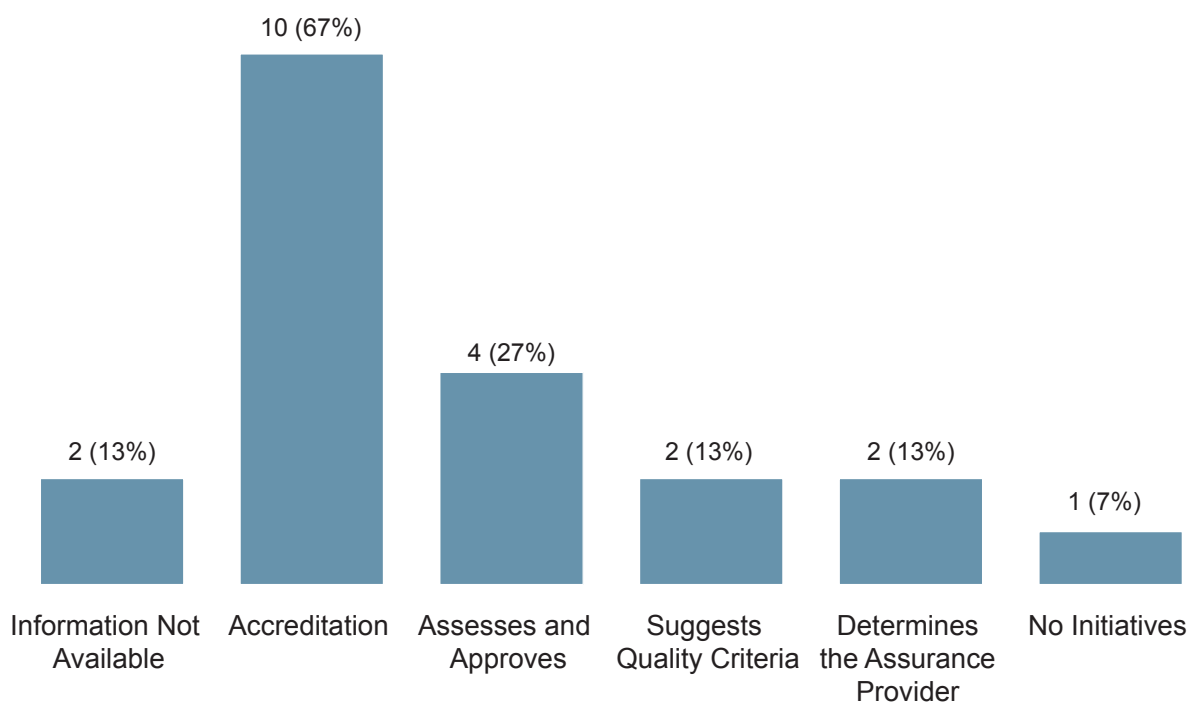
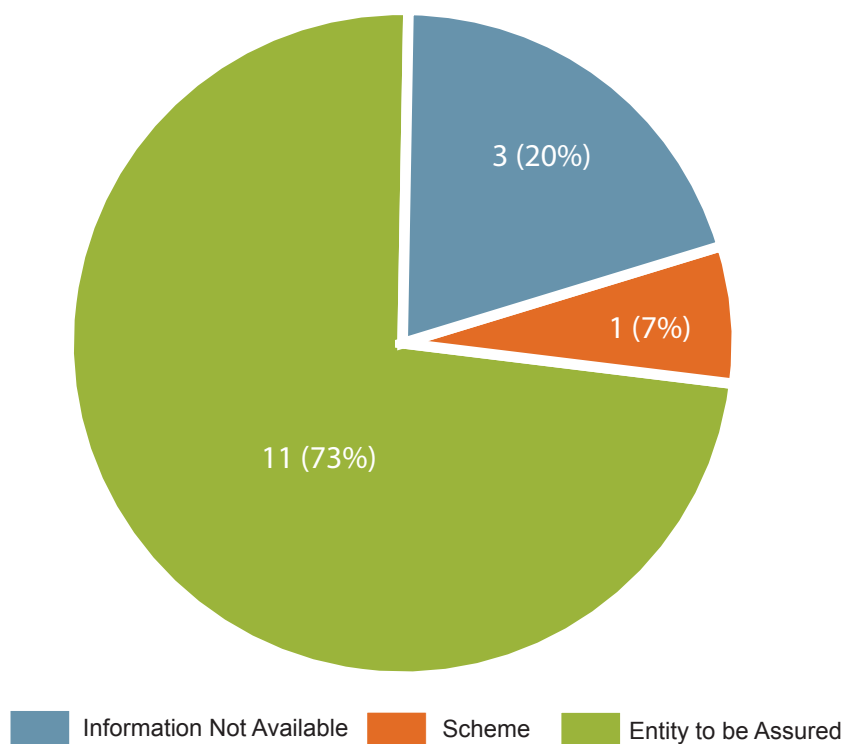


Figure 34: Assurance oversight.

Oversight of the assurance process aims to provide a minimum level of independence and quality and contributes to the impartiality of assurance. Regardless the type of approach adopted, schemes that oversee assurance have an extra mechanism to ensure quality. The oversight role should be played by a competent and impartial body (ISEAL Alliance 2011) and the control of accreditation bodies should be consistent and on a high level (Mueller, Dos Santos et al. 2009). The ISEAL Alliance (2013) suggests the inclusion of stakeholders in assurance processes as an instrument of oversight. They also suggest: in-depth monitoring of a specific issue across assurance providers to compare and determine the level of competence, conducting on-site visits to clients without the assurance provider to check if the assurance report correlates with what is seen, interviewing clients to assess the competence of the assurance provider, reviewing documents obtained by assurance providers during the assurance process, reviewing client assessment reports and following-up on discrepancies identified during the assurance process.

### 2.2.17 Assurance payment

The majority of the schemes analysed (11 of 15; 73%) require the entities to be assured to be responsible for the contract and payment to the assurance provider. One scheme (7%) assumes the responsibility for the costs associated with the assurance process. This scheme uses revenue generated from membership to pay for the assurance processes. In this situation, the scheme is the entity responsible for identify, select, contract and pay for the assurance process. Three schemes (20%) do not disclose how they handle the issue of assurance payment (Figure 35).



**Figure 35:** Assurance payment.

The independence of the assurance process could be improved by separating the relationship between the entity responsible for the costs involved with the assurance process, the entity under assurance and the assurance provider. The ISEAL Alliance (2011) recommends that the public availability of assurance fees and sources of funding for assurance providers is a further means to improve transparency.

### 2.2.18 Support for the assurance process

Developing and implementing initiatives to support scheme participants, assurers and/or other stakeholders in the assurance process can help participants and schemes to achieve their goals. Four of the schemes (27%) under analysis

provide training material for participants about how to implement the standard, how to be prepared for assurance processes, and how to conduct self-assessments and pre-audits. Three of those four schemes (20%) also provide technical material for participants to perform self-assessments and materiality assessments, and one of those schemes, in addition to the technical material, also provides technical support for participants to develop and implement corrective actions. Self-assessments are considered an important instrument to reduce the costs of assurance and improve capacity building. Seven of the schemes (47%) do not provide any information about the existence of support for the assurance process.

Four schemes (27%) provide financial support for early adopters or participants with financial constraints, mostly by defraying the costs of assurance. Two schemes (13%) encourage shared assurance processes as means to reduce costs. One of those two schemes (7%) recognises prior assurance undertaken on similar provisions for other schemes or standards to meet the assurance requirements of its own standard.

One scheme (7%) promotes the use of local assurers to reduce costs and contribute to local development. Another scheme (7%) uses the materiality concept to reduce the scope and thus the costs of the assurance process. Three schemes (20%) determine the frequency of the assurance process based on performance (Figure 36). Good performers have a longer time interval between assurance processes, which also reduces the assurance costs (see 2.2.13 Assurance frequency above).

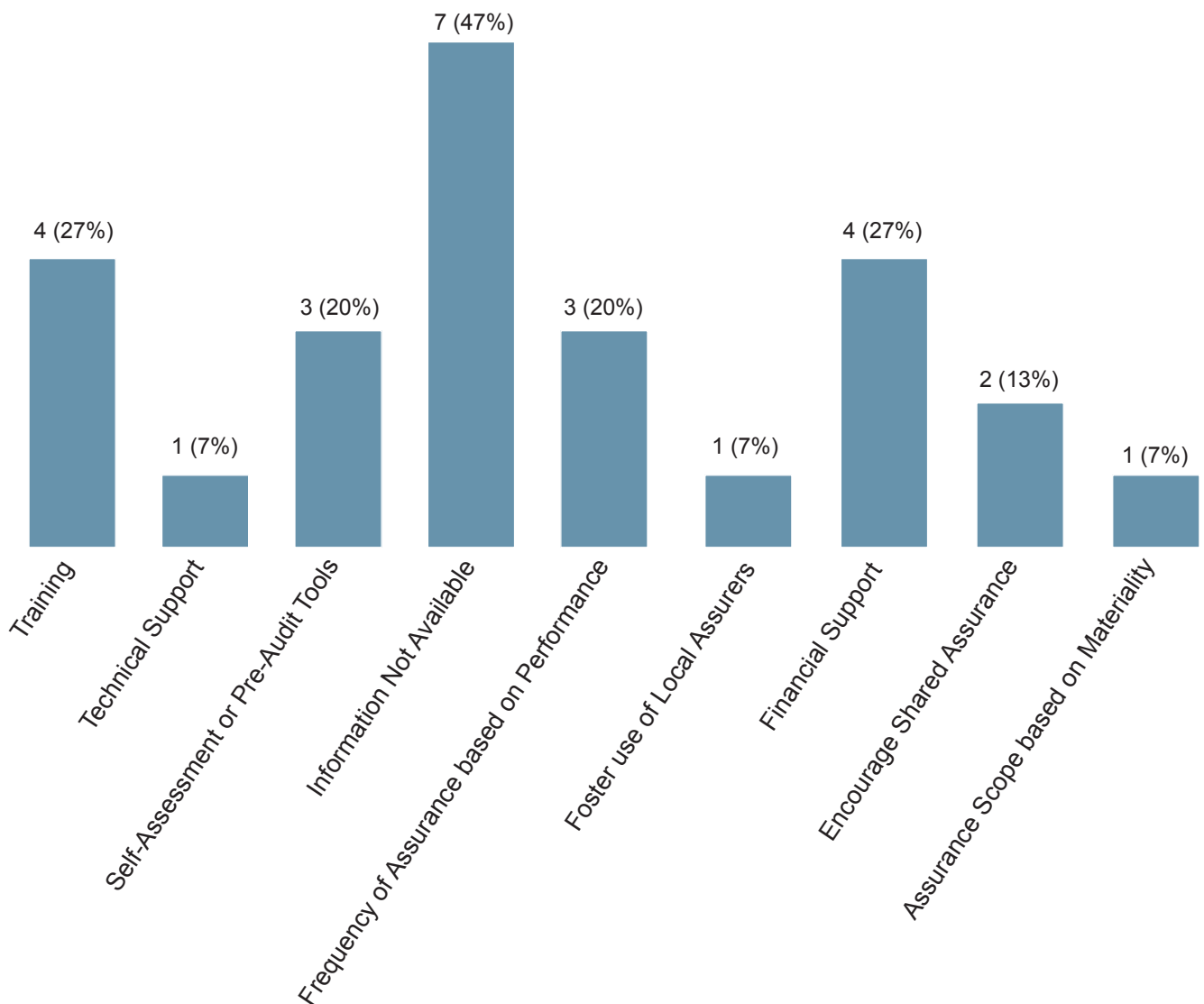
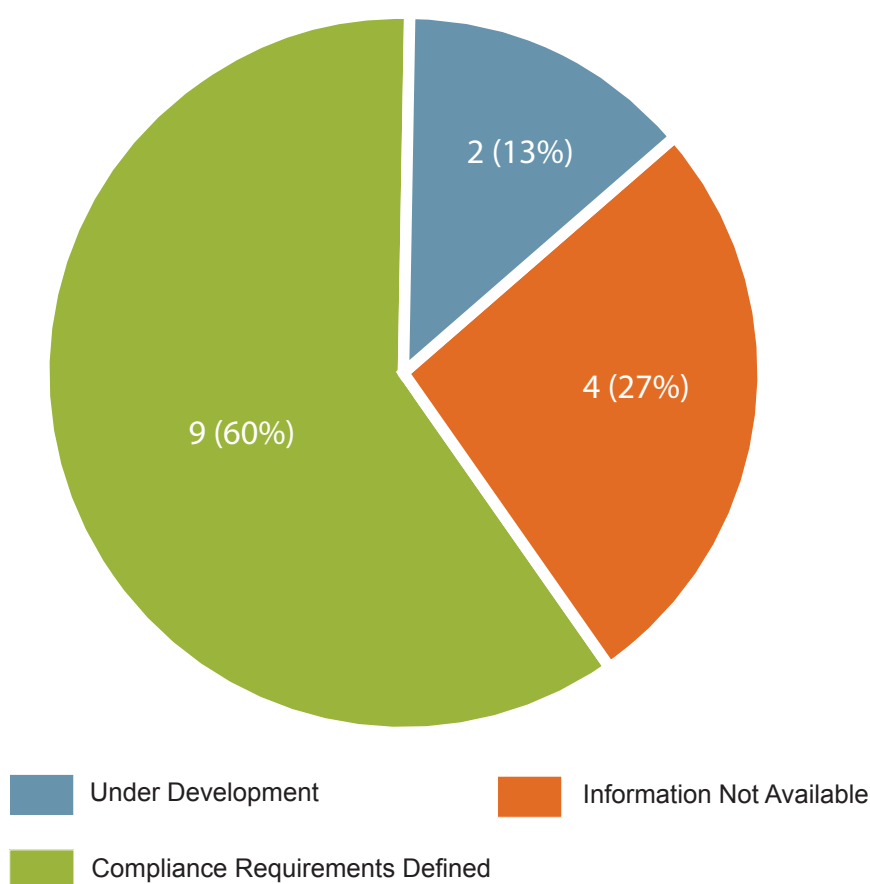


Figure 36: Support for assurance processes.

### 2.2.19 Compliance

A clear definition of the minimum requirements of compliance allows schemes to be assessed objectively avoiding misunderstanding, complaints and conflicts. Nine of the schemes analysed (60%) define minimum compliance requirements, two schemes (13%) indicate that they are under development, and four (27%) schemes do not disclose whether they have minimum requirements (Figure 37).

Some schemes provide detailed information about the minimum requirements of compliance in the form of guidelines, case examples of compliance, examples of evidence that can be used to demonstrate compliance, and advice on how situations of non-compliance are addressed. The definition of categories of compliance is common amongst the standards analysed. Common categories include: compliance, minor non-compliance, major non-compliance or critical breach. Some schemes differentiate compliance according to new or long-standing participants, with entry requirements for qualification different to progress compliance requirements after an entity has already been certified.



**Figure 37:** Compliance requirements.

The establishment of compliance requirements helps to avoid deviation and guarantee that all participants that are deemed compliant achieved a minimum standard of performance. To be effective, minimum requirements of compliance should be clearly defined and verifiable (checked for compliance through an assurance process; (International Organization for Standardization 1999, ISEAL Alliance 2010). The achievement of minimum levels of compliance allows certified entities to attest to stakeholders that they have met the performance standards and improves the credibility of the scheme (WWF and World Bank 2006, ISEAL Alliance 2010, ISEAL Alliance 2013).

### 2.2.20 Support for compliance

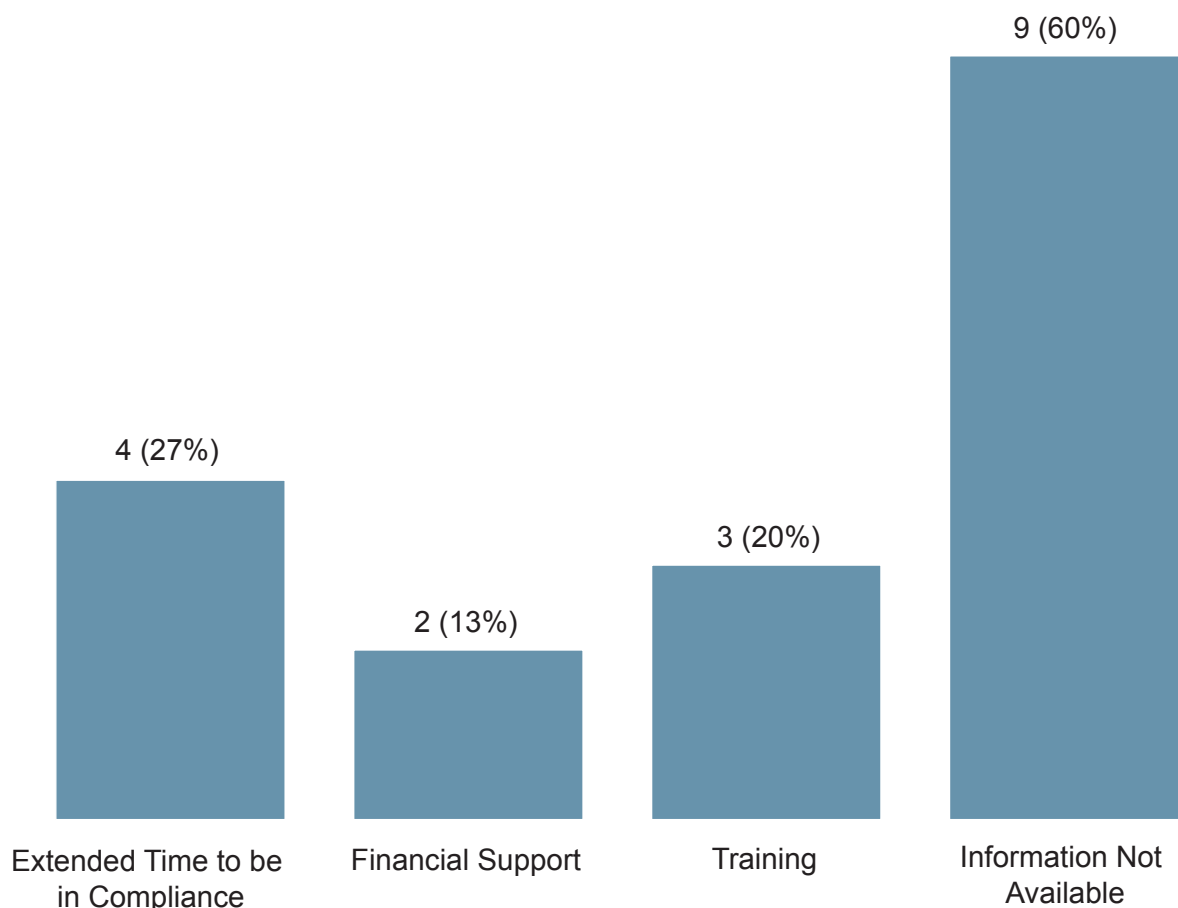
Initiatives that foster a higher the level of compliance by scheme participants are important tool to improve the accessibility of schemes and to build the capacity of participants. Four schemes (27%) have initiatives in place that provide new starters an extended period of time to reach compliance, two schemes (13%) provide financial support

for new starters and small producers located in developing countries to cover the operational costs for compliance, while the slight majority of schemes (9 of 15; 60%) did not disclose whether they have initiatives to support compliance (Figure 38).

Training workshops to discuss implementation and compliance issues are offered by three schemes (20%). One of those schemes tailors training to participants after the initial compliance diagnosis. This scheme also has a pre-audit process to prepare participants for the assurance process. Another scheme holds training initiatives in collaboration with local NGOs, government representatives, international development organisations and the private sector.

Of the schemes that have initiatives in place to provide financial support to lower income and small scheme participants, one scheme uses a percentage of its budget to help scheme participants with financial and technical constraints to join and stay in the scheme, and to access technical support. This scheme recently announced a specific fund to provide long-term loans to small scheme participants. Another scheme offered financial support to cover assurance costs for the first successful assurance process.

Komives and Jackson (2014) argue that by providing support for producers, operators and organisations to come into compliance is one of the most important components of any scheme. Schemes should be flexible and allow different approaches for different participants, and permit those scheme participants with constraints to achieve the same goals through different means (Waide and Bernasconi-Osterwalder, (2008). Offering price premiums for certain levels of compliance, assisting participants to obtain finance and manage their finances, reducing costs, providing technical support, and improving accessibility were also suggested by previous studies as examples of ways to improve the level of compliance (Federal Ministry for Economic Cooperation and Development 2008, Blackman and Rivera 2011, ISEAL Alliance 2011, ISEAL Alliance 2013, Komives and Jackson 2014). Without support some producers might not be able to overcome the barriers to certification, which may engender inequality, and lead to situations where only producers with financial and technological capacity can reap the benefits of being certified by a scheme.



**Figure 38:** Support for compliance.

### 2.2.21 Consequences of non-compliance and sanctions

The slight majority of the schemes analysed (9 of 15; 60%) have consequences and sanctions for situations of non-compliance. Three schemes (20%) did not disclose whether they had sanctions for non-compliance, two schemes (13%) indicated that this design aspect of the scheme was currently under development, and one scheme (7%) does not have consequences or sanctions for non-compliance (Figure 39). One scheme defines consequences not only for the operations of the scheme participant, but also for upstream traders and suppliers. Non-compliance by any of the upstream traders or suppliers automatically results in the corresponding level of non-compliance on the scheme participant.

The lack of consequences and sanctions in situations of non-compliance affects the credibility of schemes. Stakeholder attitudes and levels of trust in the scheme are affected when certified entities are not penalized in situations of non-compliance. In addition, entities already certified and compliant can lose enthusiasm and interest in compliance with, which can affect the capacity of the scheme to drive improvements in performance (Partnership Africa Canada 2009, Stark and Levin 2011, Sharife and Grobler 2013, Acosta 2014, Columbia Center on Sustainable Investment 2014). Acosta (2014) recommends that schemes link non-compliance with sanctions. The ISEAL Alliance (2011) states that sanctions could be seen as an incentive to conform rather than an attempt to penalise scheme participants. Schemes must define and make publicly available how non-compliance should be addressed and the sanctions that should accompany continued non-compliance. Consequences for non-compliance are important to guarantee compliance and incentivize participants to ensure compliance.

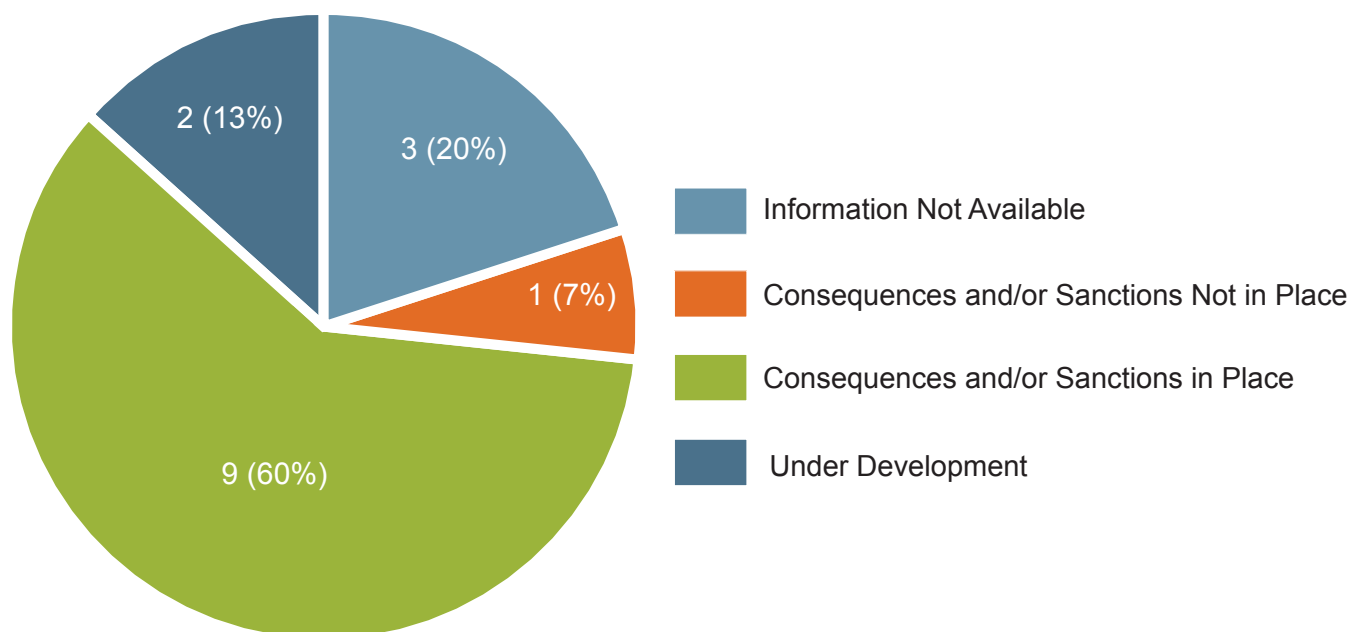


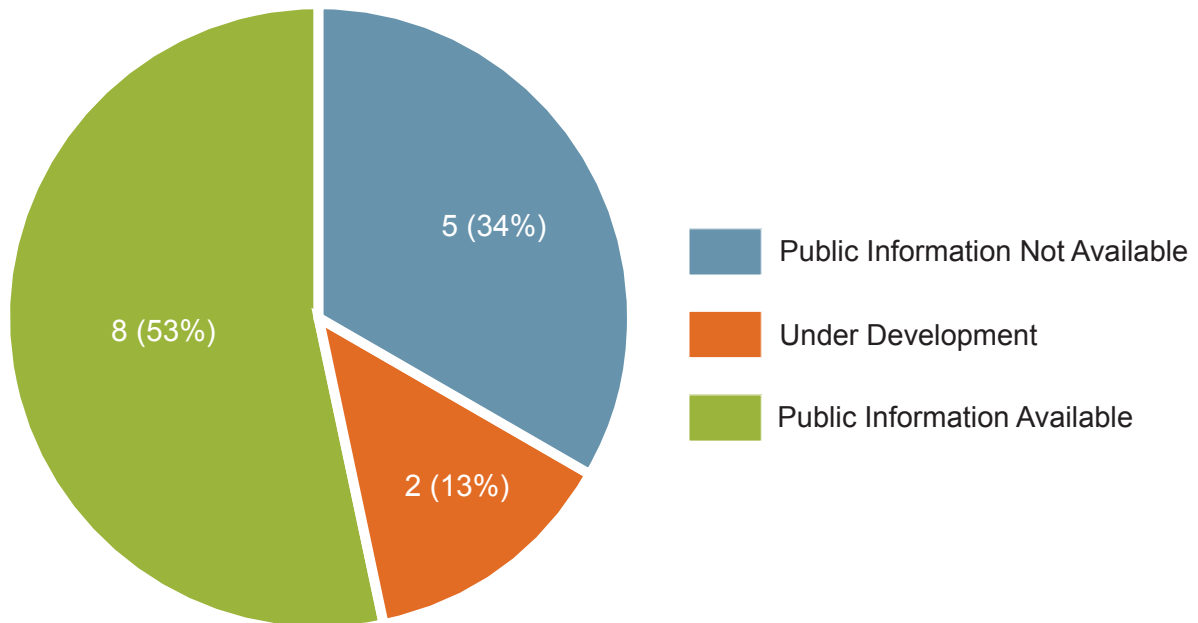
Figure 39: Consequences of non-compliance and sanctions.

### 2.2.22 Public financial disclosure

Public disclosure of financial information contributes to transparency and is a feature of good governance. The criteria that we used for analysis of financial disclosure was whether a scheme had disclosed any aspect of their finances over the prior year, including costs, incomes and expenditures. The slight majority of the schemes (8 of 15; 53%), do not publically disclose their financial information, five schemes (34%) prepare annual reports that include detailed financial information and two schemes (13%) indicated that this aspect of the scheme design was still under development



(Figure 40). Only one of the five schemes that disclosed financial information within an annual report had their finances audited by an external auditor. Auditing by an accredited financial professional is an important governance practice that increases credibility and guarantees the financial position of the entity at a given date.

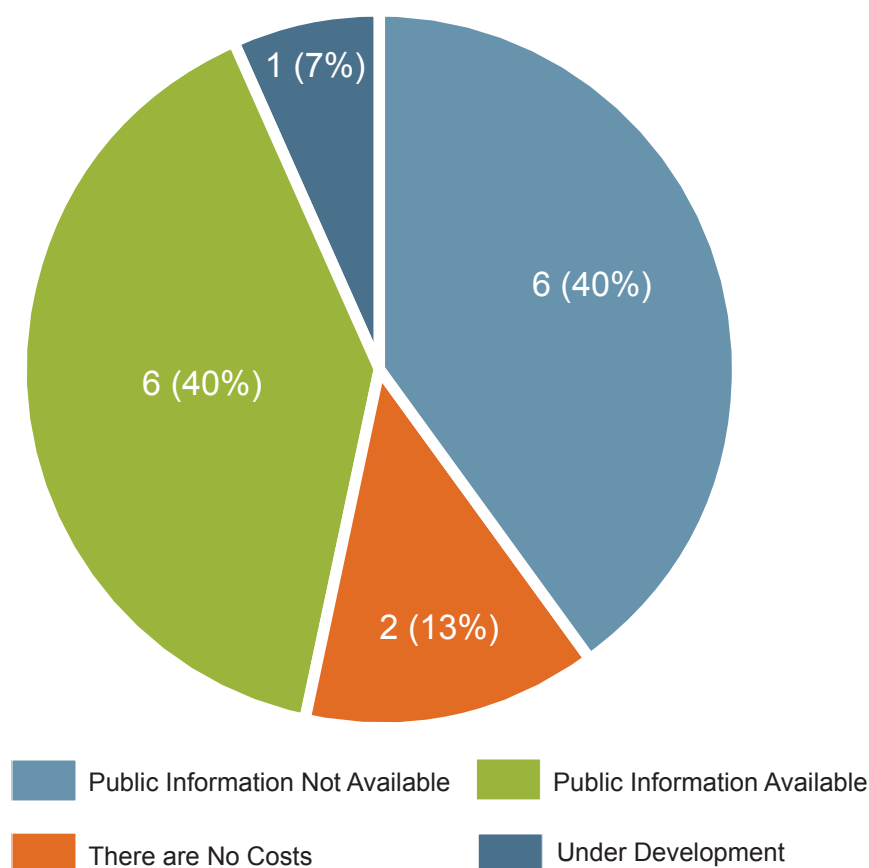


**Figure 40: Public financial disclosure.**

Schemes that disclose financial information are recognised by stakeholders as more credible and accountable. Public disclosure of financial information aims to avoid misuse of financial resources and to ensure that potential conflicts of interest are identified and managed (Municipal Association of Victoria, Victorian Local Governance Association et al. (2012). Besides the benefits to external stakeholders, transparency around finance also improves internal management (Lowenstein 1996). The Instituto Brasileiro de Governança Corporativa (2010) furthermore argues that financial transparency also helps organisations to be understood by civil society. In addition to the financial transparency, reporting about problems, unachieved goals as well as successes, are essential to the development of credibility (Mueller, Dos Santos et al. 2009).

### 2.2.23 Public information about costs

The costs associated with participation in a scheme include membership, annual fees and assurance costs. Six schemes (40%) provide public information about the costs for participants, two schemes (13%) indicated that they do not impose membership fees or annual fees, and for one scheme (7%) the costs of participation were still under development. Six schemes (40%) do not provide information about the costs of participation (Figure 41). Aside from the benefits of transparency on scheme credibility, public disclosure of costs helps potential new participants to consider the costs associated with their potential involvement and to make long-term plans.

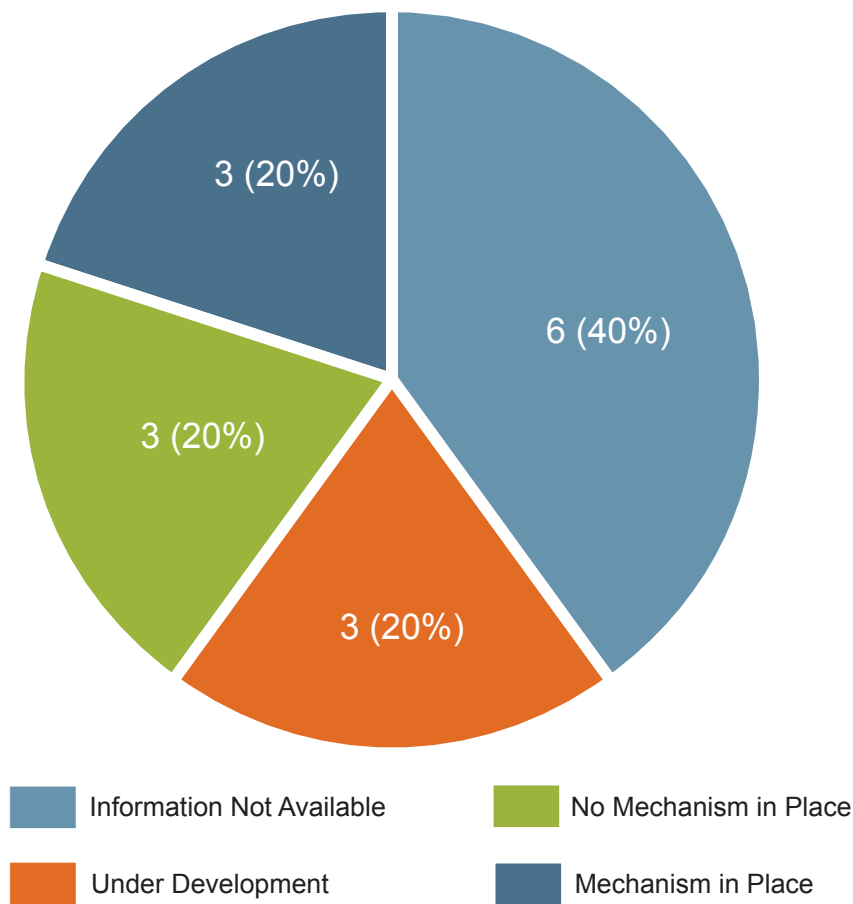


**Figure 41:** Public information about costs associated with the scheme.

### 2.2.24 Effectiveness

Assessment of the effectiveness of any scheme is important not just to measure achievements and guide future improvement, but also to provide accountability about the scheme's performance and to share achievements with stakeholders and potential new participants. The ISEAL Alliance (2010) recommends that schemes should periodically review their effectiveness in meeting their stated objectives. Six of the schemes assessed (40%) did not provide any information about the existence of mechanisms to evaluate their effectiveness, three of the schemes (20%) indicated there were no mechanisms in place, three schemes (20%) indicated that this aspect was currently under development, and only three schemes (20%) did have mechanisms in place to periodically evaluate effectiveness.

Schiavi and Solomon (2007) argue that for schemes to achieve their full potential they should have in place monitoring mechanisms to assess performance claims. Miller and Bush (2014) highlight the importance of collating evidence to back up rhetorical claims. Stark and Levin (2011) and WWF (2013) found that few schemes had properly evaluated their effectiveness. The three schemes analysed in this report that did periodically assess their effectiveness have designed and implemented different types of mechanisms. One of the schemes implemented a monitoring and evaluation program to assess its impacts in short, medium and long-term. Details about this monitoring and evaluation program are periodically published as a report that outlines a theory of change, progress towards desired outcomes, impact evaluations, and case studies.



**Figure 42:** Mechanism in place to assess effectiveness.

Two other schemes provide periodic reports with the results of an annual monitoring and data collection process conducted with scheme participants. The annual reports provide information about general features of the scheme participants (number of producers, workers, women, size, area where participants operate, etc.), details about production and sales (production capacity, total volume sold, land used, etc..) and information about the premium paid by the schemes to scheme participants (how much scheme participants received and how the premium was used).

While regular monitoring and evaluation was undertaken by only a minority of schemes, there was evidence that schemes were undertaking ad hoc research on effectiveness. For instance, one scheme contracted a consultant company to perform two types of evaluation, one about the direct economic impact of gold on local and global economic development, and the second to compare the scheme against the OECD Responsible Supply Chain Due-Diligence process. Another scheme developed specific case studies where the outcomes of the scheme were assessed. While these examples were from schemes classified in this report as not having a regular mechanism in place to measure effectiveness they do indicate that a wider group of schemes are grappling with these questions. It is also important to mention that some schemes have not been established yet to be able to properly evaluate their effectiveness.

# 3. Conclusion

Although different schemes are designed for different applications, to succeed they must be effective, transparent and accountable to their goals and aims. In this report we have aimed to build knowledge about the application of sustainability certification to the mineral industry. The literature on sustainability certification has called for more empirical studies on the effectiveness of sustainability certification.<sup>13</sup> This report demonstrates that there is significant variation in how sustainability certification schemes in the mining industry have been designed to meet their objectives. Some of these differences reflect the history of the scheme, the unique geographic, industry, technology and demographic characteristics of the entities under certification, the level of transparency and accountability, and the stage of maturity or time since establishment of the initiative. However, there are areas where schemes can improve their effectiveness based on the knowledge outlined in existing literature.

Effectiveness has become a topic of significant importance in sustainability certification. The assessment of effectiveness is important not just to measure achievements and guide future improvements, but also as an instrument to provide accountability to stakeholders and to encourage participation. Sharing practice between schemes will foster improved standards. In the next stages of this research interviews and fieldwork will be conducted to investigate how the design characteristics of schemes influence outcomes on the ground and the overall effectiveness of individual schemes, and the collective practice of sustainability certification.

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<sup>13</sup> See for example Gulbrandsen (2005), Auld, Gulbrandsen et al. (2008), Mikkilä, Heinimö et al. (2009), Blackman and Rivera (2011), Barry, Cashore et al. (2012), Manning, Boons et al. (2012), Reinecke, Manning et al. (2012), Delmas and Pekovic (2013) and Marin-Burgos, Clancy et al. (2014).

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