Achieving environmental, social and legal compliance: the benefits of certification schemes

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About ISEAL

ISEAL is the membership organisation for ambitious, collaborative, and transparent sustainability systems, set up in 2002.

We currently have 47 members leading voluntary sustainability schemes.

ISEAL Community Members cover many sectors

- Agriculture
- Fisheries and aquaculture
- Textiles
- Climate and carbon
- Forestry
- Water stewardship

- Infrastructure
- Biomaterials
- Extractives (minerals and metals) and jewelry
- Tourism and sport

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Defining & advancing credible practices
Innovating and improving to deepen impact

Our mission is to accelerate positive change by improving the impacts of ambitious sustainability systems and their partners.

ISEAL's **Credibility Principles** and **Code of Good Practice** are a global reference on credible practice for sustainability systems, such as standards and certification.

Many organisations reference the ISEAL Codes and Credibility Principles including:

UNCTAD

FAO FIAT PANIS

THE WORLD BANK

Convention on Biological Diversity

defra
Department for Environment Food and Rural Affairs

WWF

gíz
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

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ISEAL Credibility Principles

ISEAL's [Credibility Principles](#) define the core values of credible and effective sustainability systems (v.2 launched 2022)
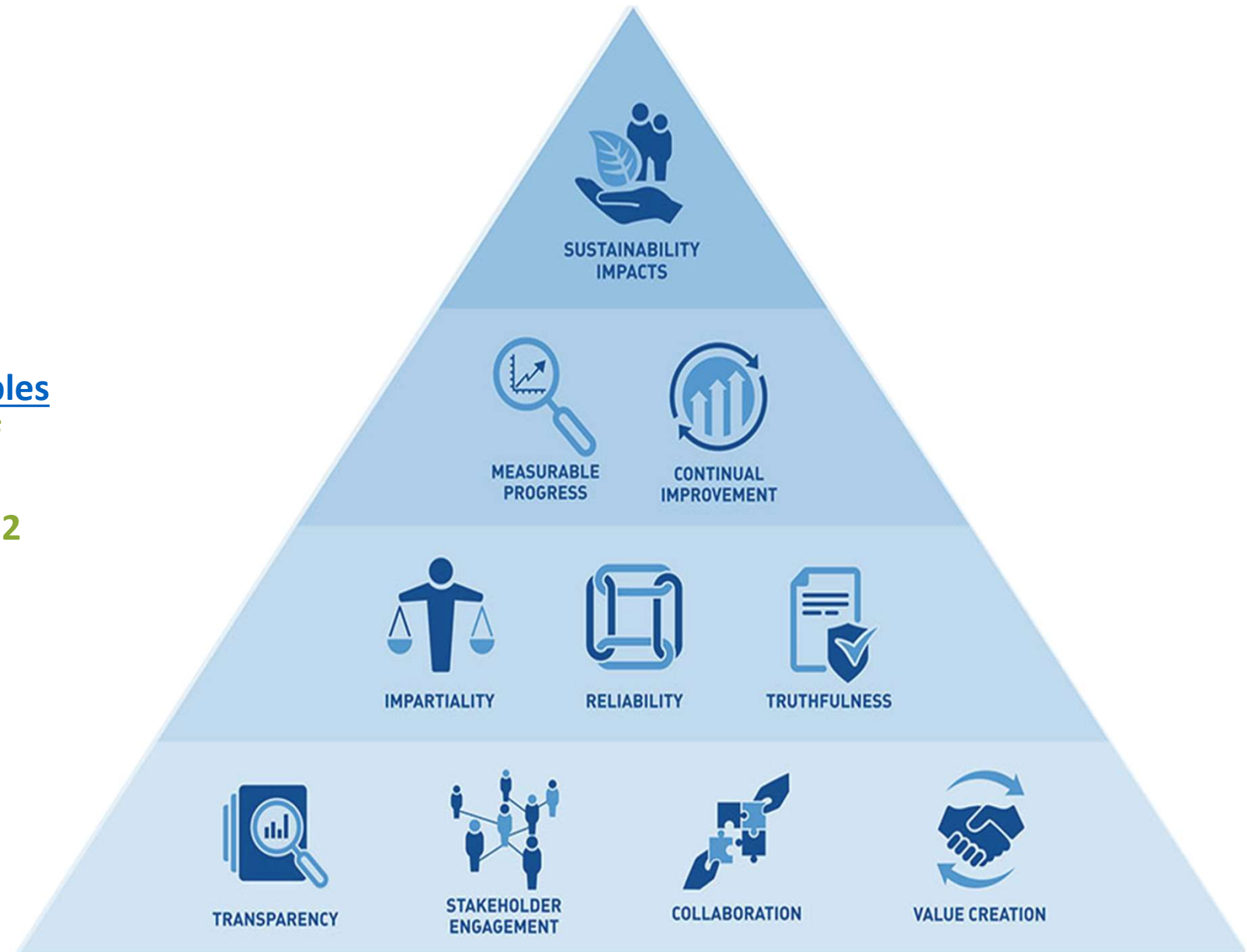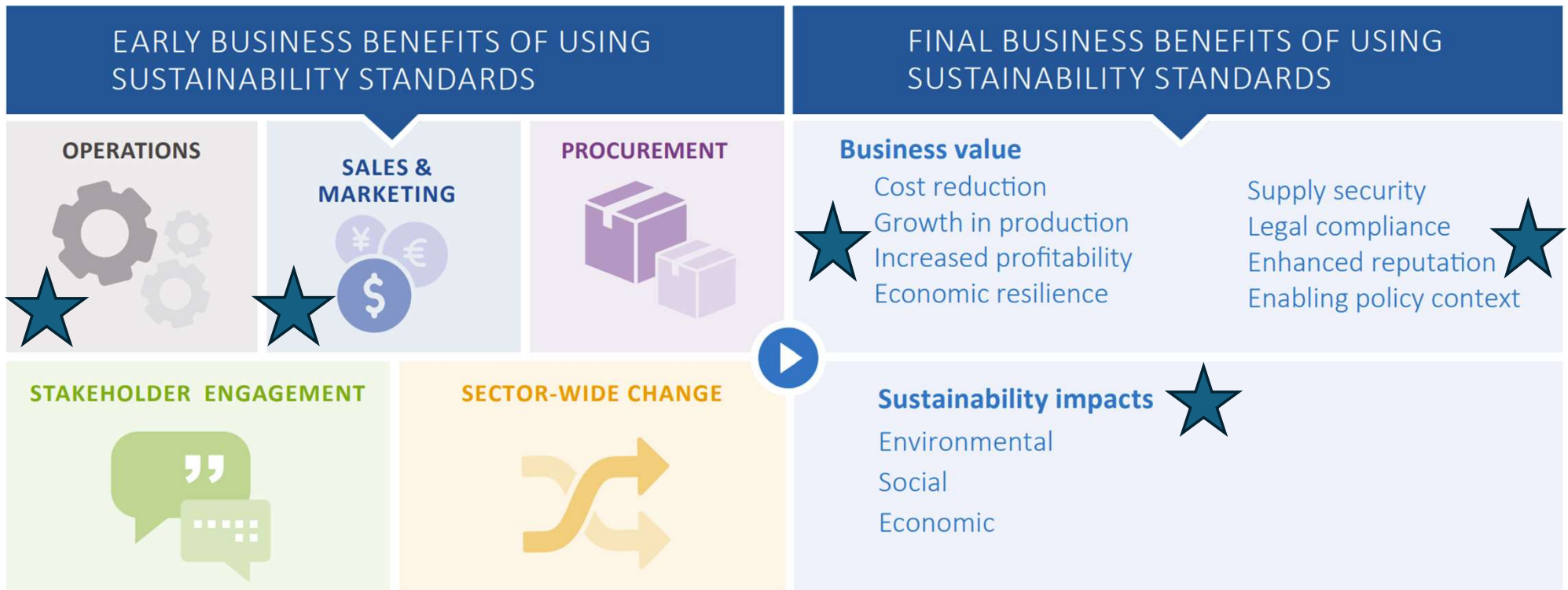
What are the benefits to companies of working with certification schemes?

How is that evolving in the current regulatory environment?

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Business benefits of working with standards and certification

EARLY BUSINESS BENEFITS OF USING SUSTAINABILITY STANDARDS

OPERATIONS

SALES & MARKETING

PROCUREMENT

STAKEHOLDER ENGAGEMENT

SECTOR-WIDE CHANGE

FINAL BUSINESS BENEFITS OF USING SUSTAINABILITY STANDARDS

Business value

Cost reduction
Growth in production
Increased profitability
Economic resilience

Supply security
Legal compliance
Enhanced reputation
Enabling policy context

Sustainability impacts

Environmental
Social
Economic

Short-term
More directly attributable to use of standards and certification

Long-term
Take time to materialise and are influenced by many external factors

Source: AidEnvironment (2017 and 2022).

More than 50% of studies reviewed cited this benefit, in 2017 or 2022

Top two early benefits … for upstream and downstream businesses, according to published studies

85%

improved market access

78%

improved business operations

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Source: AidEnvironment (2017)

Profitability and reputation among top realised final benefits for upstream and downsteam businesses, according to published studies (2016 and before)

Chart showing "% of source documents" on the x-axis (0 to 70) for the following categories:
- Cost reduction
- Growth in production (productivity, quality and growth)
- Profitability
- Supply security
- Reputation / licence to operate
- Legal compliance
- Enabling policy context
- Level playing field
- Sustainability impacts of standards

Legend:
← Upstream businesses
→ Downstream businesses
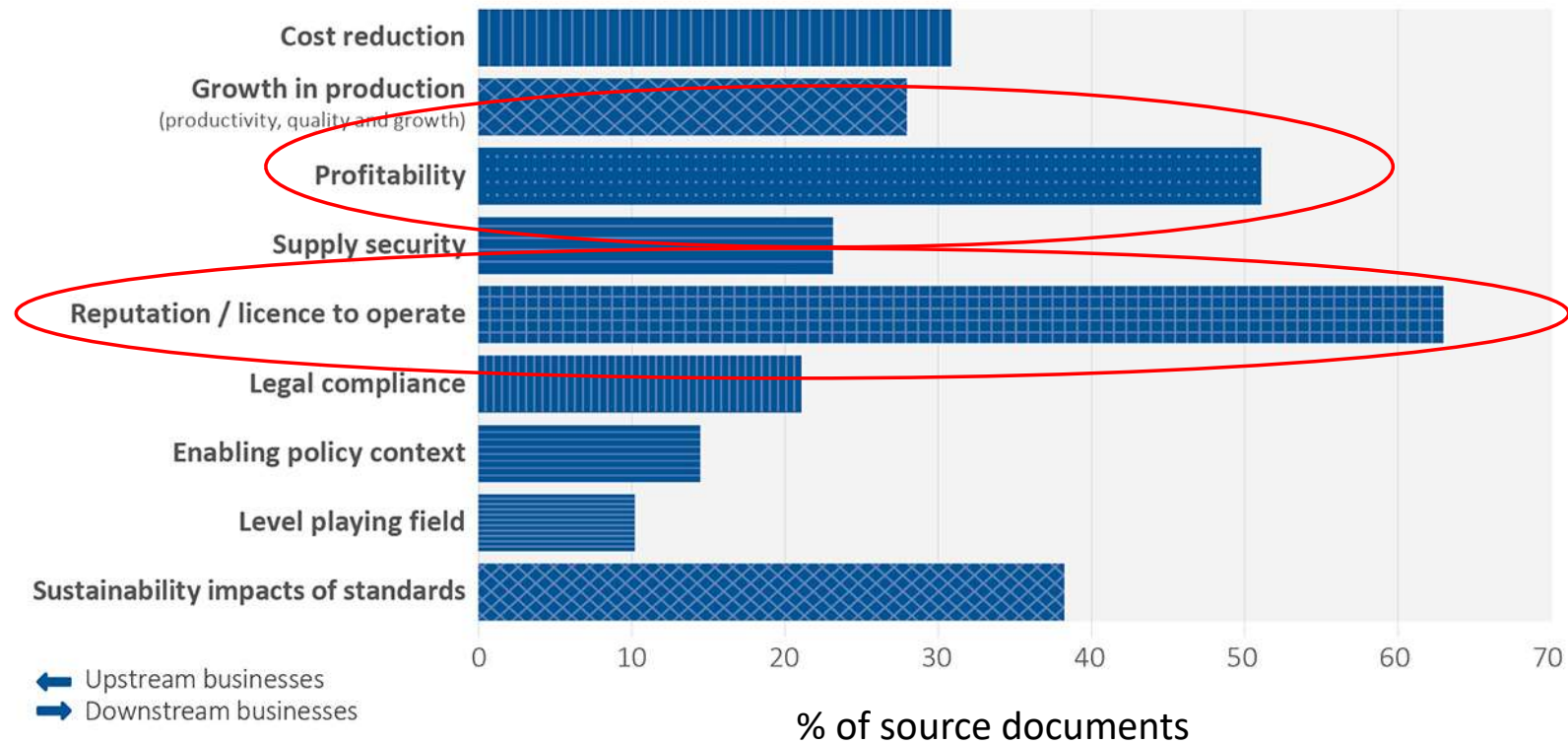
Growth, reputation, and impact among top realised final benefits for upstream and downsteam businesses, according to published studies (2017 - 2022)

% of source documents
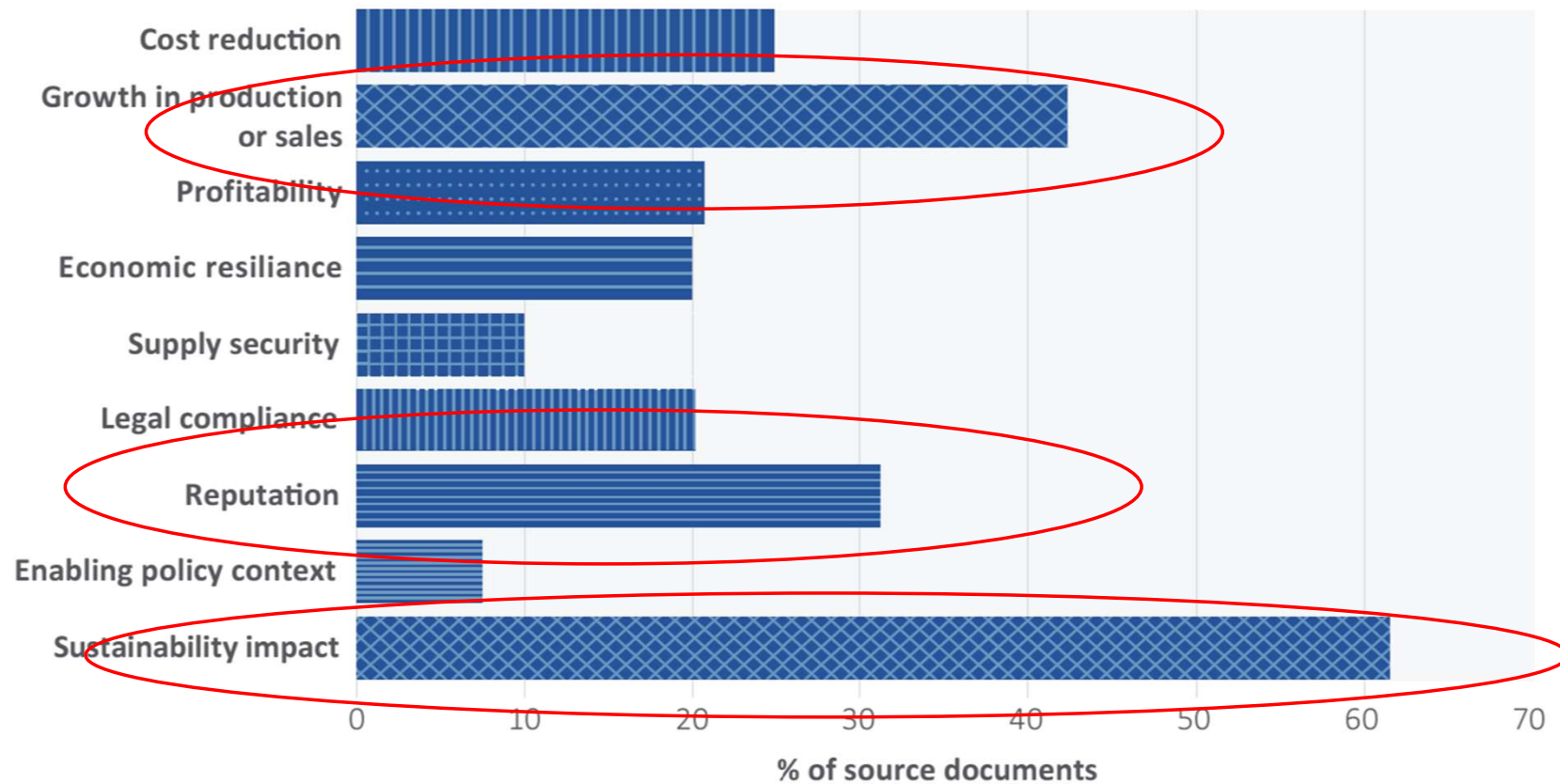
How might this evolve in the current regulatory environment?

- The core functions that standards and certification provide remain critical

- Independent (third party) audits and chain of custody verification will be even more important

- Standards systems are innovating to provide additional services and benefits to support upstream and downstream companies in this new environment
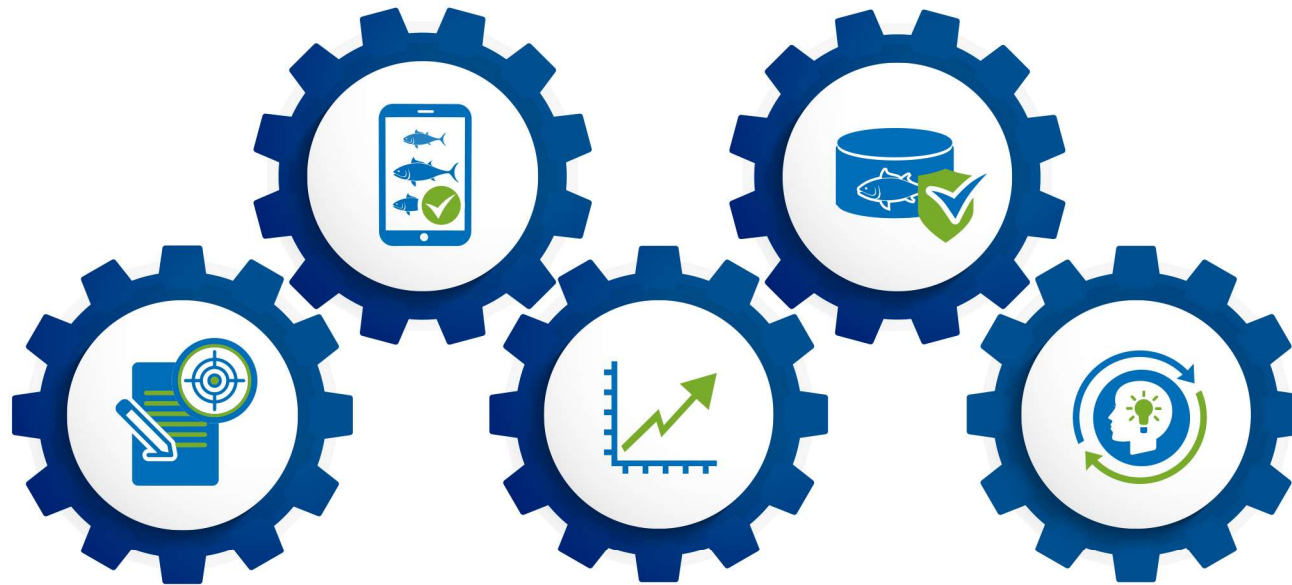
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The changing sourcing landscape

Corporate due diligence process (OECD, 2018)

Emerging due diligence legislation

Mandatory disclosure laws

2010
California Transparency
in Supply Chains Act

2015
UK Modern
Slavery Act

2016
EU Non-Financial
Reporting Directive

Pending
Swiss Responsible
Business Initiative

1976
OECD
guidelines

1986
IFC
Performance
Standards

2000
Voluntary Principles
on Security and
Human Rights

2003
Equator
Principles

2011 UN, Guiding Principles on Business and Human Rights

Voluntary guidelines

Emergence of national laws requiring
business to disclose or to conduct
human rights due diligence

Legend — Voluntary guideline — Mandatory disclosure laws
Mandatory due dilligence and disclosure laws

2010
US Dodd
Frank Act 1502

2018
French Duty
of Care Act

2020
Dutch Child Labour
Due Diligence Act

2021
EU Conflict
Minerals Regulation

2022
EU
Deforestation
Regulation

2024
EU Corporate
Sustainability Due
Diligence Directive

Mandatory due diligence and disclosure laws

German Act on
corporate due
diligence

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Emerging due diligence legislation

Sustainability - moving from voluntary action to mandatory obligations

Typology of due diligence instruments based on obligations for companies

Due diligence instruments	Type of obligations for companies
Disclosure-only instruments	*Report and communicate* their actions to mitigate adverse impacts of their activities in their value chains
Disclosure, diligence and remediation legislations	*Report and mitigate* adverse impacts of their activities in their value chains
Trade-based legislations	*Demonstrate* that products were produced free of adverse impacts along their value chains

UNCTAD, 2024

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Due diligence process and VSS infrastructures

Due diligence steps		VSS infrastructures
1. Embed due diligence in policies and management		VSS requirements on policies and management systems related to sustainable production practices VSS adoption demonstrating commitment to responsible business conduct
2. Identify and assess adverse impacts along GVC		VSS risk assessment requirements VSS traceability systems
3. Cease, prevent and mitigate adverse impacts		VSS corrective action plans VSS audits VSS risk assessment requirements
4. Monitor performance on how adverse impacts are addressed		VSS audits (top-down monitoring) VSS complaint systems (bottom-up monitoring)
5. Communicate how adverse impacts are addressed		VSS reporting templates VSS public audit reports
6. Provide remedy and grievance mechanisms		VSS grievance and complaint systems

UNCTAD, 2024

Mapping EU Green Deal policies and initiatives

Supply chains & operations

- Corporate Sustainability Due Diligence Directive
- Forced Labour Product Ban
- Deforestation Regulation
- Sustainable Food System Framework
- Conflict Mineral Regulation
- EU Batteries Regulation
- CBAM
- EU RED II/III
- Sustainable Textiles Action Plan
- Critical Raw Materials Action Plan
- Bio-Plastics Strategy

End-product requirements

- Sustainable Product Initiative
- Ecodesign Requirements
- EU Product Passport
- Packaging and Packaging Waste Directive

Corporate Reporting

- EUCSRD and Sustainable reporting standards (ESRS)

Consumer claims

- Empowering Consumers Directive
- Green Claims Directive
- SPI and Ecodesign Transparency Requirements
- Sustainable Food Labelling Framework
- Revision of marketing standards

Finance/investment & supporting measures

- EU Taxonomy and delegated acts
- Sustainable Finance Disclosure Regulation
- EU Climate/ESG benchmarks and Green Bond Standard

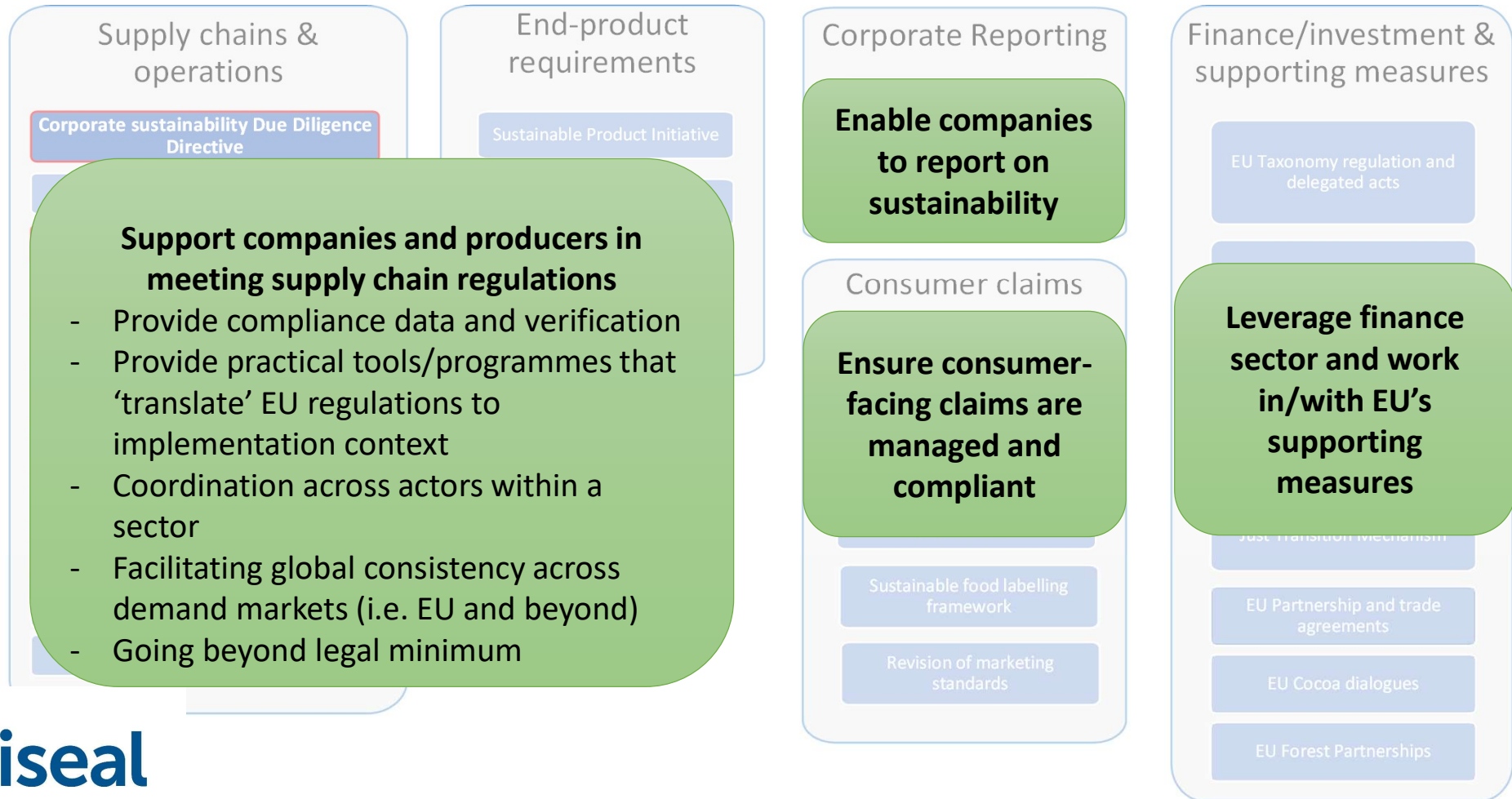-------------------------------

- Just Transition Mechanism
- EU Partnership and trade agreements
- EU Cocoa Dialogues
- EU Forest Partnerships

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EU Green Deal policies and initiatives

How do sustainability systems and standards fit in?

Supply chains & operations

Corporate sustainability Due Diligence Directive

Support companies and producers in meeting supply chain regulations
- Provide compliance data and verification
- Provide practical tools/programmes that 'translate' EU regulations to implementation context
- Coordination across actors within a sector
- Facilitating global consistency across demand markets (i.e. EU and beyond)
- Going beyond legal minimum

End-product requirements

Sustainable Product Initiative

Corporate Reporting

Enable companies to report on sustainability

Consumer claims

Ensure consumer-facing claims are managed and compliant

Sustainable food labelling framework

Revision of marketing standards

Finance/investment & supporting measures

EU Taxonomy regulation and delegated acts

Leverage finance sector and work in/with EU's supporting measures

Just Transition Mechanism

EU Partnership and trade agreements

EU Cocoa dialogues

EU Forest Partnerships

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The EU Deforestation Regulation (at a glance)

Original timeline

Commission's proposal

30 December 2024

EUDR enters into application

30 June 2025

EUDR is applicable for SMEs

30 December 2025

EUDR enters into application

30 June 2026

EUDR is applicable for SMEs
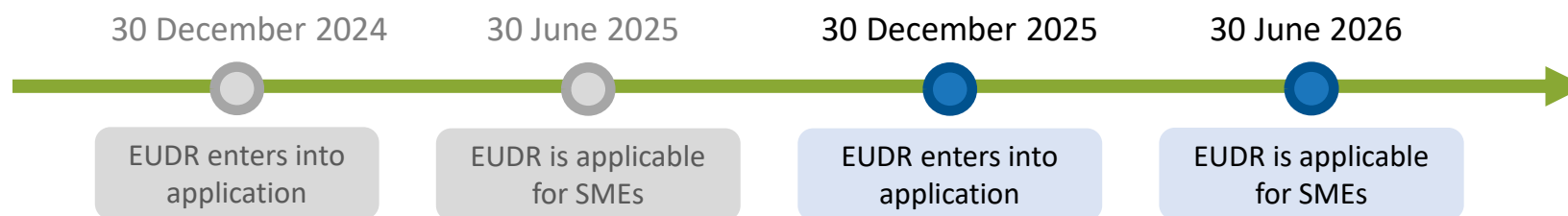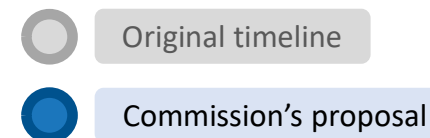
Scope

- Wood, soy, coffee, cocoa, palm oil, cattle, rubber
- EU imports and exports must be deforestation-free, produced legally and covered by a due diligence statement

Operator obligations

› Information collection, traceability, risk assessment, risk mitigation, separation of materials of non-negligible and negligible risk, due diligence statement submission, information retention

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Sustainability systems and EUDR implementation

Systems that support, not replace, corporate due diligence

- No green lane for certification schemes.

- 3rd party systems can provide supporting evidence that products are of negligible risk, informing risk assessments and due diligence processes, and translate regulation into standards, policies and procedures.

- Not all 3rd party systems are set up to fully support EUDR compliance, but many are adapting and clarifying their role.

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Sustainability systems and EUDR implementation

How are ISEAL Community Members responding?

There's still a need for corporate sustainability action beyond regulatory obligations

› Voluntary leadership is still needed on sustainability, in addition to meeting regulation

› Meeting regulatory obligations shouldn't be at the expense of sustainability impacts

Eutrophication

Poverty

Water crisis

Biodiversity loss

Health

Ecotoxicity

Education

Regulated aspects of sustainability

Air polluants

Resource scarcity

Affordable goods & services

Inequality

Overconsumption

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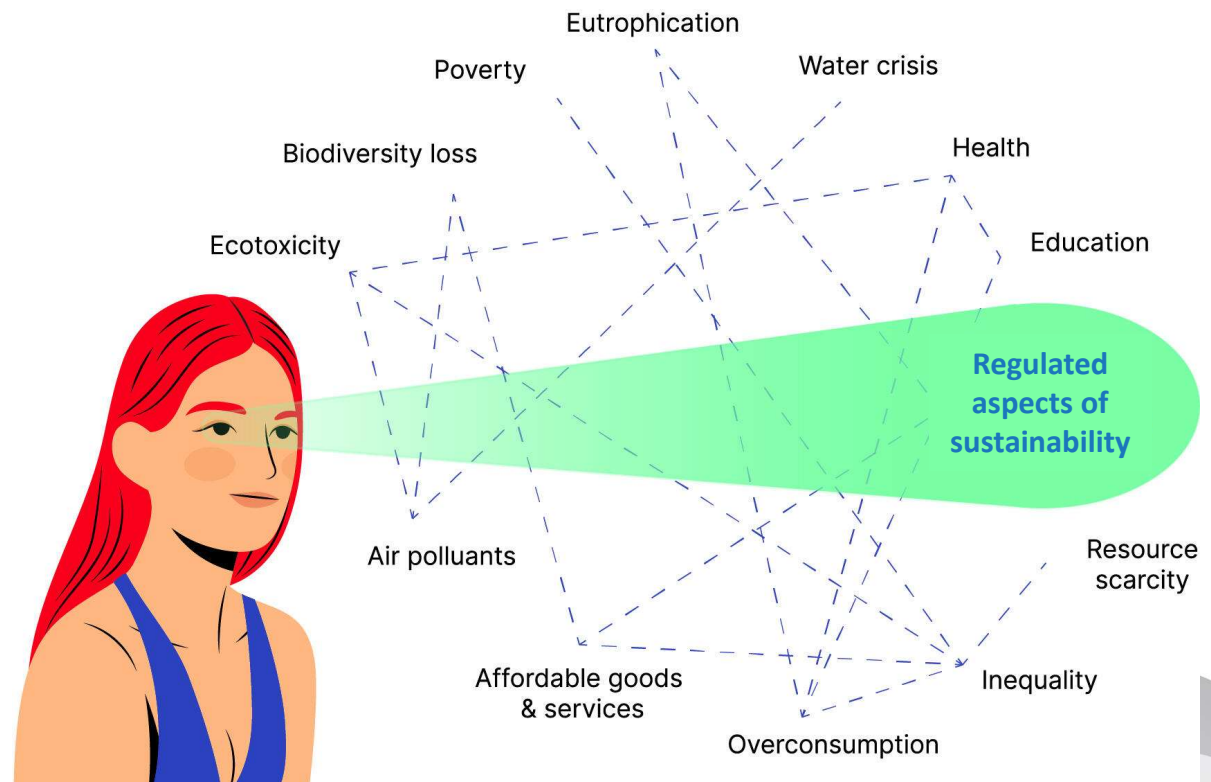
Key takeaways

- Credible voluntary approaches and mandatory obligations are mutually supportive

- Companies can leverage credible systems to support their legal compliance efforts AND pursue broader sustainability outcomes beyond strict compliance

- Credible sustainability systems are dynamic and adaptive – they constantly evolve, improve, and align with relevant legislation

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