



## EXECUTIVE SUMMARY

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### *Towards more sustainable consumption: the conditions for the contribution of social labelling on goods and services*

In response to the referral from the Minister for Ecological Transition, the Minister for Labour, Employment and Economic Inclusion, and the Secretary of State for the Social, Solidarity and Responsible Economy on “the subject specific to social labelling” so that “consumer information” helps to “transition our economy towards a more ecological and united model”, the CSR Platform is issuing an opinion concerning the conditions for the creation and success of such a social labelling system for goods and services.

The CSR Platform also took into account the new legal provisions that came into force after this referral, such as the “Climate and Resilience” law introducing into the French Environmental Code a labelling obligation for a certain number of specific products and services, relating to environmental impacts, or relating to both environmental impacts and compliance with social criteria.

Therefore, ensuring “more sustainable and responsible consumption” by better informing the consumer is the purpose of social labelling together with environmental labelling, and must therefore guide its development and the decisions in its practical implementation: this is the mindset that drove the work of the CSR Platform.

### *Social labelling: necessary clarifications*

The challenge of social labelling lies in its ability to obtain and process information considered relevant, to ensure its reliability, and to provide it to the consumer in an attractive and understandable way so as to inform their purchasing behaviour. As the scope of this information cannot be unlimited, the CSR Platform has therefore provided a definition:

## DEFINITION OF SOCIAL LABELLING

A social label presents information about the conditions of producing a good or service, by means of a sign that is visible or accessible to the consumer at the time of purchasing this product (label, marking or other suitable method).

The content of this information conveys the proven impacts of the productive organisation on the social conditions of producing a good or service at the various stages of its life cycle. These impacts on rights and living conditions may be direct (social conditions of people working in the value chain of the finished product) or indirect (social conditions of people affected by this value chain: families, residents, users).

The scope of this productive organisation is understood as the activities of a company and of the companies it controls directly or indirectly, as well as the activities of the subcontractors or suppliers with which this company has an established business relationship, when these activities are linked to this relationship.

Furthermore, setting up social labelling cannot be purely technical. It also results from a set of political choices at each stage of its construction: selection of data deemed relevant, method of producing and processing this data, and means of making it reliable, in order to convey it to the consumer. The CSR Platform has therefore attempted to draw up a list of practices to set out the necessary conditions and room for manoeuvre to bring together the conditions for effective social labelling and the steps to achieve it.

### *Responding to a growing need for consumer information...*

There is now a growing desire for a **responsible consumption** of products that respects the environment, health and well-being, but also promotes a more local economy, in particular because products are made locally under ethical conditions. Thus, consumers are now more aware of the impact that their purchases can have and see themselves as actors in the transition to a more sustainable consumption model, even if it is clear that this means of action is not in itself enough for transition to a more ecological and inclusive economic model.

However, we note that this asserted sensitivity to social and ethical considerations (such as respect for human rights, workers' rights, social dialogue) is not always reflected in purchasing behaviour.

Without ignoring the constraints of purchasing power, the development of responsible consumption requires the provision of better information. If consumers want more

information, it is also because they consider that the information available to them is insufficient, or on the contrary too in-depth, and does not enable them to make informed consumer choices. The complexity of the information and the consumer's ability to process this information are also obstacles.

### *...while being careful not to add noise to noise*

The number of notices, markings and claims (social, environmental, health, etc.) affixed to products or their packaging or used in institutional communications is increasing: too much information leads to information overload, and there is a risk of adding noise rather than effectively assisting decision-making. The increase in the number of these labels can complicate the consumer's choice, lost between various claims, the reliability of which may be questionable. These initiatives do not offer the same level of commitment and guarantee.

The applications used for grading and evaluating products, particularly in terms of health and ethics, which have emerged in recent years can provide useful information to consumers, but they raise questions about their reliability, transparency in terms of evaluation methodology and scope covered, or accessibility at the time of purchase.

The reliability of information is also undermined against a general backdrop of distrust among consumers and more generally among citizens.

It is also essential to provide them with a simple, visual and accessible comparison tool in order to guide their consumption according to their needs.

In this context, the thinking aims firstly to ensure that the development of social labelling does not add more confusion to the "jungle of labels", within which certain companies or products claim superior value without it being possible to judge the reality of this superiority or its reliability. If this is not achieved, the implementation of social labelling would become a factor aggravating consumer scepticism towards corporate initiatives. It is therefore necessary to remain vigilant in a situation where the existing social labelling systems are not yet fully developed.

### *Create relevant, effective and reliable social labelling: conditions to be met*

In order to ensure the relevance, comparability and reliability of responsible information, as well as consumer confidence, various conditions must be systematically met in its production:

- **A principle of significance and holistic coherence**

The criteria on which the information conveyed by a social label will be built must relate to key issues, and not those that are anecdotal or peripheral to the productive activity. The criteria used for social labelling must take into account the social impacts at the

various stages of the value chain, without disregarding compliance with national legislation in force. Compliance with the principle of holistic coherence also implies that, whatever the form of its presentation, the method of aggregating all the evaluations performed on this value chain prohibits the possibility of compensating for a breach of a major criterion.

- **A principle of verifiability and responsibility of the information producer**

The credibility of a social label requires building guarantees on the accuracy of the message content (the reality of the means and social impacts displayed) and form (the conformity of the text and visual to the means and social impacts claimed). This credibility is based firstly on a principle of verifiability which assumes a robust and verifiable reference system, the transparency of the methodology used by the company or specialist operator, and a control by a third party of the method and results. It is also based on the responsibility of the producer of this information, which must make it possible to penalise misrepresentation and guarantee the possibility of recourse for all parties concerned.

- **A principle of accessible and intelligible information**

The label must provide the consumer with the information they need when making a decision. To promote its impact on the consumer, the label needs to be very visual and enable immediate comparison with other products within the same section. Observing the principle of intelligible information entails choosing a visual that is balanced, because a message that is too simple would not be relevant and a message that is too complex would not be effective.

- **A principle of comparability**

The principle of comparability aims to ensure that the consumer can make an informed choice between the products on sale, regardless of their expertise or time available. Therefore, it should firstly be ensured that the information displayed is compiled using the same method for each category of goods and services. Compliance with the principle of comparability also encourages social labelling to be based on international reference texts that include the fundamental conventions of the ILO, the UN Guiding Principles on Business and Human Rights, the International Covenant on Economic, Social and Cultural Rights and the Sustainable Development Goals. The evaluation for these social criteria must therefore prioritise a *best in universe* approach rather than a *best in class* approach because compliance with a principle or a right, such as decent working conditions, is equally binding on all economic sectors.

- **A principle of feasibility**

To guarantee safe responsible information and relevant social labelling, companies must adhere to the principles set out above and be able to provide the information requested. However, these methods to be implemented are not necessarily within the reach of all

companies, in particular VSEs and SMEs. The development of social labelling should therefore seek the implementation of solutions that are proportionate to the objectives pursued, in the spirit of the principle of proportionality of the Treaty on European Union. Attention should also be paid to the time required to implement this labelling.

### ***The steps to consolidate for relevant, effective and reliable social labelling***

The analysis of the initiatives, in response to the CSR Platform's call for input, and of the hearings by the working group highlights the issues, good practices and critical points at each stage of the process of building social labelling; it thus makes it possible to objectify the options and solutions that seem the most relevant.

#### **Defining the scope: issue of the scope of evaluation and themes covered**

The choice of scope and themes taken into account in the reference system is fundamental: it is the gauge on which the social evaluation is based. The CSR Platform notes that current initiatives have very varied and unreliable practices, and that they focus on the upstream part of the product life cycle while social or societal issues are present throughout the product life cycle and value chain. The definition of social labelling presented in this opinion should allow for more consistency in the reference systems at the same time as their feasibility.

At the thematic level, the eight fundamental conventions of the ILO and the International Covenant on Economic, Social and Cultural Rights are a minimum base for any social labelling reference system. These conventions make it possible to assess essential social criteria on freedom of association, child labour, non-discrimination, general health and safety conditions, etc.

Depending on the product types, other specific themes, related to the nature of the activity or to particular production regions, will need to be added, notably with the issue of "hotspots". This is an essential role for stakeholders in the governance of social labelling.

#### **Producing the necessary data: the challenge of building and accessing the database**

The fragmentation of value chains makes it difficult to know the entire value chain in certain sectors and, in fact, to trace the product and the impacts of its production at all stages of its life cycle. The creation and development of robust, relevant and reliable databases is therefore essential. This involves systematising and organising the documentary review and having a data recording system and certificates of compliance.

It is possible here to rely on existing work in the field of social life cycle assessment, inspired by environmental life cycle assessment, but provided that it is broken down more narrowly at the scale of a product value chain.

## **Processing the data: the issue of the grading system**

Social labelling is not raw information but a structured assessment of observed social impacts. The processing of the data collected on these impacts involves multiple operations (standardisation, weighting, aggregation): the choice of method at each stage modifies the information conveyed to the consumer and the various options presented in this opinion will therefore have to be tested more precisely to establish a robust method. In particular, the choice of standard, i.e. the point of reference against which the comparison can be made, for a grading scale by absolute value or a progressive one; the choice of weighting coefficients, which reflect the respective importance given to each criterion evaluated (but often set by default at 1, i.e. without ranking), etc. The role of stakeholders will also be important here.

Testing with consumers would also make it possible to specify the room for manoeuvre in the presentation of social labelling, which is necessarily based on a multidimensional assessment.

## **Making data reliable: the issue of data credibility**

For obvious reasons of trust, those involved in the evaluation must be independent of the products and companies concerned by the social labelling system, and the data must be evidenced.

The possibility of administrative or legal recourse must also be ensured to consumers, also benefiting the companies and associations concerned, in the event of a fault or flaw with a social label. There is a debate on the ability of existing law to guarantee this means of recourse. This condition necessary for consumer confidence will therefore have to be examined before its actual implementation.

## **Effective display of information: the issue of the effectiveness of a social label**

The presentation of the information must be understandable for the consumer so that it has an impact on the purchasing decision. Different processes need to be tested because: a) their respective effectiveness depends on the choices made upstream regarding the information to be communicated and b) each process has advantages and disadvantages of an economic, psychosocial and technical nature. In particular, digital tools can facilitate access to point-of-sale information but are not accessible to all consumers.

## ***Preparing for implementation taking into account the economic issues for companies***

Coherence between the societal ambition and the practical feasibility of social labelling is a condition of its credibility and its development. Since the effectiveness of social labelling will also depend on the quality of the data provided by companies, their adherence to the approach is an essential ingredient for its success.

The capacity of the smallest companies to implement social labelling must in particular be the subject of careful examination: correctly identifying the obstacles at their level and helping those which report difficulties with engaging in this process. In particular, a fair assessment of these obstacles requires an analysis of the costs and benefits that social labelling can generate.

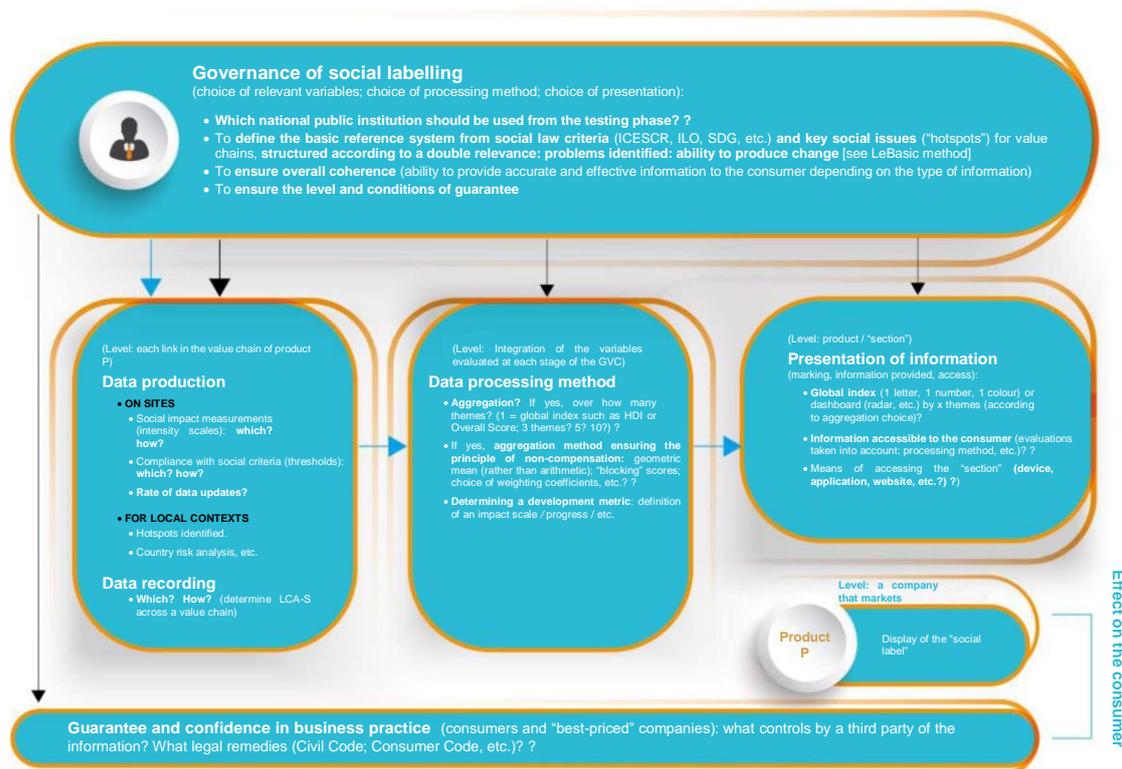
### *Implementing extensive testing*

It follows from the work carried out by the CSR Platform in responding to the referral that a testing phase is an essential prerequisite for implementing a regulated social labelling practice. Particular attention must therefore be paid to the governance of this testing and to the scientific robustness of its implementation and evaluation. Feedback from environmental labelling should also help to adopt the best possible strategy.

This testing should organise on the one hand **the production of missing knowledge** and on the other hand **compare existing methods** to identify good practices for governing social labelling, methods and marking for the consumer. Considerations concerning the connection with the environmental component will have to be made from the start of the testing phase. It will also have to fully consider the difficulties, in particular updating the data provided to the consumer.

**Transparency in the governance of and throughout the entire testing process** is fundamental to building consumer trust. It will thus be necessary to ensure that the national body which defines the information, feeds it back, controls it, etc., is specified and that all stakeholders are involved. Indeed, the subjects and criteria to be explored are vast, and require varied professional skills and experience.

## Steps and prerequisites to follow in social labelling



The CSR Platform has formulated **17 recommendations** for public authorities, professional organisations, businesses and the world of education.

In part V of this opinion, the CSR Platform formulates detailed recommendations, which are summarised below.

### GENERAL POLICY FOR SOCIAL LABELLING

- 1) The CSR Platform has formulated a general definition of social labelling.
- 2) The CSR Platform recommends that social criteria be defined on the basis of:
  - a specific corpus of international texts concerning human rights and development;
  - and regional or local rights and social norms.
- 3) The CSR Platform recommends that the development and implementation of social labelling follows the principles that it sets out.
- 4) The CSR Platform recommends that a national public institution, equipped with the necessary budgetary and technical resources, be in charge of this undertaking, the first stage of which should be testing.

### RECOMMENDATIONS FOR TESTING ROBUST SOCIAL LABELLING

- 5) The CSR Platform recommends a particularly robust testing phase.

- 6) The CSR Platform recommends that testing be implemented in compliance with the following conditions:
  - a system designed to record, process and convey information: it must relate to the product's value chain;
  - verifiable information;
  - creation of shared social databases;
  - a methodological framework for data processing: a common base of themes, compliance with the holistic principle of sustainable development, significant differentiation of products, and data robustness.
- 7) The CSR Platform recommends that the conditions necessary for effective and transparent consumer information be specified: form of social labelling, writing of the information.
- 8) The CSR Platform recommends verifying the conditions for social labelling by all companies by assessing the economic costs and the actual or potential benefits, identifying good practices, and ensuring that the solutions are proportionate.
- 9) The CSR Platform recommends that public authorities prepare and test a public communication campaign.
- 10) The CSR Platform recommends preparing and testing a support approach with professional federations.

## **RECOURSE GUARANTEES**

- 11) The CSR Platform recommends that the legal conditions be ensured in terms of consumer and competitor recourse guarantees.
- 12) The CSR Platform recommends that public authorities provide for the necessary and appropriate resources.

## **SUPPORT AND FACILITATION**

- 13) The CSR Platform recommends that companies develop the measurement of their impact using robust methods, take advantage of existing systems, and engage in sectoral CSR labelling initiatives.
- 14) The CSR Platform recommends that professional federations develop support tools, help identify social issues, and cooperate with the national public institution in charge of the undertaking.
- 15) The CSR Platform recommends that social partners participate in the development of standards and the promotion of this progress.
- 16) The CSR Platform recommends that consumer associations participate in the development of standards and the promotion of this progress.
- 17) The CSR Platform recommends that training and research players develop social labelling methods.